

# PREM19

# 61

GOVERNMENT

MACHINERY

(Rayner review)

(Part 2)

PREM 19/61



PART 3 begins:-

Priestley to CAW 17.9.79

PART 2 ends:-

Priestley to TL 14.9.79

Mr LANKESTER

cc for information

P/S Sir Ian Bancroft  
Sir Derek Rayner  
Mr Mountfield  
Mr Allen

EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT

We spoke briefly about this, following the report of the PM's remarks in yesterday's Cabinet Conclusions, and you are consulting Mr Whitmore about the next steps.

2. It is not clear from the Conclusions when Sir Derek Rayner's minute would be discussed by Cabinet, but I see that the Chancellor of the Exchequer has suggested that discussion should precede action.

3. I think that it would be helpful for Sir Derek Rayner's submission to be circulated as quickly as possible, so that (a) Departments can be preparing for the work envisaged in it and that (b) if Cabinet discussion is deferred for any length of time, Sir Derek Rayner can prepare the ground for this by preliminary talks with some of the key Ministers concerned (notably the Home Secretary, the Chancellor of the Exchequer, the Lord President of the Council and Ministers in charge of the more heavily staffed departments) and, with Sir Ian Bancroft's help, by talking to the Permanent Secretaries collectively.

4. Sir Derek Rayner is back in London this weekend. He would, I am sure, very much appreciate a prior sight of whatever note covering his minute is to be sent to Ministers. Indeed, it might be helpful for this office to draft it.

5. Some points of detail:

a. The returns called for and mentioned by the PM are intended by Sir Derek Rayner to come, not to himself, but to CSD (paras. 16 and 17b of his minute).

b. There are small amendments to be made to the table in paragraph 1 of the minute.

c. I believe that Sir Derek Rayner has acquired a telling piece of material which, with the PM's agreement, he would like to add to paragraph 3 of his minute before it is circulated.

*SP*  
C PRIESTLEY  
14 September 1979

*Spoke to Priestley  
and told him -*

*i) C.O. will circulate  
paper immediately*

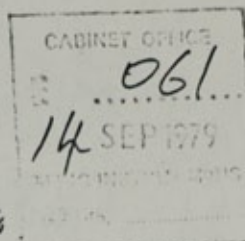
*ii) paper will be discussed  
w- Cabinet on 4 Oct.*

*R  
14/9*

14 SEP 1979

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Covering CONFIDENTIAL



MR VILE

cc Mr Le Cheminant, Mr Lankester,  
& Mr Priestley

THE RAYNER PROJECT.

1. Mr Whitman <sup>HW</sup> <sub>11/12</sub>  
2. Mr

R 17/9

I attach a draft note, under cover of which Sir John Hunt might circulate the Rayner Paper to Cabinet. This overtakes Mr Priestley's minute earlier today.

In circulating, would you please make sure that the right attachment is used: it is the second of the two notes dated 30 August from Sir Derek Rayner to the Prime Minister. The first is a personal note for her own eyes only.

I have discussed this with Mr Priestley. He is arranging for Sir Derek Rayner to see some of the more senior members of the Cabinet before the 4 October meeting. He is also considering whether it will be wise for Sir Derek Rayner to soften-up some of the Permanent Secretaries - possibly at Sir Ian Bancroft's weekly meeting on 19 September. If the paper is circulated on Monday, Permanent Secretaries will have had time to see it first.

Perhaps we could have a word with Sir John Hunt sometime about the kind of conclusions which Cabinet might be expected to reach on this Paper.

R1

P MOUNTFIELD

14 September. 1979.

PS. Mr Priestley tells me that there are some tiny amendments to make on page 1 of the paper; please consult him before arranging reproduction.

CONFIDENTIAL

D R A F T

R

A

F

T CABINET PAPER.

EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT.

Note by the Secretary of the Cabinet.

As agreed at Cabinet on 13 September (CC(79)15 Conclusions, Minute 9) the Prime Minister has asked that the attached minute from Sir Derek Rayner should be circulated to the Cabinet for discussion at the meeting on 4 October, when Sir Derek Rayner will be in attendance.

JOHN HUNT.

14 September 1979

CONFIDENTIAL



19 SEP 1979





MINISTRY OF AGRICULTURE, FISHERIES AND FOOD  
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

The Rt Hon Nicholas Edwards MP  
Secretary of State for Wales  
Welsh Office  
Gwydyr House  
Whitehall  
London SW1

cc Mr Wolfson  
Press Office

NBPM

NJS

14 September 1979

*Dear Sir,*

ADVISORY COUNCIL FOR AGRICULTURE AND HORTICULTURE IN ENGLAND AND WALES

As you will know, I told the Prime Minister in my note of 7 June following our review of Quangos that I proposed to abolish the Advisory Council for Agriculture and Horticulture. The Prime Minister's Office has since confirmed that no comprehensive Government announcement on Quangos is intended, and I suggest that we should make an early statement about the disbandment of the Council.

*in folder*

...  
...

The Council's current inquiry on water is nearly completed and it holds what should be its last meeting on 9 October. I think we should build our timetable around that date by acquainting the Council of our decision then and making a public announcement along the lines of the attached draft Press Notice as soon as possible afterwards. I feel that I should at the same time write to Council members on our joint behalf, as in the accompanying draft letter, thanking them for their services.

I hope this suggested line of action and the enclosed drafts are acceptable to you.

I am copying this letter to the Prime Minister, the Lord President and to other Agricultural Ministers, and to Sir John Hunt.

*[Handwritten signature]*

Peter Walker

JOINT ANNOUNCEMENT BY THE MINISTRY OF AGRICULTURE, FISHERIES AND FOOD  
AND THE WELSH OFFICE

ADVISORY COUNCIL FOR AGRICULTURE AND HORTICULTURE IN ENGLAND AND WALES

The Minister of Agriculture, Fisheries and Food, and the Secretary of State for Wales have decided that the Advisory Council for Agriculture and Horticulture in England and Wales will be wound up when it has completed work on its current inquiry into the future water needs of the agricultural and horticultural industries. In announcing this today, the Minister of Agriculture, Fisheries and Food, Mr Peter Walker, said

"The Advisory Council for Agriculture and Horticulture has performed a valuable service to the Department and to the agricultural industry over the years. The Secretary of State for Wales and I would like to express our grateful thanks to Sir Nigel Strutt and the members of his Council for their work.

We have however concluded that for the future, and in line with the Government's general policy on such matters, any need that may arise for independent inquiry or advice can more appropriately be met by ad hoc arrangements of a less formal kind than by the maintenance of an all-purpose standing committee."

NOTES FOR EDITORS

1. The Advisory Council for Agriculture and Horticulture in England and Wales was set up, under the chairmanship of Sir Nigel Strutt TD DL FRAGS, in February 1973 (Press Notice No 27 of 16/1/73 refers). It was re-appointed for a further term in February 1976 (Press Notice No 91 of 29/3/76) which was extended in February 1979 to enable it to complete its current enquiry into the future needs of the agricultural and horticultural industries for water (Press Notice No 69 of 20/2/79). Its terms of reference are:-

"To consider and report on agricultural and horticultural matters within the field of responsibility of the Ministry of Agriculture, Fisheries and Food which may be referred to the Council by the Minister or the Ministry".

Since 1 April 1978 the Council has been the joint responsibility of the Minister of Agriculture, Fisheries and Food and the Secretary of State for Wales.

2. The present membership of the Council is as follows:-

Sir Nigel Strutt, TD DL FRAGS (Chairman)

Dr Keith Dexter, CB PhD MS (Illinois), BSc (Agric), NDA FI Biol  
(Vice-Chairman)

Professor D K Britton, CBE MA (Oxon), BSc (Econ), FRAGS, DA<sub>g</sub>  
(Bonn)

Lord Collison, CBE

Professor G R Dickson, PhD, MI Biol

Mr H R Fell, NDA FRAGS MRAC

Sir Emrys Jones, BSc LLD FI Biol FRAGS

Mr I A M Lucas, CBE MSc BSc FRAGS

Mr D H Phillips, DFC

Mr D G Stevens

Sir Gwilym Williams, CBE

3. The Council has been engaged on its present remit since March 1978, when it was asked by the Minister:-

"To consider and advise on the future needs of the agricultural and horticultural industries for water, and the measures necessary to promote its efficient use". (Press Notice No 100 of 13/3/78)

DRAFT

LETTER OF APPRECIATION FROM THE MINISTER TO COUNCIL MEMBERS

Sir Nigel has told you that the Secretary of State for Wales and I have decided to wind up the Advisory Council when the work on the current water inquiry is completed. I hope that you will not regard the decision as in any way reflecting adversely upon the Council, or on the work it has done over the past six years. You have provided valuable advice to successive Ministers and helped clarify many important issues of the day.

I am in fact a firm believer in the value of outside advice, but my inclination is towards less formality. I prefer a more flexible approach, dealing with each problem on its merits, with the means of securing advice and the choice of people consulted being determined by the particular nature of the problem. This philosophy of course runs counter to the idea of general purpose advisory committees, and I hope you will understand therefore why I have decided not to continue with the ACAH.

May I nevertheless express my sincere thanks for all your efforts on the Ministry's behalf over your years with the Council. Your work has been well regarded and I know that you will continue to play a part in the affairs of the industry, in which I wish you every success.



18 SEP 1978



VMS  
2 MARSHAM STREET  
LONDON SW1P 3EB

My ref: H/PSO/15205/79

Your ref:

4 SEP 79

See Keith

RMS

QUANGOS

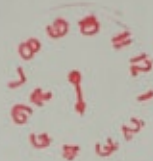
Thank you for your letter of the 10 September 1979 about my minute to the Prime Minister on this subject.

I think that you were referring to my minute of the 22 August, and that your letter may have been rather overtaken by my Private Secretary's letter of 7 September to No. 10, a copy of which was sent to your office. That letter enclosed a further draft of the Press Notice and of the lists of quangos to be abolished and of those which are to remain. The documents now I think make it very clear that the latter are to be subject to continuing review. I trust that this meets your concern about the Development Commission and CoSIRA.

I am sending copies of this letter to the Prime Minister, to the other recipients of your letter and to Sir Leo Pliatzky.

Yours ever  
MHE

MICHAEL HESELTINE



11 SEP 1979



## Cabinet / Cabinet Committee Document

The following document, which was enclosed on this file, has been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB (CABINET OFFICE) CLASSES**.

Reference:

CC(79) 15<sup>th</sup> Conclusions, Minute 9

Date:

13 September 1979

Signed

Q Wayland

Date

31 October 2009

**PREM Records Team**



2 MARSHAM STREET  
LONDON SW1P 3EB

My ref:

Your ref:

13 September '79

*Dear Tim*

QUANGOS

Thank you for your letter of 11 September.

I am writing to let you know that my Secretary of State now intends to make an announcement on Quangos, which will of course include the wording which you recorded in your letter of 11 September, on Monday next, 17 September.

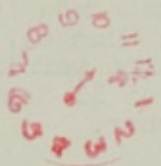
I am copying this to the Private Secretaries of other members of the Cabinet and of the Minister of Transport, Sir Ian Bancroft, Sir John Hunt, Sir Derek Rayner and Sir Leo Pliatsky.

*Yours sincerely*

*Paul Bristow*

P N BRISTOW  
Private Secretary

Tim Lankester Esq



19 SEP 1979

10

FROM THE PRIVATE SECRETARY



HOUSE OF LORDS,  
SW1A 0PW

12 September 1979

*Full*  
*Brix*

*Dear Paul,*

*TP77*  
The Lord Chancellor has seen your minute of 7 September 1979 and has commented as follows:-

"I agree with this, but think the Secretary of State should insert expressly, what is already recognised implicitly, an acknowledgment that Quangos are not intrinsically bad when (i) it is desirable for functions to be carried out outside party politics and (ii) cannot be carried on conveniently under Central Government or the present structure of local Government".

I am copying this letter to the Private Secretaries of other members of the Cabinet and of the Minister of Transport, Sir Ian Bancroft, Sir John Hunt, Sir Derek Rayner and Sir Leo Pliatsky.

*Yours sincerely*  
*William Arnold.*

W ARNOLD

P N Bristow Esq  
Private Secretary to the  
Secretary of State for the Environment  
2 Marsham Street  
LONDON SW1P 3EB

112 SET

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9  
8-1636

CONFIDENTIAL

Meeting postponed - please RF  
when new date arranged.

cc for information

Sir Derek Rayner o/r  
Mr Wolfson

Mr LANKESTER

PRIME MINISTER'S MEETING WITH MR WYATT AND MR CHAPMAN

I attach a background note. Important parts are side- or underlined. This minute sets the scene and offers advice.

2. Sir Derek Rayner's submission to the Prime Minister of 30 August (now endorsed by the Chancellor of the Exchequer in his minute of 10 September) is relevant.

Ministerial references to Mr Chapman since 3 May

3. Sir Keith Joseph mentioned Mr Chapman to Sir DR soon after the Election. The Prime Minister briefly discussed him with Sir DR on 31 May and subsequently mentioned him again on 16 July.

4. Mr Wyatt asked Lord Soames in July if he might bring Mr Chapman to meet him. Lord Soames replied in August, saying that he would prefer to leave things on the basis of the exchanges between Mr Chapman and Sir Derek Rayner (see below); the latter had had several willing offers from outsiders, but did not envisage bringing in anyone yet; in the meantime, Lord Soames did not wish to seem to favour any of those with whom Sir DR was in contact.

Sir Derek Rayner and Mr Chapman

5. Sir DR has taken these references very seriously. He saw Mr Chapman on 30 May. Details are given in the note.

6. The outcome was that Mr Chapman refused an invitation to address the "young Turks" carrying out the departmental projects commissioned by the Prime Minister on the grounds that the Government's and Sir DR's approach is inadequate and, by implication, that he himself should be offered not a speaking engagement but a substantial personal assignment. Sir DR has not ruled out the possibility of inviting Mr Chapman to help him when the work the "young Turks" are doing, now nearly complete, shows what needs doing by way of follow-up action. (Incidentally, because of the seriousness with which Sir DR has taken Mr Chapman's book and Ministerial references to him, the work now in hand includes three projects in the Property Services Agency, on the management of the civil estate, on maintenance economy and on energy conservation. Sir DR expects these to give him an insight into how Mr Chapman's old Department is working now.)

7. Sir DR has found Mr Chapman a mixed blessing, intellectually and personally. These are the main points:

a. He endorses Mr Chapman's "maintenance economy review" technique. His own projects are similar in some important

respects. He sympathises with much of Mr Chapman's analysis. He has given a copy of his book to the "young Turks". But Sir DR does not follow him to the book's conclusion that the responsibility of Ministers and officials for examining work should in effect be transferred to a reformed Exchequer and Audit Department (the "New Audit Department").

b. He shares Mr Chapman's belief that the best savings are achieved after careful review, but not his belief in a large "private army" to review all expenditures (see paragraph 8 of the background note). His submission of 30 August argues that Ministers must learn how to review expenditures themselves and that the central Departments have a crucial part to play on behalf of the PM and Cabinet. He has taken on board the PM's anxiety about how to go after things that worry her and he will want to discuss with her the use of her own Departments, including this unit and the CSD, for this purpose. (As he commented in his submission of 3 July, Sir DR believes that the PM's own Department, the CSD, is a potentially powerful instrument. But it needs leadership from the top. In its ten years it has lacked a strong inspiration from succeeding PMs and is not unlike those Ephesian disciples encountered by St Paul who had "not so much as heard whether there be any Holy Ghost" (Acts,19,2).)

c. Sir DR is not sure that Mr Chapman's account of what happened in MPBW/PSA is trustworthy. Although his ideas were far from being exploited as they should have been, Sir DR thinks that he was not the only right minded person in the Department and that his book gives too little credit to others.

d. For his own taste, Mr Chapman is somewhat too publicity conscious.

Advice

8. The PM will wish to invite Mr Chapman to give his views and suggestions on how to promote efficiency in and eliminate waste from central (and local) government operations.

9. I recommend that the Prime Minister should not hint at or offer employment at this stage.

10. This is because she has employed Sir DR to advise her and carry out assignments on her behalf. He has in hand a lot of work commissioned by her into which he has put much determined but quiet effort. He awaits her response to his submission of 30 August. While he might be able and willing to offer Mr Chapman an assignment this Autumn, he would want to discuss with the PM first any question of extending his staff in such a way.

CP  
C PRIESTLEY  
12 September 1979

BACKGROUND NOTE FOR PRIME MINISTER'S MEETING WITH MR WYATT AND  
MR CHAPMAN, 13 SEPTEMBER 1979

Mr Leslie Chapman joined the then Office of Works, now the Property Services Agency, as an Executive Officer in 1939. After war service (invalided out, 1945) he returned to the Ministry of Works. In 1967 in his 48th year he was promoted Assistant Secretary as Director of the Southern Region, covering Hampshire, Berkshire, Buckinghamshire, Dorset and Oxfordshire. He retired early at his own request on 1 January 1974. His book Your Disobedient Servant was published last year and paperbacked this year. He receives no payment for it. He has since been employed in a consulting capacity by London Transport and, I believe, by a few local authorities. He is seen by the press and TV as the man who blew the whistle on Civil Service prodigality and accordingly as its Bête Noire. He is 60 this year.

The Chapman thesis

2. Mr Chapman derived a general theory for attacking extravagance and inefficiency from his "maintenance economy reviews" in Southern Region and from what he saw, first, as the determined unwillingness of his senior colleagues to accept his ideas for general application and, secondly, as a malign combination of the transience of Ministers, of the inability or reluctance of the central departments to get to grips with spending departments and of the weakness of Parliament in controlling the Executive.

3. The theory starts with the basic question, also underlying Sir Derek Rayner's philosophy, whether the product of administration is worth having at all or at the price paid for it. The attack he recommends would require a strong lead from Ministers and Parliament but because Ministers are weak and Civil Servants not to be trusted, its main instruments would not belong to the Executive. Instead, there would be, first, a "New Audit Department" (vice the Exchequer and Audit Department), which would take over the staffing and inspection functions of the CSD and which would investigate departments and, secondly, a revamped Public Accounts Committee. The PAC would not question Accounting Officers itself. Once presented with the findings of the New Audit Department, it would "fracture /the/defensive screen that surrounds the spending departments" by employing lawyers, accountants and management consultants as inquisitors.

4. The theory offers a selection of targets for early attack; the length and size of the Civil Service hierarchy, the "country house" syndrome, storage establishments, scientific and research establishments, the collection of statistics, the use of cars, foreign travel, the Diplomatic Service and services to export. (Several of these are already covered by the Rayner project or by the CSD's functional reviews, on which Sir DR comments in his submission of 30 August.)



## Rayner and Chapman

5. Sir DR had read YDS before he was appointed. He has also given all the Rayner project officials (the "young Turks") a copy. He invited Mr Chapman to see him and they met on 30 May, when the conversation was dominated by questions of detail about Mr Chapman's account of his experiences in MPBW/PSA (see below). This plainly disappointed Mr Chapman.

6. Sir DR raised the question whether Mr Chapman would be willing to help him in some way, although he could not then say exactly how. Mr Chapman said that he was not interested in sitting on the sidelines, for example on a committee, and he did not give the impression that he would be interested in any assignment forming a subordinate part of Sir DR's project. It was left that Sir DR would be in touch later.

7. On 31 May the PM asked Sir DR whether he would like to use Mr Chapman. His reply was in effect that he would not, as he could not fathom quite what had happened in MPBW, he thought Mr Chapman inclined to give insufficient credit to others and he disliked the accusatory style of the remedies (see para. 3 above).

8. On 8 June, Mr Chapman said in an interview on BBC2's Westminster programme that what the Chancellor was doing on public expenditure had almost nothing to do with cutting out waste. (He is not a believer in "arbitrary" cuts any way.) What was needed was time and energy for a thorough review of all Government expenditure. This would take 2/4 years and the time of 200-400 staff. The interviewer concluded: "Although Mr Chapman has had talks with the new Government, he does not want to find himself back in the Civil Service fighting the old battle. He would be much keener if there was a chance of forming something like a private army, a special cost-cutting unit. But for him the war will continue, whether he is outside Government or inside."

9. Once the Rayner projects were on the stocks, Sir DR invited Mr Chapman to address his officials. Mr Chapman refused on the grounds that the Government's whole approach to efficiency/waste was inadequate and that he himself had a wider audience to consider. Even so, he left the door open for the offer of a specific assignment. Sir DR then wrote to him suggesting that things be left on the footing that they were after the same ends but that Mr Chapman preferred his independence. Mr Chapman replied repeating the inadequacy point and implying that the use to be made of himself must be greater than "one address". Sir DR's answer (2 August) left open the question of future employment, saying that some major tasks would probably emerge in the Autumn; it added in a post-script that the story enfolded in YDS was likely to be found elsewhere in Whitehall.

10. Sir DR likes much of the Chapman approach. Similar ideas about radical investigation leading to action have been developed in his submissions to and talks with the PM, especially his minutes of 30 August. He is far from ruling out the idea of using Mr Chapman in some way, but he has important reservations.

11. First, Sir DR does not agree with the strongly inquisitorial thrust of the thinking behind the New Audit Department etc. He prefers the ideas that Ministers should develop their capacity to manage and be helped to do so by strong leadership and a strong centre. He sees the PM's department, the CSD, as less a broken reed than a force awaiting a direction from the head of the Executive which it has so far lacked. He will want to discuss this with the PM later.

12. Secondly, Sir DR is not keen on the idea of a large private army, although he sees a need for a small one available to the PM. He touched on this in his submission of 3 July. If Mr Chapman were to be employed, Sir DR would very much prefer this not to be other than as a member of his staff but he would want to consider the proposition very carefully first and alongside the question of other candidates.

13. Thirdly, Sir DR suspects that Mr Chapman's account of his work in MPBW/PSA gave insufficient credit to others with the same ideas. YDS makes no mention of Sir John Cuckney, who was brought in by THE last Conservative Government to restructure the PSA, for example. This suspicion was confirmed by a talk Sir DR had last month with Mr Herbert Cruickshank (formerly of Bovis) and Sir Hugh Wilson (architect and town planner, part-time director of PSA 1973-74), both of whom had working associations with PSA early this decade.

14. Mr Cruickshank knew Mr Chapman well, thinks that he did an excellent job as Regional Director, that about 80% of his ideas were good but for the rest he was "a little mad", a real nitpicker and someone who did not know where to stop. Mr Cruickshank thinks that Mr Chapman's ideas were very poorly handled by the then senior management of the PSA, but told Sir DR that he would be horrified at the notion that Mr Chapman should have higher management authority as he had no idea how to manage through others; at meetings of the Regional Directors, for example, his manner to his colleagues was hectoring, accusing and self-congratulatory.

15. It also worries Sir DR that despite Mr Chapman's merits he appears to be a publicity seeker. On his appointment to, I think, the London Transport Board, he allowed himself to be photographed on the way in with an axe over his shoulder. And a week after his visit to Sir DR he was filmed by the BBC going into the Cabinet Office as if to see him. (We agreed to this.) ?

CP  
C PRIESTLEY  
11 September 1979

SEP 2 1979





Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

PRIME MINISTER

EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT

I have seen Sir Derek Rayner's minute to you of 30th August.

2. I found this an impressive piece of work, and I hope that we can give his proposals the support which they will need to achieve a continuing impact on the cost of central government. Much obviously depends on the readiness of ourselves and our colleagues to take the close personal interest in the management of departments which is fundamental to Sir Derek's recommendations.

3. For this reason, I think that the recommendations would best be discussed in Cabinet before we take action to implement them. This will help to ensure the maximum collective commitment, and will enable us to take account appropriately of points which the proposals may raise for individual departments. I may have one or two points to raise in relation to my departments.

4. Along with the responsibility of Ministers for effective management, I attach importance to Sir Derek's comments on the need to motivate departmental line managers. The time that Ministers can give to management is necessarily limited, and one of the best ways in which we can invest it is ensuring that we have effective support at all levels of management within departments. We should watch this point in the presentation of the proposals and what I hope will be the decision to implement them.

/5. I see



5. I see no material problem about the relationship with the annual public expenditure survey which Sir Derek envisages.

6. I am copying this minute to the Lord President, and to Sir John Hunt, Sir Kenneth Berrill and Sir Derek Rayner.

A handwritten signature in black ink, appearing to be "G.H.", written in a cursive style.

(G.H.)

10 September 1979



11 SEP 1979

COMPTON



DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB

Telephone Direct Line 01-212 3301  
Switchboard 01-212 7676

Secretary of State for Industry

10 September 1979

The Rt Hon Michael Heseltine MP  
Secretary of State for Environment  
Department of the Environment  
2 Marsham Street  
London SW1P 3EB

*Dear Secretary of State*

QUANGOS

I have seen a copy of your minute to the Prime Minister setting out your proposed course of action on the Quangos within your area of responsibility. I have an interest in the following of the bodies you have listed: the Location of Offices Bureau, the New Towns Commission and Development Corporations, and CoSIRA and the Development Commission.

I set up the LOB but certainly am not now opposing your proposal. Nor do I oppose your proposal to abolish in due course the Commission for the New Towns or individual Development Corporations. I assume that they will be wound up after the disposal of their assets you are planning. Please do keep me in touch because I have an interest in the future of their industrial assets, especially within the Assisted Areas.

As for the Development Commission and CoSIRA, I proposed to you on 13 August that we need to examine the role of both these bodies to achieve the necessary consistency of approach with our other industrial policies. In addition, our officials are currently conducting a review of the many public bodies engaged in industrial development and promotion. I am concerned that a stark announcement of the retention of these bodies would pre-empt any decisions following from the proposed review or of any decisions on assistance to small firms generally, except in so far as you would be prepared to justify the existence of the Development Commission on the basis of its activities unconnected with industry or commerce.

The simplest course of action might be to add the two bodies to your Schedule C - those Quangos on which more time is needed for a decision - although I appreciate the problems this might cause because of the uncertainty of their future. An alternative might be to announce that they will be retained for now but that the Government will be keeping their activities relating to small firms under review in the context of the evolution of our policy towards small firms generally.

/I am ...







I am sending copies of this letter to the Prime Minister and to the other recipients of yours.

*Yours sincerely*

*PC Mac*

PP KEITH JOSEPH  
(approved by the Secretary of  
State and signed in his absence)

10 SEP 1979



Prime Minister.

I think Sir Derek Rayner's approach, as outlined in his minute, offers a hopeful way of tackling the problem of cutting the cost of central government.

As regards the handling of Sir Derek's proposals, I very much agree with what Mr Pitt-Rivers says at X) below. If they are to receive adequate Ministerial backing, there should be an initial 'second reading' discussion of them in Cabinet. This will commit Ministers to

1. MR. WHITMORE taking the exercise seriously from the outset. If, on the other hand, we leave over the Cabinet discussion until the end of the year (when there is always a press of urgent business anyway), there is a risk that the exercise will get off to an indifferent start.
2. PRIME MINISTER taking the exercise seriously from the outset. If, on the other hand, we leave over the Cabinet discussion until the end of the year (when there is always a press of urgent business anyway), there is a risk that the exercise will get off to an indifferent start.

PS. I have delayed this to await the arrival of the Chancellor's minute at Flag G. He favours kicking off with a Cabinet discussion. *10/18*

I attach at Flag A Sir Derek Rayner's recommendations for

further action through the life of this administration. He has

included a short summary of his recommendations.

*We should have a Cabinet discussion with Sir Derek present, His theme is that Departmental Ministers must see themselves as managers as well as policy-makers, and he offers specific means to this end.* *Thursday*

If you are satisfied with his recommendations, you will need to consider how to promulgate them. When you saw Sir Derek on 16 July, you had it in mind that his submission to you should be taken to Cabinet. In the note at Flag B, Sir John Hunt argues that this would not be timely. He suggests that you might circulate his paper to Cabinet under a covering minute of your own (Sir John's draft is at Flag C) with a view to Cabinet discussion much later in the year.

You have been reluctant to issue circular written instructions from No.10 on management questions, given the frequency with which such instructions leak. As in the case of the Quangos exercise, I think that there is much to be said for your stating to Cabinet at a meeting your endorsement of Sir Derek's programme, to ensure that Ministers actually take on board your firm belief in action along these lines. If the paper has been circulated a few days in advance, as with any other Cabinet paper, this will allow a short discussion if Ministers have doubts about particular aspects of the recommendations. (The Chancellor and the Lord President already have copies of the paper, as their senior officials have been in touch with Sir Derek during its preparation.)



There is a second reason for favouring Cabinet discussion sooner rather than later. Ministers have now been in office long enough to have got to know their Departments. They have had a summer break away from day-to-day issues. This is a good moment to reinforce the message that they must act as managers. It will be much more difficult to get people to focus on this once the pressure of day-to-day business has built up again as we get into the Parliamentary Session and the winter.

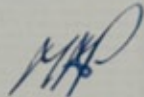
If you are content with Sir Derek's proposals, do you therefore wish to have a Cabinet item on this before the end of the Recess, or would you prefer to adopt Sir John Hunt's suggestions for the handling?

Whilst you are looking at Sir Derek's work, you might like to see papers illustrating some of the other points which he has been following up:

Flag D reports Mr. Priestley's discussions with the Lord Mayor of Plymouth, after Councillor Jinks wrote to you about waste in his Authority;

Flag E covers some further work on local government waste; and Flag F reports on a conference which Sir Derek is holding with those working on his projects on 17 and 18 September.

He had asked whether you would be interested in looking in on this, or meeting some of those involved. This might be interesting, but I doubt whether it is a priority call on your time at present.



7 September 1979

The Cabinet Office will now consider Sir D. Rayner's minutes to Cabinet in accordance with the Home Minister's instructions on Cabinet procedure.

John  
14/9/79

Ref: A0182

PRIME MINISTER

EFFICIENCY AND WASTE

1. I understand that you would welcome advice on the handling of Sir Derek Rayner's minute to you of 30 August about efficiency and waste.
2. Sir Derek Rayner kindly gave us a chance to comment on his minute in draft and accepted some of my suggestions. In general, I am in agreement with the approach he suggests. It is important to emphasise the close connection between policy and management. The latter tends to get insufficient Ministerial attention. The procedure which Rayner proposes should engage their interest in this through the policy content of the proposed 'scrutiny'.
3. I would have preferred, as I told Sir Derek Rayner, to have taken the opportunity of the new-style 'scrutinies' to abolish PAR and Management Reviews. I feel that there is little point in piling one type of review on top of another: and this could lead to departments feeling that the new 'scrutinies' are just another external burden which they are required to bear. But the undertaking to review the future of PAR and Management Reviews next year will help to make the package more saleable in Whitehall.
4. If the new system is to be a success it will be important to get the collective weight of the Cabinet behind it at an early stage. Indeed you originally wanted a Cabinet discussion of the plan before <sup>the end of</sup> the Summer Recess (see Mr Pattison's note of your talk with Sir Derek Rayner on 16 July). Sir Derek Rayner says he has an open mind about the handling of his proposals. My own view is that to put his present paper to Cabinet for discussion at this stage would be a mistake. Cabinet discussions about machinery and procedure tends to be rather sterile. Indeed this one

might get bogged down in the administrative detail of Rayner's proposals. You will remember that you launched the Rayner Project yourself without any prior Cabinet discussion in your minute of 4 June. I think you might proceed in the same way this time.

5. If you agree, the best course might be for you to circulate his paper to Cabinet under a covering note of your own which would say:

i. you agree with his proposals and hope colleagues will collaborate in operating them;

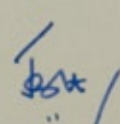
ii. you would like reports from all Ministers in charge of Departments by 23 November, as proposed in his paragraph 16;

iii. you will then arrange for the programme to be collated, as suggested in paragraph 17, and will arrange for Cabinet discussion before it starts, to ensure that it has full collective support;

iv. you will be looking at the results of the other Rayner projects separately in due course, and will bring them to Cabinet as necessary.

I attach a draft minute on these lines.

6. You will also want to consider the question of publicity for the Rayner projects as a whole. I know there have been exchanges with your office about this already. I am sure it is right that Sir Derek Rayner should discreetly and quietly build up some press coverage of his work. (The article in the Daily Telegraph of 28 August seems excellent from this angle.) This should continue, and you may want to take the opportunity of the Party Conference to develop it. Publicity for the new 'scrutinies' scheme should, however, be deferred until after the Cabinet has blessed the first round of the programme in November/December. That would, I think, be a suitable opportunity for a well-orchestrated publicity campaign. To do anything much before then might be premature.

  
JOHN HUNT

7 September 1979

## ECONOMIC COMMENTARY

# St Michael descends upon Whitehall

EVERYONE has their own favourite example of waste in public spending. Councils use ten men to dig up the road where two would do. A Ministry sends three forms where none is needed. Cranks and criminals are publicly funded in the name of social experiment.

Economists may theorise and politicians deliberate but for Tommy taxpayer the gut reason for cutting public spending is that he so often sees his money being wasted. Heaven knows, the private sector is not a model of efficiency in this country. But the Government machine is so vast, taking half the nation's resources, and the disciplines of competition and bankruptcy are so remote that there are special reasons for worrying about efficiency and the level of waste in the public services.

The Prime Minister fully understands this public unease and has appointed Marks and Spencer managing director Sir Derek Rayner to examine the problem. In his first public utterance since his appointment in June Sir Derek acknowledged that it was easier to propose reforms than to see them implemented. He told me: "It's really too early to say that I have done anything yet. The real test will come when we propose action."

The proposals will come sooner than many people expect. Sir Derek expects to have made some recommendations to the Prime Minister by late autumn. His terms of reference are simply "the promotion of efficiency and the elimination of waste" and he interprets this in both a micro and a macro spirit, examining individual programmes and practices and at the same time considering the underlying conventions of public expenditure control.

There are three strands to Sir Derek's investigations. At a fairly prosaic but very important level he and one of his assistants are taking a close look at the volume of paperwork which Government imposes on the private sector and on itself.

The question being asked is not is this piece of paper being pushed around in a worthy cause, but what is its value added (valued interpreted in its widest sense) and can we afford it.

"I know pieces of paper in Whitehall which employ 4,000 people," says Sir Derek with a twinkle. In many cases the question will be can we afford to be quite so scrupulous.

The range of statistics collected

by Government will be one obvious target. In many cases the initiatives for greater information have come from industry and other parts of the private sector, but the burden has become too great. "I think we shall come up with some proposals to cut this paperwork back substantially in the autumn," says Sir Derek.

## Drive for efficiency

The centrepiece of the new drive for efficiency, and the most difficult area to bring effective pressure, is an attempt to get civil servants to re-examine with a fresh eye the methods by which they implement spending programmes. A total of 26 projects spanning all the major departments of Government has been selected for intensive scrutiny over a period of 60 working days ending next month.

A civil service principal has been allocated full-time to the task from within each department and has been charged with listing proposed economies, less his own time and the resources used in the investigation. It is very easy to be sceptical about the results of such a programme of self-examination. Truly, as Sir Derek concedes, the proof will be in greater lightness of the pudding. The first premise of the investigation is that there are many able and dedicated civil servants who are just as baffled as the public.

"From past experience in Whitehall I believe there are tight limits on what a central task force can achieve in promoting efficiency," says Sir Derek. "You have got to take the department with you. When I was appointed I received quite a mailbag which included

many excellent observations by civil servants. So there is a groundswell within."

Leslie Chapman similarly claims in his fascinating book "Your Disobedient Servant" that there are many people inside the civil service who would dearly love to sort it out given proper encouragement. Sir Derek's projects bear a close resemblance to the kind of surveys which Mr Chapman in his civil service days carried out so effectively in the then Ministry of Public Buildings and Works.

The "auditors" have been selected from within the departments with the active involvement of Ministers and are described by some of their colleagues as "Young Turks." Some have already been working on their projects, most come to them with a fresh eye.

## Pressure on costs

Among the questions being asked are do we need so many ways of paying out social security benefits? Is the level of allowances paid to TOPS and other trainees appropriate? Can the procurement of food for the armed forces be made more cost efficient?

Is the Road Construction Unit the best way of organising road construction? Do we need the Consultative Committee on the Curriculum in Scotland?

The third arm of Sir Derek's offensive is a study of Whitehall conventions. One of the potentially debilitating ones is the convention of annuality. Every sum of money voted by Parliament is voted for a specific financial year. If it is not all used during that period the difference cannot be carried over to the next year. Moreover if



underspending is considerable the following year's cash limit may well be reduced.

This is not an ideal system for the efficient use of money. One of the features of the Government's financial accounts is a big rush of spending in the final month of the year as departments seek to use up their allocation, sometimes without sufficient preparation and occasionally without good reason.

On the other hand public spending is such a large element of demand in the economy that firm control over it is essential for economic planning.

Sir Anthony Rawlinson, Second Permanent Secretary at the Treasury in charge of public expenditure, told an audience of accountants earlier this year: "I do not regard this subject as closed. If a scheme can be devised to contain the total amount at risk within a total including the contingency reserve which is judged acceptable, it might be possible to make some wider improvements here. But that is a decision for the future; it will turn in part on the success of the drive to contain total expenditure within acceptable limits."

Another convention under suspicion is that of allied services provided, for instance, by the Stationery Office and the Property Services Agency. Under the present system the responsibility for the amount of paper used lies not with the users but with HMSO and Central Government as a whole. As a result too few questions are asked. Sir Derek Rayner is also looking at whether accounting officers should be nearer the coal-face where the money is being spent, and whether the mix of staff is sufficient flexible.

Overlying the whole subject of waste and efficiency in Government is the ineffectiveness of Parliamentary scrutiny. This is outside the borders of Sir Derek's remit but could be crucial if the present effort is to survive Mrs Thatcher's administration.

We can but hope that the current review of the role of the Exchequer and Audit Department will leave MPs with a rather stronger weapon with which to discharge their traditional responsibility as keepers of the public purse, and that they will use it.

**Rodney Lord**

DRAFT MINUTE FROM THE PRIME MINISTER TO ALL MEMBERS OF THE CABINET,  
MINISTER OF TRANSPORT AND SIR JOHN HUNT

Rayner Project

In my minute of 4 June (M1/79T) I asked Ministers to co-operate with Sir Derek Rayner in the first three tasks which he undertook. You will be reporting to me shortly on the results of this work and I shall arrange for the necessary consultations thereafter.

2. He has now reported to me with his proposals for the longer-term. I enclose his minute, dated 30 August. I hope that all Ministers will collaborate fully in any action he proposes. I should like them all to report to me by 23 November, as he suggests in paragraph 16, on the measures they propose for the first round of the new-style 'scrutinies'. I shall then arrange for the proposals to be collated and a programme prepared for Cabinet discussion. It will be important to ensure that this programme has the full backing of the whole Cabinet.

PRIME MINISTER

EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT

The Starting Point

1. The annual cost of running central Government is some £5,960m made up as follows:

<u>Item</u>	<u>£m</u>	
a. Staff and administrative costs in major departments	3,706	(ie staff in departments other than those at b. - d. plus general administrative expenditure)
b. Common Services and Pensions	1,530.4*	
c. Revenue collection and debt servicing (Customs & Excise, Inland Revenue, Driver and Vehicle Licensing Centre, Department for National Savings)	681	
d. Central Departments (Treasury, CSD, Cabinet Office)	43	

Source: Supply Estimates 1979-80, Cmnd. 7524 (April 1979).

\* Made up as follows, but excluding Defence Accommodation Services, most of which relate to Armed Forces installations:

	<u>£m</u>
Office and General Accommodation Services, PSA	402.3
Overseas Representation Accommodation Services &c	31.6
Administration and Miscellaneous Services, PSA	<u>173.0</u>
Stationery and Printing, HMSO	106.3
Computers and Telecommunications	57.9
Publicity, COI	35.6
<u>Civil Superannuation</u>	<u>534.6</u>
Rates on Government Property	<u>172.8</u>
Civil Service Catering	1.1
Paymaster General's Office	5.2
	<u>1,530.4</u>

2. The Conservative Manifesto included a firm commitment to reduce the total level of Government activity and to making the activity which remains efficient:

"The State takes too much of the nation's income; its share must be steadily reduced ..... The reduction of waste, bureaucracy and over-government will also yield substantial savings." (pages 8 and 9)

3. The media have given expression to public feeling about bureaucracy at all levels and will continue to do so. To disappoint the expectations aroused would confirm the view of many that the bureaucracy will always wear out the new broom.

perfectly.

#### The way forward

4. There are two main ways in which Ministers can enable themselves to do what is really important and stop the squandering of staff and other resources. First, each Minister can reduce the number and scale of his departmental activities where this does not impair the country's health and wealth. Second, he can improve the methods by which that activity is carried out.

5. My general recommendations to achieve those aims are that Ministers should -

- a. regularly review the scale and the efficiency of their operations;
- b. regularly review the cost of their overheads; and
- c. develop their management function in respect of the resources placed in their charge, eg through a flow of key information needed to monitor the use of staff and other departmental facilities.

It is relevant to c. above that the "Rayner project" (see paragraph 6 below) suggested by the Secretary of State for the Environment for his Department concerns an improved system for the provision of management information to Ministers but also that Ministers and their officials would not be starting from cold if the Government adopted the programme I recommend: it would rather be a matter of developing from existing techniques of appraising the cost of operations.

#### A programme of action

6. In your Minute to Ministers of 4 June on the Rayner Project you commissioned a series of projects on functions or activities which might be unnecessary or too costly and wasteful. It is likely that some major reorganisation proposals will emerge from

the projects now under way in the Departments. I have kept in touch with a number of officials engaged on this work and have been able to see at first hand how some of the work is done, which enables me to say with confidence at this stage that there will be opportunities of substantial savings in staff in some areas and a considerable simplification of the way work is carried out.

7. Such reforms will be more obvious to the public and to Parliament than general reforms in respect of, say, the management of the Civil Service, important as those will be (see paragraph 23 below). A programme of action which permits Ministers to make regular announcements that activities have been dropped, reduced or reformed will do much to convince the public that the Government not only means but is in business.

8. I recommend that the programme of action should include -

a. Tests of specific functions to establish whether activity is still necessary at all, whether the intended purposes can be achieved through less activity and whether there is duplication of the activity of other Departments or agencies, for example, whether Government needs all the statistics it collects; whether the procurement of non-warlike stores by and on behalf of the Armed Forces can be further rationalised; and whether the organisation and methods by which social security and unemployment benefits are delivered can be further simplified.

b. Tests of ways of doing things, for example whether in collecting the revenue or delivering social security we make effective use of staff and enable them to feel loyalty and commitment.

c. Tests of the cost of running the Government, for example of housing, furnishing, equipping it and so on.

9. Any scrutiny of how a department does its job begs the prior question of why it does it. This means looking at policy, since the questions "Does the job need to be done at all?" and "Can it be done more efficiently?" are logically inseparable. Any activity should be regarded as disposable or improvable if it does not produce a benefit worth having at the price paid for it. The examinations I recommend should therefore be designed to show whether the policy objectives of expenditure are clearly identified and are still valid, in effect whether the activity bought by the expenditure is one that the Government must carry out, wholly or partly; what is the cost of the activity; whether the responsibilities and accountability of staff are clearly specified; and whether activity is so carried out as to achieve its objectives effectively and economically. Activities engaging large

numbers of staff offer obvious scope for such examination not, I suggest, with the simple intention of reducing numbers but of establishing whether the activity is conducted effectively. In terms of staff morale it is important to make clear that simplifying or mechanising or computerising work improve both the service and the satisfaction of staff delivering it. In all areas of work, it is important that the scrutiny should be seen not as accusatory or inquisitorial, but as seeking in the general public interest thoughtful contributions from staff. This would acknowledge that responsible Civil Servants want to deliver cost-effective services and also that line managers are already expected and should be further encouraged to recommend ways in which the resources in their charge can be better used.

10. The programme will serve its purpose only when action is taken as a result of examination. It should not therefore be allowed to become too formal or bureaucratic. That said, I envisage that the first year's scrutinies should be conducted on a pilot basis, taking into account experience with the "Rayner projects" now under way, so that methods and procedures for the second year can be considered in the light of experience. In order to give my general recommendations substance and to take account of the points made above, I make the following detailed recommendations.

#### Scrutiny of overheads

11. I recommend that each Minister in charge of a Department should, at the appropriate point in the PESC/Estimates cycle, scrutinise the overheads\* of his Department as well as his staff costs and that for this purpose he should make one of his Ministerial team responsible for an annual examination of the relevant expenditures. A regular flow of management information about the use of resources will be essential for this and I shall offer advice in due course, eg on the importance of reviewing past performance and of informed realism in setting targets for the future.

#### Scrutiny of specific functions

12. I recommend that in order to increase their Department's efficiency and effectiveness, Ministers should examine in detail during the course of each year specific functions and the associated use of staff, administrative expenditure and overheads.

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\* The footnote on page 1 details the overheads additional to staff costs. I shall want to comment on the general question of repayment for common services now provided on "allied service" terms in my "conventions" project (see paragraph 23 below).

13. The Civil Service has traditional means of examining work, staff inspection and O & M. While these have an important place in the programme, I believe that they should be ancillary to a new approach. The basic questions to be asked are, "What value is added, to the public good and to efficient administration, by this activity (or procedure, or practice or convention)? Should it be kept at all? What has constrained or now constrains greater effectiveness?" For this purpose, I recommend that Ministers should employ some of their ablest officials to scrutinise the selected activity radically and searchingly. I do not envisage that there should be more than one or two officials for most scrutinies, but they should be able to call upon the Department's resources to help; I generally oppose the committee style in work of this kind.

14. The number of scrutinies to be conducted by Ministers each year depends on the size and character of each Department. I recommend that each Department should have at least one a year and that the executive and larger departments should have, say, three or four a year; no Department should be automatically excluded.

15. The scale and nature of subjects for scrutiny will vary according to the functions of departments. The most obvious but far from the only topics will be likely in Departments bearing directly on the public, eg through the collection of revenue or the delivery of benefits or employment and training services, in which areas several issues have been raised with me. I recommend that early scrutinies be mounted in such areas. Similarly, there are areas of interface or overlap or duplication with other agencies, particularly local government and the nationalised industries; I recommend that exercises be done here also, with the general intention of reducing such duplication or double-banking or excessive monitoring as may be found and of clarifying the purpose and method of such activity as may be necessary.

16. In order to make for consistency as between Departments and to identify subjects which affect the interest of more than one Minister, I recommend that the programme of each year's scrutinies should be decided upon after you have been informed of the proposals for it. To begin with, I recommend the submission of the first pilot proposals, and the notification of arrangements to be made under my recommendations in paragraphs 11 - 15 above, by 23 November.

#### Parts to be played by the central Departments

17. I recommend that the central Departments (HM Treasury, the CSD and the Cabinet Office (CPRS)) should play the following parts:

- a. The CSD, with such assistance from the Treasury and CPRS as may be appropriate, should prepare for you and

for Cabinet an annual statement on the cost of Government, dealing in particular with the main elements of cost, with movements in them and with matters on which the collective interest of senior Ministers should be brought to bear. This might most conveniently be done as part of the PESC process, with the statement being considered at some time in the period July-October.

b. The CSD should collate for you the proposals made by Ministers in charge of departments for scrutinies (see paragraph 16 above) with a view to advising you and senior Ministers whether the most important subjects are included; whether the annual programme is coherent across departments; how problems (identified by departments or the central Departments) which span the interests of more than one Minister should be handled; and also with a view to your indicating those scrutinies in which the intended outcome should be reported to you.

c. The CSD, HM Treasury and CPRS should be authorised to associate themselves with particular scrutinies and to suggest ones additional or alternative to those proposed by Departments. (The degree of "association" would vary according to circumstances between appointing staff to join in an exercise and receiving and commenting on the draft report. The purposes of "association" would be to lend support when necessary; to promote consistency of treatment as between Departments; and to ensure that points of concern to the Minister for the Civil Service and the Chancellor of the Exchequer were properly reflected in the programme of action.)

d. The CSD, with such assistance from the Treasury and CPRS as may be appropriate, should be authorised, whether jointly with them or on its own, to carry out scrutinies of particular activities in collaboration with the Departments concerned and to report to you and to the Ministers in charge of those Departments.

e. The CSD should continue with its programme of assignments, some of which are interdepartmental in character, aimed at producing quantifiable savings (eg in transport, office support services, office machinery and in general "cost consciousness"), but the programme of work for each year should be approved by you in your capacity as Minister for the Civil Service.

Programme Analysis and Review; Management Review

18. The last Conservative Administration introduced new forms of



examination, Programme Analysis and Review and Management Review. Despite the goodwill which has gone into the design and conduct of PAR, it has become over formal and cumbersome in procedure, has not engaged and kept the truly collective interest of either Ministers or officials and has tended to produce reports which are too bulky, tardy and impracticable. As for management review, you have indicated that the planned reviews of the Ministry of Agriculture and the Overseas Development Administration should proceed, but that you would need to be convinced that they produce positive results before authorising further reviews. In my view, the scrutinies I envisage would render the PAR approach unnecessary and I think that it could cease without serious loss; they might replace management reviews in their present form, but I should like to offer you advice on this next Spring, in consultation with the Ministers and senior officials concerned.

### Publicity

19. I recommend that the main features of the programme of action should be announced as early as possible, together with examples of the areas which are the first to be examined.

20. It may be objected to this that it would be far better to announce specific changes, savings or reforms. In fact, the decisions on public expenditure and Civil Service manpower will have been announced by the time the programme is ready. But the main point to emphasise is that this Administration is committed to long-term reform and that this means developing the managerial role of Ministers; looking for further savings by eliminating, simplifying or rationalising areas of work; and taking the time and committing the effort to identify these savings, not least by challenging past conventions.

### Relationships with other exercises

21. The content of the programme would be influenced by the outcome of the exercise on medium-term options for reducing the size of the Civil Service and of the current "Rayner projects" in Departments (cf paragraph 6 above), on which I shall be reporting to you at the end of October, but these do not affect the general principles outlined above. Nor would these principles be affected by concurrent exercises on Circulars to and statutory controls over local authorities or by the review of Quangos.

22. My project on the burden of Government's requests for information\* is relatively free-standing, but I shall probably want to recommend to certain Ministers follow-up exercises for inclusion in the programme of action.

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\* cf paragraph (a) on page 1 of your Minute to Ministers in charge of Departments, 4 June.


23. My project on the conventions of Whitehall which discourage or inhibit the effective management of business and resources by Ministers, an outline of which I shall let you have shortly, is complementary to the programme. Its main purpose is to make recommendations aimed at strengthening the capacity of Ministers to manage their Departments. It is likely to be completed next Spring.

Finding the right people for top management jobs

24. In conclusion, no organisational changes nor improvements in methods will, by themselves, ensure lasting success. The only way I know to get to grips with a complex activity is to put someone in charge whose background and experience suggest that he/she is qualified to do the job. This is one of the messages of recent criticism of the Service; I saw it when I was last in Whitehall; and I am seeing it again now.

25. Managers will not be motivated to show initiative in bringing down costs and eliminating waste, unless promotion and recognition follow success. Their staff will not be inspired to do better unless they understand what their tasks are for and can respect their leaders. Those leaders must not merely take an interest in their suggestions and complaints but actively promote the conditions necessary to the delivery of services in a manner which inspires loyalty, pride and commitment. Things go wrong if outstanding middle managers are passed over by the promotion to top positions of people without management experience, or without interest in the work which will be directed by them in their new appointment.

26. I intend to pursue the questions of appointments to senior management posts and of related matters during my project on "conventions" in consultation with the CSD and other Departments.



DEREK RAYNER  
30 August 1979

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^ Your Minute of 4 June, paragraph (b) on page 1

MANAGEMENT IN CONFIDENCE

PRIME MINISTER

EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT

1. You asked me on 16 July to assist you and your colleagues by offering you recommendations for further action, beginning this autumn and continuing during your Administration.

2. My recommendations are set out in the attached minute written with a view to wider circulation.

3. In summary, they are as follows:

3.1 Each Minister should annually review the cost of running his department. A firm insistence on better management accounting, suitable for scrutiny at top level, will be essential (para. 11).

3.2 But the heart of the matter is that Ministers in charge of departments should consider the efficiency of their operations by examining why and how selected blocks of work are carried out, seeking simplification and, if appropriate, the elimination of some activities (paras. 12-15).

3.3 This work should lead to action. It should not therefore be carried out by committees. Instead Ministers should choose some of their ablest officials to carry out on their behalf radical and searching scrutinies (paragraph 13). Each Minister should select at least one area of activity each year for scrutiny and action, while the executive and larger departments should have 3 or 4 (paragraph 14).

3.4 The areas of activity for priority scrutiny should be those bearing directly on the public, local government and the nationalised industries (paragraph 15).

3.5 The central departments should play the parts itemised in paragraph 17.

3.6 The programme of action should be announced publicly, together with examples of the areas which are the first to be examined (paragraph 19).

L 6,000

What is it?

4. I make an ancillary point, which I regard as very significant: the motivation of staff is important, not least by the promotion to top posts of successful middle managers (paragraphs 24-26). I intend to pursue this in my "conventions" project.

5. There is one point to which I also attach importance but which, having regard to your personal responsibility in the matter, I have not included in my minute. I am against all automatic personal rewards, eg annual increments, but especially honours which "come up with the rations". These confer no special distinction and make for cynicism inside and outside the Service. So I recommend here that senior officials should only receive honours as a mark of genuine distinction for transcendent merit and service in the grade, not as something which is automatically given after a period in office.

6. I propose as my contribution to the programme I outline in paragraph 3 above:

6.1 Such general and specific help as you and your colleagues may wish me to give.

6.2 Following up and helping to implement the particular recommendations made as a result of the projects now under way in departments (cf your Minute to Ministers in charge of departments of 4 June, page 2), on which I shall report to you in October, and drawing out and helping to apply such lessons of more general application as may also emerge from these projects.


6.3 The completion of my exercise on Government's requests for information (cf your Minute of 4 June, page 1).

6.4 The completion of my exercise on the rules and conventions which discourage or inhibit the effective management by Ministers or officials of business and resources (ibid, page 1).

7. I am open-minded about the question of promulgating my recommendations, should you agree with them. The choice seems to lie between putting them to Cabinet or your asking Ministers to take action without prior Cabinet discussion. The advantage of the latter is that my proposals get off the ground in their present shape with the least delay; a possible disadvantage is that Ministers, already busy with staff cuts, public expenditure

exercises and the Quango review, might prefer collective discussion of a programme which would depend crucially on the way they saw and acted on their personal responsibility for its success.

8. I am copying this minute and the one attached to the Chancellor of the Exchequer, the Lord President of the Council, Sir John Hunt, Sir Ian Bancroft, Sir Douglas Wass and Sir Kenneth Berrill.

  
Derek Rayner  
30 August 1979

*Wass*  
*Rayner*

*6 with minutes*

*1/4 locally*  
*1/2 no. 17.*  
*to NAAFE.*  
*Inclusive with*  
*minutes*  
*£12000.*  
*£20000.*

*180 -*  
*16 -*

*0 - four*  
*2 - 25000*  
*to provide it.*

MR PATTISON

THE RAYNER PROJECT: CONFERENCE FOR "YOUNG TURKS", 17 - 18 SEPTEMBER

1. We spoke.
2. Sir Derek Rayner has asked me to show you the attached programme for a conference at the Civil Service College, Sunningdale, for the officials carrying out the "Rayner projects" in departments, in case it is of interest to the Prime Minister.
3. The purpose of the conference is to enable the officials to compare notes as their projects move to a conclusion; to draw out lessons of general application; and to enable Sir Derek Rayner to advise on the analysis of findings and the drafting of reports.
4. Most of the time will be given up to brief accounts by the officials on progress with and likely recommendations on their exercises, the accounts being grouped provisionally thus (marked A/ - E/ on the draft programme):
  - aspects of organisation
  - aspects of administration
  - services
  - aspects of regulation
  - other (Road Construction Units and paper handling).
5. Sir Derek Rayner knows that the possibility of the PM's visiting is remote, so - alternatively - he would if she would like bring a few of the officials to meet her and describe their exercises.

CP  
C PRIESTLEY

30 August 1979



31 AUG 1979

THE RAYNER PROJECT: PROGRAMME FOR CONFERENCE AT CIVIL SERVICE COLLEGE,  
SUNNINGDALE

FIRST SESSION, 1630 - 1830, Monday 17 September

<u>TIME</u>	<u>SUBJECT</u>	<u>SPEAKER</u>
1630 - 1640	<u>Scene setting</u> : purpose of the conference; what has happened since 28 June (paperwork; projects; conventions; managerial role of Ministers; Quangos; E & W in local government).	Sir D Rayner
1640 - 1730	<u>Brief accounts of progress made</u> : types of issue encountered, lessons to be drawn from experience so far.	
	(a) <u>Projects on aspects of organisation</u>	
1640	- Management information for Ministers, DOE	Mr Bradley
1650	- FCO/ODA merger	Mr Adams or Mr McCulloch
1700	- Organisation of the London Collections, C & E	Mr Welling
1710	- Skillcentre network (and TOPS allowances), MSC	Mr Phillips
1720	- Research and development, DEn	Mr West
1730 - 1745	<u>Questions and answers</u>	
1745 - 1830	<u>Brief accounts</u> , (b) <u>Projects on aspects of administration</u>	
1745	- Capital grants for farmers, MAFF	Miss Timms
1755	- Payment of social security benefits, DHSS	Mr Walker
1805	- Unemployment Benefit Office staffing, DE	Mr Lewis
1815	- Consultative Committee on the Curriculum, SO	Mr Martin

SECOND SESSION, 2000 - 2200, Monday 17 September

2000 - 2010 | Questions and answers on Brief accounts (b)



SECOND SESSION (Contd)

<u>TIME</u>	<u>SUBJECT</u>	<u>SPEAKER</u>
2010 - 2100	<u>Brief accounts, (c) Projects on services</u>	
1940 <i>c//</i>	- Charging for Civil Service College courses, CSD	Mr Saunders
1950	- Estate Management in Kingston, PSA	Mr Donaldson
2000	- Procurement of food, MOD	Mr Ponting
2010	- Statistical services, DI	Mr Holmes
2020	- Services to exporters, DT	Dr Spencer
2100 - 2115	<u>Questions and answers</u>	
2115 - 2135	<u>Management in the Civil Service</u>	<u>Mr Nickson</u>
2135 - 2200	<u>General discussion</u>	

THIRD SESSION, 0815 - 1030, Tuesday 18 September

0815 - 0905	<u>Brief accounts, (d) Projects on aspects of regulation</u>	
0815 <i>D//</i>	- Form P45, IR	Mr Pinder
0825	- Attachment of earnings for debt, LCD	Mr Tye
0835	- Public debt and rate collection, NI	Mr McKeown
0845	- Regulation of radio frequencies, HO	Mr Janes
0855	- Controls over highway authorities, WO	Mr Loveluck
0905 - 0920	<u>Questions and answers</u>	
0920 - 0950	<u>Brief accounts, (e) Other projects</u>	
0920 <i>E//</i>	- Road Construction Units, D Tpt	Miss Crafts
0930	- Registry system and paper handling, HM Tsy	Mr Jones
0940	- Correspondence with the public, DNS	Mr Lee
0940 - 0950	<u>Questions and answers</u>	
0950 - 1030	<u>General comments</u>	Mr Janes Mr Nickson Mr S D Walker
1030 - 1045	<u>Coffee</u>	

FOURTH SESSION, 1045 - 1230, Tuesday 18 September

<u>TIME</u>	<u>SUBJECT</u>	<u>SPEAKER</u>
1045 - 1215	<u>General discussion</u> , including; - Questions to Messrs Janes, Nickson and Walker - Questions about the drafting of reports - Comments by officials on their exercises and suggestions about the future examination of activities and functions.	
1215 - 1230	<u>Closing remarks</u>	Sir D Rayner

PERSONAL

✓  
HAP

Mr PATTISON

EMPLOYMENT: Miss A England

You may recall sending me a cutting about this young lady and may therefore like to see the enclosed copy letter from the "Rayner project" Principal in DE. The case exposes the rough edges of agreements management has made with the staff side and I have no doubt that, keen as he is on good conditions for staff, Sir DR will want to question some of the conventions aimed at job and career protection. Those conventions are particularly important in big bureaucracies, like DHSS and DE.

2. In the Wolverton case, I would have thought that Miss England could have been re-employed as a casual and that other casuals could have been brought in too, but I do not propose further action at this stage.

CP

---

C PRIESTLEY  
24 August 1979



## DEPARTMENT OF EMPLOYMENT

Caxton House Tothill Street London SW1H 9NA  
Telephone Direct Line 01-213-3960  
Switchboard 01-213-3000 Telex 915564

C Priestley Esq  
Cabinet Office  
70 Whitehall  
LONDON SW1A 2AS

Date  
24 August 1979

Dear *Clive*  
THE RAYNER PROJECT

*CP*  
*24. VIII. 79*

In your letter of 2 August you raised the case of Miss A England, a casual clerical assistant at Wolverton Unemployment Benefit Office. I have consulted our UB Headquarters Division about the case and they have gone into the background to it.

As you may know staffing levels in the UBS are related very closely to unemployment levels by a system of work measurement agreed with the Staff Side of the DE Whitley Council and known as the "Staffing Basis Scheme". Seasonal fluctuations in the unemployed register can therefore, and do, lead to pockets of over or understaffing in unemployment benefit offices. Short term understaffing, usual in benefit offices during the summer peak of work, can be dealt with by the recruitment of casual staff but overstaffing by permanent staff cannot be so readily corrected and may have to be carried pending correction by natural wastage or a subsequent upward movement in unemployment. One of the inhibiting factors here is the mobility agreement with the National Staff Side which prevents the permanent transfer of clerical staff beyond daily travelling distance of their homes against their wishes.

The other agreement to which you referred is also with the National Staff Side and limits the employment of casual staff to those required for purely short term needs, normally for periods not exceeding 6 months. Departments are bound to abide by these agreements.

As regards Wolverton, the situation there was, I am told, a very unusual one. The office is due for computerisation and a consequent reduction in staff. The DE wanted to avoid recruiting permanent staff locally who would not eventually be needed and a vacancy last January was therefore filled by the casual appointment of Miss England. Unfortunately when her 6 months was up, computerisation had been delayed by accommodation difficulties, the summer peak of work was its height and the office was seriously understaffed. Southampton UBO was the only office in the South East with a surplus of permanent staff and supplied 4 volunteers to work at Wolverton until the peak of work was over. I understand that the surplus in Southampton arose from a recent reorganisation of the UBS in that area and that wastage is expected to correct the situation within the next month or two.

I will of course comment on these points if I find they are material to my project. In the meantime, I hope these explanations clarify the situation.

*Yours sincerely*  
*Leigh Lewis*  
LEIGH LEWIS

*Original in Apple files VLB*

FILE



10 DOWNING STREET

cc CWO  
CSJ  
CO

*From the Private Secretary*

23 August 1979

*Dear Gene*

The Prime Minister has seen the Minister of Transport's minute of 17 August about the London Rail Advisory Committee.

She is content with the proposal that the period of office of the present Chairman of the L.R.A.C. should be extended on a month-by-month basis until Mr. Fowler can take a decision on the future of the Committee.

The Prime Minister hopes that the "alternative arrangements to take the place of the L.R.A.C." will not involve the substitution of one quango for another.

I am sending copies of this letter to Murdo Maclean (Chief Whip's Office), David Laughrin (C.S.D.) and Martin Vile (Cabinet Office).

*Yours ever  
Mike Pattison*

Mrs. E. C. Flanagan,  
Department of Transport.

*VLB*

Original in Appts file

1.



PRIME MINISTER

Agree short-term extension for current Chairman of LRAC, pending its possible winding up?

APPOINTMENTS - IN CONFIDENCE

PRIME MINISTER

Yes Mr. <sup>MA</sup>

In my report of 8 June on the "Quangos" sponsored by my Department, I said that it should be possible to dispense with the London Rail Advisory Committee (LRAC) once we had established satisfactory alternative means of consultation between the parties involved.

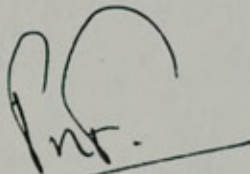
The period of office of the present Chairman of the LRAC, Mr Cyril Herring, comes to an end on 8 September this year, but the terms of his original appointment are sufficiently vague for us to be able to continue him in office for a few months after that date without any further formal action. This would be helpful, as I need to complete the work which I am doing on the resources likely to be available for transport investment in London and the South East, and the implication for public transport (including commuter rail services) before I can consult the GLC, the other Counties involved and the operators about alternative arrangements to take the place of the LRAC. ? These discussions are likely to take a few months. I would therefore like to ask Mr Herring to continue in post on a month-by-month basis until I can take a decision on the LRAC. I understand that he is willing to accept this arrangement, and I know that it would also be acceptable to the GLC, as well as British Rail and London Transport. It would allow us to bring

APPOINTMENTS IN CONFIDENCE

APPOINTMENT - IN CONFIDENCE

the LRAC to a tidy end. This is important because any premature cessation of its activities might encourage the GLC to revise their claims for establishment of a London Passenger Transport Authority and Executive. This is something which I feel we should continue to resist.

I should be grateful to know if you are content for me to proceed in this way. I am sending copies of this to Michael Jopling; to Sir Ian Bancroft (who I know is content) and also to Sir John Hunt.



NORMAN FOWLER  
17 August 1979

APPOINTMENTS IN CONFIDENCE

Meeting is confirmed.  
No further action until  
MAD as in (2)  
below.

Mike

See Clive's letter to Sir Ian  
Barcroft (27 July) at flap.

I've just chased CSD for  
a date for the meeting  
referred to, and they say  
Tuesday 28<sup>th</sup> August 1500 hrs.

I think someone spoke  
to you about it yesterday,  
so unless you have any  
further bits and pieces, shall

we

- ① b/f for Clive's return
- ② b/f for a week before  
the meeting for the list  
referred to in the 1st para?

page.



PERSONAL

✓ HAD

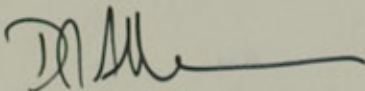
Mr PATTISON

EFFICIENCY AND WASTE

I am sorry that we have not had a chance to talk before I go on leave but I know that you are under pressure.

2. I attach a copy of the minute which Sir DR is sending Sir Ian Bancroft today on efficiency and waste, together with its accompanying draft minute to the Prime Minister. I should be glad to know whether you have any views or comments on this.

3. I also enclose copies of two items concerning DES. The first of these is a minute to the Manpower Under Secretary in CSD about Mr Carlisle's reference to the Management Review in his undated letter to the Lord President on cuts. The second is a letter from Sir DR to Mr Carlisle pushing forward the commissions he has undertaken on behalf of the PM with regard to DES and the education service. You may like to know that Sir DR was very unfavourably impressed by Mr Carlisle's letter to Lord Soames which he thought indicated that the Minister had been captured by his officials.



PP  
C PRIESTLEY  
3 August 1979

Mr BAMFIELD

FURTHER ACTION TO REDUCE THE SIZE OF THE CIVIL SERVICE: DES

The SS/Education and Science says in paragraph 3 of his undated letter to the Lord President that the "recent Management Review has confirmed that [DES] is tightly complemented".

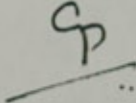
2. This is, I suspect, a good example of the ability of a departmental management to hoodwink an unsuspecting Minister.

3. The DES MR did not do more than describe the arrangements for the control of DES and fringe body manpower. Although the descriptive paper established that in CSD SIEB's view the standards of DES staff inspection are generally satisfactory, no test of staffing was carried out during the MR. Such evidence as there is does not justify DES complacency, namely

a. The note in paragraph 3.14 of the final report that there were signs in A&L and SIR Branches that the distribution or work at senior levels might not be satisfactory and the recommendation that the facts should be established by means of staff inspection.

b. The descriptive paper noted (MR(78) 3, paragraph 18) that staff inspection was not applied to the Inspectorate of Schools. The final report recommended (paragraph 5.37) that DES and CSD should consider the question of how best to assess the workload of the Inspectorate and the future requirement for HM Inspectors.

c. The Director of Establishments referred more than once at meetings of the steering committee to his anxiety about the defective use by DES of Assistant Secretaries.

  
C PRIESTLEY  
2 August 1979



## CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-5305423 ext 233 8224

2 August 1979

The Rt Hon Mark Carlisle QC MP  
Secretary of State for Education and Science  
Elizabeth House  
York Road  
London SE1

*Your Secretary of State,*

Thank you for your letter of 23 July and for sending me a copy of your recent one to the Lord President on the size of the Civil Service.

### The "Rayner project"

2. Your assurances are welcome. The Prime Minister expressed some scepticism when I saw her on 16 July about the subject of study. I explained that you believed there were real issues here and that I myself was hopeful that the study would be worthwhile, not least because the Paymaster General had expressed some anxiety to me about his computer organisation at Crawley with which your organisation at Darlington has connections. I had hoped to discuss progress with Mr Chattaway on a visit to Darlington on 1 August but, owing to ill health, I have had to postpone that until later. At this stage, I think that we may leave things as they are on the basis that the project report will have to be acceptable to us both and that the Prime Minister is likely to take an interest in it.

### Efficiency and Waste in local government

3. The Prime Minister has asked me for advice in connection with efficiency and waste in local government. I should be grateful for the help of yourself and Lady Young in respect of education and the services associated with it. My thinking is as yet pretty uninformed but it may help you to help me if I tell you what is in my mind at the moment.

4. First, there may be policy conflicts between a desire to reduce statutory controls over local authorities on the one hand and the desire to help ensure that educational resources are used to good effect on the other. It would be very interesting to have your views on the right balance, assuming that, if statutory controls

are cut back, you and your Department would be working on the basis of some actual controls which you and the local educational authorities would hope to see as more rational and less irritant than the present pattern and of certain other means of advising and influencing LEAs, including the negotiation of the educational element in the Rate Support Grant, central services and inspection.

5. Secondly, being unfamiliar with the detail of central administration in education, I do not readily see how a central department with limited powers and very limited responsibility for the direct management of institutions can exert any effective influence over autonomous, statutory authorities actually responsible for providing services, in respect of the cost of administration, what happens in educational establishments and ancillary services. This is not so much in terms of such crisis interventions as now when the centre seeks large cuts in the quantum of spending as in terms of the ongoing search for value for money. The problem in education is, perhaps, in giving an effective expression to what I might call the "guarantor" role of the centre as embodied in its general duty to promote the education of the people. This "promotion" role conveys to me the idea of either setting educational objectives from the centre or identifying and making known those set by others; promulgating them at the level of individual establishments as a basis for staff, curriculum and educational resource management; and monitoring to establish whether they are being achieved. In this respect I have great sympathy with the enclosed note sent me by the heads of two comprehensive schools. I have discussed their ideas with them at length and am impressed by the emphasis they laid on defining aims; establishing criteria for success; leadership; and, given what they believe to be the defective arrangements for the accountability for schools, the need for objective examinations from outside the employing LEA (as they place little value on inspection by the LEAs themselves and regret that they and their staffs see your Inspectors in their schools so little) and for the publication of the examiners' reports. (What they said to me about inspection recognised very clearly that schools are different but that it is possible to set sensible criteria for each and to measure each against them. They attach

great importance to the idea that parents and pupils, especially those in the lower ranges of ability, should believe that LEAs and their schools want to deliver good and relevant education and they felt that the "value for money" aspect of central inspection was an important element in this. They also suggested that a damaging lack in our arrangements was that of effective provision for "staff college" training in management for senior staff.)

6. I should be grateful if, as a first step, you would be good enough to let me have notes on the means available to you to promote efficiency and value for money in the provision of educational services and in the use of manpower by local authorities. Then I should very much like, given her local government experience, to discuss these with Lady Young. I note that in your letter to the Lord President you propose no reduction in the size of your Inspectorate; I share the view that it should be effective (especially as I understand numbers of local authority inspectors are being cut), but it would be helpful to know how it is intended to use it to maintain and improve standards in education.

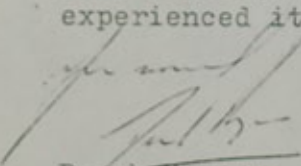
#### Building and other controls over local authorities

7. The Prime Minister has asked me about control of capital expenditure on building by LEAs and about the intended level of the controls exercised on your behalf. I should be grateful for assistance in providing her with information about this next month.

8. I understand that the size of your Architects and Building Branch has been reduced - that, for example, it now has just over 40 professionals in post as against 65 in 1975. It would be helpful if you or your Department could give me staff numbers, distinguishing between professional and other staff, for the period since June 1970; a prediction of future numbers, taking account of the "size of the Civil Service" exercise and of the general review of controls as it bears upon the total level of expenditure on the one hand and on the quality of educational premises and equipment on the other; and a note on the question whether services provided centrally by the Branch do or do not duplicate or overlap those of other agencies, including LEAs - for example, whether LEA architects and surveyors really need advice on matters of quality.

As for other controls, I should be grateful if I might be informed of the outcome of the review now in train.

I am sorry that I have to send you a long letter - that I have a real interest in education as an employer of young people who have experienced it will I hope do something to excuse it.

  
Derek Rayner

PS I am copying this to the Lord President.

REPORT ON STRATEGIES NEEDED TO COPE WITH SOME OF THE PRESENT  
UNIMAGINATIVE USE OF RESOURCES IN EDUCATION AND ENCOURAGE GROWTH  
AT A TIME OF ECONOMIC DIFFICULTY AND FALLING ROLLS.

This is the personal report from the Headteachers of two large S.P.S. Comprehensive Schools which should on any criteria be "seriously difficult" to run. They are not - and we therefore put the following ideas forward because we feel strongly that if sound management techniques have solved many of the problems we have faced then any school should be able to achieve more and cope with impending cuts, micro-technology and falling rolls/roles.

THE AIM:- to point up the present un-imaginative use of resources in Education and to emphasise strategies which may be brought to bear to shed such ineffectual use, thus leaving time, energy and space for further achievement at all levels.

- 1.1 The Aims of every school should be clearly defined (and agreed upon) in an explicit School Management document.
- 1.2 The Objectives included therein should be clear cut criteria with Education taking prime place de facto and other aspects of the school community taking a necessarily subsidiary role.
- 1.3 The quality of the Education provided depends upon sound teaching supported by the effective management of resources; teachers and pupils being the prime resource.
- 1.4 Sound teaching may only occur within a clearly defined framework of order and control.
- 1.5 The pastoral and academic aspects of schools should NOW be integrated. This may be done by careful assessment of academic standards together with social inter-relationships completed by the CLASS TEACHER. Once specialist needs have been identified then the relevant external agency should be involved as teachers are unable per se to influence some social factors over which they have little control.

- 1.6 Education at Primary level should concentrate its resources on numeracy, literacy and oracy and thus prevent unnecessary underachievement at 11+.
- 1.7 Considerable rationalization of post 16+ education should take place immediately to prevent additional wastage of resources.
- 1.8 With such rationalization, middle schools will no longer be a viable proposition.
- 1.9 If schools are to be managed well then Headteachers and Deputies should have basic training in management. Is there any Company that would put in a Managing Director who had never directed? In addition, without the re-establishment of acceptable salary differentials one of the prime motivators of incentive will remain inactive, particularly with Scale IV post holders and above.
- 2.0 The D.E.S. should be i/c such management training yet appear to be insufficiently geared to management techniques (for example, Cosmos N.61 - October 1978, outmoded, outdated and irrelevant material was used at a cost of some £25,000 in salaries and time)
- 2.1 As Secondary Education has no central training centre of its own to compare with the Scottish Centre for Studies in School Administration at Moray House then until such a national establishment is set up institutions such as the Anglian Regional Management Centre and Brighton Polytechnic should be utilized further (although some of their courses are already outdated).
- 2.2 When the D.E.S. carry out "special projects" they should be significantly followed up. On a recent exercise one school completed 500 man-hours of statistics for a particular project. This was followed by a totally inadequate and superficial (in the opinion of both staff and pupils of the school) visitation by four H.M.I.'s. The exercise concluded with an apology personally delivered by a fifth H.M.I. from a chief Inspector. The school still awaits the return of the statistics some seven months later.

\* Courses on the Staffing and  
Management of Schools.

- .3 Likewise courses and projects mounted by L.E.A.'s should be relevant and significant. Frequently they prove to have neither of these qualities.
- 2.4 Schools should be trained and encouraged to mount their own Staff Development programmes
- 2.5 By such internal programmes attitudes of the pupils and curriculum innovation benefit enormously, q.v. the schools of the present writers.
- 2.6 When Staff are encouraged to develop, certain vulnerabilities are reduced and hitherto unknown and unrealized potential is fulfilled.
- 2.7 A basic principle here concerning appointments is that every job above scale one should have a detailed specific job specification.
- 2.8 Agreed methods of decision-making (taken at the lowest appropriate level) should be instituted in all schools, thereby giving security, responsibility and accountability to every member of staff.
- 2.9 The expected and normal aggression and conflict may then be faced openly and dealt with so that unhealthy characteristics are minimized. Staff, pupils and parents should all have their due place for decision-making within the school.
- 3.0 Entry to schools should have a substantial element of parental choice. This acts both as a stimulus and a moderator on standards and increases the public accountability of schools.
- 3.1 L.E.A.'s likewise must show greater evidence of public accountability in the control systems operated by public works.
- 3.2 With micro-technology, the silicon chip and huge non-unemployment at 16+, 18+ and 21+, massive curricula changes will need to be made for the 1980's and 1990's. This will NOT be possible unless attitudes begin to change now by sound in-service-training both at initial and later levels.



3.3

Concerning Initial Teacher Training, students are "licensed to practice" but at times little else. We would suggest that to improve this situation staff in the Universities and Colleges exchange with Secondary teaching staff on a regular basis.

3.4

The D.E.S. could and should provide a framework for these changes by the close monitoring of schools and the dissemination of good practice more quickly and effectively.

In conclusion, if such techniques work (and they do) in OUR SITUATIONS then they can and will in any situation. What we need is better training for Management; the ability to use the resources we already have well and the ruthless cutting out of waste space, energy and manpower. In the longer term Unions and Management must agree on a code of professional standards and procedures to monitor these. Meanwhile we would suggest that the recommendations of this report should be implemented with all possible speed.

Mr PATTISON ✓

na YAP

cc for information

Mr Laughrin  
Sir Derek Rayner  
Mr Allen  
Middle Work Box.

ANNUAL LEAVE

Sir Derek Rayner will be on leave in the weeks beginning 6 and 14 August and his office will be closed for that period. If I am needed, I can be reached at the following address:

Meadows,  
Roborough  
Winkleigh  
Devon  
EX19 8TB

Telephone: 080 53 454

2. You may also like to note that Sir Derek Rayner will be abroad on M&S business in the weeks beginning 3 and 10 September.

SP  
..

C PRIESTLEY  
1 August 1979

-2 AUG 1919



...

COPIRIGHTED

8/19

MR. PRIESTLEY,  
CABINET OFFICE.

I enclose, for the private information of your office, some notes for supplementaries prepared for Prime Minister's Questions last week. These deal with the staffing situation of the Wolverton Unemployment Benefit Office, which was publicised in the press cutting attached to the papers.

This might be of some interest to Sir Derek Rayner, alongside his other examples of questionable efficiency in the use of resources/restrictive practices.

MAP

1 August 1979

SB

PRIME MINISTER'S QUESTIONS: WOLVERTON UNEMPLOYMENT BENEFIT OFFICE

SUPPLEMENTARIES

Q Will the Prime Minister comment on the situation at the Wolverton Unemployment Benefit Office where a girl clerical assistant has been sacked and replaced by two men and two women at considerable cost to the tax payer?

A The Wolverton Unemployment Benefit Office was short of staff last week because of the large number of school leavers and students claiming unemployment benefits. The office at Southampton had a surplus of permanent staff, 4 of whom volunteered to work at Wolverton until the situation improves. The young lady in question was employed temporarily for six months only.

Q If the office was short of staff, why was it necessary to sack anyone?

A We cannot justify keeping on temporary staff when there are permanent Civil Servants available to be reallocated. The nearest office with staff who could be spared at the present time was Southampton. It is not likely that extra staff will be needed at Wolverton for more than a few weeks.

Q Why is it necessary to have extra staff to deal with school leavers and students?

A School leavers and students who are unemployed and seeking work are entitled to claim benefit. This causes a peak of work at unemployment benefit offices in the summer and extra staff are needed to deal with it. Otherwise payments to the longer term unemployed would be disrupted.

BACKGROUND NOTES

1 The Department of Employment's unemployment benefit service has about 1,000 offices throughout the country employing about 18,000 staff. There is a peak of work in the summer caused by school leavers and students who in the last few years have come to sign on for benefit in large numbers.

2 These claims are additional to those by the normal unemployed and extra staff are needed to deal with them. These are usually "casuals" ie, temporary staff taken on for not more than 6 months.

3 Wolverton is in the Oxford benefit area which has a high turnover of both staff and unemployed. Southampton is in a comparatively stable area where recruitment of permanent staff is much easier. It is rare for a benefit office to have surplus staff at this time of year and Southampton is the only one in the southern counties which has one.

4 Casual staff can rarely be retained beyond 6 months because of an agreement with the Civil Service unions which limits the extent to which they can replace permanent civil servants.

# DOLEFUL ANN IS DUMPED



ANN: Cut-price loser

OFFICE girl Ann England lost her job through Government spending cuts.

But the Employment Department office where she worked is actually understaffed.

So FOUR other workers have been brought in from 150 miles away to cope with the work.

The saving on Ann's pay: £14 a week. The cost of the "imported" help: About £300 a week

By EDWARD LAXTON

in fares and allowances. Ann, 18, was employed as a clerical assistant processing unemployment benefit claims at Wolverton, Bucks.

She took the job as a "casual" in January and hoped that it would become permanent. But

because of the Civil Service recruitment freeze, "casuals" are finding themselves out of a job after twenty-six weeks.

Meanwhile the work at the Wolverton office is piling up.

So, the day after Ann left, two women and two men from Southampton moved in.

Their return train fare is £15.25. They receive a "disturbance" allowance of £15.20 a night each and are staying at a local pub.

And since they spend part of Mondays and Fridays travelling, they work the equivalent of only four days.

Ann said: "I really liked the job. This is a lesson in how to save money on paper but spend more in practice."

## Snatch baby is safe

THE nine-day nightmare of mother Rita Greig ended last night when she was reunited with her snatched baby.

After a 200-mile dash to London by police car,

Rita, 19, cuddled her 22-month-old daughter Jeanne in an East End children's home.

The baby had earlier been dumped at a taxi firm's office in Stepney,

London, by a young girl.

The girl is believed to be the same one who took Jeanne from teenage babysitters at her home in Wallsend, Tyneside, last week.

File Pt 2 with  
MAP 1/8/79

NBPM at this stage  
| BF 23/viii | MAP



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD  
WHITEHALL PLACE, LONDON S.W.1

From the Minister

CONFIDENTIAL

PRIME MINISTER

ADMINISTRATIVE TRIBUNALS

I minuted you on 7 June with the results of my review of Quangos, except for Tribunals. Subsequently your Private Secretary's letter of 12 June asked that Administrative Tribunals should be included in the general review.

I have applied the criteria suggested in the Lord Chancellor's letter of 29 May to the Tribunals for which I have sole or joint responsibility. These are:

Agricultural Land Tribunals - 7 in England (There is also a Tribunal in Wales)

Milk and Dairies Tribunals - 7 in England (and 1 in Wales for which I share responsibility with Secretary of State for Wales)

Plant Varieties and Seeds Tribunal (Joint responsibility with Secretaries of State for Scotland, Northern Ireland and Wales)

My conclusion is that all these Tribunals are essential and that their functions could not be carried out more cheaply or efficiently than in their present form.

Copies of this minute go to Cabinet colleagues and to Sir John Hunt.

PETER WALKER  
31 July 1979



LIBRARY OF THE  
BUREAU OF THE ARMY



- 1 AUG 1979



✓  
cc Mr Pattison  
Mr Allen

Sir Derek Rayner

EFFICIENCY AND WASTE

I attach a revise of the draft minute to the PM, together with a draft minute to Sir Ian Bancroft, to be copied to Sir John Hunt, Sir Douglas Wass and Sir Kenneth Berrill, If you think it worth doing so, you might consult Sir Douglas Henley separately.

2. We need to get the draft to Sir Ian Bancroft before we all go on leave at the end of this week, so I should be grateful for early comments.

CP  
C PRIESTLEY  
31 July 1979

DRAFT OF 30 JULY 1979

PRIME MINISTER

EFFICIENCY AND WASTE

1. You asked me to assist you and your colleagues in promoting efficiency and eliminating waste from central Government administration. The purpose of this submission is to offer you my recommendations for further action, beginning this autumn and continuing during your Administration.
2. My recommendations are set out in the Annex to this minute.
3. In summary form they are as follows:
  - (1) Ministers should regularly review the scale and efficiency of their operations; regularly review the cost of their overheads; and strongly develop their function as managers of the resources placed in their charge (paragraph 5).
  - (2) The programme of action which I recommend should consist of tests of specific functions; of tests of ways of doing things; and of tests of the cost of administration (paragraph 8).
  - (3) Ministers in charge of departments should scrutinise their administrative costs annually and make a junior Minister responsible for examining them regularly throughout the year (paragraph 10).

- (4) Ministers in charge of departments should make detailed examinations of examples of the use of staff, the related administrative expenditure and the associated common services (paragraphs 11 and 12).
- (5) Ministers should for this purpose employ some of their ablest officials to carry out on their behalf radical and searching scrutinies (paragraph 13).
- (6) Each department should have at least one exercise a year, while the executive and larger departments should have three or four. No department should be automatically excluded (paragraph 14).
- (7) There should be early exercises on activities bearing directly on the public, local government and the nationalised industries (paragraph 15).
- (8) The programme of exercises for each year should be decided after you have been informed of what is proposed (paragraph 15).
- (9) The submission of the first proposals and the notification of arrangements to be made under my recommendations in paras. 10 - 13 should be made by 23 November (paragraph 15).
- (10) The central departments should play the parts itemised in paragraph 17.
- (11) The programme of action should be announced publicly, together with a list of the areas which are the first to be examined (paragraph 18).

(12) The Treasury, CSD and CPRS should play the parts indicated (paragraph 16).

(13) The programme of action should be announced as early as possible (paragraph 17).

(14) The award of honours to Permanent and Deputy Secretaries, if thought necessary, should be as a mark of distinction for success in the grade and not be made automatically (paragraph 25).

4. If you agree, I propose as my contribution to the programme:

(1) the completion of my exercise on Government's requests for information (cf your Minute to Ministers in charge of Departments of 4 June, p.1);

(2) the completion of my exercise on the conventions which encourage or inhibit the effective management by Ministers or officials of business and resources (ibid);

(3) such general and specific help which you and your colleagues may wish me to give; and

(4) such additional exercises as may be suggested by the outcome of the projects now under way in departments, on which I shall report to you next month (cf your Minute of 4 June, p.2).

Derek Rayner  
September 1979

Note by Sir Derek Rayner

## EFFICIENCY AND WASTE

The Starting Point

1. The annual cost of running central Government is about £5,930m made up as follows:

<u>Item</u>	<u>£m</u>
Staff and administrative costs in major departments	2,640 (ie 733,000 staff plus general administrative expenditure)
Common Services and Pensions	2,029*
Revenue collection and debt servicing (Customs & Excise, Inland Revenue, Driver and Vehicle Licensing Centre, Department for National Savings)	681
Central Departments (Treasury, CSD, Cabinet Office)	43

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Source: Supply Estimates 1979-80, Cmnd. 7524 (April 1979)

\* Made up as follows:

	<u>£m</u>
Office and General Accommodation Services, PSA	402.3
Defence Accommodation Services &c	509.1
Overseas Representation Accommodation Services &c	31.6
Administration and Miscellaneous Services, PSA	163.0
Stationery and Printing, HMSO	106.3
Computers and Telecommunications	57.9
Publicity, COI	35.6
Civil Superannuation	534.6
Rates on Government Property	172.8
Civil Service Catering	1.1
Paymaster General's Office	5.2
	<hr/>
	2029.5
	<hr/>

2. The starting point consists of two related aims. The total level of Government activity should be reduced. The activity which remains should be efficient; by this I mean that, for example, the delivery of a service to the public should be effective, economical and inspire the loyalty of the staff concerned. Your Government's Manifesto included a firm commitment to both these aims:

"The State takes too much of the nation's income; its share must be steadily reduced ..... The reduction of waste, bureaucracy and over-government will also yield substantial savings." (The Conservative Manifesto 1979, pages 8 and 9).

3. YOUR DISOBEDIENT SERVANT and the media have given expression to public feeling about bureaucracy at all levels and will continue to do so. To disappoint the expectations aroused would confirm the view of many that the bureaucracy will always wear out the new broom. I attach a cartoon from THE WASHINGTON MAIL which expresses this perfectly (Appendix).

#### The way forward

4. There are two main ways in which Ministers can promote efficiency (ie enable themselves to achieve the purposes they intend) and eliminate waste (ie cut out both useless expenditure and the squandering of staff and other resources). First, each Minister can reduce the number and scale of his activities where this does not impair the country's health and wealth. Second, he can improve <sup>the</sup> methods by which that activity is carried out.

5. My general recommendations are therefore that Ministers should
- a. regularly review the scale and the efficiency of their operations;
  - b. regularly review the cost of their overheads; and
  - c. strongly develop their function as managers of the resources placed in their charge.

A programme of action

6. In your Minute to Ministers in charge of Departments of 4 June you commissioned a series of exercises on functions or activities which might be unnecessary or too costly and wasteful. These exercises are already indicating that a radical inquiry, questioning features so far taken for granted, can enable Ministers to achieve very substantial reforms within the functions for which they are responsible. For example, I hope that the exercises by the Inland Revenue on the "job change" Form P45, by the MSC on allowances for trainees and by the DHSS on the payment of allowances to social security beneficiaries will produce money savings; again, I expect such exercises to point the way to very worthwhile simplification in organisation.

7. Such reforms will be more obvious to the public and to Parliament than general reforms in respect of, say, the management of the Civil Service, important as those will be (see para. 21 below). A programme of action which permits Ministers to make regular announcements that activities have been dropped, reduced or reformed will do much to convince the public that the Government not only means but is in business. Such a programme depends on the commitment of Ministers to take responsibility for managing their departments and for scrutinising the substance and cost of their activities.



8. I therefore recommend that the programme should include
- a. Tests of specific functions to establish whether activity is still necessary at all, whether the intended purposes can be achieved through less activity, whether there is duplication of the activity of other departments or agencies.
  - b. Tests of ways of doing things, for example whether in collecting the revenue or delivering social security benefits we make effective use of staff and enable them to feel loyalty and commitment.
  - c. Tests of the cost of running the Government for example of housing, furnishing, equipping it and so on.

9. In order to give this substance, I made the following detailed recommendations.

10. First, I recommend that, each Minister in charge of a department should, at an appropriate point in the PESC/Estimates cycle, scrutinise the overheads\* of his department with the assistance of his Ministerial team and of his senior officials. I recommend that each Minister should make one of his Ministerial team responsible for examining overheads with the help of officials at regular intervals during the year, say monthly.

11. Secondly, I recommend that in order to increase their department's efficiency and effectiveness, Ministers should examine in detail during the course of each year examples of

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\* The footnote on p. 1 details the overheads additional to staff costs.

the use of staff, the related administrative expenditure and the associated overheads (eg accommodation, stationery and office supplies). /

11. Secondly, I recommend that in order to increase their departments

effectiveness, Ministers should examine in detail during the course of each year examples of the use of staff, the related administrative expenditure and the associated common services (eg accommodation, stationery and office supplies).

12. Such examinations should be designed to show whether, in typical expenditures, the objectives of activity are clearly identified; the responsibilities of staff are clearly specified; and the activity is carried out effectively and economically.

Activities engaging large numbers of staff offer obvious scope for such examination, not with the simple intention of reducing numbers but of establishing whether the activity is conducted effectively, if it is one that Government must carry out: any activity should be regarded as disposable or improvable if it does not produce a benefit worth having at the price paid for it. In terms of staff morale, it is important to make it clear that the simplification or mechanisation or computerisation of work may both improve the service and the job satisfaction of staff delivering it.

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/ I shall want to comment on the general question of repayment for common services now provided on "allied service" terms in my "conventions" project (see para. 21 below).

13. The Civil Service has traditional means of examining work, staff inspection and O&M. While these have a place in the programme, I believe that they should be ancillary to a new approach. This consists in taking neither the activity examined nor the way it is carried out as given. The basic questions to be asked are, "What value is added, to the public good and to efficient administration, by this activity (or procedure, or practice or convention)? Should it be kept at all? Why are the means of the activity as they are? What has constrained or now constrains greater effectiveness?" For this purpose, I recommend that Ministers should employ some of their ablest officials to scrutinise the activity selected radically and searchingly. I do not envisage that there should be a large team of officials for each exercise but no more than one or two, able to call upon the department's resources to help. I generally oppose the committee style in work of this kind.

14. The number of exercises to be conducted by Ministers each year depends on the size and nature of each department. I recommend that each department should have at least one a year and that the executive and larger departments should have, say, three or four a year; no department should be automatically excluded.

15. The exercises' subjects will vary according to the nature of departments. The most obvious topics will be likely in departments bearing directly on the public, eg through the collection of revenue or the delivery of benefits or employment and training services, in which areas several issues have been raised with me and I recommend that early exercises be mounted in such areas. Similarly, there are <sup>the</sup> areas of interface or overlap

or duplication with other agencies, particularly local government and the nationalised industries; I recommend that exercises be done here also, with the general intention of reducing such duplication or double-banking or excessive monitoring as may be found. And in order to make for consistency as between departments and to identify subjects which affect the interest of more than one Minister, I recommend that the programme of each year's exercises should be decided upon after you have been informed of the proposals for it. To begin with, I recommend the submission of the first proposals, and the notification of arrangements to be made under my recommendations in paras. 10 - 13 above, by 23 November.

16. Thirdly, I recommend that the central Departments (HM Treasury the CSD and the Cabinet Office (CPRS)) should play the following parts:

a. The CSD, with the assistance of the Treasury and CPRS, should prepare for you and for Cabinet an annual statement on the cost of Government, dealing in particular with the main elements of cost, with movements in them and with matters on which the collective interest of senior Ministers should be brought to bear.

b. Similarly, the CSD should collate for you the proposals made by Ministers in charge of departments for exercises (see para. <sup>above</sup> 15/ with a view to ensuring that the annual programme is coherent across departments and to advising you and senior Ministers whether the most important subjects are included.

c. The CSD, HM Treasury and CPRS should be authorised to associate themselves with particular exercises proposed by departments or to suggest exercises additional or alternative to those proposed by departments. The degree of "association" would vary according to circumstances between appointing staff to join in an exercise and receiving and commenting on the draft report. The purposes of "association" would be to lend support when necessary, to promote consistency of treatment as between departments and to ensure that points of concern to the Minister for the Civil Service and the Chancellor of the Exchequer were properly reflected in the programme of action.

d. The CSD, Treasury and CPRS should be authorised, whether jointly or individually, to carry out exercises on particular activities in collaboration with the departments concerned and to report to you and to the Ministers in charge of those departments.

e. The CSD should continue with its programme of assignments, some of which are inter-departmental in character, aimed at producing quantifiable savings (eg in transport, office support services, office machinery and in general "cost consciousness"),<sup>but</sup> the programme of work for each year should be approved by you in your capacity as Minister for the Civil Service.

## Publicity

17. I recommend that the programme of action should be announced as early as possible, together with a list of the areas which are the first to be examined and the timetable.

18. It may be objected to this that it would be far better to announce specific changes, savings or reforms. In fact, the decisions on public expenditure and Civil Service manpower will have been announced by the time the programme is ready. But the main point to emphasise is that this Administration is committed to long-term reform. This means developing the managerial role of Ministers; looking for further savings by eliminating, simplifying or rationalising areas of work; and taking the time and committing the effort to identify these, not least by challenging past conventions.

## Relationships with other exercises

19. The programme would be influenced by the outcome of the exercise on medium-term options for reducing the size of the Civil Service and of the current "Rayner projects" in departments (cf para. 6 above), on which I shall be reporting to you at the end of October or early in November, but these do not effect the general principles outlined above. Nor would these principles be affected by concurrent exercises on Circulars to and statutory controls over local authorities or by the review of Quangos.

20. My project on the burden of Government's requests for information\* is relatively free-standing, but I shall probably

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\* cf para (a) on p.1 of your Minute to Ministers in charge of Departments, 4 June.

want to recommend to certain Ministers follow-up exercises for induction in the programme of action.

21. My project on the conventions of Whitehall which either promote or inhibit the effective management of business and resources by Ministers<sup>/</sup>, a synopsis of which I shall let you have shortly, is complementary to the programme. Its main purpose is to make recommendations aimed at strengthening the capacity of Ministers to manage their departments. It is likely to make some demands on the central departments and perhaps on some other departments, but not on such a scale as to affect the programme of action adversely. It is likely to be completed next Spring.

Finding the right people for top management jobs

22. The only way I know to come to grips with a complex activity is to put someone in charge of it whose background and experience suggests that he/she is qualified to do it. This is one of the messages of YOUR DISOBEDIENT SERVANT; I saw it when I was last in Whitehall; and I am seeing it again now during visits to departments.

23. Things go wrong when this experience is not rewarded by the promotion of successful middle managers and when it is frustrated by the promotion to top management of people from right outside the department or inexperienced in the field. Things are made worse when Permanent and Deputy Secretaries receive the automatic distinctions, respectively, of KCB and CB which are awarded, not for success in those grades, but for having reached them.

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<sup>/</sup> cf (para (b) of your Minute of 4 June.

24. I intend to pursue the question of appointments to senior management posts during my project on "conventions" in consultation with the CSD and other departments.

25. Honours which "come up with the rations" confer no special distinction and make for cynicism inside and outside the Service. I recommend that if it is thought necessary to honour Permanent and Deputy Secretaries, it should be as a mark of genuine distinction for transcendent merit and service in the grade, not as something which is automatically given after a period in office.



DRAFT OF 31 JULY 1979

MANAGEMENT - IN CONFIDENCE

cc Sir John Hunt  
Sir Douglas Wass  
Sir Kenneth Berrill

Sir Ian Bancroft

EFFICIENCY AND WASTE

I understand that the paper for which the Prime Minister asked when we saw her on 16 July is likely to be considered at a Cabinet meeting on 27 September or 4 October.

2. Attached is a draft of the minute I propose to send to the PM, with the idea that it would go to Cabinet under cover of a minute by the PM or be converted into a Cabinet paper by me. I should be grateful if I could discuss it with you as early as possible in the period 20 -30 August, between my leave and my absence in Canada on M&S business which lasts until the weekend of 14 September. I should value your advice on whether the targets have been correctly identified and whether the methods of going after them are sound.

3. I have tried to make the draft concise, although it can probably be tautened still further, and to develop the theme from what the PM said at our earlier meeting on 31 May about the management role of Ministers. The essential points are that I do not believe that there is a proxy (or "hatchet man") outside each department who can substitute for Ministers in the task of management, but also that they must take that task seriously and be helped to do so.

4. My proposals are, basically, that Ministers, with the aid of their officials, the central departments and, so far as I can help, myself should learn how to be managers and should in doing so test the use of resources by their departments.

5. I make recommendations concerning the part to be played by the central departments in para. 16, which I regard as important but whose precise shape I should be glad to discuss with you and with Sir Douglas Wass and Sir Kenneth Berrill, whether at one meeting under your chairmanship or separately.

6. I attach great importance to the points made in paras. 22-25 on top posts holders, although the more significant of these (para. 22) falls to my "conventions" project and I hope to pursue it with you in that context.

7. I should be grateful for comments and suggestions for Sir John Hunt, Sir Douglas Wass and Sir Kenneth Berrill. [?]  
I shall also consult Sir Douglas Henley.]

Derek Rayner



1 JUL 1979

27 July 1979

The Prime Minister has seen the Lord Chancellor's minute of 23 July, reporting the outcome of his review of quangos within his responsibility.

She has noted that the two possible candidates for abolition will be drawn to the attention of the Lord President in the context of the Civil Service cuts exercise.

The Prime Minister was grateful for this assessment, and she is content to see the future of the two bodies identified considered within Lord Soames's exercise. She has it in mind to make arrangements for there to be further discussion with individual Ministers about quangos later in the year, and she considers the Lord Chancellor's Department could be covered very quickly on the basis of his minute.

M.A. PATTISON *SP*

Ian Maxwell, Esq.,  
Lord Chancellor's Department.

MR. WHITMORE

NJ (Whitmore)

Spoke: also spoke to Mr Priestley

12 MAY 20/11

Can we get have a word.

I don't see how this minute (4 a page?) fits with  
the pattern we set in paragraph 12 of the draft.  
It is also much too long. This 26/11

I attach Mr. Priestly's first draft of a minute to the Prime Minister from Sir Derek Rayner, following his discussion with her last week.

I have since spoken to the Prime Minister about the timing of any Cabinet consideration of Sir Derek's work. She accepted that this would be an appropriate topic for sometime in September, before the Cabinet starts to look ahead to the reconvening of Parliament. This means that Sir Derek need not rush to put something to her in the next few days, and I have passed this on to Mr. Priestly.

I think that the draft is on the right lines. Mr. Priestly proposes that follow-up action, after the first round of Sir Derek's work, should include tests of specific activities run by small groups (one or two) <sup>of</sup> able people in all Departments. This coincides with the Prime Minister's current preference for starting by tackling the obvious rather than creating major overall review exercises with no early results. I think it is also right that this future work should be primarily the responsibility of Ministers in charge of Departments themselves, with some involvement from the Centre to assist. I think the Prime Minister will also welcome the proposals to lead Ministers to acquire a greater understanding of the administration of their own Departments, i.e. to become managers.

My only doubt is that these follow-up campaigns could easily stray in the direction of the PAR model which the Prime Minister so much despises. But with that reservation in mind, we might encourage Sir Derek Rayner to put a paper to the Prime Minister along the lines of this draft. We need to check with her at a later stage whether this should be in the form of a minute to her which she circulates, or alternatively in the form of a note by Sir Derek Rayner circulated by the Secretaries.

Do you agree with this approach?

YAP

26 July 1979

cc ✓ Mr Allen

Sir Derek Rayner

EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT ADMINISTRATION

1. I attach a first draft of the minute to the PM which we envisage being attached to a paper by her for Cabinet in September.
2. The paper is necessarily crude at this stage, its main purpose being to stimulate us to think whether it does represent a defensible and manageable programme of action.
3. Mr Pattison suggested that we should get it in to No 10 by the time I go on leave on 3 August. This means that we have to move fairly smartly to agree on a draft with you; to show it to at least Sir Ian Bancroft and preferably also to Sir John Hunt and Sir Douglas Wass; and to show it, possibly at the same time and on a personal basis only, to a few Ministers and Permanent Secretaries.
4. It would be helpful if we could have an early discussion of the draft with you. If necessary, I am available over the weekend for this purpose.

CP

C PRIESTLEY  
19 July 1979

PRIME MINISTER

## EFFICIENCY AND WASTE

1. The size of the field on which you ask me to advise you and your colleagues is shown by the resources it consumes/ The annual cost of running central Government, of its overheads, is about £5,930m, made up as follows:

<u>Item</u>	<u>£m</u>
Staff and administrative costs in major departments	2,640 (ie 733,000 staff plus general administrative expenditure)
Common Services	2,029
Revenue collection and debt servicing (Customs & Excise, Inland Revenue, Driver and Vehicle Licensing Centre, Department for National Savings)	681
Central Departments (Treasury, CSD, Cabinet Office)	43

2. Compared with the total cost of Government expenditure (£52,158m in Supply Estimates for 1979-80), the cost of running Government itself may seem low. It helps if we consider this point through the taxpayer's eyes and remember that he will regard the cost of staffing and servicing a particular function as very high. Here are some staff costs. The figures shown assume that the staff are based outside London and housed in rented accommodation; the London figures are of course higher.

<u>Grade</u>	<u>Basic staff costs plus accommodation and common services</u>		
	<u>£ per year</u>	<u>£ per day</u>	<u>£ per hour</u>
Under Secretary	20,586	92.73	12.53
Principal	13,202	59.47	9.75
Clerical Officer	5,454	24.57	3.32

The starting point

3. The starting point consists of two related aims, that the total level of Government activity should be reduced and that the activity which remains should be efficient, by which I mean, for example, that the delivery of a service to the public should be effective, economical and inspire the loyalty of the staff concerned. Your Government is committed to both these aims. Its Manifesto included a firm commitment:

"The State takes too much of the nation's income; its share must be steadily reduced ..... The reduction of waste, bureaucracy and over-government will also yield substantial savings." (The Conservative Manifesto 1979, pages 8 and 9).

4. YOUR DISOBEDIENT SERVANT and the media have given expression to public feeling about bureaucracy at all levels and will continue to do so. To disappoint the expectations aroused would confirm the view of many that the bureaucracy will always wear out the new broom. I attach a cartoon from THE



WASHINGTON POST which expresses this perfectly (Annex A).

General thoughts on the way forward

6.

I believe that there are two main ways in which Ministers can promote efficiency (that is, enable themselves to achieve the purposes they intend) and eliminate waste (that is, cut out both useless expenditure and the squandering of staff and other resources). First, they can reduce the number and scale of their activities. Second, they can improve methods by which that activity is carried out.

7. That is easily said. The basic problem is how to reduce activity and to make the reduced activity more efficient. I believe that this means a combination of action by Ministers collectively and Ministers individually.

8. Your Government has accepted that it is the personal responsibility of each Minister to promote efficiency and eliminate waste. is no proxy who can substitute for Ministers in this respect. Indeed, there / I believe that Ministers must strongly develop their function as managers of the resources placed in their charge and reject the conventional view that a Minister who concerns himself with the administration of his department ceases to be a Minister. I suggest that Ministers and their senior officials should develop and practise the habit of reviewing their functions, the cost of their overheads and the efficiency of their operations.

9. Very substantial reforms can be achieved by Ministers within the particular functions of government for which they are responsible. Such reforms will be more obvious to the public and to Parliament than general reforms in respect of, for example, the management of the Civil Service, important as those will be. I believe that a programme of action which permits Ministers to make regular announcements that activities have been dropped, reduced or reformed will do much to convince the public that the Government not only means but is in business.

10. However, everything cannot be done at once. This Government has shown determination in squaring up to efficiency and waste. I suggest that the various initiatives now in hand should be seen as a first and in some respects an exploratory stage of action, leading onto a programme or campaign which can be sustained by the Cabinet and Ministers individually throughout the life of the Administration.

#### A programme of action

11. The Government has in hand a number of exercises which bear on the number and scale of its activities and on methods of administration. I regard these as constituting phase 1 of its programme of action on efficiency and waste. The reports on such of them as will be completed in the next few months will enable you and your colleagues to see what cannot be seen now, namely the possibilities open to you under the public expenditure and Civil Service medium-term options exercises and the first outcomes

of the exercises on Circulars, statutory controls over local government, Quangos and the studies of particular departmental functions which Ministers, in response to your Minute of 4 June, are conducting in consultation with me.

12. I recommend therefore that an opportunity for deciding on the scope of a second stage of action should be written into the plan for the Autumn's work. If you agree, the sequence in which exercises should be reported to you and the Cabinet, so that action and as necessary publicity can be planned, would be as follows:

September

- Decisions on public expenditure, Cabinet
- Decisions on Civil Service medium-term options, Cabinet
- Synopsis of my "conventions" study agreed by you

End October/early November

- Report on studies of departmental functions to you, then Cabinet
- Reports on progress with Circulars, statutory controls and Quangos to you, then Cabinet
- Plan for second stage of action, to you, then Cabinet

November /December

- Second stage of action launched.

13. As to the content of the second stage of action, I recommend that it should include

a. Tests of specific functions to establish whether activity is still necessary at all, whether the intended purposes can be achieved through less activity, whether there is duplication of the activity of other departments or agencies.

b. Tests of ways of doing things, for example whether in collecting the revenue or delivering social security benefits we make effective use of staff.

c. Tests of the cost of running the Government, for example of housing, furnishing, equipping it and so on.

14. I shall want to offer you a more detailed scheme when I have seen the reports on the medium-term and other exercises.

15. As to the question of responsibility for the second stage, I recommend that action should lie mainly with Ministers in charge of departments, but also partly with the central Departments and partly with a combination of the two. The bulk of the work must be done by Ministers with the direct responsibility for the management of resources. The involvement of the centre, as I envisage it, is partly to assist departmental Ministers by bringing special skills and experience to bear; partly to assist Ministers collectively to satisfy themselves that the way in which cases are examined is consistent as between departments and partly to conduct studies which cross departmental boundaries and affect the interest of more than one Minister.

16. As to the method of the second stage, I recommend the adoption of three techniques.

17. First, I recommend that, each Minister in charge of a department should, at an appropriate point in the PESC/Estimates cycle, scrutinise the overheads of his department with the assistance of his Ministerial team and of his senior officials. To put themselves in a position to undertake such a scrutiny effectively, Ministers would have to accept that they spent some time during the year familiarising themselves with the operation of their department. I recommend that each Minister should make one of his Ministerial team responsible for examining overheads with the help of officials at regular intervals during the year, say monthly.

18. Secondly, I recommend that in order to pass beyond familiarising themselves with the cost of their department and its operations to the more important business of increasing its efficiency and effectiveness, Ministers should examine in detail during the course of each year examples of the use of staff, the related administrative expenditure and the associated common services (eg accommodation, stationery and office supplies).

19. Such examinations should be designed to show whether, in typical expenditures, the objectives of activity are clearly identified; the responsibilities of staff are clearly specified; and the activity is carried out effectively and economically.

Activities engaging large numbers of staff offer obvious scope for such examination, not with the simple intention of reducing numbers but of establishing whether the activity is conducted effectively, if it is one that Government must carry out: any activity should be regarded as disposable or improvable if it does not produce a benefit worth having at the price paid for it. In terms of staff morale, it is important to make it clear that the simplification or mechanisation or computerisation of work may both improve the service and the job satisfaction of staff delivering it.

20. The Civil Service has traditional means of examining work, staff inspection and O&M. While these have a place in the second stage, I believe that they should be ancillary to a new approach. This consists in taking neither the activity examined nor the way it is carried out as given. The basic questions to be asked are, "What value is added, to the public good and to efficient administration, by this activity (or procedure, or practice or convention)? Should it be kept at all? Why are the means of the activity as they are? What has constrained or now constrains greater effectiveness?" For this purpose, I recommend that Ministers should employ some of their ablest officials to carry out on their behalf radical and searching but not over long studies. I do not envisage that there should be a large team of officials for each study but possibly one or two, able to call upon the department's resources to help. I am generally opposed to the committee style in work of this kind.

21. The number of studies to be conducted by Ministers each year depends on the size and nature of each department, as well as upon the political importance attached to the efficiency and waste exercise. I recommend that each department should have at least one study a year and that the executive and larger departments should have, say, three or four a year.

22. The subjects of study will also vary according to the nature of departments. Some small "policy" departments may believe that they have few or no activities responsive to the "efficiency/effectiveness" approach. This is mistaken, in my view. A "policy" unit consumes resources like everyone else and its inefficiency or lack of clarity about objectives may well lead to the squandering of resources by central Government or other agencies. So I recommend that no department is automatically excluded. But of course the most obvious changes will be likely in departments bearing directly on the public, eg through the collection of revenue or the delivery of benefits or employment and training services, in which areas several issues have been raised with me and I recommend that early studies be mounted in such areas. Similarly, there <sup>are</sup> the areas of interface or overlap or duplication with other agencies, particularly local government and the nationalised industries; I recommend that studies be made here also, with the general intention of reducing such duplication or double banking or excessive monitoring as may be found.

23. Thirdly, I recommend that the central Departments (HM Treasury the CSD and the Cabinet Office (CPRS)) should play the following parts in the second stage of action:

a. The CSD, with the assistance of the Treasury and CPRS, should prepare for you and for Cabinet an annual statement on the cost of Government, dealing in particular with the main elements of cost, with movements in them and with matters on which the collective interest of senior Ministers should be brought to bear.

b. Similarly, the CSD should collate for you and for Cabinet the proposals made by Ministers in charge of departments for studies of activities, with a view to ensuring that the annual programme is coherent across departments and to advising you and senior Ministers whether the most important subjects are included.

c. The CSD, HM Treasury and CPRS should be authorised to either to associate themselves with particular studies proposed by departments or to suggest subjects of study additional or alternative to those proposed by departments. The degree of "association" would vary according to circumstances between appointing staff to join in a study and receiving and commenting on the draft report. The purposes of "association" would be to lend support when necessary, to promote consistency of treatment as between departments and to ensure that points of concern to the Minister for the Civil Service and the Chancellor of the Exchequer were properly reflected in the programme of action.



d. The CSD, Treasury and CPRS should be authorised, whether jointly or individually, to carry out studies of particular activities in collaboration with the departments concerned and to report to you and to the Ministers in charge of those departments.

e. The CSD should continue with its programme of assignments, some of which are inter-departmental in character, aimed at producing quantifiable savings (eg in transport, office support services, office machinery and in general "cost consciousness"),<sup>but</sup> the programme of work for each year should be approved by you in your capacity as Minister for the Civil Service.

#### Publicity

24. I recommend that once the Government is committed to a second stage of action, it should announce it publicly, together with a list of the areas which are the first to be examined and the timetable.

25. It may be objected to this that it would be far better to announce specific changes, savings or reforms. In fact, the decisions on public expenditure and Civil Service manpower will have been announced by the time the second stage is ready. But the main point to emphasise is that this Administration is committed to long-term reform. This means developing the managerial role of Ministers; looking for further savings by eliminating, simplifying or rationalising areas of work; and

taking the time and committing the effort to identify these, not least by challenging past conventions.

#### Summary of recommendations

1. The initiatives now in hand constitute a first stage of action, which should lead to a programme or campaign sustained throughout the life of your Administration (paragraph 10).
2. Decisions on the scope of the programme should be taken during the Autumn (paragraph 12).
3. My provisional view is that the programme should consist of tests of specific functions; ways of doing things; and the cost of administration, but I shall offer a detailed scheme when I have seen the reports on the Civil Service medium-term and other exercises (paragraphs 13 and 14).
4. Responsibility for action under the programme should lie mainly with departmental Ministers, but also partly with the central departments (paragraphs 15 and 23).
5. Ministers in charge of departments should scrutinise their administrative costs annually and make a junior Minister responsible for examining them regularly throughout the year (paragraph 17).
6. Ministers in charge of departments should make detailed examinations (cf 3. above) of examples of the use of staff, the related administrative expenditure and the associated common services (paragraphs 18 and 19).

7. Ministers should for this purpose employ some of their ablest officials to carry out on their behalf radical and searching but not overlong studies (paragraph 20).
8. Each department should have at least one study a year, while the executive and larger departments should have three or four (paragraph 21).
9. No department should be automatically excluded; there should be early studies in activities bearing directly on the public, local government and the nationalised industries (paragraph 22).
10. The central departments should play the parts itemised in paragraph 23.
11. The second stage of action should be announced publicly, together a list of the areas which are the first to be examined (paragraph 24).

Derek Rayner



10 DOWNING STREET

PRIME MINISTER

The Lord Chancellor reports below on his internal review of quangos, and concluded that two might be dispensible.

He is drawing these possibilities to the attention of the Lord President in the context of the Civil Service cuts exercise.

Should we say in reply that you are grateful for the assessment that he has made, and that you are content that the future of these two bodies should be considered within Lord Soames's cuts exercise? We could also mention that you will be making arrangements for there to be further discussions with individual Ministers about quangos later in the year, and that the Lord Chancellor's minute should enable his Department to be covered very quickly.

26 July 1979

MAP

Yes sub

A

Ref. A049

PRIME MINISTER

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Review of Quangos

Paragraph 4 of Sir Ian Bancroft's minute to you of 23rd July rightly identifies a question (viz. whether the main objective is to save money and manpower, or to reduce the absolute number of Quangos) which has not come out very clearly in the earlier discussions: but I am not altogether sure that I agree with the answer which seems to be implied. There are a very large number of Quangos which cost very little indeed, and which keep a particular vested interest group happy. Almost all Departments have therefore concluded that these Quangos should be retained. This de minimis approach may well be right if the main object of the exercise is to reduce expenditure. On the other hand, it is arguable that these bodies still do have an economic cost and waste people's time. I suggest therefore that in all cases Sir Leo Pliatzky should start with a presumption towards abolition unless a clear case for retention can be made.



(John Hunt)

25th July, 1979



HOUSE OF LORDS,  
SW1A 0PW

23rd July 1979

Prime Minister

Review of Quangos

*separate  
to refer to  
S.P.*

Further to my minute of 7th June, I have come to the conclusion that the only two of my quangos whose abolition is worth consideration are the Council on Tribunals (for which I share responsibility with the Lord Advocate) and the Lay Observer appointed under the Solicitors' Act 1974.

The Council on Tribunals costs some £0.13M a year. It was set up by statute following the Crichton Down affair and no doubt continues to be regarded by some - although not by me - as an important part of the apparatus for preventing, or exposing, Governmental excesses. Its disappearance would probably lead to pressure for other changes in administrative law, particularly in relation to tribunals, which might eventually cost more than had been saved. On balance I am doubtful of the case for abolition, but as there is at least the possibility of a useful saving I shall include it in my report to the Lord President later this month on means by which the size of my Department might be reduced.

The Lay Observer's function is to examine allegations made by members of the public about the treatment by the Law Society of complaints made against Solicitors. He submits an annual report to the Lord Chancellor which is laid before Parliament; the cost of his office is £22,500 a year. Abolition would involve legislation; it would certainly be criticised by the "consumers' lobby" and there is a certain value in the institution which I should be sorry to lose. The Lay Observer's existence is good for the "image" of the legal profession. Nevertheless, I will include him in my report because we could do without him; but he is only a mini-quango.

There is no other body for which I am responsible the abolition of which would effect any significant saving. They are all advisory and analogous bodies who give their services free.

H: of S: M.



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10 DOWNING STREET

From the Private Secretary

BF 27. 7. 79

MR. PRIESTLEY

During the Prime Minister's meeting this morning with Sir Derek Rayner and Sir Ian Bancroft, the following conclusions were reached.

1. The Prime Minister noted the timescale of the Rayner projects, and the additional work which Sir Derek has in hand on Government forms and on the philosophy of Government. She was content to await the outcome of these exercises.
2. She expressed herself disappointed with the initial response of Ministers to the review of quangos. She did not favour proceeding with this exercise (or any others) through further circularised instructions and a further batch of written replies. She wished to see a suitable individual asked to follow up the elimination of quangos individually with departmental Ministers. Sir Ian Bancroft agreed to provide a nomination by 28 July. The Prime Minister also expressed the view that a significant reduction might be best achieved by setting a numerical target in preference to calling for a major review of existing quangos.
3. The Prime Minister agreed that the various exercises on questions of waste and efficiency should be brought together in a main campaign with Cabinet authority behind it. She would like this to be considered by Cabinet before the end of the summer recess. We will be in touch further about the precise timetable for submission of a draft of that paper.
4. The Prime Minister expressed considerable disappointment with the responses from those departmental Ministers who had been asked to suggest ways of tackling local authority waste. Whilst she did not wish to initiate a further independent exercise at this stage, she wished Sir Derek Rayner to tackle waste in local authorities to the extent possible within his present terms of reference.
5. The Prime Minister declared her intention to tackle waste and efficiency questions during her planned series of departmental visits. To this end she asked that she be provided with as many specific examples of these problems

/ in the departments



W. R.

MANAGEMENT IN CONFIDENCE

- 2 -

in the departments in question as part of her briefing for these visits. (I will ensure that you and Sir Ian Bancroft's Office are given advance warning of these visits when scheduled, to enable you to put into the Prime Minister any views or information which you feel would be helpful.)

6. The Prime Minister agreed, with some reluctance, that the two management reviews (ODA, MAFF) now scheduled should go ahead, although she would want to be convinced of the positive results before authorising further such reviews. She asked Sir Derek to take a close interest in these reviews. She asked Sir Ian Bancroft to ensure that the steering committees for them are kept as slim as possible.
7. In respect of publicity for the Rayner projects, the Prime Minister asked Sir Derek to make his own judgement as to how publicity could assist his aims, but indicated that she would prefer publicity to be sparing until there was something positive to report.

In the course of the meeting, Sir Derek also undertook to the Prime Minister to look into DES control of capital expenditure on school building, and other traditional DES functions, where the Department had reported that it was now disengaging.

In respect of the quangos exercise, we agreed later that the draft "Dear Private Secretary" letter prepared by Sir Ian Bancroft should now become the main briefing material for whoever is selected to visit departmental Ministers individually. The drafting of this letter had not been finalised, following several exchanges between your office and Sir Ian's. Could I ask you and Sir Ian's Office to consult further and produce an agreed paper which we could show to the Prime Minister when we have a nomination to put to her for this job?

I am sending copies of this minute to David Laughrin (Civil Service Department), and to Martin Vile (Cabinet Office) in view of the decision to take these matters up in Cabinet.

M. A. PATTISON

16 July, 1979.

S.P.

1. Mr Whitmore full  
2. na  
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NOTE OF A MEETING HELD AT 10 DOWNING STREET AT 12 NOON ON  
MONDAY 16 JULY 1979

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Present: The Prime Minister  
Sir Derek Rayner  
Sir Ian Bancroft  
Mr. Clive Priestley  
Mr. David Wolfson  
Mr. M.A. Pattison

The Prime Minister said that she had now studied Sir Derek Rayner's minute on the progress of his projects. She hoped that the timescale was as short as was compatible with the objectives. She would not wish to see the individual projects sink into the time- and staff-consuming style of PAR. Sir Derek Rayner said that the individual projects would be completed within 60 working days, by early October. These would provide many valuable lessons. He quoted the example of the Office of Inspector of Taxes in Southwark, which was still operating with a pre-historic system in handling job changes. This project, submitted by Lord Cockfield, would save enormous numbers of people. A number of other projects had real substance. The Prime Minister questioned whether the Scottish Office study was properly targeted: the role of the Schools Council would be a better one. In respect of DES, a study on pensions seemed ridiculous. The control of capital expenditure on school building would be far more relevant. Sir Derek Rayner said that DES claimed to be disengaging from this, but he undertook to look at that as a separate problem. The Pensions Office employed 600 people in Darlington. The Prime Minister pointed out that the Department had served up a project operating in a development area, probably on the basis that it would be impossible to cut down on staff there. Sir Derek drew a comparison with the Paymaster General's Office in Crawley, which was a large installation unable to hold its staff. The Prime Minister questioned the Home Office study: the real consumer of staff time was immigration control, not radio frequency regulation as covered in the project.

/Mr. Priestley

Mr. Priestley commented that the Lord President's staff reduction options exercise would catch the unnecessarily labour intensive parts of the system. On the other hand, the Scottish Office project had been designed to allow these questions to be tackled. The Prime Minister remarked that the projects put up by Secretary of State for Wales appeared to be the best and that from DHSS should also prove valuable. Sir Derek Rayner emphasised that he intended to get personally involved in ensuring that the lessons of the projects were followed through.

Sir Derek explained that he would be going ahead, perhaps early in September, with his demonstration of the scale of form-filling required by Government. He already had a good collection. He had consulted a number of major companies, and also the CBI. The Prime Minister mentioned that she had had her attention drawn to this problem by the Ever Ready Company, who would be worth contacting.

Sir Derek said that he would be submitting a note on the philosophy which Ministers should apply to achieve efficiency, and that this was well in hand.

The Prime Minister asked whether enough people were now working on the various Rayner activities. Sir Derek was confident that staff resources were now adequate, but might wish to use more people in September to chase targets which would have been identified. The Prime Minister commented that she was horrified by the range of examples of waste which had come to her personal attention, which were probably only the tip of the iceberg. Leslie Chapman frequently fed points to Woodrow Wyatt which then appeared in the Mirror. She recalled his research on the London Transport Architects Department, and on some Army canteen where the cost of serving breakfast had been demonstrated to be £160 per head. She also drew attention to the views of Mr. Balfour-Lynn. He was very experienced in the running of private hospitals. He did not necessarily endear himself to people but had radical views which needed pursuing. She would take these up when she visited DHSS next week. She also wanted to follow up points on overmanning brought to her attention by members of the public during the hospital ancillary workers strike earlier in the year. A more

recent case to come to her attention was that of the applications of new technology to the digitising of the reproduction of ordnance survey maps. She asked that information on this be passed to Sir Derek. Sir Derek commented that computer application was sadly lacking in many areas. The Prime Minister commented that much pensions work would be a strong candidate for computerisation. Sir Ian Bancroft drew attention to the computerisation of PAYE. The Prime Minister wondered whether this was being done with appropriate modern small scale computers. She asked whether Sir Derek Rayner proposed to look at the Central Computer Agency. She felt that <sup>the</sup> problems did not lie with British capacity for innovation, but in union resistance to the introduction of innovative technology. Sir Derek Rayner said that the Inland Revenue Staff Association had indicated that they would welcome computerisation. The Inland Revenue had enormous numbers of temporary staff, and faced a massive staff turnover.

The Prime Minister said that pressing these ideas into the Civil Service machine was like feeding into a feather bed. The local authorities were worse. Sir Derek Rayner said that he was stirring in these areas. The Prime Minister asked whether he was confident that he was tackling enough of the big problem areas. Sir Derek hoped that he was. If necessary, there could be a second round. Mr. Priestley commented that Sir Derek was moving towards a list of worthwhile targets.

The Prime Minister commented that Ministers' responses on efficiency and waste had been, by and large, turgid. Perhaps she needed to let Mr. Leslie Chapman loose on departments. Sir Derek Rayner asked whether he might put a longer term plan together after the first round. The Prime Minister agreed that a paper should go to Cabinet. Ministers would be fully occupied with public expenditure until the recess, but could get stuck into this in mid-September. The Prime Minister wished to avoid further circular requests to departments.

Sir Ian Bancroft said that an examination paper for departments seemed necessary on quangos. The Prime Minister doubted whether a full scale review of all quangos would produce early results. There was a lot to be said for doing the obvious first. She was

/ tempted to

tempted to appoint a suitable senior figure to tackle this work, perhaps Lord Boyd Carpenter, Lord Rothschild or Sir Leo Pliatzky. But she was wary of doing this at this stage if it would disjoint these exercises. Mr. Priestley proposed that the Minister of State at the CSD might be asked to conduct an inquisition in person, based on the ideas proposed by Sir Ian Bancroft and Sir Derek Rayner. The Prime Minister felt that the task might best be undertaken by an outsider with a good working knowledge of the system. She asked Sir Ian Bancroft to consider this with Sir Derek Rayner and advise her in a week. She favoured a "cut out 10%" approach instead of a slow, heavy review of each quango.

Sir Derek Rayner asked about publicity for his projects, and about his suggestion that the two planned management reviews should go ahead. The Prime Minister preferred that publicity should be nominal until there was something to publicise, but left to Sir Derek's judgement the use of publicity where necessary to ease his path. She remained sceptical about management reviews, and especially about large steering committees, but agreed that the two now planned should go ahead with Sir Derek closely associated. She would want to see the outcome before further such reviews were contemplated.

16 July 1979

END

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