

# PREM19

# 62

GOVERNMENT

MACHINERY

(Rayner review)

(Part 3)

PREM 19/62



MT

PART 3

Confidential Filing

Promotion of Efficiency and elimination  
of waste. Review of Quangos.

GOVT MACHINERY

Part 1 : May 1979

Part 3 : Sept 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
	17.9.79						
	<del>20.9.79</del>						
	<del>27.9.79</del>						
	<del>3.10.79</del>						
	<del>4.10.79</del>						
	8.10.79						

PREM 19/62

used by

PART 3 ends:-

S/S Enoir to Pm + atts 29.11.79

PART 4 begins:-

M. D. Raynes to Pm 30.11.79





*✓ HAD*  
*Gov Machinery*

Prime Minister

EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT: THE SCRUTINY PROGRAMME

You asked all Cabinet colleagues to let you know about proposals for scrutiny of specific Departmental functions. Next year I propose to have three areas examined as follows:-

- (1) the arrangements for financial control of the water industry;
- (2) the regional organisation of Central DOE (which also serves Norman Fowler's Department);
- (3) the PSA works transport fleet.

Notes on each of these subjects in the form suggested by Sir Derek Rayner are attached. I intend that the study of the water industry and of the PSA works transport fleet should start as soon as the necessary arrangements can be made and that the Regional Offices study will begin about 1 April next. I am sending a copy of this minute and enclosures to Sir Derek Rayner and Norman Fowler.

*MSH*

M H

29 NOV 1979

PROPOSAL 1

FINANCIAL CONTROL OF THE WATER INDUSTRY

(a) Subject:

The subject is the mechanism the Department has established for the purpose of determining the capital expenditure and borrowing needs of the water industry and, subsequently, for controlling its external borrowing and the totality and balance of its expenditure. A secondary and linked subject concerns the methods employed by the Department in encouraging greater efficiency in the industry. The capital expenditure of the industry will be £438 million in 1979/80, and its borrowing £323 million.

(b) Cost:

A staff of 27½ (Administrative, Specialist, Professional, Executive and Clerical) are employed on this work at an estimated cost of about £462,000 pa (basic staff cost plus accommodation and common services).

(c) Reasons for selecting the subject:

The work is conducted on the basis of a substantial technical as well as administrative input. It would be valuable to review the way the Department examines the industry's affairs in judging its expenditure and borrowing needs and in encouraging greater efficiency, and to look at the degree of detail involved. Such a review could have a significant impact on the effectiveness of the control system and the value for money derived.

(d) Terms of reference:

It is suggested that the terms of reference for the review might be:

"Having regard to the requirements of the Water Act 1973 the Public Expenditure Survey and, to an appropriate extent, the Government's policies for the control of nationalised industries, to review the methods used by the Department to decide and control the expenditure and borrowing of the water industry and to encourage greater efficiency. To examine the role of the water authorities, the National Water Council and the Department in this and to recommend any changes required to improve effectiveness."



(e) Timescale:

To start as soon as can be arranged, and to finish within 3 months. Examining officer and reporting arrangements yet to be finalised.

PROPOSAL 2

THE REGIONAL ORGANISATION

(a) Subject

The number and location of the joint regional offices serving Central DOE (ie DOE excluding the Property Services Agency) and the Department of Transport (DTp) and their internal organisation.

(b) Cost

There are eight regional offices covering the whole of England except Greater London. Together they employ some 1600 staff at a cost of £25M pa (basic staff cost plus accommodation and common services).

(c) Reasons for selecting the subject

The main functions of the regional offices: housing, economic and land use planning, roads and transportation, are all likely to change in nature and content as a result of new policies being introduced following the General Election. The number and location of the offices and the size and make-up of their staffs will need to be reviewed when the implications of those new policies can be seen more clearly.

(d) Terms of reference

To review the number and location of the regional offices and their internal organisations and to make recommendations with a view to ensuring that the regional organisation is of a form and size appropriate to its functions and is capable of discharging those functions efficiently and economically.

(e) Proposed timescale

90 working days from 1 April 1980.

(f) Examining officers and reporting arrangements

To be determined in consultation with DTp. It is probable that Central DOE and DTp will each appoint one officer not below Assistant Secretary level to conduct the examination. Those officers will probably work in consultation with the Permanent Secretaries to both Departments and will report to the Secretary of State for the Environment and the Minister of Transport.

PROPOSAL 3 (PSA)

PSA WORKS TRANSPORT FLEET

(a) Subject:

The works transport fleet provided by PSA Supplies on "hire" to the PSA works Organisation and other users.

(b) Cost:

The total cost of the allocated fleet (2580 vehicles), including fuel is £4.8m pa. This figure represents the notional hire charge from Supplies and does not include the administrative costs of the users.

(c) Reasons for Selecting the Subject:

DOE Ministers have recently agreed to substantial reductions in the PSA directly employed labour force (DEL). DEL are the principal users of the fleet and its size and composition therefore need to be reviewed. At the same time, PSA Supplies are reducing their other transport activities, and certain changes in the arrangements for providing and maintaining the works fleet are necessary. There has been no recent examination in this field, and there should be scope for economies.

(d) Terms of Reference:

To review the requirement for works transport in the UK Territorial Organisation and the ways of meeting it; and to make recommendations.

(e) Proposed Timescale:

About three months from 1 December.

(f) Examining Officer and Reporting Arrangements:

Mr R J Verge (Principal) will be the Examining Officer. Detailed reporting arrangements have not finally been decided.

29 NOV 62



Form 1 (21)

(a) Subject:

The report received from the... (faint text)

(b) Summary:

The total cost of the... (faint text)

(c) Conclusion and Recommendations:

The... (faint text)

(d) Remarks:

To review the... (faint text)

(e) Administrative:

... (faint text)

(f) Enclosure:

... (faint text)

076  
MINISTER OF STATE

na - Rayner file

MAD

CHARGING FOR COURSES AT THE CIVIL SERVICE COLLEGE

1. Mr Saunders's interesting report is different from most project reports in that it airs the issues rather than coming to a firm recommendation.

2. May I offer you the conclusion that I have drawn? This study, and other "Rayner projects", have reinforced my view that allied services can produce real ignorance of costs and a lack of cost-consciousness. I conclude that Departments should pay for College courses. The attached memorandum sets out my arguments in detail. The main points are these.

3. Mr Saunders acknowledges that there is a case for repayment in principle. Making Departments decide how much to spend on training in relation to their other commitments would clarify and reinforce responsibilities for deciding the best possible use of training resources and in securing value for money. It places accountability with responsibility and ensures that management both knows and answers for what it consumes. This is essential for efficiency in using resources.

4. The report, however, sees a large stumbling block. This is the possibility of an "unacceptable" change in the direction of college training. (Who it is that would find the change unacceptable is unclear. Presumably it is CSD Ministers?) I believe that this problem can be avoided. Let us define a system of repayment which would include CSD Ministers among the "customers". They would pay the College for that training which they regard as necessary for the well-being of the Service as a whole and which might be in danger of being disregarded by other Ministers short of cash. Such "central funding" would be in keeping with the general principle that accountability should rest with those who have responsibility, in the case of CSD Ministers for the "overall efficiency" of the Service. It would also mean that any change in the College's training role could only follow on an expression of real need, CSD and other Ministers having clearly specified their requirements.

5. The other main disadvantages attributed to repayment are that it might starch the relationship between CSD, the College and other Departments and create rapid and unforeseeable fluctuations in demand. I am dubious about this.

6. Let us rather ensure that those who have a management responsibility can and do exercise it. This is the main plank in my platform as regards efficiency and waste in Government. The College managers would have to 'know' their market and to 'sell' their services in the greater competition between College training and Departmental training. Within Departments and CSD, those responsible to Ministers for training policy will need to be clear about what they require from the College, with the intention of

obtaining value for money. This can only strengthen the customer-supplier relationship and generate greater, not less, responsiveness and flexibility.

7. I do not believe that the half-way house of allied service with a "greater awareness of costs" is satisfactory. There is a wealth of difference in terms of discipline and the ordering of priorities between being told the cost of one's actions and having to pay it.

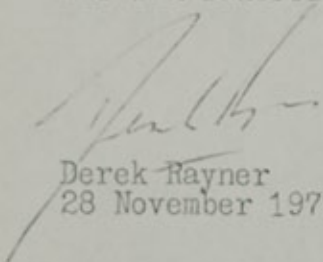
Next steps

8. If you agree that a policy decision in favour of repayment is necessary for maximum efficiency and effectiveness in the use of a College, I suggest that we should settle on how and when its implementation might be achieved. I shall be considering repayment in my "conventions" project, on which I expect to report to the Prime Minister during the Spring. Whilst I do not believe that that need stand in the way of repayment for the College, it could I think be relevant to both the presentation and the timing of implementation.

9. Timing might also need to take into account the fact that you are already engaged on a repayment initiative (HMSO) and that you may be having another on the COI. Perhaps we could have a word about the implications of this for consultation and implementation, as I am unsure how things now stand.

10. I should be glad to discuss this minute with you, if you wished. My office will get in touch with yours to find out what would suit you best.

11. I am copying this to the Prime Minister in her capacity as Minister for the Civil Service, the Lord President of the Council, Sir Ian Bancroft and Mr Saunders.



Derek Rayner  
28 November 1979

## CHARGING FOR COURSES AT THE CIVIL SERVICE COLLEGE

General

1. I believe in repayment as a general principle. It puts accountability with responsibility and ensures that management both knows and answers for what it consumes. Linking accountability with responsibility enables priorities to be properly ordered through a greater awareness of relative costs and the knowledge that somebody else will not be there to pay the bill. Any service for which the user does not have to pay is likely to be used less efficiently than if he did have to pay. Repayment not only imposes greater discipline on the consumer, it also imposes discipline upon the supplier who must have a greater consciousness of the market for which he is working and the costs at which he is supplying it. Nonetheless, I accept the need to judge each case on its merits.

The Civil Service College: the prima facie case for repayment

2. I note from the report (Paragraph 1.10) that training through the College accounts for only 6 per cent of total training (£10 million) with the rest being provided either by and within the departments themselves (80 per cent) or externally (14 per cent). I note also that the "full cost" of the College is comparatively low, at £5 million, of which £2.4 million is provided as an allied service (by PSA, HMSO, etc) or a common service basis (CSD), with the other £2.6 million being on CSD's own Vote. In addition to this £5 million operational cost, I understand that other Ministers bear a cost in the sense that they have to pay the salaries, travel and subsistence of students attending the courses and that this is also in the region of £5 million. Although the direct cost of the College is relatively small, I believe the figures to be significant and worthy of serious consideration for repayment.

3. I understand (Paragraph 3.1) that the amount of resources allocated to College training is settled by CSD from within its overall resources, according to the priority given to its other activities. But the responsibility for ensuring that staff are adequately trained rests with departments (paragraph 1.26), so that the CSD's responsibilities are for overall training policy and the provision of that training which is best done centrally. I am still unclear about the exact nature of "main" CSD's input after it has

made the budget allocation, and the way in which CSD policy divisions, departmental establishment officers and training officers and the College mesh together to effect the general aims of the College (as defined in Paragraph 1.5) and to ensure that the College adds value to the overall training programme. Even so, I certainly agree that the present distribution of accountability does not seem to conform with the real responsibilities (paragraph 1.26).

4. The prima facie case for repayment is thus made, namely that making departments decide how much to spend on training (including College training) in relation to their other commitments would "clarify and reinforce respective responsibilities at the College and in departments for deciding the best possible application of training resources and in securing value for money". (Paragraph 1.27)

5. This prima facie case is reinforced by the fact that there is a distinct lack of awareness of the costs of College training (Paragraph 1.9). An important input to the efficiency of training provision and the ordering of priorities in training is detailed information on the relative costs of courses, but I see that such detailed costing is absent. This must make it difficult to reach a rational choice between courses, from within a limited budget, if the relative costs are not known. Similarly, in the absence of detailed costings it is hard to judge whether particular courses should be run by the College, departments or externally.

#### Obstacles to repayment

6. Although the report recognises the case for repayment on accountability grounds in principle, it is unable to come to a firm recommendation. The main impediment is its conclusion (Paragraph 3.19) that repayment would probably lead to a contraction of College activities and a shift in emphasis away from 'developmental' training towards more job-related and vocational training. The decision whether to introduce repayment, the report argues, rests on whether these consequences are judged "acceptable". (To whom this question of acceptability is addressed is unclear, but I presume it to be to CSD Ministers, as they have responsibility for the "overall efficiency" of the Service - although I think this thought very vaguely stated.)



7. The report sets out the arguments for and against the acceptability of the consequences (Paragraph 3.22). The argument in favour is that because the weight of decision has been put on to other departments, there could be a better expression of real need. The argument against is that departments would be short-sighted, preferring a short-term gain to the long-term efficiency of individual civil servants and the Service as a whole.

8. Given that the College would no longer be a free good and that departments would be aware of the relative costs of training provisions, I would accept that there might be a shift in the balance of College training: faced with tight budgets, departments might well spend what they had on those courses which met their most pressing needs.

9. However I do not believe that this possibility should stand in the way of a decision to go for repayment. If CSD Ministers fear a detrimental change in the level and balance of College training, the answer is for them to become the customer of the College and pay for courses they thought important but at risk. This would be in keeping with the principle that accountability should rest with those having responsibility. CSD Ministers would of course want to be explicit about central training so protected.

10. No matter how large a proportion of the College's budget was met in this way, it would be an improvement on the present system. All departments (including CSD) would face the full costs of training; all departments (including the CSD) would be better able to order their training priorities, being confronted with the relative costs of courses; and all departments (including the CSD) would be in a better and clearer position to balance their training needs against their other commitments. Any courses which the departments and the CSD choose not to support must be taken as a reflection of real need.

11. I note that Mr Saunders considered (Paragraph 3.20) the possibility of introducing into a repayment model the concept of a payment by central departments. Whilst he sees some role for "central funding", eg in financing the development costs of new courses (Paragraph 3.17), he does not see it being extended in the way described above. The report states (Paragraph 3.20) that -

"The purpose of repayment would be to allow preferences to be expressed through a financial mechanism; that would not be achieved by propping up courses because departments are not willing or able to pay for them..... Moreover, the cases where central departments are primarily the 'customer' rather than departments is limited".

I agree that repayment must allow departments to express preferences - I merely include CSD in the definition of a "Department". I agree that courses should not be propped up willy-nilly. But "central funding" does not necessarily imply this. Rather the decision to support courses centrally must be based upon some specific criteria of need (eg the benefit of the Service as a whole). As to the extent to which central departments have only a limited role as a customer I believe that this could change in the face of repayment - the definition of 'customer' will be 'the department where responsibility lies'.

#### Practical advantages of repayment

12. Other advantages of repayment are identified in the report which reinforces my view that the College should move into a repayment basis. I do not propose to dwell on these since they are really a subset of the general case of placing accountability where responsibility lies. But two examples are -

a. The College has been plagued by last minute withdrawals leading to a 15 per cent loss of course membership and inefficient use of College facilities (Paragraph 1.28). The report concludes (Paragraph 4.15) that "A repayment system with payment in advance ..... should tackle this problem". I agree. Lack of conscience on the part of consumers is a classic consequence of being presented with a free good.

b. One consequence of putting the College on a repayment basis is that "Revenue raised would become an explicit, though not exclusive yardstick of success" (Paragraph 4.1). I agree; it should ensure a closer match between supply and Departmental need. I would only add that it should also breed a greater awareness of costs. As noted earlier, at the moment there is no regular formal costing of individual courses - average costs only being promulgated. This cannot be conducive to maximum efficiency.

Commentary on practical disadvantages of repayment

13. The report identifies some possible disadvantages of a repayment system. I comment on these as follows -

- a. It might discourage innovation and improvement to existing courses and might breed complacency about those courses which are established and successful revenue earners (Paragraph 4.6). Whilst I accept this as a possibility it can be overcome by good managers with an entrepreneurial spirit. The rigours of the market place normally encourage innovation and discourage complacency.
- b. A system of repayment, in which the College was organised around clearly defined cost centres, might inhibit informal co-operation between directorates and hinder the development of more multi-disciplinary training (Paragraph 4.7). I do not see a real problem here. As the report says, it can be overcome by flexible and co-operative management. It ought to be a question of swings and roundabouts.
- c. Paragraph 4.7 also notes that repayment could hinder the use of speakers from within the Civil Service, since a lecturing fee would have to be refunded to the parent department which might be cumbersome for accounting purposes. I believe that this should not be a problem for good college managers. In the more competitive environment of repayment Course Directors should be more, not less, inclined to provide the best courses possible. And the accounting problem will be only as cumbersome as the College makes it.
- d. If departments with substantial in-house training facilities concentrated more on their own training at the expense of the College there would be a significant and damaging shift in the balance of course membership (Paragraph 4.8). The extent of such a shift would of course depend on the relative costs of in-house training and college training. It is difficult for me to judge the seriousness of this problem given the lack of detailed cost data, nor do I fully understand the benefits of departmentally balanced course membership. Where there is a clear demand for a particular course, but only those departments without their own training facilities find it economic to send students, it will be for the College to decide on the importance of 'balanced course membership'

and if necessary to adjust the charges for such courses such as to make it economic for a greater cross section of departments to submit nominations. Such an element of flexibility in pricing is important in the selling of any good.

e. Paragraph 3.5 notes that "The College might be subjected to quite rapid and unforeseen fluctuations in demand, to which, because its expenditure (mainly staff and accommodation) would be largely fixed in the short term it could not respond easily." The College already has to cope with volatility in demand (Paragraph 4.10). Whether or not such fluctuations will increase is hard to say at this stage. But the demand for one's service is a standard problem of management and good managers should be able to cope with it through market research and forward planning of provisional courses etc.

f. Paragraph 2.2 notes that "Those interviewed (Departmental Training officers) would not expect repayment to have a fundamental effect on decisions about nominations". It does not surprise me that the majority of training officers were satisfied that very few frivolous nominations slip through the present system - this would after all have been a confession of failure in their duty. I also recognise that even on an allied service basis departments incur the cost of the officer not being at his desk. The introduction of repayment will not cause departments to be less scrupulous in their sifting; the likelihood is that presented with the full costs of College training and limited budgets there would be an incentive for them to be more scrupulous.

#### Conclusion

14. I accordingly believe that the College should move to a repayment system.

15. The report suggests (Paragraph 6.5) that the repayment model set out in Annex E will require further work and that the assistance of an accountant would be needed. I agree. I am on the whole in broad agreement with the outline model in Annex E. The only point I would make is that the training budgets of Departments should include expenditure on all training - in-house, external and College. The implication in the report is that the in-house training budget would be separate from College and external training. I cannot accept this as right. It is important that training officers in

departments should be in a position, in the face of the relative costs of all courses, to judge which form of training can most efficiently meet their needs, and to switch expenditure accordingly. College training is not merely a substitute for external training.

16. It is also important, if repayment is to be beneficial, that in-house training should be systematically and regularly costed. I note that at the moment despite the promulgation of a standard guide on full costing of training centres and other courses, very few departments report full costs to the CSD on any regular basis. I trust that this apparent lack of cost-consciousness can now be removed.

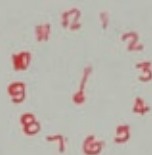
17. I agree with the report (Paragraph 6.6) that no pilot experiment should be mounted, for the reasons given. I also agree that the entry to repayment should be handled with care. This is not to argue that we should be dilatory in implementation - rather that we should have a well defined strategy.

18. I am however unclear on the reasoning in Paragraph 6.8 which produces the conclusion that implementation should not be before September 1981.

DEREK RAYNER

28 November 1979

28 NOV 1979





✓MAJ

PRIVY COUNCIL OFFICE  
WHITEHALL, LONDON SW1A 2AT

Chancellor of the Duchy of Lancaster  
and  
Minister for the Arts

27th November 1979

Govt mach

MANAGEMENT - IN CONFIDENCE

C A Whitmore Esq  
Principal Private Secretary to  
The Prime Minister  
10 Downing Street

Dear Mr Whitmore,

EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT:  
THE SCRUTINY PROGRAMME

Following your letter of 17th October the Chancellor of the Duchy has been giving some thought to what role the Office of Arts and Libraries should play in the scrutiny programme.

There are serious practical difficulties in that the Office of Arts and Libraries is a very small Department with few staff suitable for conducting studies of this kind. We would have to look to DES, with whom we have establishment links, for help. DES itself is also a small Department.

The Chancellor of the Duchy thinks that the sensible solution is to treat OAL and DES for the purpose of the scrutiny programme only as a single group, with an OAL scrutiny being undertaken every so often instead of a DES one. This would give the necessary flexibility in arranging staffing.

The Chancellor of the Duchy hopes that this arrangement will be acceptable. If so, he will not be offering a topic for scrutiny on this round as one is already being proposed by DES.

I am copying this letter to Peter Shaw (DES) and to Sir Derek Rayner's Private Secretary.

Yours sincerely

*M G E*

Miss M G E Giles  
Private Secretary  
(Arts)

27 NOV 1979







Secretary of State for Industry

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

TELEPHONE DIRECT LINE 01-212 3301  
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27 November 1979

C A Whitmore Esq  
Private Secretary to the Prime  
Minister  
10 Downing Street  
LONDON SW1

Dear Clive

EFFICIENCY IN CENTRAL GOVERNMENT:  
THE SCRUTINY PROGRAMME

As requested in your letter of 17 October, I  
... attach my Secretary of State's proposal for the  
first year of scrutinies under this programme.  
The details are in the form suggested in Clive  
Priestley's letter of 1 November and are, I hope  
self-explanatory.

I am copying this letter to the recipients of  
yours.

Yours ever  
Ian Ellison

I K C ELLISON  
Private Secretary



(a) Subject

REGIONAL DEVELOPMENT GRANTS

1 The purpose of the RDG scheme is to assist, by encouraging investment, the regeneration of manufacturing industry in the Assisted Areas in Great Britain with the long term aim of improving the employment prospects in those areas. The scheme has no direct employment link. The relevant statute is the Industry Act 1972, which is supplemented by detailed non-statutory rules. Regional Development Grants may be paid towards the cost of providing new capital assets in the Assisted Areas in premises which are used wholly or mainly for qualifying activities. These are now mainly manufacturing as described in Orders III to XIX (inclusive) of the 1968 Edition of the Standard Industrial Classification. Initially the rates of grant were set at 22% in the Special Development Areas and 20% in the Development Areas and in these Areas grant was payable on buildings, works, machinery and plant. In the Intermediate Areas grant was payable only for buildings and works at the rate of 20%.

2 In July 1979 it was announced by the Government that in future the Development Area rate of grant would be 15% and that grant was being abolished in the Intermediate Areas - these changes will take full effect from 1 August 1980. The considerable reduction in the extent of the Assisted Areas in Great Britain, spread over three years, will substantially reduce the amount of grant paid. The minimum value of assets eligible for grant was increased from £100 to £500 for machinery and plant, and from £1,000 to £5,000 for buildings and works. In the June budget it was announced that the payments of grants would be deferred for four months. Grants are not taxable.

(b) Cost

3 In 1978-79 £416.9 million (at out-turn prices) grant was paid. £10.5 million was recovered from grantees who did not comply with the conditions under which they received grant. 40,326 applications were received and 39,108 were dealt with. Policy matters and

/difficult ...



difficult decisions are dealt with by the Headquarters Division. At Headquarters there are 24 posts and these cost £0.3 million in 1978-79 (Ready Reckoner for 1978 Basic staff cost plus accommodation and common services). Applications are dealt with in the four provincial offices (Billingham, Bootle, Cardiff and Glasgow) each of which is responsible for a geographical area. The total complement is 530 (mainly Executive Officers) and each office is headed by a Senior Principal as Director. In 1978-79 the cost of the four Offices was £4.6 million, and the total cost of administering the scheme was about 1.2% of the grant paid.

(c) Reasons for selection

4 This is an area of the Department's work where the same task is done in four regional locations. The Grants Offices disburse a large sum of Government money (around £400m a year) and employ a significant number of staff (over 500). Since the introduction of the present Grants scheme in 1972 the policy and particular aspects of the procedures have been examined from time to time and changes made. A more general examination of the procedures as a whole might identify desirable changes in them and contribute to greater efficiency.

(d) Terms of Reference

5 To examine the administration of Regional Development Grant work at the Department's four Regional Development Grants Offices and at headquarters; to consider how far changes in or greater standardisation of procedures in Regional Development Grant Offices could lead to greater efficiency; to have full regard to the outcome of recent reviews of this area of work by O&M, Staff Inspection and Internal Audit teams; and to make recommendations.

(e) Proposed starting and finishing dates

6 It is expected that this review will start early in 1980 and take about three months to complete.

(f) Examining officer and reporting arrangements

7 The officer to carry out this review has not yet been identified.  
/He ...



He or she will report to the Secretary of State through the Minister of State (Lord Trenchard) and will consult with the Permanent Secretary in designing, launching, conducting and reporting the study.

28 NOV 1979



*MAA Gutman*



Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

26th November, 1979

*Sir Clive,*

EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT:  
FOLLOW UP TO THE RAYNER EXERCISE

Your letter of 17th October invited Ministers to send to the Prime Minister, with a copy to Sir Derek Rayner, their proposals for the first year of the scrutiny programme.

.....  
The Chancellor proposes 6 areas for scrutiny in 1980 - one from each of the Treasury, Customs and Excise and Department for National Savings and 3 from the Inland Revenue. These are described in the annexes to this letter which follow the format given in Clive Priestley's letter of 1st November.

In choosing the subjects for the coming year the Chancellor has given careful consideration to the scope of the programme. His departments vary considerably in size and function. Some may be able to offer one or more areas for scrutiny every year. But others, in particular the smaller ones, may only occasionally offer scope for a Rayner project. However, the Chancellor wants to make a significant start in the first year and has therefore decided to put forward three projects from his biggest department, without any commitment to find as many as 6 projects from his departments every year.

I am copying this letter to Clive Priestley.

*Yours ever*

*M.A. Hall*

(M.A. HALL)  
Private Secretary

C. Whitmore, Esq.,  
10, Downing Street

H M TREASURY

Subject

The role of Treasury specific expenditure divisions <sup>in</sup> monitoring central Government expenditure, focussing on the effectiveness with which they use the Financial Information System to this end.

Costs

Some 265 staff are employed on public expenditure control work in the Treasury at a staff cost of £2 million (1979 Survey Prices). It is not possible at present to provide an accurate costing of the time spent on monitoring by expenditure divisions. The computer cost of monitoring reports is probably about £75,000.

Reasons for selecting the subject

The role of Treasury expenditure divisions has been changing, a fact which was emphasised by the decision to develop an integrated financial information system in the late summer of 1975. It began to produce usable output in 1977-78. The reports for users have already been changed considerably to meet users requirements and there are standing arrangements for identifying and implementing further changes in response to users needs.

The efficient operation of FIS is essential to successful monitoring and control of expenditure; we need to ensure that the Treasury uses the system to maximum effectiveness. Main features of the system are that it integrates the monitoring of expenditure in both cash and volume terms; and that it obtains information in considerable detail to facilitate analysis. Experience suggests that there is scope for more systematic and effective use by specific expenditure divisions of the data available to them from the system.

MANAGEMENT IN CONFIDENCE

Terms of Reference

To examine, in the light of developments in the control of public expenditure, the functions of Treasury specific expenditure divisions in monitoring central Government expenditure and especially the effectiveness with which they use the Financial Information System, and to make recommendations.

Proposed Starting and Finishing Dates

1 February - 30 June.

Examining officer

Not known.



CUSTOMS & EXCISE

a) Subject.

Distillery and associated warehouse controls.

b) Cost.

This work involves approximately 400 manyears of official effort and is estimated to cost about £3.65 millions per annum. The total cost is made up of :

Current expenditure on C & E Vote	£1000 3,270
Capital expenditure on C & E Vote	20
Expenditure on OPD Votes	360

c) Reasons for selecting the subject.

There are three principal reasons. First, the subject has a natural affinity with the general review of wines and spirits controls put forward as one of the options for the Lord President's Exercise. Second, it is a self-contained area of work. Third, distillery and associated warehouse controls still rely heavily on the presence of members of the Department and on physical security; it may well be possible to save staff by placing greater reliance on traders' own physical security and documentation, provided that the risks to the substantial revenue at stake can be overcome.

d) Terms of reference.

To review the present methods of revenue control of the production and associated warehousing of spirits with the purpose of evaluating the advantages and disadvantages of adopting control systems based on distillers' own accounting and statistical systems, commercial documentation and physical security arrangements in place of the present reliance on crown-locking and direct control by official presence; and to make recommendations.

e) Proposed starting and finishing dates.

1 January 1980 and 31 March 1980.

f) Names of examining officers and reporting arrangements.

The Examining Officer will be Mr. R P R Tilley, Principal, Revenue Duties Division C. He will report direct to the Chancellor of the Exchequer, consulting his Permanent Secretary and Sir Derek Rayner.

## DNS RAYNER PROJECT FOR 1980

CONVERSION OF RECORDS OF PREMIUM SAVINGS BOND HOLDERS TO A  
COMPUTERISED FORM(a) Subject

Over £1,300 million of Premium Savings Bonds are owned by some 25 million holders. Records of holders and their bonds were originally held at the Bonds and Stock Office, Lytham St Annes in immense and growing paper files which required increasing resources for their use, maintenance and expansion.

In June 1976 conversion of these records to a computerised system began. At that time it was expected that conversion would end in about 5 years, but because of the restrictions imposed upon spending and manpower the resources employed had to be curtailed. In consequence little more than  $\frac{1}{3}$  of the holdings has so far been converted, and the task is not now expected to be completed before March 1984. About 550 staff are deployed on conversion tasks.

At the start of conversion it was expected that about 700 staff would be saved by the end of the task. Direct comparison with the original forecasts is impossible because of the introduction during conversion of substantial cost-saving changes in the terms of Premium Bonds and other facts<sup>or</sup>, but savings due to conversion have so far amounted to about 100 staff and are estimated to reach about 300 at the end of the task.

The question at issue is whether it is practicable and desirable to attempt to expedite the completion of conversion.

(b) Cost

The cost of completing conversion is assessed at nearly £7½ million of which nearly £7 million represents discounted staff costs and the rest stationery, postage, etc.

(c) Reasons for selecting the subject

The potential advantages of converting Premium Bonds to a computer

system are being seriously delayed as the conversion timetable lengthens. Much of the potential gain from a computerised system can only accrue when the manual processes are abandoned.

It is considered that the pace of conversion could usefully be reviewed to determine the optimum rate if manpower and financial resources are to be deployed to the maximum advantage.

(d) Terms of reference suggested

(1) To review the progress of conversion of Premium Savings Bonds from the manual to the computerised system.

(2) To recommend the pace of conversion that should be the aim, consonant with public policy as reflected in manpower and financial controls, so as to ensure maximum economies and efficiency in running the Premium Savings Bond scheme as a whole.

(3) To recommend what steps can be taken to safeguard the rate of conversion advocated in Recommendation 3 against short-term constraints.

(e) Proposed starting and finishing dates

(1) Start 11 February

(2) Finish 19 June

(f) Name of examining officer: Mr C L Dann, Principal

Reporting arrangements: Not yet finalised.

INLAND REVENUE (1)

ISSUE OF PAYE DEDUCTION CARDS

(a) Subject:

The function of issuing Deduction Cards to employers.

This serves two purposes, (i) to notify the employer of the code to be used for each employee in the coming tax year, and (ii) to provide him with a record on which to calculate and/or report tax deductions.

The particular subject to be examined is the issue of deduction cards relating to those employees whose tax code is unchanged from that in use in the previous year. For 1979-80 that proportion was 45% or 11.7 million out of a total issue of 25.9 million. The number of employers concerned is roughly 1 million.

(b) Costs

Staff costs for the total Deduction Card issue are estimated at about 950 units (at CA grade). The number required to write no-change cards will vary from year to year depending on legislative changes. The potential saving however is not a simple proportion of the staff cost related to the proportion of no-change codes, since a large part of the staff cost is incurred in the initial examination of the concord to establish the code and towards preparing bundles of completed cards (including spares) for sending to employers. It is estimated that possibly 250 staff units were incurred in the writing of such cards for 1979-80.

A secondary cost is that of the cards themselves. For 1979-80 the total cost was roughly £150,000 of which £52,000 would relate to cards where the tax code was unchanged. However those employers who use the deduction card for the purpose of calculating or reporting tax deductions would require an additional supply of blank cards and thus no saving could be made. Such employers use about 10 million deduction cards of whom about  $4\frac{1}{2}$  million would relate to no-change cases.

(c) Reasons for selection

Potential staff savings arising through the transfer of functions to employers.

Employers would be required to review the PAYE tax records of all their employees and carry forward the current year's code to next tax year where no new code had been received. Those who used the official deduction card would also be required to make the initial entries now made by the tax office.

(d) Terms of reference

To review the issue of PAYE deduction cards; to consider

- a. whether material staff savings can be made on the issue of deduction cards to employers where the employee's tax code for the coming year is unchanged; and
- b. the consequences of any change for employers' comprehension of, and compliance with, the PAYE deduction system

and to make recommendations.

(e) Proposed Timetable starting 1 July with draft report by 30 September 1980.

(f) Examining Officer M J Hodgson (Inspector (P) in M4 PAYE Procedures)  
(with Robin Willis - Principal, M2/3) reporting to the Chancellor of the  
Exchequer in consultation with Sir Derek Rayner and the Chairman.

## INLAND REVENUE (2)

### RATING PROCEDURES

#### (a) Subject

The administrative machinery for making proposals, objections, and appeals whether by Valuation Officers, ratepayers or rating authorities, and to include the transmission of documents to the Local Valuation Courts.

This will cover time limits, documentation, etc with particular reference to streamlining of procedure, necessity for various forms and so on. This is a general service provided to every rating authority in the country, the Valuation Officer being the statutory officer responsible for preparing and maintaining the Valuation List. The Valuation List records inter alia details of the rateable value of every hereditament in the country and it is on that figure that local authorities charge and ratepayers pay their rates.

The service covers 405 rating authorities and some 22 million hereditaments (and therefore approximately the number of ratepayers). For the last full year 667,606 proposals were made by Valuation Officers and 125,058 proposals made by other parties. At times of general revaluation the numbers of proposals from other parties are very much greater and since the present Valuation List came into force on 1 April 1973, 5,378,493 proposals have been made by VOs and 1,708,349 proposals made by other parties to date.

These procedures are laid down by statute - General Rate Act 1967 and material changes can therefore only be achieved by legislation. The legislation would be appropriate to DoE.

#### (b) Cost of carrying out these Procedures

It is not easy to isolate the present cost of these procedures as they are in many ways interlinked with other functions, ie the referencing, valuing and defending the figures in the Courts. But we estimate the cost as being of the order of £m<sup>3</sup> a year. This expenditure is borne by the Department, both as to staff and general administration.

#### (c) Reasons for Selecting the Subject

The present procedure is cumbersome being time-consuming, and people and paper intensive. It should be possible to achieve appreciable economies in paper, printing and postage, together with some savings in manpower. This would be without any marked effect on the service given to rating authorities or the public and may even well be an improvement. In a nutshell, this seems a fruitful field for increasing efficiency and eliminating waste. It is not possible however at this stage to estimate the possible savings but they could be substantial.

#### (d) Terms of Reference

To review the machinery for making proposals, objections and appeals of all kinds including transmission of documents to the Local Valuation Court; consider changes to simplify and streamline the whole procedure; and to make recommendations.

#### (e) Proposed Timetable

The starting date for the investigation would be immediately the go-ahead is given with the report to be ready by mid-February 1980. Implementation, given the necessity for legislation however, would be unlikely before 1.4.81 at the

INLAND REVENUE (3)

ACCOUNTS REGISTERS IN TAX DISTRICTS

(a) Subject

Accounts Registers are kept in tax districts of partnerships and individuals in self-employment and all companies. There are approximately 2.5 million separate records which show the receipt and settlement of accounts submitted to determine liabilities to income tax and corporation tax. Districts make monthly reports of the figures to higher Management.

The income tax accounts register is also used to select cases for statistical sampling.

(b) Existing costs

Approximately 150 clerical staff generally of CA level. (£m<sup>3</sup> including all overheads)

(c) Reasons for selection

The registers were at one time used to control applications for business accounts although this function fell into disuse some years ago. They have also been traditionally used as a measure of the weight of accounts work in districts and to indicate the progress in dealing with that work. In Finance (No 2) Act 1975 more stringent interest rules were introduced, coupled with a system of tax postponement. These gave the taxpayer more incentive to settle his liability quickly. Since 1977 most of the accounts received by the Department have been accepted without detailed examination.

The need for the traditional registers has therefore been steadily diminishing for some years. Adequate control can probably be exercised from examination of unsettled appeals and records of cases taken up for critical examination. The weight of accounts work can probably be measured from an analysis of other registers.

(d) Terms of reference

To review the use of Accounts Registers kept in tax districts; to consider whether the income tax and corporation tax accounts registers should be abolished and, if so, what substitute records are necessary; and to make recommendations.

(e) Proposed timetable

To start on 1 January 1980 for completion by 31 March 1980.

(f) Examining Officers etc

Mr J Yard (Inspector (P)) (with Robin Willis) - to report to the Chancellor of the Exchequer in consultation with Sir Derek Rayner and the Chairman.

earliest and ideally would be from the date of the next revaluation if that were in the comparatively near future.

(f) Officers involved

D Huckle (Senior Valuer, Division (6) CVO equivalent to Principal grade) (with Robin Willis). He would carry out the work within the ambit of Division 6 which is the relevant Division in CVO concerned with such matters and generally get such assistance as may be necessary but more particularly from an SEO (probably Miss A Goode). Reporting arrangements would be to the Chancellor of the Exchequer in consultation with Sir Derek Rayner and the Chairman.





MINISTRY OF DEFENCE  
 MAIN BUILDING WHITEHALL LONDON SW1  
 Telephone 01-~~XXXXXX~~ 218 2111/3

MANAGEMENT IN CONFIDENCE

MO 8/14

26th November 1979

Dear Clive,

RAYNER STUDIES FOR 1980

My Secretary of State is now able to let the Prime Minister have the terms of reference for the proposed study into children's secondary education overseas (paragraph 3a of his minute to the Prime Minister of 23rd November).

The terms of reference would read:

"The study is to consider the present arrangements for the provision of secondary education for the children of Service and Ministry of Defence personnel overseas, and the advantages and disadvantages of these and alternatives. It should not concern itself with the scheme for providing Education Allowances, which is at present being examined by the Armed Forces Pay Review Body."

I am sending copies of this letter to the Private Secretaries to the Chancellor of the Exchequer, the Lord President of the Council, Sir Robert Armstrong, Sir Kenneth Berrill and Sir Derek Rayner; in doing so I should apologise to the Lord President's Office for the fact that his copy of Mr Pym's minute went inadvertently to the Lord Privy Seal. I now enclose a copy for him.

Yours truly,

(B M NORBURY)

C A Whitmore Esq  
 No 10 Downing Street

MANAGEMENT IN CONFIDENCE

MANAGEMENT IN CONFIDENCE

MINISTRY OF DEFENCE  
HEADQUARTERS  
WHITE HALL, LONDON SW1



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Minister of State

NORTHERN IRELAND OFFICE  
GREAT GEORGE STREET,  
LONDON SW1P 3AJ

26<sup>th</sup> November 1979

Rt Hon Margaret Thatcher MP  
Prime Minister  
10 Downing Street  
LONDON  
SW1

Dear Margaret,

As you know, I was the Minister responsible for the direction of both Northern Ireland projects during the first stage of Sir Derek Rayner's review, and I shall continue to hold the reins in the Northern Ireland Office for the next round of this exercise.

Sir Derek and I have now discussed the first two Reports which our Departmental Rayner Teams have produced, and you will be pleased to learn that my officials are now working on "action plans" in response to each which I hope will be with Sir Derek shortly. We shall also be studying with great care the implications for Northern Ireland of several of the projects undertaken by other Departments, for example, the DHSS and the MAFF, where there may also be important lessons for us to learn.

So far as the next stage of Sir Derek's Review is concerned, I have concluded that the operation of financial control within the Northern Ireland Departments and the NIO would make an admirable topic for scrutiny. I cannot at this stage unfortunately give an estimate of the present cost of carrying out the various finance functions within the Northern Ireland Government machine - it will be one of my Team's first tasks to provide such figures. But the subject is one of great administrative, and intrinsic importance since our Team will be examining systems responsible for the administration of over £2,000m of public funds (under Programme 15 of the Government's expenditure plans).

Taking a critical look at the financial control of the Northern Ireland system of Government as a whole should, I hope, enable my Team to come up eventually with a more worthwhile Report, and will also have the advantage of bringing the work of all our Departments under the net. But it will also amount in reality to several "ordinary" projects, and our Team will therefore be reinforced to carry the additional burden.

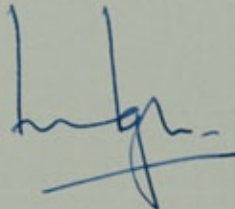
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The terms of reference I propose are: "to examine arrangements for the allocation, management and control of financial resources, both centrally and departmentally, within Northern Ireland Government Departments and within the Northern Ireland Office, and to consider whether any changes are required to achieve the optimum balance, taking into account the growing need for the efficient determination, allocation and management of scarce resources within the public sector".

I hope to supply Sir Derek shortly with a detailed Study Plan explaining both the technical background to this Project, and the objectives of the Team. I intend, however, that they should start work early next month, and complete their draft Reports by Easter 1980.

W G McKeown of the Department of the Civil Service, Belfast, will undertake the scrutiny under my direction in conjunction with a financial expert from the Northern Ireland Office. P N Bell will continue to act as the anchor-man in our London Office.

I am sending a copy of this letter to Sir Derek Rayner.

Yours etc.  


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HOME OFFICE  
QUEEN ANNE'S GATE LONDON SW1H 9AT

23 November 1979

Dear Aive,

I am writing in response to your letter of 17 October about a "Rayner" project for 1980.

The Home Secretary has selected as the Home Office topic the organisation of training within the Office. As in most Departments no doubt, training of staff in the Home Office is divided between the Civil Service College (and the CSD had as its first Rayner project the question whether the College should shift to a system of charging fees to Departments for their courses), our own Central Training Branch and local arrangements operated by line management. We have for some time been questioning whether our organisation is the one that is best suited to our needs and we shall in any case have to take account of any changes at the Civil Service College and any changes of management structure arising from the May report on prisons. This seemed, therefore, to the Home Secretary to be a subject that would profit from scrutiny as a Rayner project. The project would not cover the content of prison training. The May Committee recommended that there should be a "searching review of all training facilities and programmes not only for discipline officers but also for specialists" and this review will be undertaken as a separate enterprise by our Prison Department. It would be inappropriate to try to encompass this within a Rayner project but the Rayner project would take account of this separate review. We shall have to work out more precisely the boundary between the Rayner project and the other separate one in the area of training of staff within the Prison Department.

At this stage we would not care to venture an estimate of the gross cost of our training since some of the cost is subsumed within the costs of the various departments. An attempt at producing such costings as were relevant would no doubt form part of the project itself. The activity, however, clearly falls within the description of being significant in its use of resources.

/The terms of reference

C A Whitmore Esq

The terms of reference are not fully settled but might be on the following lines:

"To review the arrangements both at central and local departmental level within the Home Office for the provision of training for staff at all levels (except professional training within the Prison Service); and, in the light of any changes to be made in the provision of courses at the Civil Service College and of structural changes to be introduced as a result of the May Committee, to consider whether any changes in the training arrangements need to be made. The review will take account of a review of Prison Service training to be undertaken separately. It is not to include training facilities that the Home Office provides for local services such as the Police and Fire Services Colleges."

Since it is important that the scrutiny should take account of the changes in management structure likely to be made as a result of the May Committee and since these will not be taking shape for a few months, it will be wisest not to commence the project until some months into the New Year, but we should aim to complete it within the timetable which has been laid down.

Yours ever,  
John

(J A CHILCOT)

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MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000  
DIRECT DIALLING 01-218 2111/3MANAGEMENT IN CONFIDENCE

MO 8/14

PRIME MINISTERRAYNER STUDIES FOR 1980

You asked me to report by 23rd November my proposals for 1980 Rayner Studies.

2. As you know, apart from the normal processes of departmental scrutiny, I have set in hand six major reviews of some of my main blocks of civilian work - bill paying, catering and cleaning, quality assurance, dockyards, supply management (including fuel, furniture, food, clothing and non-military vehicles) and research and development, which together employ more than 40% of the civilians in my Department. The four latter studies are being directed by my Ministers, who are also leading studies aimed at improving economy in the defence estate, in movements, in our consumption of energy, and in our procurement processes. A large number of potentially fruitful areas for economy are therefore already being looked at. In addition, a Rayner Study needs to be related to what can be achieved by one official in 90 days.

3. With these points in mind, I propose the following reviews for 1980:

- a. Children's Secondary Education Overseas;
- b. Assisted Travel Schemes and Establishment Bus Fleets;
- c. Work of the Claims Commission;
- d. Inspection and Audit.

/ 4. ...

MANAGEMENT IN CONFIDENCE



MANAGEMENT IN CONFIDENCE

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/ 4. Details of each of these proposals in the form requested are attached. In each case, the function of oversight at Ministerial and Permanent Secretary level will be exercised by the Minister of State and the 2nd Permanent Under Secretary.

5. I am sending copies of this minute to the Chancellor of the Exchequer, the Lord Privy Seal, Sir Robert Armstrong, Sir Kenneth Berrill, and Sir Derek Rayner.

23rd November 1979

MANAGEMENT IN CONFIDENCE



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PRIME MINISTER

EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT: THE SCRUTINY PROGRAMME

In accordance with our decision at Cabinet on 4 November, I enclose details of three studies proposed by the Department of Employment Group for inclusion in the scrutiny programme. The studies are as follows:

For DE (jointly with DHSS)

A study of whether the organisation and methods by which unemployment benefit and supplementary benefit for unemployed people are delivered can be made more effective.

For MSC

Control of Expenditure by the Manpower Services Commission on various forms of energy (heating, lighting, motive power and transport).

For HSE

A study of the ways of estimating the costs and benefits of new proposals for health and safety regulations, approved codes of practice, etc.

I am copying this letter to Patrick Jenkin, Reg Prentice (with the first enclosure only), Sir Derek Rayner and Sir Robert Armstrong.

  
JP

23 November 1979

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3

JOINT DE/DHSS SUBJECT FOR THE RAYNER SCRUTINY PROGRAMME

THE DELIVERY OF BENEFITS TO UNEMPLOYED PEOPLE

(a) Subject

A study of whether the organisation and methods by which unemployment benefit and supplementary benefit for unemployed people are delivered can be made more effective.

(b) Cost of Carrying out the Functions to be Examined

Unemployment benefit is administered by the Unemployment Benefit Service (UBS) of the Department of Employment on an agency basis for DHSS, which has the policy responsibility. The UBS also pays supplementary benefit to unemployed people on behalf of DHSS. In 1978/79 19,500 staff in HQ, ROs and about 1,000 local offices were directly engaged in the work of payment of unemployment and supplementary benefits to unemployed people and another 1,000 or so were employed in support services at a cost in salaries and general administrative expenditure of £73m. In addition some 500 staff were employed in the Employment Service Division of the MSC on the work of registering the unemployed and related work at a cost of £2m. The costs of superannuation and of providing common services to the Department of Employment in support of these functions totalled about £30m and were borne on the Votes of the PMG, PSA, the Rating of Government Property Department, HMSO and the CCA. Over 80 per cent of payments to people claiming unemployment benefits are made by DHSS computers at Reading and Livingston on the basis of data input from DE offices.

Supplementary benefit entitlements are assessed in over 500 DHSS offices by staff who spend about 40 per cent of their time on unemployed claimants. About 14,000 DHSS staff are involved in supplementary benefit administration at Headquarters, regional and local office levels at an anticipated total cost in staff and general administrative overheads of £70m in 1978/79. The costs of superannuation and of providing common services to the staff engaged on these functions totalled about £25m and were borne on the Votes of the PMG, PSA, the Rating of Government Property Department, HMSO and the CCA.

(c) Reasons for Selecting Subject

During 1978 there were 4.3 million claims to NI unemployment benefit; at November 1978 there were 402,000 people receiving this benefit on its own, 90,000 receiving supplementary benefit in addition, and 515,000 unemployed people receiving only supplementary benefit. It is estimated that for the financial year 1978/79 NI unemployment benefit cost £632 million and supplementary benefit for unemployed people cost £666 million. The two systems of benefits are complex and interacting; and organisation within the DE Group has changed radically since 1974. There have been other changes and developments. The proportion of unemployed people receiving supplementary benefit in addition to or instead of NI unemployment benefit has been increasing over the years and is now about 50 per cent. The programme for computerising all payments to claimants receiving benefits while unemployed is now within sight of completion and the payment of the benefits at fortnightly intervals was introduced in September for the great majority of claimants. Ministers will shortly be taking decisions on the taxation of benefits for unemployed people. It would accordingly be timely to review the interaction of the NI unemployment benefit and supplementary benefit systems.

We would expect the scrutiny team to recommend what changes are desirable and practicable in the arrangements for administering unemployment benefit and supplementary benefit for unemployed people - in order to improve both the service to claimants and the cost effectiveness (including control mechanisms) of the system. In carrying out their task the scrutiny team will need to make some assessment of any longer term possibility of reducing the overlap between unemployment benefit and supplementary benefit with a view to simplification. The team will also need to take account of the current discussions on the respective roles of Unemployment Benefit Offices and the local offices of the MSC's Employment Service Division in relation to unemployment benefit claims.

(d) Terms of Reference

To report on whether the organisation and methods by which unemployment benefit and supplementary benefit for unemployed people are delivered can be made more effective.

(e) Proposed Starting and Finishing Dates

End of February - August 1980. Decisions on taxation of short term benefits should be out of the way before the project begins. Because of the scale and complexity of the subject a six-month study is necessary to tackle it thoroughly.

(f) Names of Examining Officers, if known and Reporting Arrangements

The study team would comprise an Assistant Secretary from DE and a Principal from DHSS, with additional supporting staff, probably on a part-time basis, as required. DE is proposing to nominate an able young Assistant Secretary to lead the team, but the name of the Assistant Secretary to be selected will require clearance with the other employers in the DE Group before being put forward. The team would report to Mr Prior (for DE) and to Mr Prentice (for DHSS)



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MANPOWER SERVICES COMMISSION

REVIEW OF ENERGY CONSERVATION

Subject

Control of expenditure by the Manpower Services Commission on various forms of energy (heating, lighting, motive power and transport).

Cost of carrying out the function. 1978/79 expenditure:

by MSC direct	£ 3m
Payments including service charges for rented buildings	£.5m

(Cost of staff and information about capital and other assets not yet available)

Reasons for selecting the subject

Need for a systematic review of policies and practices within the MSC to identify where savings can be made.

Terms of reference

To examine present policies and practices for energy conservation in the MSC and to recommend a programme of action to maximise savings from the efficient use of fuel in establishments used by the MSC. The examination should look at the potential savings in each of the various types of MSC establishments, e.g. jobcentres, skillcentres etc. Projected levels of saving should be recommended.

Proposed starting and finishing dates

Project should begin on 1 January 1980 (discussions with the Energy Conservation Unit of the Property Services Agency have already begun).  
Finishing date proposed: 31 March 1980.

Names of examining officers and reporting arrangements.

Not yet known. A team of 3 or 4 officers led by a Principal is being formed; technical help will be available from the PSA. The project team will report to the Chairman of the Manpower Services Commission. Day-to-day operational control will be delegated to the MSC Director of Corporate Services.

EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT

THE SCRUTINY PROGRAMME

HEALTH AND SAFETY EXECUTIVE

(a) Subject

A study of the ways of estimating the costs and benefits of new proposals for health and safety regulations, approved codes of practice, etc.

(b) Cost of carrying out the policy, function or activity to be examined

The function which it is proposed to examine is one aspect of the policy making work of the Health and Safety Commission and Executive. About 400 staff of the HSE Headquarters are employed on this work, excluding the contributions made by the inspectorates and some indirect support staff. The function is of central importance to HSE's role and in terms of the resources it employs.

(c) Reasons for selecting the subject

Some health and safety requirements have substantial economic implications for those employers on whom the obligations are imposed. The development of improve methods for assessing these costs and benefits is therefore important if the HSE is properly to assess its functions and policies. Implementation and enforcement of these requirements may also have significant resource implications for the Health and Safety Executive.

Historically it was easy to justify health and safety requirements when standards were low and the benefits of improvements (such as machine guarding) both substantial and self-evident. Nowadays safety standards are generally much higher. Marginal improvements in some areas are potentially costly and the additional benefits they confer in terms of improved health and safety may be neither extensive nor immediately obvious. Moreover complex technological processes are now making use of substances which have no absolutely safe threshold; they may have some ill effect even at very low concentrations. Each degree of further reduction in exposure limits

may be progressively more costly for industry. The problem then arises of striking the right balance between occupational and environmental health and safety standards and the burden of requirements placed on industries to achieve those standards. Consequently there is a growing need to carefully assess the costs and benefits of proposed new requirements to ensure that additional benefits are commensurate with likely costs.

(d) Terms of Reference

An examination of the problems of estimating costs and benefits of health and safety requirements in various main sections of industry and the techniques available for this work. The study will include an examination of the organisational aspects of the work. Costing techniques include use of broadly based surveys to gather data, use of sample surveys and their attendant problems, the selection of a 'typical' case etc. Both techniques and organisations would be examined from the point of view of quality, effectiveness, and economic use of resources. In some instances qualitative rather than quantitative assessments are envisaged.

(e) Proposed Starting and Finishing Dates

1 December 1979 - 28 February 1980.

(f) Examining Officer

P Morgan (RPD B6)  
Health and Safety Executive  
Baynards House  
1 Chepstow Place  
London W2

The examining officer will be reporting through management channels to the Chairman of the Health and Safety Commission.

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... be progressively more costly for industry. The problem then  
... of establishing the right balance between environmental and  
... health and safety standards and the burden of  
... placed on industry to provide the goods  
... a provision which would allow the costs  
... of proposed new regulations to ensure that additional  
... are commensurate with their benefits.

(4) Form of Reference

An examination of the problem of establishing costs and benefits  
of health and safety investments in various risk sectors of  
industry and the techniques available for this work. The study  
will include an examination of the environmental aspects of  
the work. Getting techniques include use of broadly based  
surveys to gather data, use of sample surveys and their attendant  
problems, the selection of a 'typical' case etc. Both techniques  
and organizations would be examined from the point of view of  
cost, effectiveness, and economic use of resources. In some  
instances qualitative rather than quantitative assessments are  
employed.

(5) Proposed Dates and Milestones

December 1979 - 22 February 1980.

(6) Responsible Officer

T. Morgan (VPM/BC)  
Health and Safety Executive  
Research House  
1, Caxton Street  
London W2

The executive officer will be reporting through management channels to  
the Chairman of Health and Safety Commission.

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## DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

C A Whitmore Esq  
Private Secretary  
10 Downing Street  
SW1

23 November 1979

*Dear Mr Whitmore,*

I am writing in reply to your letter of 17 October about the Scrutiny Programme and to provide as far as is possible at this stage the information requested in Priestley's letter of 1 November. I have used the sequence he suggests.

- a. SUBJECT. My Secretary of State considers that our next Rayner scrutiny should be an examination of the administrative arrangements in England and Wales for making student awards.
- b. COSTS. This is a complex matter, and one on which the study itself would throw light. DES itself employs 45 or so staff on this work (present costs about £0.5m a year). Staff expenditure by the local authorities is not known but is certainly much larger. Annual expenditure on actual awards in England and Wales - some 450,000 in total - is well over £600m, or nearly a tenth of all public expenditure on education.
- c. REASONS FOR CHOOSING THE SUBJECT. Present arrangements for making awards have evolved ad hoc without an overall view having been taken of the system which has resulted. This applies particularly to the division of responsibility between the Department and other agencies concerned. DES makes individual payments to arts postgraduates, to certain adult students and for engineering scholarships. Science postgraduates are handled by the Research Councils. The remainder of awards, by far the largest number, are administered by the local authorities. Whereas the payment of discretionary awards by local authorities can be said to bring decision-making closer to the people affected, it is not clear that this is so with mandatory awards, where the local authorities' freedom of action is limited to matters of detail on individual cases. Whether a totally centralised system or a totally decentralised system would produce savings, be more efficient, or both

would be examined, together with more detailed questions such as working methods and procedures. (Scotland has a much more centralised system, but still splits responsibility between the Scottish Education Department, the local authorities and the Research Councils).

- d. **TERMS OF REFERENCE.** These would depend on the outcome of the consultations I refer to below. At this stage we have in mind something on the following lines:-

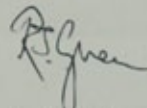
"To examine the administrative arrangements for making student awards by DES and others, with regard to their cost and efficiency, and to make recommendations."

As the scrutiny developed, more specific questions might be included in the remit, though we would not wish to fetter the project officer's freedom unduly.

- e. **TIMING.** If maximum benefit was to be derived from the project, it should not only investigate DES's administrative arrangements but also at least touch on those of other agencies, especially the local authorities. Their willing cooperation would be essential and preliminary discussions with their associations would mean work was unlikely to start before Spring 1980. The project would be complex and the full three months would be needed, bringing the completion date to some time in the late summer.
- f. **NAMES.** The project would be carried out by a Principal, yet to be selected, working full-time. He would report to Dr Rhodes Boyson, our Parliamentary Under Secretary of State responsible for student awards.

I am copying this letter to Sir Derek Rayner.

Yours sincerely,



R J GREEN  
Private Secretary

23 NOV 1979

1121  
123  
456  
789

CHILDREN'S SECONDARY EDUCATION OVERSEAS

SUBJECT

An examination of present arrangements for the provision of secondary education for the children of Service and Ministry of Defence personnel serving overseas, and of possible alternatives.

COST

Some 920 staff, including some 500 teachers, at a cost of about £8.5M per annum.

REASONS FOR SELECTING THE SUBJECT

The Ministry of Defence is responsible for the operation of secondary schools overseas for the children of Service and Ministry of Defence personnel. In addition Education Allowances totalling some £40M in 1979/80 are paid to enable children to receive continuous education at boarding or day schools in the United Kingdom. The study will examine the balance of advantage between providing secondary (especially boarding) schools overseas and sending children to schools in the United Kingdom.

TERMS OF REFERENCE

[to be forwarded shortly]

DATES

1 January to April 1980

EXAMINING OFFICER

Mrs. Mary Williams (Principal).



ASSISTED TRAVEL SCHEMES

SUBJECT

The provision of assisted travel schemes and MOD Establishment Bus Fleets.

COST

About £3M pa plus unidentified administrative overheads and capital costs.

REASONS FOR SELECTING THE SUBJECT

MOD currently operates 142 schemes for assisted travel, mainly for civilian staff. A recent review of one such scheme suggested that administrative costs exceeded the subsidies which staff were entitled to receive and a wider review would seem to be worthwhile.

TERMS OF REFERENCE

The study is to examine the requirement for assisted travel schemes, the operation and efficiency of existing schemes and recommend any changes that may be required.

DATES

1 April to July

EXAMINING OFFICER

Mr N H R Evans (Principal)

CLAIMS COMMISSION

SUBJECT

The role of the Claims Commission.

COST

Some 180 staff, at a cost of £2½M pa.

REASONS FOR SELECTING THE SUBJECT

The Crown traditionally does not insure and the Claims Commission is responsible for processing claims worth some £8½M pa both for MOD and OGD's. The study will examine the need for the Claims Commission, the possibility of carrying out the work in some other way and any internal improvements in policy and procedures that might be introduced.

TERMS OF REFERENCE

The study is to consider the requirement for, the role and organisation of the Claims Commission involving both MOD and work for other Government Departments.

DATES

1 September to 31 December

EXAMINING OFFICER

Mr J M Stuart (Principal)

INSPECTION AND AUDIT

SUBJECT

The role and organisation of the MOD divisions responsible for the internal structure and efficiency of the Department.

COST

Some 600 staff at an approximate cost of £9M pa.

REASONS FOR SELECTING THE SUBJECT

The MOD has a number of separate divisions responsible for different aspects of the internal organisation of the Department including Director General of Internal Audit, Inspectors of Establishment and Management Services. The aim of the study will be to assess whether the present structure is the most effective way of achieving internal efficiency and to seek ways of eliminating duplication whilst protecting the position of the Accounting Officer.

TERMS OF REFERENCE

The study is to review all the organisations which are responsible for some form of management or systems audit within MOD and to recommend where improvements can be made.

DATES

1 June to September

EXAMINING OFFICER

Mr David Fisher (Principal)

11 12 1  
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23 NOV 1970



Gatt  
M.P. Mackway

PM/79/96

PRIME MINISTER

Efficiency and Waste in Central Government: The Scrutiny Programme

1. You asked that our proposals for the first round of the programme should reach you by 23 November.

2. As far as the Main Wing of the FCO is concerned I propose that our project for 1980 be "To consider whether the arrangements for the acquisition, allocation and servicing of official transport for posts abroad are the most efficient and economical which can be devised: and if not to propose changes". Additional details about the proposed / project are attached in the annex to this minute.

3. If it is considered that in addition to the Management Review which will be undertaken in relation to ODA during this year there should also be a separate scrutiny, the choice of a suitable topic could be made following the preliminary survey now in progress as the initial stage of the Management Review. I hope we can accordingly leave the matter to be discussed with Sir Derek Rayner at the appropriate time.

4. The FCO scrutiny will involve some examination of the limitation on the authorisation of departments' operations abroad by the Civil Service Department and other Departments, an issue which goes wider than transport. With the introduction of cash limits we believe there is scope for more flexibility in this area. Drawing on the lessons derived from the scrutiny of overseas transport we will probably wish to revert to it either in the context of our next scrutiny or separately.

Foreign & Commonwealth Office

23 November 1979

  
(CARRINGTON)

(a) Subject

The acquisition, allocation and maintenance of official transport for Diplomatic Service Posts abroad. This is a service provided by the Foreign and Commonwealth Office to 161 posts overseas involving over 800 vehicles ranging from prestige limousines for Ambassadors to saloon cars, load-carriers and messengers' motor-bicycles.

(b) Cost of carrying out the policy, function or activity to be examined

The annual expenditure/estimates for 1978/79 to 1980/81 are as follows:-

	<u>1978/79</u>	<u>1979/80</u>	<u>1980/81</u>
<u>Capital Programme</u>	£780,000	£960,000 (107 vehicles)	i. £1,730,000* (198 vehicles)  ii. £710,000 (protection)
Maintenance	<u>£870,000</u>	<u>£1,050,000</u>	<u>£1,000,000</u>
TOTAL	£1,650,000	£2,010,000	£2,440,000
Receipts	<u>£320,000</u>	<u>£290,000</u>	<u>£290,000</u>

\*This figure includes the sum of £m 0.48 which will be underspent in FY 1979/80 (because of late authorisation of the current capital programme) and rolled forward to FY 1980/81. This is reflected in the substantial increase in (i) the number of vehicles to be replaced in FY 1980/81; and (ii) the protection of 32 cars for Heads of "risk" posts.

Costs of Administration

HQ staff	1 DS 4 (10%)	1 DS 7E
	1 DS 5 (30%)	2 DS 9
	1 DS 6	2 DS 10
	Share of Secretary, Registry Clerk	

/Local staff



Local staff costs: Supervisors, drivers, mechanics: approximately £2.65 million (1978/79).

(c) Reasons for selecting the subject

The FCO Administration is increasingly concerned about the constraints imposed by existing regulations on their ability to respond effectively to the transport requirements of posts and to maintain an efficient overseas transport fleet. These are:

- (i) the requirement to acquire vehicles only through the Ministry of Defence which exacts a 3¼% service charge from which the FCO derives no benefit and involves delays substantially exceeding normal manufacturers delays. This results in increased maintenance for the old cars still having to do service at posts and, in some cases, their temporary replacement by expensive hired vehicles.
- (ii) the need to obtain Civil Service Department approval for the replacement of vehicles above a basic standard of 1000 cc: this effectively means that CSD approval has to be obtained for the acquisition of all vehicles, which in turn leads to delays in vehicle replacement programmes without compensatory economies or evident improvements in efficiency.
- (iii) the requirement to purchase vehicles wholly manufactured in the UK. This is acceptable when the UK industry can supply suitable vehicles and has an established local market with efficient local maintenance and spares facilities. Unfortunately, this is often not the case. A further complication is the trend for British "marques" to be manufactured overseas and for international groups to specialise production of various



of various parts of vehicles in different countries.

(d) Terms of Reference

"To consider whether the arrangements for the acquisition, allocation and maintenance of official transport for Diplomatic Service posts abroad are the most efficient and economical which can be devised; and if not to propose changes".

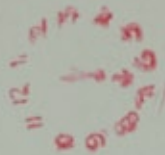
(e) Proposed Dates

2 January to 31 March 1980.

(f) The examining officer will be nominated as soon as agreement is given to this project. He will work direct to Mr Hurd, Minister of State responsible for administrative matters at the FCO.



26 NOV 1979





*From the Secretary of State*

C A Whitmore Esq  
Principal Private Secretary  
10 Downing Street  
Whitehall  
SW1

✓ MAD  
23 November 1979

*Dear Clive*

EFFICIENCY IN CENTRAL GOVERNMENT: THE SCRUTINY PROGRAMME

....

As requested in your letter of 17 October, I attach my Secretary of State's proposal for the first year of scrutinies under this programme. The details are in the form suggested in Clive Priestley's letter of 1 November and are I hope self-explanatory.

I am copying this letter to the Private Secretaries to Sir John Hunt, Sir Ian Bancroft, Sir Kenneth Berrill and Sir Derek Rayner.

*Yours sincerely*

*John Symes*

J M D SYMES  
Private Secretary



EFFICIENCY IN CENTRAL GOVERNMENT: THE SCRUTINY PROGRAMME: DEPARTMENT  
OF TRADE

(a) Subject

The Patent Office and the Industrial Property & Copyright Department. The Office deals with applications for patents, designs and trade marks and the IPCD with the general responsibilities of the Department of Trade for these and industrial property matters. The IPCD is also responsible for copyright matters and for international negotiations on them. Fees are charged for patents, designs and trade marks work (and publications are sold) with the financial objective of making neither a profit nor a loss taking one year with another.

(b) Cost

The full cost of running the Office, including the Industrial Property and Copyright Department, for the calendar year 1978 was £19.3m. This includes £10.3m for direct salaries, wages, insurance and superannuation, £3.4m for accommodation costs and £3m for cost of printing including HMSO costs. Receipts totalled £18.4m. Of this £17.2m related to fees and since the cost of services for which these fees were charged amounted to £14.1m a "profit" of £3.1m arose in the year. (Full details are given in the White Paper "Patent Designs and Trade Marks 1978" HC 2/79-80).

(c) Reasons for selection

This is the largest single unit in the Department in terms of use of staff resources and it is very important for British firms and



for all users of the British system (including many overseas) that it carries out its tasks effectively and efficiently. A review of this nature would provide an opportunity to consider the suitability of the traditional financial and staffing control procedures to which a Government Department is subject for a substantial fee-earning organisation with the policy responsibilities described above. The review would clearly need to have regard to the impact of the European Patent Office, other proposed EEC developments, and growing international commitments.

(d) Terms of Reference

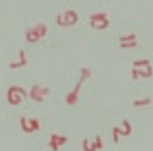
To examine the administration of the Patent Office and Industrial Property & Copyright Department, having regard to the importance of its work both for British firms and internationally, and with particular reference to the suitability for the Patent Office of the traditional financial and staffing control arrangements to which a Government Department is subject; and to make recommendations.

(e) Proposed starting and finishing dates

It is expected that the review will commence in January 1980 and the draft report be available in April 1980.

(f) Examining officer and reporting arrangement

The officer to carry out this review has not yet been identified. He or she will report to the Secretary of State and will consult with the Permanent Secretary in designing, launching, conducting and reporting the study.



26 NOV 1959



*W. G. M. M. M.*

SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

Clive Whitmore Esq  
Private Secretary  
10 Downing Street

23 November 1979

*Dear Clive,*

EFFICIENCY AND WASTE IN THE CENTRAL GOVERNMENT: THE SCRUTINY PROGRAMME

I refer to your letter of 17 October about the Rayner Scrutiny programme, and enclose, at the request of the Secretary of State and the other Forestry Ministers, a proposal for a scrutiny of the Forestry Commission's administration of its private woodlands grant aid and felling licensing procedures. The Forestry Commissioners are anxious to simplify these procedures and would welcome Rayner involvement in an exercise they have already initiated to this end.

I have, of course, written to you quite separately about a scrutiny in the Scottish Office.

I am copying this letter to Garth Waters (MAFF), George Craig (Wales), to Sir Derek Rayner's office and to the Secretary to the Forestry Commission.

*Yours sincerely,*

*Godfrey Robson*

GODFREY ROBSON  
Private Secretary

RAYNER SCRUTINY EXERCISE - FORESTRY COMMISSION

a. Subject

i. The administration of private woodlands grants and associated procedures.

Under the Forestry Acts 1967 and 1979 the Forestry Commissioners are empowered, with Treasury approval "to make grants and loans to owners and lessees of land for and in connection with the use and management of the land for forestry purposes". Loans have not been made for a number of years, but grants are being paid for the planting and management of woodlands under the Commission's dedication and small woods schemes. In the year ended 31 March 1979 these amounted to some £2½m. The interest in the grant schemes is such that it is estimated that the total bill (excluding administrative costs) will rise to £3½m per annum in the next five years. The number of woodland owners participating in the schemes is in the region of 5,000.

ii. Felling licensing

Under Part II of the Forestry Act 1967, the Commission exercises control over the felling of trees through a system of licensing. These powers were first introduced in 1951 in order to maintain reserves of timber for strategic purposes, but they are now retained almost exclusively in the interests of amenity. Some 2,000 licences are issued annually, the great majority for small areas of marginal or no interest for timber production.

b. Costs

The cost of administering the grant schemes in the year ended 31 March 1979 amounted to £987,000 (some £44 for every £100 of grant); this included expenditure on consultations over grant applications with other interested authorities in accordance with procedures introduced in 1974.

The cost of running the felling licensing system in the year ended 31 March 1979 totalled £261,000 (an average of about £130 per licence).

Expenditure under both heads is met from the Commission's annual Grant-in-Aid.

c. Reasons for selecting this subject

The relative cost of administering the private woodlands grant scheme has increased nearly threefold over the past decade due to the inherent complexity of the schemes and the introduction of consultative procedures. The felling licensing system is also costly to administer in relation to its effectiveness.

d. Terms of Reference

To examine the administration of

- i. the private woodlands grant scheme, and
- ii. the licensing of felling,

with reference to the cost, efficiency and effectiveness of that administration, and to make recommendations.

e. Proposed starting and finishing dates

Start: 7 January 1980

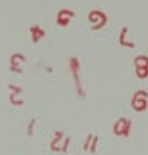
Finish: 31 March 1980

f. Examining Officer and reporting arrangements

Examining Officer - to be chosen.

Reporting arrangements - to the Minister of State, Scottish Office (on behalf of the three Forestry Ministers viz. the Minister of Agriculture and the Secretaries of State for Scotland and for Wales), in consultation with the Director General of the Forestry Commission and Sir Derek Rayner's unit.





23 NOV 1979



✓ 14AD  
GOSN  
Machings

SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

Clive Whitmore Esq  
Private Secretary  
10 Downing Street  
LONDON SW1

23 November 1979

Dear Clive,

RAYNER SCRUTINY

My Secretary of State has considered possible topics for the scrutiny programme on efficiency and waste in central government, and wishes to propose the advisory and monitoring activities of the Scottish Office with respect to local planning authorities.

The Secretary of State has certain statutory functions in regard to planning, principally the approval of structure plans and the determination of appeals and called-in planning applications of importance. In addition he keeps in touch with the activities of planning authorities (regional, islands, and district councils in Scotland) in order to be aware of their activities and in order to offer advice. The statutory functions and the advisory and monitoring functions are in the main carried out by the same staff. It is not possible to identify separately the cost of the activity to which the scrutiny will relate: the total cost of the staff concerned with planning issues is £1.4m a year.

The reasons for the choice of the topic are that it is an important aspect of the relationships between central and local government in Scotland and that there is genuine room for further illumination on the right balance of activity. On the one hand, adequate knowledge of what planning authorities are doing is necessary in order that the Scottish Office can advise the Secretary of State on his specific functions, and departmental advice can assist those local authorities who need help and generally guide them in the right direction. On the other hand the advisory and monitoring functions are expensive in staff terms and, it can be argued, hinder the assumption of proper responsibilities by local authorities.

The specific terms of reference would be:

"to examine the advisory and monitoring functions of the Scottish Development Department with respect to local planning authorities, and to report on the need for and value of those functions."

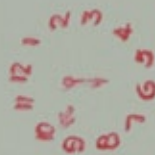
The scrutiny could begin at once and should be completed about the end of March. The Secretary of State has asked Lord Mansfield to supervise the scrutiny which will be conducted by Mr J S B Martin, Principal.

I am copying this letter to Sir Derek Rayner's office.

Yours sincerely,  
Godfrey Robson

GODFREY ROBSON  
Private Secretary

22 NOV 1973



✓ MP



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

*From the Minister*

22 November 1979

PRIME MINISTER

EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT:  
THE SCRUTINY PROGRAMME

--- I enclose, for inclusion in the first round of the Rayner scrutiny programme, a proposal for a scrutiny of the enforcement of grading standards for fresh horticultural produce.

I am copying this minute and enclosure to the Secretaries of State for Wales, Scotland and Northern Ireland and to Sir Derek Rayner.

PETER WALKER

RAYNER SCRUTINY 1980 - MAFF

a. Subject

Enforcement of grading standards for fresh horticultural produce.

Common quality standards laid down by the EEC for some 30 different types of fresh fruit and vegetables, cut flowers and foliage are enforced by the Horticultural Marketing Inspectorate. Inspections are made at all points of distribution from growers' packhouses to retail shops and cover imported produce and that being exported. The functions of the Inspectorate also include inspection of produce to be withdrawn from the market under EEC intervention arrangements and the collection of market intelligence.

b. Costs

This activity engages 129 staff and costs about £1.3 million a year.

c. Reasons for selecting this subject. Work done in fulfilment of

EEC obligations comprises a significant and growing sector of the Ministry's activity and raises general questions on which the study of a particular task would cast light. The horticultural grading activity is a useful starting-point because it is discrete and yet would suggest lessons for the thoroughness with which other EEC obligations are carried out.

d. Terms of reference. To examine, with reference to cost, efficiency and effectiveness, the extent and documentation of inspections at different locations and stages of the distributive chain necessary to ensure the maintenance in England of grading standards for fresh horticultural produce; and to make recommendations.

e. Proposed starting and finishing dates

Start : 14 April 1980 (subject to the availability of suitable staff)

Finish : 15 August 1980

f. Examining officer and reporting arrangements

Examining officer - an Assistant Secretary or a Principal yet to be selected.

Reporting arrangements - to the Minister of Agriculture, Fisheries and Food, in consultation with the Permanent Secretary MAFF and Sir Derek Rayner's unit. The report will be of interest to the other Agriculture Ministers in the United Kingdom.

23 NOV 1979





✓HRD

SECRETARY OF STATE FOR ENERGY  
THAMES HOUSE SOUTH  
MILLBANK LONDON SW1P 4QJ  
01 211 6402

T P Lankester Esq  
Private Secretary  
10 Downing Street  
LONDON  
SW1

22 November 1979

Dear Tim,

EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT: THE SCRUTINY PROGRAMME

Clive Priestley's letter to John Chilcot of 1 November asked for proposals for the first round of this programme.

My Secretary of State would like to have an examination made of the economic and statistical services in the Department and I attach a note setting out the basis of the study in the form proposed in Clive Priestley's letter.

I am sending a copy of this letter, with enclosure, to Sir Derek Rayner.

Yours sincerely

W J Burroughs  
Private Secretary

Bill

MANAGEMENT IN CONFIDENCE

EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT:  
THE SCRUTINY PROGRAMME

- A) Subject: The provision of economical and statistical services and advice in the Department of Energy.
- B) Cost: Basic Staff Costs.....£1m  
Basic Staff Costs + Accommodation and  
Common Services .....£1.5m
- C) Reasons for Selecting the Subject: The growth in demand for information and advice on economic and statistical issues in the energy field, particularly in international energy matters and the need to make sure that the available resources are correctly deployed.
- D) Terms of Reference: To review the demand for economic and statistical advice and services in the Department of Energy and the resources at present devoted to them; to consider the relationship between the Department's economic and statistical services and those of the energy industries, other Government Departments and outside bodies and to make recommendations.
- E) Proposed Starting and Finishing Dates: 15 January to 15 April.
- F) Names of Officers if Known and Reporting Arrangements:
- 1) Sir Fred Atkinson with a Principal or Senior Economic Adviser in support.
  - 2) Through Permanent Secretary and Mr Lamont to Secretary of State.





PLATE 14526 07 JUN 1979





✓ HAD

PRIVY COUNCIL OFFICE  
WHITEHALL, LONDON SW1A 2AT

22 November 1979

PRIME MINISTER

THE SCRUTINY PROGRAMME

My Department has a staff of 890, having made substantial staff savings over the years by the introduction of computers and mechanical handling equipment.

It acts as banker for all Government Departments except the Revenue Departments, and currently handles annually some 26 million payments totalling £125,000m a year (1978/79 figures).

It also acts as paying agent, on behalf of other Government Departments, for public service pensions. The number of pensions paid, at present 885,000, is increasing at the rate of about 6 per cent a year.

In addition, my Department handles by computer the APEX system of analysing public expenditure payments for the Treasury and other Departments.

The work-load is entirely demand-led, and any significant reduction in work and staff will depend on the ability of other Departments to reduce the demand.

As to internal economies, I asked Sir Derek Rayner last July to look at arrangements for training and payment of computer operators. These are unsatisfactory and could be made more cost-effective. I have heard no more about this.

For the rest, <sup>as</sup> my officials and I explained to Sir Derek when we met him in July, my Department has, of its own volition, carried out Rayner-type projects for many years with a high degree of success. We can meet all the requirements of the Rayner exercise if we continue on our present path, but widen the reporting arrangements so that Sir Derek's team see the outcome of our studies. This has the advantage of meeting the requirements without the need for additional staff.

We have a costing officer who produces an annual unit cost for paying a pension and handling a payable order. These are commercial type costings which account for the total costs of the Department plus all external overheads such as accommodation, HMSO costs, amortised capital costs of computers, power supplies etc. These costings are examined each year so that any untoward charges can be questioned and the areas where potential savings might be made can be pinpointed.

/We have

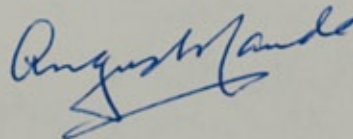
PRIME MINISTER (contd.) 22.11.79

We have a permanent team which is given a programme of studies taking it to each part of the office approximately once in three to four years. The team is charged with (a) questioning each function (b) applying O and M methods to it and (c) determining the appropriate staffing levels for it. The officers of the team are changed at regular intervals so that our ablest staff is continuously examining the work of the Office with a new-broom approach. The team is also given one-off jobs such as an examination of the filing methods of the Office.

At present in addition to these permanent exercises we have the following studies in course:

- 1 We are examining ways and means of dispensing with our London Branch Office.
- 2 A study is being undertaken by the CSA (Computer Services Association) to determine areas within the Paymaster General's Office which might be handled more cost effectively by the use of micro or mini computers. We expect a report pin-pointing areas of the Office which should be targets for more detailed examination and can form the subject of future Rayner Projects.
- 3 The Department of Education and Science has been carrying out a Rayner study of the administration of the teachers' pension scheme within their own Department and has suggested the transfer of the payment procedures from this Office to Darlington. We feel this is ill-founded, but we have offered to co-operate with Department of Education and Science in a more detailed examination. This will have the effect of testing the claim we made verbally to Sir Derek Rayner that economy of scale favours centralised payment of pensions.

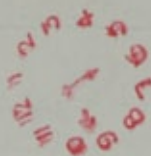
If it is acceptable that we continue our present examination cycle I will arrange for summaries of the reports to be submitted as they become available.



ANGUS MAUDE

PS A copy of this letter is being sent to Sir Derek Rayner.

22 NOV 1978





PRIME MINISTER

EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT:  
THE SCRUTINY PROGRAMME

I have been considering the scrutiny to be undertaken in the Welsh Office as our contribution to the first round of Sir Derek Rayner's programme.

I propose an investigation of our procedures for processing major hospital building projects in the National Health Service in Wales. The main features of the study would be:

- (a) Subject: The Welsh Office's procedures for processing major NHS building projects in Wales.
- (b) Cost of carrying out the policy, function or activity to be examined

The cost of major building projects is expected to be of the order of £15-£17 million per annum (November 1979 prices), declining in 3-4 years' time as planned major projects near completion and works below £½ million each (which will be programmed and managed by Area Health Authorities alone) take up a larger proportion of the overall Welsh NHS capital programme. Expenditure on Welsh Office staff (administrative and professional) involved in the procedures is upwards of £250,000 per annum. The Treasury are involved in approving schemes costing over £2m; the extent of this work is small.

(c) Reasons for selecting the subject: The subject is an important one involving considerable expenditure and Departmental resources. A scrutiny would include a study of the involvement of the Welsh Office with the work of other bodies in the Health Service, and holds out the possibility of significant savings in staff and expenditure, and a measure of Welsh Office disengagement within the NHS.

(d) Terms of Reference: "To examine Welsh Office procedures for processing individual Health Service building projects costing £½m or more, to assess their efficiency, and to make recommendations. Particular

/attention will be



attention will be given to the role of the Welsh Office in the multi-disciplinary planning design team set up for each project".

(e) Proposed starting and finishing dates: The examining officer will be available to start the scrutiny soon after the go-ahead is given.

(f) Name of examining officer, and reporting arrangements:

Mrs Margaret Evans, Principal now in Briefing Unit, London Office. The examining officer will make her report to me. The study will be undertaken in consultation with Sir Derek Rayner. The Permanent Secretary will be involved throughout the exercise.

/ I am sending copies of this minute to Patrick Jenkin, George Younger and Sir Derek Rayner.

*M.*

22 November 1979

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22 NOV 1979

CONFIDENTIAL

V. M. P.

PRIME MINISTER

EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT:

I am replying to your Private Secretary's letter of 17 October.

I have discussed with my Permanent Secretaries ways of improving the flow of management information to Ministers. New arrangements that have been set in train should enable me to review regularly the cost of running DHSS. I look forward to the further help that Sir Derek Rayner will be giving in this area.

I have given a good deal of thought to producing a balanced programme of scutinies for my Department. My main concern is to ensure that we can respond positively and speedily to proposals for greater efficiency without overstretching Departmental resources and producing a complex web of interacting and possibly conflicting recommendations from different scrutinies. I think we have struck the right balance for 1980 with the following programme (which my officials have discussed with Sir Derek Rayner's office):-

1. Health Exports and DHSS's role - to start next month.
2. Validation of National Insurance Contribution Records - to start in Spring of 1980.
3. Delivery of benefits to unemployed people - to start in Spring of 1980.

The first two of these scrutinies are described briefly in the note attached which provides the information suggested by Sir Derek Rayner's office. The third scrutiny will be a joint project with the Department of Employment. It will consider whether it is possible to make more effective the organisation and methods by which unemployment benefit and supplementary benefit for the unemployed are delivered. Jim Prior will be letting you have a fuller description of the study.



I have not lost sight of the possibility of a scrutiny directly affecting the NHS, though such a project would probably be more for the Service itself than for the Department. But I think that that is something for a later stage. The NHS is at present under strong pressures to economise; you will know too, that we are about to issue a Consultative Paper on the structure and management proposals in the Royal Commission report. Dealing with this will impose considerable burdens on NHS management over the next year or two, and it would I think be very difficult to add yet further tasks.

We are, moreover, actively considering supplies policy for the NHS (ie a possible Supplies Council as recommended by the Salmon Report) and this too, while leading to significant potential savings, will take time to implement.

I am copying this minute to other members of the Cabinet, Sir Robert Armstrong, Sir Ian Bancroft, Sir Derek Rayner and Sir Kenneth Berrill.

22 November 1979

PJ

22 NOV 1979

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CONFIDENTIAL

III

PROPOSED DHSS SCRUTINIES FOR 1980

I: HEALTH EXPORTS AND DHSS's ROLE

1. DHSS activities in support of health care exports (i.e. pharmaceuticals, medical equipment and supplies, and consultancy services for health building overseas) include reconnaissance, promotions, missions, joint ventures and participation in trade fairs and overseas exhibitions. These activities are complementary to other Government services such as those provided by the Department of Trade and the FCO. The direct cost of the DHSS activities is about £0.6 million a year (including common services, accommodation, and overseas travel). They are mainly carried out by two groups of staff within the Department: additional unquantified costs arise from time spent by other staff not directly concerned. The cost of DHSS activities is small in relation to the relevant industries' export earnings (estimated to be about £1 billion).

2. There is a need to see whether these activities are adequate and cost-effective bearing in mind other export promotion activities. No previous investigation has been carried out.

3. The terms of reference of the scrutiny would be:

"To examine, in consultation with the bodies concerned outside Government, and with the other Government Departments involved, DHSS activities in support of health care exports, with reference to the adequacy of these activities, and their cost, efficiency, and effectiveness."

4. The scrutiny would commence almost immediately and last 60 days. It would be carried out by an Assistant Secretary reporting to the Parliamentary Under Secretary of State (Health) (Sir George Young).

## VALIDATION OF NATIONAL INSURANCE CONTRIBUTION RECORDS

1. The payment of National Insurance (NI) benefits depends on the amount of contributions and fulfilling contribution conditions. Each year, DHSS receives about 34 million NI contributions from employers, the self-employed, and voluntary contributors which have to be allocated to individual contribution records held on computer file. Various checks are made to ensure that the right contributions are paid and are credited to the correct people. About 7 million queries arise each year including some 2 million cases where the contribution cannot immediately be matched to an individual's file because the NI number is not quoted or is incorrect. Although the checks are computerised the queries have to be investigated by staff. At a rough estimate this work involves about 2,000 DHSS and 100 Inland Revenue staff at an annual cost of over £10 million.

2. To keep the queries down to manageable levels, various tolerances are applied. Where the amounts of money involved are below these levels, no follow-up action is taken. Increasing the tolerance limits would mean that fewer items had to be followed-up with consequent savings. On the other hand, any deterioration in the accuracy of NI records has an effect on benefit entitlement. There is a need for an independent assessment of the factors involved.

3. The terms of reference of the scrutiny would be:

"To identify the total cost to the Government of checking and querying NI contribution items and to show how costs and responsibilities are divided; to consider whether the advantage to the public interest is such as to justify that cost; and to recommend such changes in procedures as seem desirable, having regard to efficiency, resource cost, and the maintenance at an appropriate level of the integrity of the NI contribution record."

The study would not be concerned with benefit contribution conditions or the principles upon which national insurance is based; and would need to take into account other work being done within DHSS on social security operational strategy.

4. The study would commence in Spring 1980, last 90 days, and would be carried out by a Principal reporting to the Parliamentary Under Secretary of State (Social Security) (Mrs Chalker).

1. The payment of National Insurance (NI) benefits depends on the amount of contributions and qualifying contribution records. NI is paid to self-employed, and voluntary contributors which have to be allocated to individual contribution records held on computer file. Various checks are made to ensure that the right contributions are paid and are credited to the correct people. About 7 million queries arise each year including some 2 million cases where the contribution cannot immediately be matched to an individual's file because the NI number is not quoted or is incorrect. Although the checks are computerised the queries have to be investigated by staff. At a rough estimate this work involves about 2,000 DRS and 100 Inland Revenue staff at an annual cost of over £10 million.

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The study would not be concerned with benefit contribution conditions or the principles upon which national insurance is based; and would need to take into account other work being done within DRS on social security operational strategy.

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Civil Service Department  
Whitehall London SW1A 2AZ  
01-273 4400

22 November 1979

Tim Lankester Esq  
Private Secretary  
10 Downing Street  
LONDON SW1

*Dear Tim,*

**EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT**

Following Cabinet's discussion of Sir Derek Rayner's minute to the Prime Minister of 30 August (C(79)39), Ministers were invited to send you by 23 November their proposals for the functions to be scrutinised next year.

The Civil Service Department could benefit from a close scrutiny of the work of the Technical Services Division of the Central Computer Agency (CCA). This Division provides a comprehensive technical service to user departments for the procurement of hardware and software; determines the use and provision of telecommunications for administrative purposes in central governments; and undertakes consultancy assignments for selected departmental projects.

The staff costs of the present range of activity amount to £1 $\frac{3}{4}$ m in round terms and there are substantial non-staff costs, including hardware and software, across the CCA as a whole.

The work of the Division is central to the effectiveness of the CCA. The complexity of the subject matter is growing with the rapid development of the technology and this will be enhanced by the wider view of the market which the CCA will have to take when the present policy of giving most big contracts by single tender to ICL runs out at the end of 1980. The scope for savings cannot be prejudged but may well take the form of providing a better and more effective service, and of securing a more efficient use of the resources committed.

The suggested terms of reference are:-

"To examine the CCA's Technical Services in the light of the foreseeable developments in the nature and scope of computing and telecommunications and in the methods of providing Government departments with administrative and scientific computer and telecommunications systems; and to make recommendations on:

- i. whether the role and objectives of the Technical Services need modification;

MANAGEMENT IN CONFIDENCE

ii. whether there should be any changes in their tasks in order to pursue their role and objectives most efficiently and economically;

iii. taking account of the need for the successful recruitment, management and retention of high-quality technical staff, whether any changes are needed in their organisation <sup>and</sup> staffing".

The names of the examining officers are not yet known, and we are considering whether to associate an expert outside consultant with the project. The scrutiny will be directly supervised by the Minister of State, CSD in consultation as necessary with the Permanent Secretaries and the Head of the CCA.

The Technical Services Division is affected by the CCA's present reorganisation. Accordingly, we judge that the best time to begin the scrutiny will be directly on the completion of this reallocation of responsibility involving as it does the concentration of telecommunication and other technically related functions on the Division, rather than anything more drastic. This will mean starting the scrutiny in May next year and receiving the report by about the end of August; but Ministers here are well satisfied that this will be in good time to allow implementation to commence within the year.

I am sending a copy of this letter to Clive Priestley in Sir Derek Rayner's office.

*Yours sincerely,  
Jim Buckley.*

J BUCKLEY  
Private Secretary

7 2 NOV 1979





JHW

**CONFIDENTIAL**

PRIME MINISTER

EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT: THE SCRUTINY PROGRAMME

Following the Cabinet's discussion last month of Sir Derek Rayner's minute on this subject I have been considering what studies my Department should put in hand next year. I have decided that there should be two. The first would look at my Department's work on the enforcement of Vehicle Excise Duty, the second at whether we are getting value for money from my Department's work on setting standards for road and bridge building. Notes on both proposals are attached.

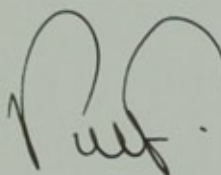
The first study will be particularly useful to me in following up our recent decision to retain Vehicle Excise Duty. The level of evasion of the tax remains an area where we may be subject to criticism and I want to be sure that the resources we put into tackling evasion are used in the most efficient way practicable.

I am arranging for preparatory work on the studies to begin, but shall not, of course, authorise a start until you have approved my proposals and these have been discussed with Sir Derek Rayner. The VED study could not in any case be announced until after we have announced our decision to retain the tax.

**CONFIDENTIAL**

**CONFIDENTIAL**

I am sending a copy of this minute and enclosures to Sir Derek Rayner and to Sir Ian Bancroft but in view of the imminent policy announcement I should be grateful if they would not circulate them for the time being.



NORMAN ~~FOWLER~~  
22 November 1979

**CONFIDENTIAL**

DEPARTMENT OF TRANSPORT  
THE SCRUTINY PROGRAMME 1980

VEHICLE EXCISE DUTY

- a. Subject: The functions of the Department of Transport in relation to enforcement of vehicle excise duty
- b. Cost of carrying out the functions to be examined

The administrative cost of the Driver and Vehicle Licensing Directorate's enforcement effort in 1979/80 is about £5m (basic staff costs, accommodation, travel and subsistence and an element for other expenses and common services). 700 staff are employed.

- c. Background

The Department of Transport estimates that evasion of VED on cars could be as high as 7-9% which represents an estimated £50-£60m pa lost revenue. Additional revenue is lost from evasion on other vehicles such as goods vehicles and motorcycles. In 1979 the Department expects to receive about 600,000 actionable reports of VED evasion but only has the resources to follow up 300,000 cases. In 1979/80 the total income from both DVLD and police enforcement is expected to total £5-6m - including fines, penalties, costs and back duty collected as a result of prosecutions. This does not include income from late licensing voluntarily paid in advance of enforcement action.

- d. Reasons for selecting the subject

The Government has recently reviewed the tax. It has been decided to retain it and to increase the enforcement effort - no announcement has yet been made on this decision. The enforcement problem is

twofold: to identify the evaders and to take effective follow-up action.

Two immediate possibilities are under consideration:

- (i) an increase in enforcement staff: provision has been made to employ 50 additional staff on enforcement in 1980/81 at an estimated cost of £300,000 and consideration is being given to employing a further 100 extra staff by 1983 at a total additional cost of £1m pa.
- (ii) intensive enforcement campaigns in selected areas in co-operation with the police.

In addition, in the longer term consideration is being given to making VED a tax on possession rather than use of a vehicle. This would benefit enforcement because it is easier to prove possession than use and could open the way to using the computer for enforcement. Further study is in hand and will be followed by consultations.

e. Terms of reference

To consider:

- a) whether the resources currently devoted to enforcement are used as effectively as possible;
- b) what would be the best way of utilising any additional enforcement resources.

f. Proposed starting and finishing dates

1 January 1980 - 30 April 1980

g. Names of examining officers and reporting arrangements

The examining officer has not yet been selected. The report will be made to the Minister of Transport.

MANAGEMENT: IN CONFIDENCE

DEPARTMENT OF TRANSPORT  
THE SCRUTINY PROGRAMME, 1980

ROADS AND BRIDGES: STANDARDS AND CERTIFICATION

- a. Subject: Value for money in setting the standards for the building of roads and bridges and in certifying that work conforms with those standards.

Background

Standards for road and bridge design and construction in England are set by the Department of Transport. They are mandatory for motorways and trunk roads and for safety aspects of those local authority schemes grant-aided by the Government. They are advisory for other aspects of local authority schemes and are generally adopted. They are also adopted in Scotland, Wales and Northern Ireland and are used in overseas countries.

Certain complex aspects of schemes have to be approved in principle by the Department and independent checking systems are used. The Department's engineers certify departures from standards, their interpretation where necessary, and acceptance of innovative techniques not covered by standards.

The objectives of the work are to achieve reasonably uniform standards in the road system so as to promote acceptable safety levels and value for money in schemes, and to ensure a feedback which sets priorities for research and development.

The principal clients are the Department's own organisation for design of motorways and trunk roads (the Road Construction Units - RCUs), consulting engineers and highway authorities (all county councils and some district councils acting as their agents). Total proposed expenditure in England in 1980/81 on road construction and maintenance will be about £1,100M.

b. Cost of carrying out the functions

It is difficult to separate the costs of standard setting and certification from the other activities of the Headquarters staff concerned but the following broad estimates give the order of magnitude of the annual administrative costs:-

	<u>Number of Staff</u>	<u>Cost</u>
Standard setting	108	£1½M
Certification	33	£ ¼M

The annual costs incurred by the RCUs, consulting engineers and local authorities in checking engineering works amount to about £1.5M in a total design cost of approximately £20M.

It must be stressed that there are broad assumptions in the above figures which should be regarded only as indicative of scale.

c. Reasons for selecting the subject

To investigate whether the degree of uniformity and the reduction in level of risk achieved by the arrangements for standard setting and certification are reasonable and constitute value for money; and thus whether the resources in manpower and expenditure devoted to them are of the right order and properly distributed.

d. Terms of Reference

As c.

e. Proposed starting and finishing dates

Spring 1980: duration 90 working days.

f. Names of examining officers and reporting arrangements

To be determined. The report will be made to the Minister of Transport.

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Cost	108	108
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108		

The annual costs incurred by the H&M, consulting engineers and local authorities in checking engineering works amount to about £1.2M in a total design cost of approximately £2.5M. It must be stressed that these are broad approximations in the above figures which should be regarded only as indicative figures.

3. Reasons for selecting the subjects

To investigate whether the degree of variability and the reduction in level of risk involved by the arrangements for standard testing and certification are reasonable and consistent with the level and this whether the resources in manpower and expenditure devoted to them are of the right order and properly distributed.

4. Terms of Reference

4.1. Proposed activities and 12 testing days

During 1980: duration 90 working days.

4.2. Names of examinees, officers and reporting arrangements

To be determined. The report will be made to the Director of the

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✓ M.A.P.

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

19th November, 1979

*Miss Selivan*

*Copies, please:*

- *Mr. Selivan*
- *Mr. Patten*
- *Mr. Conroy*
- *Mr. Russell*

*Dear Clive,*

*P.*  
*21.11.79*

EFFICIENCY & WASTE IN CENTRAL GOVERNMENT:  
THE SCRUTINY PROGRAMME

You copied to me your letter of 1st November to John Chilcot about proposals for the first round of the scrutiny programme.

The aim is to undertake 6 scrutinies of the Chancellor's departments in the coming year - 1 in each of the Treasury, Customs and Excise and the Department for National Savings and 3 in the Inland Revenue. The Chancellor will send to the Prime Minister information about each of these under the heads suggested in your letter.

..... You also asked for advance warning of the subjects. I am enclosing brief descriptions of the areas of work which I hope will be helpful.

*Ys ever,*

*M.A. Hall*

(M.A. HALL)  
Private Secretary

C. Priestley, Esq.,  
Cabinet Office



## TREASURY

The role of the Treasury specific expenditure divisions and the effectiveness with which they use the Financial Information System as a means of monitoring a major part of central government expenditure.

### CUSTOMS & EXCISE

#### DISTILLERY CONTROLS

The subject the department will be putting forward is distillery controls. Currently these rely very heavily on the presence of members of the department and on physical security. It may well be possible to save staff by placing greater reliance on traders' own physical security and documentation, provided that the risks to the substantial revenue at stake can be overcome.

### DEPARTMENT FOR NATIONAL SAVINGS

A scrutiny of the current project for computerisation of Premium Bond records.

Conversion of the massive manual holdings files, relating to about 25 million holders, began in June 1976 and was originally scheduled to take about 5 years to complete, leading to an estimated saving of about 700 staff at the end of the conversion period as compared with continuation of the manual system. Subsequent events, including tight public expenditure and manpower controls, depleted the conversion work-force, with the result that the full realisation of savings has been progressively deferred. The latest target date for completion of conversion is now March 1984. Direct comparison with original forecasts is impossible because of substantial intervening cost saving changes in the terms of Premium Bonds and other factors, but savings due to conversion have so far amounted to about 100 staff and are estimated to reach about 300 at the end of conversion. The immediate question is whether it is practicable and desirable to attempt to expedite the completion of conversion.

## INLAND REVENUE

### 1. ANNUAL ISSUE OF PAYE DEDUCTION CARDS

The function of issuing Deduction Cards to employers.

This serves two purposes, (i) to notify the employer of the code to be used for each employee in the coming tax year, (ii) to provide him with a record on which to calculate and/or report tax deductions.

The particular subject to be examined is the issue of deduction cards relating to those employees whose tax code is unchanged from that in use in the previous year.

### 2. RATING APPEAL PROCEDURES

The administrative machinery for making proposals, objections, and appeals whether by Valuation Officers, ratepayers or rating authorities, including the transmission of documents to the Local Valuation Courts.

This will cover time limits, documentation, etc with particular reference to streamlining of procedure, necessity for various forms and so on. This is a general service provided to every rating authority in the country, the Valuation Officer being the statutory officer responsible for preparing and maintaining the Valuation List. The Valuation List records inter alia details of the rateable value of every hereditament in the country and it is on that figure that local authorities charge and ratepayers pay their rates.

These procedures are laid down by statute and material changes can therefore only be achieved by legislation.

### 3 ACCOUNTS REGISTERS IN DISTRICTS

Tax districts keep Accounts Registers of partnerships and individuals in self employment and all companies. There are approximately 2.5 million separate records which show the receipt and settlement of accounts submitted to determine liabilities to income tax and corporation tax. Districts make monthly reports of the figures to higher Management. The income tax accounts register is also used to select cases for statistical sampling. As a result of legislative changes it may be possible to replace the Accounts Registers with more economical records.

PRIME MINISTER

Sir Derek Rayner will shortly complete his report on his first round of studies. We will have Ministers' proposals for the next round in the course of next week, and Sir Derek will summarise these with his recommendations to you.

We have set aside some time in the diary for a meeting with Sir Derek on Tuesday 4 December. He has several trips abroad coming up shortly, and I thought it best to pin him down to a time. I think it important that you should both see him to discuss his initial report, and take the opportunity to feed in your views for his second round. We will get the papers to you next weekend.

You queried the word "scrutiny" which Sir Derek has chosen to describe his activities. In the attached note, Mr. Priestley explains why Sir Derek's office think this is the most accurate word.

MAF

No words  
copying about

and

16 November 1979

FROM THE PRIVATE SECRETARY

*Await further  
reply (M)*



HOUSE OF LORDS,  
SW1A 0PW

13 November 1979

Our ref P13/44/02

*Dear Clive,*

EFFICIENCY AND WASTE IN GOVERNMENT

In your letter of 17 October you told me that following the Cabinet's discussion of recommendations by Sir Derek Rayner in his minute to the Prime Minister of 30 August (C(79)39) Ministers were invited to send the Prime Minister by 23 November their proposals for the first year of scrutinies and copy them to Sir Derek Rayner.

I am writing to let you know that the Lord Chancellor has decided that in 1980 a study should be made of the methods and scope for providing repayment services to users of records in the Public Records Office. He wishes this study to consider whether there is scope for introducing additional repayment services as well as examining the effectiveness of those which now operate.

If some consultation with those who use the Public Record Office is seen as necessary, it is possible that the study will take longer than 90 working days.

I attach at Annex A a separate note giving further details for which Priestley asked in his 1 November letter to Chilcot, copied to other Private Secretaries.

A copy of this letter goes to Sir Derek Rayner.

*Yours sincerely*  
*I H Maxwell*  
I H MAXWELL

Clive Whitmore Esq  
Principal Private Secretary to  
The Prime Minister  
10 Downing Street  
London S W 1

(a) Subject

Public records are available in the Public Record Office for any member of the public to see and copy. In addition there is a Museum at Chancery Lane.

(b) Cost

The cost of providing access to public records is £1.0M and the Museum costs £12,500.

(c) Reason for Selecting the subject

This service is costly and requires about 100 staff. It seems right to examine the extent to which the small section of the public which uses the Public Record Office could be asked to reimburse the cost of providing these various services which are available.

(d) Proposed Terms of Reference

The enquiry will examine the methods and scope for providing/repayment services to users of public records.

(e) Proposed Starting and Finishing : Dates

The study will start in January and should not take more than 3 months unless it proves necessary to have extensive consultations with users.

(f) Name of Enquiry Officer

The study will be carried out by a Principal Auditor from the Lord Chancellor's Department since the Public Record Office cannot spare staff from their normal tasks for this period of time.

15 NOV 1979



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Govt Machinery TS

10 DOWNING STREET

THE PRIME MINISTER

7 November 1979

Original in SE

Dear Dr. Cavalla,

Thank you so much for your letter of 29 October. I was glad to discuss the point when we met, and I am grateful to you for expanding on it in your letter. The rapid increase in expenditure does need careful questioning. I can assure you that we are doing all we can to make the whole of Government more conscious of the need to justify its activities, with a view to eliminating waste and unnecessary controls across the board.

Yours sincerely  
Margaret Thatcher

Dr. J.F. Cavalla

JS

✓MAP

cc for information

Sir Derek Rayner

✓ Mr Pattison  
Mr Allen

*Grant Mack*

Lord Orr-Ewing rang on Friday. As you were not in the office, he made the following points to me, based on his own experience\*, and I promised that I would pass them to you.

a. On the annuality rule, he believed that the system must so be changed so that any money left over at the end of the financial year was not held against the department by the Treasury. I said that you proposed to deal with this in your "conventions" project.

b. He described himself as having been a "eager beaver" in MOD when he had made it his business to ensure that he never had to ask for a Supplementary Estimate. But there were no "Brownie marks" for that at all. It simply denied an opportunity to shine in the House of Commons. Nonetheless he thought it essential for Ministers to keep a tight grip on their Department's finances and that they should stand or fall by this.

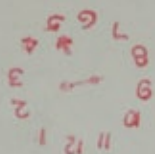
c. In his parting ("haul-down") report to the then Prime Minister, Mr Macmillan, he had argued that a junior Minister in each Department should be nominated as its "Financial Secretary" and delegated to get after spending in the "dark corners". It would make for better resource control, as well as being excellent training for higher office later.

*CP*

C PRIESTLEY  
5 November 1979

\* Parliamentary Secretary, Air Ministry, 1957-59; Parliamentary and Financial Secretary, Admiralty, 1959; Civil Lord of the Admiralty, 1959-63.





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na MAF 5/XI.

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PRIME MINISTER

In the manpower discussion in Cabinet today, there were references to the Rayner study on food procurement in the Ministry of Defence.

In the discussion, you referred to the need to take action on individual savings as they were identified, and you expressed your reluctance to see large-scale reviews holding up small-scale action.

*Turkey  
1 letter.*

I hear that action on that Ministry of Defence study may well be shelved until all Mr. Pym's other studies are completed next spring. May I let it be known, on your authority, that you would prefer to see the successful Rayner studies followed up on their own merits as fast as possible?

*MAF*

*Yes please  
M.P.*

1 November 1979



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-~~XXXXXXX~~ 233 8224

*Grant Mack* ✓ Mr. Whitmore  
*To see.*

2. Mr. Pattison

*For your file.*

1 November 1979

*na* *MAJ* *Sp*  
*2.xi.79*

J A Chilcot Esq  
Private Secretary to the  
Secretary of State for the Home Department  
50 Queen's Gate  
London SW1

*Joan*

EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT: THE SCRUTINY PROGRAMME

Clive Whitmore's letter to the Private Secretaries of 17 October confirmed that proposals for the first round of the programme should reach the Prime Minister by 23 November and asked that they should be copied to Sir Derek Rayner here. It mentioned also that this office would circulate a consolidated note of guidance on the conduct of the new reviews.

The note is enclosed. Sir Derek Rayner hopes that it will help Ministers, senior officials, officials responsible for the examinations and the staff side. The note is not classified and there is no restriction on its distribution.

Sir Derek Rayner offered thoughts on possible subjects for examination in paragraph 15 of his submission to the Prime Minister of 30 August, circulated for Cabinet discussion on 4 October, and you may like to refer to these. As Clive Whitmore's letter of 17 October indicated (para. 4), the subjects should be characteristic of the Department and significant in their use of resources. For ease of handling the proposals, it would be helpful if each provided the Prime Minister with brief information on the following:

- a. Subject: The policy, function or activity to be examined. (Where the subject is a service, please describe the kinds and numbers of clients served and the scale of resources handled.)
- b. Cost of carrying out the policy, function or activity to be examined: Relevant expenditures, borne on the department's own Vote/s, especially staff and general administrative expenditure. Relevant expenditure, borne on the Votes of common service departments (broad orders will suffice). Capital and other assets not covered above.

- c. Reasons for selecting the subject
- d. Terms of reference
- e. Proposed starting and finishing dates
- f. Names of examining officers, if know, and reporting arrangements.

There may be a question about the intended coverage of the programme, namely whether it should extend to secondary departments answerable to Ministers. It is intended that Ministers should propose at least one review in their principal department. Some Ministers might also wish to propose a review in a secondary department for which they are responsible, especially in any which are of substantial size or, although comparatively small, which provide important services to Ministers or to the public. There is however no expectation that reviews of these secondary departments should be included in the first round of the programme as a matter of rule.

David Allen (233 8550) and I (233 8224) will gladly advise on any of the above if necessary. It would be very helpful if Private Secretaries could give me by 16 November advance warning of the subject/s proposed for examination and if all proposals reached the Prime Minister and Sir Derek Rayner by the agreed date, 23 November.

This letter is copied for action to the Private Secretaries of members of the Cabinet and the Minister of Transport and for information to the Private Secretaries to the Prime Minister, the Lord Privy Seal, the Chief Secretary, the Secretary of the Cabinet, the Heads of the Home Civil and Diplomatic Services, Sir Douglas Wass and Sir Kenneth Berrill.

*Yours sincerely,*

*Clive Priestley*  
C PRIESTLEY

Enc: Consolidated note of guidance

THE SCRUTINY PROGRAMME  
A NOTE OF GUIDANCE BY SIR DEREK RAYNER

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  - The Selection of topics and the method of examination, paras 2.4-2.7
  - Conduct of the examinations, para 2.9
3. ADVICE TO OFFICIALS UNDERTAKING SCRUTINIES
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1. INTRODUCTION

1.1 Four notes of guidance have been issued to Ministers' "Rayner project" officials on aspects of the exercises commissioned in June.

1.2 This paper consolidates the advice given, mainly in those notes, relevant to the scrutiny programme.

1.3 I hope that Ministers and their officials will find it helpful.

Derek Rayner

Cabinet Office  
70 Whitehall, SW1  
(235 8224)

2 November 1979

## 2. THE SCRUTINY OF POLICIES, FUNCTIONS & ACTIVITIES: SOME GENERAL POINTS

### The purpose of examination

2.1 The purpose of the scrutinies is action, not study. It is therefore

- a. to examine a specific policy, activity or function with a view to savings or increased effectiveness and to questioning all aspects of the work normally taken for granted;
- b. to propose solutions to any problems identified; and
- c. to implement agreed solutions, or to begin their implementation, within 12 months of the start of the scrutiny.

2.2 This means that the purposes of the scrutiny reports are

- a. to analyse what has been found; and
- b. to offer a basis (costed to the maximum possible) on which action can be taken.

2.3 I suggest that each examination should tell a factual story, but not bad news only. Where there is a good story, Ministers may wish to tell it and it would be reasonable for the reports to reflect this.

### The selection of topics and the method of examination

2.4 As with the Rayner projects, I should like to advise a combination of topics which illuminate matters common to the Civil Service as a whole (eg use of accommodation and other common services; the progression of business through each point in the hierarchy; the cost of meetings) and of topics which are specific to particular functions of Government (eg payments and the delivery of services to the public at large or to particular groups; inspection; procurement; and the formulation of policy).

2.5 In the case of one or two very small departments or units, it might be possible to look at the whole organisation from both the aspects mentioned in 2.4 above.

2.6 The officials selected should be free to examine the specified part of their Department's functions in detail, seeing such colleagues and making such visits as are necessary within their own Department; consulting other Departments, including the relevant desk officers in HM Treasury and the Manpower Group of the Civil Service Department; and going right outside Government where appropriate. They should ask radical questions eg "Why is this work done at all? Why is it done as it is? How could it be done more efficiently and effectively at less cost?"

2.7 The quality of the officials selected is more important than their age or present occupation. An experienced and hard-headed 50-year old

is as acceptable as a "flyer" and a good professional as a good administrator; intellectual capacity and personality are more important than grade or group. I should like to add this point. Whenever I visited a local office in connection with the current round of projects, there was at least one officer, junior in terms of the Departmental hierarchy as a whole but carrying an important management responsibility at the office itself, who was very knowledgeable about the work in hand, had thought about it deeply and had good ideas on how it could be improved. I found this combination of experience and thoughtfulness impressive. I should like to encourage the use of such above-average capacity wherever possible in the new programme. For example, where a scrutiny is about some aspect of regulation or an extensive service, I believe that such an officer could be used to pull together its good and bad features as it bears on those staff who have to operate it and to make suggestions for improvements.

#### Conduct of the examinations

2.8 I should like to associate myself with Ministers responsible for certain scrutinies. As Mr Whitmore's letter to Private Secretaries of 17 October indicates, the scrutinies are to be carried out in consultation with me; this means that I shall wish to agree with the Minister and the Permanent Secretary the terms of reference for each examination and the method and coverage of the scrutiny and arrange for the official carrying out the scrutiny to liaise with me and my office. As with the Rayner projects, I should like to have a hand in the design, conduct and reporting of the scrutinies so as to help ensure that there is consistency of examination between departments and to build up a team spirit between the officials, myself and my small central office. (The last consists of Mr C Priestley (Under Secretary) on 233 8224, Mr D R Allen (Economic Adviser) and Mr M G Spearing (Executive Officer) on 233 8550, and Miss J W Sullivan (Personal Secretary) on 233 6185.)

### 3. ADVICE TO OFFICIALS UNDERTAKING SCRUTINIES

#### The broad philosophy

3.1 The reasoning behind the scrutiny programme is that Ministers and their officials are better equipped than anyone else to examine the use of the resources for which they are responsible. The scrutinies therefore rely heavily on self-examination. The main elements are the application of a fresh mind to the policy, function or activity studied; the interaction of that mind with the minds of those who are expert in the function or activity; the supervision of the Minister accountable to Parliament for its management and for the resources it consumes; and the contribution of an outside agency in the shape of my office and me.

3.2 The following comments may help to define the spirit in which I should like to advise officials responsible for scrutinies to approach their task.

a. The purpose is to examine a specific activity or function with a view to savings or increased effectiveness. All aspects of the work under review which are normally taken for granted must be questioned.

b. Although the functions and activities under study are different, I would like officials to see themselves as forming a group doing similar work, even if in contrasting areas, and to consult each other. To help with this I shall circulate in due course a list of names, addresses, telephone numbers and subjects of study and call officials together for an early exchange of ideas and information.



c. Officials should seek solutions to problems. Their reports should offer at the very least the outline of the practical changes necessary; they should not dump the problem, without solution, on their Minister's doorstep. The purpose is not simply good analysis of what is, but preparation for action.

d. Scrutinies should not be conducted as desk studies. Nor should interviewing be confined to top people and HQ. There is no substitute, whatever the nature of the function or activity under study, for going and seeing it. Officials should not rely on paper to get the study going and going effectively, so -

i. don't write around, talk around;

ii. don't assume that you know anything until you've been to see it - start where the work takes place;

iii. regard paper which you write as the product rather than the medium of the study.

e. Given the right approach, staff will go out of their way to be helpful. The message is that you are neither Smart Alecs nor "Assistant Waste-Finders General" - your role is not accusatory or inquisitorial, but that your Department and others have an opportunity to look at a piece of administration with the enthusiastic backing of Ministers, from the Prime Minister down.

f. The question "Why?" is important. Officials should find out how the function works and why. No question should be excluded. If, for example, certain procedures are as they are because of working conventions long unchallenged, their rationale should be queried.

g. The question, "What value is added by this function/activity/procedure/practice/convention?" is a useful trigger. Officials should persist in asking what value is added - whether to the processing of the work or to the common good - as a result of the activity observed.

#### Design and Conduct of Examinations

3.3 The key points are these -

a. Terms of reference: These should reflect the purpose of the exercise as a whole and the facts that each scrutiny is being undertaken by one official and that it should be carried to completion in not more than 90 working days. They should clearly identify the area to be studied and the purpose of doing so, eg: "To examine the administration of X with reference to the need for it and its cost, efficiency and effectiveness and to make recommendations".

b. Arrangements for Reporting and Consultation: Each official is directly responsible and will make his/her report to the Minister but should note the following.

i. The study is to be undertaken in consultation with me. This means, inter alia, that I shall want to agree with the Minister and the Permanent Secretary the terms of reference for and method and coverage of each scrutiny (see below); to brief officials, individually and collectively; to make myself and my office available to officials

on their initiative - the policy is that of free access at any time; to take a part in at least some studies (see below); to be consulted on the draft report; and to have the opportunity for discussion with the Minister and the Permanent Secretary throughout the exercise.

ii. Officials should agree with their Minister and Permanent Secretary on the arrangements for the direction of the exercise by the former and for consultation with and contributions by the latter; it should be understood that officials are expected, while being free to ask radical questions about the work under review, to consult their Permanent Secretary fully in designing, launching, conducting and reporting the study.

c. Method and coverage:

i. Planning: allow time for preparation and reconnaissance, including consultation with the Minister, Permanent Secretary and Departmental staff side (see below); field work, what and who should be seen (eg number of interviews or group meetings - I suggest no more than 2 a day): further consultation with Minister, Permanent Secretary and me; drafting report.

ii. Manageability: keep the study within the bounds of what you can manage. Take thought in planning about how much you can bite off and chew yourself and what you may need help on. Are you likely to need help? If so, of what kind - professional? clerical? Make allowance for this in planning. If you are going to need technical help in understanding and interpreting what you see and hear, consult your Minister and Permanent Secretary about it as early as possible and include in your plan its provision and timing.

iii. Relationship with other exercises: check with your Principal Establishment and Finance Officers about the relevance to your area of study of (a) current exercises to retrench public expenditure and (b) current or recent exercises, eg staff inspection and O&M studies. Read any recently completed reports.

iv. Objectivity and fairness: you have a very full schedule. Consider at the outset how to check that you have taken points made to you correctly and how later to check the validity of your analysis and proposals. You will not have time to make full notes of your interviews and observations and to clear them with those you see, but consider and agree with your Minister on (a) the records you keep, (b) how you feed these back to your interviewees and (c) how you touch base with the main contributors in drafting your report. Do not lay yourself open to a justifiable accusation of bias or error.

Consultation with Departmental Staff Side

3.4 The DSS should be fully informed about the scrutiny, including its terms of reference and the plan, notably those to be interviewed or consulted.

3.5 The DSS should be invited to make a contribution to the examination by whatever seems the most expeditious means. This may mean a written paper or a meeting between the official conducting the study and the DSS if that is more convenient for both sides.

3.6 The official conducting the examination should make himself available to any local staff side which wishes to see him.

3.7 Guidance on consultation on the product of each exercise is given in paragraph 4.17 below.

#### Treatment of costs

3.8 Reports should include estimates of (a) the present cost of the function/activity being studied; (b) the cost savings which the implementation of recommendations would be expected to achieve; and (c) the cost of carrying out the scrutiny. It is also important that the effects of recommendations on public bodies outside Central Government should be costed as far as possible, notably where it is probable that decreased departmental activity would cause more work for local authorities. I now offer brief notes on the computation of the Civil Service staff cost element of these costings.

3.9 You will need to get from one of the contact points listed in the Appendix a copy of the CSD's Management Services Handbook Ready Reckoner for Staff Costs. The latest edition is for 1979; advice on its use may be had from Mr Douglas Hunt at the Civil Service Department (275 3625).

3.10 The introduction to the Ready Reckoner shows what is included in the various cost estimate suggested below and how to avoid double counting.

3.11 In calculating the present cost of the function/activity under study and the savings in staff or staff time associated with your recommendations you should identify both the numbers of staff involved at each grade, and when appropriate the number of man years of time that this translates into, and the costs. Where allowances and overtime are involved, these should be separately identified.

3.12 The costings should show the following three sets of costs, the definitions of which are to be found in the Ready Reckoner (pp 8 and 9):

- "average salary costs" (the absolute minimum of savings)
- "basic staff costs" (which is, in effect, a measure of savings likely to be achieved in the short term)
- "basic staff costs plus accommodation plus common services" (which is, in effect, a measure of the savings that might be achieved in the longer term if and when staff overheads can be reduced; though for small changes in staffing these long term gains are unlikely to be realised).

3.13 These costs apply to staff employed during normal hours. Where the savings are in the form of reduced overtime (either partially or wholly), then salary costs only should be computed since the figures for over-heads which are included in the Ready Reckoner are averages unlikely

to apply in the overtime case. Advice on the relevant salary cost for overtime can be obtained from Mr Hunt.

3.14 The three sets of costs should be computed even in those cases where the recommendation is that the staff should be re-deployed elsewhere in the Department or that the time saved could be fruitfully employed on other work. On the assumption that re-deployment is recommended on the grounds that this would be a more efficient use of staff the costings will provide your Minister with a measure of guidance on the extent to which, in gross terms, staff are currently inefficiently employed. Your table of costings should however indicate clearly those elements of the savings which are to be re-deployed in order to avoid including them in the estimate of the savings that the Exchequer would achieve as a result of the implementation of your recommendation.

3.15 In costing your own time spent on the scrutiny the appropriate Ready Reckoner figure is "basic staff costs plus accommodation plus common services", since this indicates the staff resources that have been directed to this exercise. In principle the true cost of the study should also include other people's time (eg those whom you have interviewed) but I regard this as optional. You should however add in the travelling and subsistence costs incurred on the project.

3.16 Civil Service staff costs, and their associated overheads, might be only one of several elements of the total savings identified by your scrutiny. You might identify cost savings associated with a reduction of non-civil servants (eg members of an outside Committee) or with reductions in the volume of paper consumed or with reductions in travel expenses etc. In costing such items, you will need to consult either the relevant Department (eg HMSO for stationery, PSA for accommodation) or your Accounts Division or your Establishments Division.

3.17 I am particularly interested in the cost of acquiring goods and services ("procurement"), especially the costs which may be associated with contracting rules and with the specification of standards to be attained. Here I should like you to explore the effects of policy and of the associated rules, for example in relation to the need to go out to tender frequently and to the accuracy and realism of specification.

Section 3, Appendix

Ready Reckoner: Contact Points

1. HM Treasury Library  
Great George Street
2. Customs & Excise Mr R Dutton  
Accountant and Comptroller's Office  
King's Beam House
3. Ministry of Defence Mr A Thompson  
Room 9121  
Main Building
4. Department of Education Mr R Sims  
O&M Division  
Room 2/52  
Elizabeth House
5. Department of Employment Mr K Hyde  
Finance Division  
168 Regent Street
6. Department of Energy Mr W Bell  
Room 1541  
Thames House South
7. Department of Environment Mr D Benyon  
DMS Support Group  
Room 655  
Lambeth Bridge House
8. Home Office Mr P Sullivan  
FD1  
Room 363  
Queen Anne's Gate
9. Inland Revenue Finance Division  
Room 95 West Wing  
Somerset House
10. Lord Chancellor's Department Finance Officer  
Neville House
11. Manpower Services Commission Mr I Miller  
166 High Holborn
12. Department of National Savings Finance Division  
Room 376  
Charles House  
375 Kensington High Street
13. Northern Ireland Office Mr R Megahey  
Department of Civil Service for  
Northern Ireland  
Rosepark House  
Belfast
14. Overseas Development Administration Mr B W Lister  
Eland House  
Stag Place

- |   |  |
|---|--|
| 15. <u>Property Services Agency</u>                                 | PSA Library<br>Room C204<br>Whitgift Centre<br>Croydon                                       |
| 16. <u>Scottish Office</u>  | Management Services Unit<br>James Craig Walk<br>Edinburgh                                    |
| 17. <u>Department of Trade</u> )<br><u>Department of Industry</u> ) | Management Services Division<br>Sanctuary Buildings<br>Great Smith Street                    |
| 18. <u>Welsh Office</u>   | Mr G Jones<br>Establishment Division<br>Room 88/3<br>Welsh Office<br>Cathays Park<br>Cardiff |

Note If your Department is not listed above, you should try your library or your finance division or your Establishments Division or Mr Hunt (273 3625).

#### 4. ADVICE ON SCRUTINY REPORTS

##### Length and style

4.1 The main text should be capable of being read easily by busy Ministers and senior officials. This suggests a length of up to about 7,500 words, but the shorter the better, always provided that you are satisfied that the analysis, while succinct, has so identified and addressed the issues as to demonstrate that your findings and recommendations are sound. Please include a summary of conclusions and recommendations at the beginning of the report. This should clearly indicate the changes recommended and the cost/savings consequences.

4.2 The style should be concise, with a preference for short paragraphs, sub-headings, clearly identified conclusions and clearly specified recommendations.

4.3 Material which is germane to the analysis and recommendations may be annexed, but the main text should contain at least a summary of those facts and arguments which it is necessary for the reader to absorb as he goes along; in general, the reader should not be invited to refer to annexes in order to take steps in either the analysis or recommendations.

4.4 The use of annexes should be sparing.

##### Format

4.5 It would be helpful if reports began with a precis of the subject of study, and of its cost, of the particular changes proposed (on a simple "before and after" basis) and of their justification and implications, including those for costs and savings, and then :

- a. described the scrutiny;
- b. described, analysed and commented on the function/activity examined; and
- c. offered argued and costed conclusions, together with a clear specification of any changes recommended.

##### Description of the examination

4.6 This should cover the following:

- a. Terms of reference.
- b. Method of examination and coverage: people seen and locations visited; consultation outside the Department; questions asked; validation of evidence taken/findings/recommendations made with those concerned; paper read. (This can be annexed.)
- c. Extent and nature of consultation with supervising Minister and Permanent Secretary.
- d. Extent and nature of consultation with Departmental staff side and their response.
- e. Cost of the study, broadly itemised: staff time of project official/team, including use of supporting services; travel; subsistence; some estimate of the cost of the time of those seen.

#### Analysis of and commentary on the policy, function or activity examined

4.7 The analysis should provide information which helps answer the questions: "Why is this work done at all?" and "Why is it done as it is?".

4.8 The commentary should cover the questions, "Is the function or activity essential or dispensable?"; "If it is essential, can it be done more efficiently and at less cost?"; and, "What would be the cost and other effects if the level of service provided by the function were to be reduced?" It should draw attention to good practice and identify as closely as possible any problems to which attention is invited.

4.9 Some notes are provided in the Appendix on the structure of reports. It covers the following areas, which should be dealt with as appropriate to the function/activity reported on:

- Nature and purpose of the function/activity
- Cost
- Aspects of organisation
- Operation
- Appraisal by line management and higher management.

#### Argued and costed recommendations

4.10 The recommendations made should be justified by reference to the evidence adduced and arguments based on it.

4.11 They should be as specific as possible identifying in particular costs and savings; possible obstacles; and timetable for implementation.

#### Consultation during the drafting of reports

4.12 I shall aim to keep in touch with all studies, but I hope to agree with the Ministers concerned that I should liaise more closely with certain ones. In such cases, I should welcome a sight of your thinking as soon as you have committed it to paper, as I might be able to help you in developing it. This should be done as early as possible by means of a synopsis of findings and recommendations. Subsequently, I should like to receive the draft report itself at the same time as it goes to the Minister.

4.13 The synopsis of findings and draft report should represent your own analysis and your own considered conclusions and recommendations. You should first verify matters of fact in your draft report as appropriate and should consult your Minister and his senior officials on the whole of the draft report, including your conclusions and recommendations. Your drafts should not however be submitted to a preliminary examination within the Department which had the effect of diminishing or substantially altering



such conclusions and recommendations as you firmly believed that you should put forward on the basis of the evidence, including this final consultation, you have taken throughout the exercise.

4.14 With a view to getting action on the main issues as you see them, it is open to you to use your judgment in placing your conclusions and recommendations in order of priority. Indeed, it is open to you to leave out of your formal submission such second or lower order conclusions and recommendations whose inclusion you thought might impede action.

4.15 You should use your judgment in deciding on the extent to which your synopsis and your early drafts are circulated before the point at which you make your submission to your Minister and in the relevant cases, to me. It would be as well to be discriminating about circulation, both as to the length of the circulation list and as to the amount of your text sent to each person on it. This is to reduce the risk of leakage and thus of having to explain or defend what may not prove to be the "proposed action" document (see below).

4.16 The document which you submit to your Minister and in the relevant cases to me, while embodying your final thoughts on the functions/activities studied, will have the status of a draft. The report on the project can be regarded as complete when, first, Ministers (and I, in relevant cases) have given their response to the draft and when, secondly, after such consultation between Ministers and me, in relevant cases, as might then be necessary, the report has become a "proposed action" document. The very end of the process, after consultation with the staff side, will be a list of the things to be done, those responsible for doing them and a timetable for action. Your task is not, therefore, one of producing a completed report for Ministers with the prior agreement of those concerned, including the staff side. It is, instead, one of producing the main contribution towards the completed report in consultation with those concerned.

4.17 It is the "proposed action" document which will be the basis for consultation or negotiation with the staff side and generally it would therefore be premature to show your draft report to the staff side. Circumstances will however vary between departments and projects and accordingly it may occasionally be appropriate to let the staff side have your draft report, but if so it should be made clear that it is conveyed to them for information or as a matter of courtesy and not for consultation, which will come later on.

ANALYSISCOMMENTARY

<p><u>Nature and purpose</u></p> <ul style="list-style-type: none"> <li>- Description of the policy or function and its purpose, including statutory basis if any; stated purpose or aims or objectives; specified results to be obtained, if any; whether facing inward or outward to client groups, eg serving Ministers within their Department, regulatory or executive/operational; whether time-limited or continuing; whether demand-led or Government - volunteered; whether stable or subject to peaking.</li> <li>- Description of the nature and scale/scope of the policy or function, eg numbers and types of clients dealt with; numbers and types of resultant products (eg statistics); amounts of money handled; volume and types of assets and resources associated with the policy or function.</li> </ul>	<ul style="list-style-type: none"> <li>- Is the purpose of the policy or function clear and clearly understood by all concerned?</li> <li>- What value does it add to the common good?</li> <li>- Is the policy or function needed at all, more than now, less than now?</li> </ul>
<p><u>Cost</u></p> <ul style="list-style-type: none"> <li>- Numbers, types and salary costs of staff.</li> <li>- Associated general administrative expenditure on Department's Votes, specifying items significant for the purpose of the analysis, eg travel, subsistence, telecommunications</li> <li>- Supporting services provided by the Department from outside the function studied, eg professional and advisory services, research and development.</li> <li>- Indirect costs which can or cannot be measured, eg registry, personnel management etc.</li> <li>- Supporting services borne on the Votes of Allied Service departments, eg accommodation and supplies.</li> <li>- Services provided by any other agency.</li> </ul>	<ul style="list-style-type: none"> <li>- Are manpower and other resources used efficiently?</li> <li>- Is there any duplication of effort within the Department; between the Department and others; and between the Department and other agencies?</li> <li>- What is the trend in costs?</li> <li>- Can the fixed and variable elements in costs be separately identified?</li> <li>- What is the relationship between costs and the achievement of the purposes/aims/objectives and the policy or function?</li> </ul>

Aspects of organisation

- Position in the departmental organisation: chain of command from the Minister downwards; level in the hierarchy at which responsibility for the policy or function effectively rests.
- Degree of responsibility for management and resource control delegated formally to or in respect of the function by the PFO and PEO.
- Arrangement for making, costing and reviewing the policy implemented by the function; organisational relationship between the function and relevant parts of the organisation, eg if the function studied is executive/operational, its relationship with policy divisions and supporting services (eg statistics, ADP).

- Is the authority of those responsible for the function and of those within it clearly defined and delegated?
- Are the arrangements whereby they account to higher management, the Permanent Secretary and the Minister, eg for the use made of any discretionary authority vested in them, clear and in working order?
- Are the arrangements noted opposite clear and in working order?

Operation

- What are the methods and materials used to carry out the policy or function, eg manual and mechanised paper handling, manual and mechanised calculation: what has to be brought together to produce the service given?
- size and nature of working units; key levels of management; management style, eg participative decision-making.
- Engagement with the client: volumes of work handled over the counter, by visit, by correspondence, by response.
- Relevant history: changes/improvements introduced, in train, planned or deferred.
- Relevant agreements with the staff side, eg on manning and working methods.
- What are the arrangements for reviewing the methods used to carry out the function?

- Commentary on points noted opposite, eg efficiency in the use of and need for the hierarchy; use of and need for checking and monitoring of work; number of steps taken in the process/operations of the function; significance of equity and consistency of treatment in taking and implementing decisions.
- Commentary on any constraints imposed on efficiency and effectiveness from inside or outside the function, eg level and nature of public and Parliamentary expectations; working conventions, including agreements with the staff side; relationships with other parts of the Department; dependence on other departments or agents, eg the allied service departments; quality, numbers, turnover, training and morale of staff; equipment; changes in or uncertainty about policy.

ANALYSIS

COMMENTARY

Appraisal by line management and higher management

- How standards of efficiency and effectiveness are stipulated and by whom; how procedures and methods are stipulated and by whom.
- Management information, indicators of performance in use, if any; measures of performance in use if any. Any other indicators and tests, eg internal audit, audit, staff inspection, O&M. (NB "How much work is done?" and "How well it is done? are different questions.)
- How indicators, information and measures are used, by whom and how often; line management, PFO and PEO; top management group, if any; Accounting Officer; Minister. What action do they take and to what effect?

- Commentary on ease or difficulty of specifying the the results to be obtained and of establishing objective criteria by which the effectiveness of performance can be judged, eg nature of task/s; relative discreteness or integration of function within the department; standards of service (eg accuracy, promptness, comprehensiveness, courtesy, flexibility, response to enquiries and complaints).
- Commentary on the arrangements made. In general, are the purposes/objectives specified for function/activity met in practice? Could they be met more effectively?

2 = NOV 1979



MA

Mr PATTISON

EFFICIENCY & WASTE IN CENTRAL GOVERNMENT

I understand that the Prime Minister has asked whether there is a word other than "scrutiny" which might serve as the name of the exercises the Cabinet agreed on earlier this month.

2. Other possibilities might be:

- ↪ "Examination": minute inspection, testing. (This has academic overtones.)
- "Inquiry": asking, questioning, investigation. (This has quasi-legal overtones.)
- "Inspection": looking closely into, official examination. (This is most commonly connected in Government with such Inspectorates as those of Factories, Fire and Police Services.)
- "Investigation": examination of, inquiry into. (This has police overtones and is not in any case a word that Sir Derek Rayner would think appropriate here.)
- "Review": subject to revision, survey. (This is comparatively passive and superficial and is already connected with Programme Analysis and Review and Management Review.)
- ↪ "Study": scrutinise, earnestly contemplate. (This is also somewhat passive in general usage and lacks the implication that the aim is action.)
- "Test": examine critically, put to trial. (This is nearer the mark, but also has academic associations.)

3. In leading up to the word "scrutiny" in his submission of 30 August, Sir DR used these synonyms:

- "test", eg "Tests of specific functions", para. 8a
- "examination", paras. 9 and 10.
- "examine in detail", para. 12.

4. He then concentrated on "scrutiny" and "scrutinise", because it seemed to express exactly what he was recommending, namely "close investigation, examination into detail"; thus, Ministers would be "looking closely at" or "examining in detail" such and

such a function. When introduced in para. 13, it seemed distinctive of the new approach there recommended.

5. I think that Sir DR would be content with either "test" or "examination", if "scrutiny" is not thought appropriate, but that he would prefer to keep it if possible.

Sp

C PRIESTLEY  
26 October 1979

29 OCT 1979



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-990-5400 ext 233 8224

26<sup>th</sup> October 1979

John Major,

N.F.A.

M.P. 20<sup>th</sup>.

Thank you for your message of yesterday about the Draft Answer. I see that you refer to the purpose as informing the House of "Set OR's progress". This is not how it is seen here. OR doesn't want any more publicity. But it is thought that (a) it would be useful to take the initiative and tell the HOC about the decisions made by the Govt., including the cessation of OR and (b), if the Govt. does not take the initiative, it is bound to get questions which it will have to answer anyway. Is there any point



in pointing to you to his effect or shall we leave  
things as they are pro tem?

How about looking with me soon to meet Sandy  
Russell?

Yours sincerely,

Clix Piorelly



26 OCT 1979



10 DOWNING STREET

*From the Private Secretary*

MR. PRIESTLEY  
CABINET OFFICE

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Thank you for your minute of 19 October, proposing a draft Question and Answer with which the Prime Minister could inform the House of Sir Derek Rayner's progress. I am also grateful for the further comments in Trevor Robinson's minute of 25 October.

The Prime Minister has now considered whether she wishes to make an announcement in this form. She has concluded that, on balance, there will be little to gain. She regards the publicity already received, following Sir Derek's selective talks with the press, as effective and sufficient for the present.

This will of course mean that the tentative arrangements for Sir Derek to meet the Lobby cannot go ahead. I suggest that the question of further publicity should be reconsidered after Sir Derek has submitted his full report on the first year's studies.

I am sending copies of this minute to Trevor Robinson (Sir Ian Bancroft's Office) and to Neville Gaffin (No.10 Press Office).

M. A. PATTISON

25 October 1979

sp

PRIME MINISTER

There has been some helpful publicity following your agreement that Sir Derek Rayner should talk - selectively - to the Press. Sir Derek has asked whether you would like to put something on the record in Parliament, noting that Cabinet has decided to proceed on the basis of Sir Derek's recommendations.

I think this would be useful, and I attach a draft which has been prepared by Sir Derek's office in consultation with Sir Ian Bancroft. If you agree that it is worth arranging to make this statement through a Written PQ, the only substantive point for decision is whether to commit the Government to reporting the results of Sir Derek's work to Parliament. The relevant sentence is square-bracketed in the first paragraph of the proposed answer. This could be something of a hostage to fortune, and we will be free to report results to the House without making a commitment now. I therefore see no need for the sentence in question. *Agreed*

Would you like to make a statement through a Written PQ? *Yes*  
If so, are you satisfied with this text, excluding the reference to reporting to the House? *Yes*

*Can we make it  
a little shorter -  
Mrs I don't like the  
word "structures".*

*M.P.*

*ans.*

24 October 1979

*On reflection I see no  
need for that kind of  
energy & push.*

*The publicity through the press  
was much more effective*



CIVIL SERVICE DEPARTMENT  
WHITEHALL LONDON SW1A 2AZ  
Telephone 01 273 5400

*Sir Ian Bancroft G.C.B.  
Head of the Home Civil Service*

M A Pattison Esq  
10 Downing Street  
LONDON SW1

23 October 1979

*Dear Mike*

EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT

I mentioned that CSD had a few comments on the draft PQ on scrutinies which was submitted with Clive Priestley's minute to you of 19 October.

The major comment is that there are obvious dangers in promising now a report to the House. Sir Ian Bancroft suggested that if the Prime Minister wanted to say something it might be desirable to qualify it by saying

"These scrutinies are being completed now and the overall results will be reported to the House in due course."

This would preserve flexibility not to release details of all the studies if this, in the event, seemed undesirable.

We would also suggest that the question should read

To ask the Prime Minister if she will make a statement on promoting the effectiveness of Government operations

And that the first sentence of the answer should be

All Ministers are taking a direct personal interest in departmental efficiency

The point of these amendments is that efficiency is also the concern of other work - chiefly the options exercise.

On more minor points the second sentence of the answer might read

"..... have scrutinies in hand of their functions or activities..."

instead of "have already scrutinised ....".  
And at paragraph 5 the first sentence should perhaps be "...together  
with the cost ...." and the second sentence "an analysis of the cost  
of its administration ....".

I spoke to Clive Priestley about these changes and he did not object.

For convenience the text of the Parliamentary Question and Answer  
as amended are below.

A copy goes to Clive Priestley.

*Yours sincerely*

*Trevor Robinson*

T J ROBINSON  
Acting Private Secretary

DRAFT OF 23 OCTOBER 1979

DRAFT WRITTEN ANSWER

To ask the Prime Minister if she will make a statement on promoting the effectiveness of Government operations

? ~~All Ministers are taking a direct personal interest in departmental efficiency.~~ Ministers in charge of the principal departments have scrutinies in hand of one or more of their functions or activities in collaboration with Sir Derek Rayner. [ These scrutinies are being completed now and the overall results will be reported to the House in due course].

? 2. The Government has now decided on a continuous and selective programme of similar scrutinies. These will be undertaken personally by Ministers in charge of departments, with the assistance of their senior officials and of Sir Derek Rayner. The ground work will be done for the Minister by one or more officials within his Department; ? these officials will be instructed to take a radical view of their task. Most reviews will deal with both the policy and operational aspects of the activity examined. All will be addressed to such ? basic questions as the value added to the public good by the activity examined and constraints upon its greater effectiveness and economy.

3. The number of reviews to be conducted in any one year depends upon the size and character of departments, but each Minister will conduct at least one while Ministers in charge of principal departments will do more. It is intended that reports should not usually take more than 90 working days to prepare and that all should lead to action which should be completed or, if the recommendations made are very far-reaching, at least initiated within 12 months.

4. Existing arrangements for staff inspection and organisation and methods work will be retained, but the new arrangement for the scrutiny of operations will supersede those for Programme Analysis and Review. The management review programme will be retained for the time being.

5. Ministers will also scrutinise each year the cost of running their Department, that is, broadly the costs of staff and administration together with the cost of such relevant common services as accommodation. Each year too the Government will consider an analysis of the cost of its administration as a whole, dealing in particular with the main elements of these costs and with movements in them.

6. Most Civil Servants want to provide services to Ministers and the public that are cost-effective and in which they can take a pride. I attach great importance to this. Ministers will seek constructive contributions from their staff and encourage them to recommend ways in which the resources in their charge can be better used.

CONFIDENTIAL



24 OCT 1979





CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-930-5422 ext 233 8224

22<sup>nd</sup> October 1974

Dear Mike, MAP 20/1x

This is just to confirm that I should take a word (on the phone will do) when you get word to my minute of this morning on efficiency etc., so that I can fill you in on Ian Barcroft's reactions. They are, very simply, that because of potential problems with the National Staff Side, such a minute should not be written; its substance might instead be conveyed to Russell (CSO) and me orally. So let us speak when you are ready.

Yours sincerely,

David Prior

cc for information

Sir Derek Rayner\*  
Mr Allen\*

Mr PATTISON

\* with draft minute only

EFFICIENCY AND WASTE

a. Central Government

1. We discussed this with Sir Derek Rayner on 19 October and you asked for a draft minute to Mr Laughrin.
2. I attach a draft, but on reflection, I thought it better for it to be addressed to me. If you preferred, it could be addressed to Sir DR. (I also attach a copy of Mr Whitmore's letter of 17 October for convenience.)

b. Local Government

3. We had a brief word about this. I should be grateful for as much advance warning of a meeting as possible and for a word in due course on whether the basis for it should be simply Sir Derek Rayner's minutes of 28 September or a draft paper intended for discussion by the relevant Ministers.

SP

C PRIESTLEY  
22 October 1979

Encs: Draft minute  
Copy of Mr Whitmore's letter of 17 October

DRAFT OF 22 OCTOBER 1979

Mr PRIESTLEY

EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT

1. I discussed the next steps with Sir Derek Rayner and you on 19 October. It may help you and the copy addressees if I confirm what the Prime Minister would like these to be.
  
2. The Prime Minister wishes to receive in time for a meeting with Sir Ian Bancroft, Sir Derek Rayner and you on 3 December a report on the outcome of the "Rayner projects" commissioned by her Minute to Ministers in charge of departments of 4 June and a summary of Ministers' proposals for the scrutiny programme agreed on by Cabinet on 4 October. The report and the summary should reach her by close of play on Friday 30 November.
  
3. The "Rayner projects" report should be as simple as possible. It might begin with an introduction, drawing out the main points emerging from the exercise as a whole and emphasising the fact that the main effort made was departmental. It might also comment on the importance of having good quality project officers and of the addition to departmental effort made by Sir Derek Rayner. The main part of the report might consist of short summaries of each project, including the purpose and cost of the function or activity studied, the results and the potential savings. The document

might be accompanied by three or four project reports which you think the Prime Minister should see. The aim would be to circulate the report to Ministers (cf paragraph 8 of Mr Whitmore's letter of 17 October) when the programme of scrutinies is circulated to Cabinet (cf CC(79)16th Conclusions, Minute 5).

4. Ministers' proposals for the scrutiny programme are due to reach the Prime Minister by 23 November, copied to Sir Derek Rayner. I should be grateful if you would also copy them to the Civil Service Department, the Cabinet Office and HM Treasury.

5. Your office is about to send out consolidated guidance to Ministers on the conduct of scrutinies (cf paragraph 7 of Mr Whitmore's letter of 17 October). It would be helpful if this included advice on the format of the proposals so <sup>that</sup> there is some consistency between them.

6. The Prime Minister would be grateful if Sir Derek Rayner collated both the proposals and such suggestions and comments as the central departments and he himself wish to make. The collated document should be in a form suitable for circulation to Cabinet. It would also be helpful if, in consultation with the central departments, you drew the Prime Minister's attention to any scrutinies in which she might take a particular interest.

7. I am copying this to the Private Secretaries to the Chancellor of the Exchequer, the Lord President of the Council,

Sir John Hunt, Sir Ian Bancroft and Sir Kenneth Berrill.

M A PATTISON



J / Copies please:  
- Sir DR  
- PRA.

10 DOWNING STREET

From the Principal Private Secretary

17 October 1979

CP  
18.X.79

Dear Private Secretary,

Efficiency and Waste in Central Government

The purpose of this letter is to confirm the arrangements to be made following Cabinet's discussion of recommendations by Sir Derek Rayner in his minute to the Prime Minister of 30 August (C(79)39).

The Cost of Administration

The Chancellor of the Exchequer, the Lord President of the Council and Sir Kenneth Berrill are invited to arrange for Cabinet to receive each year a statement on the cost of government, as recommended in paragraph 17a. The Prime Minister would be grateful if the Lord President took the lead on this.

The Prime Minister would also be grateful if Ministers would arrange for the scrutiny of the cost of running their departments, as recommended in paragraph 4 of the minute. Sir Derek Rayner will in due course be advising Ministers about methods that might helpfully be used in the costing of overheads and the supply of management information.

Specific functions

Ministers are invited to arrange for the scrutiny of one or more of their Department's functions, together with the associated use of staff, administrative expenditure and overheads, as recommended in paragraphs 13-15 of the minute. These functions should be characteristic of the Department and significant in their use of resources.

Notification and commencement

Ministers are invited to send the Prime Minister by 23 November their proposals for the first year of scrutinies and to copy them to Sir Derek Rayner. The Prime Minister will then arrange for the collation of the proposed scrutinies, as recommended in paragraphs 16 and 17b of the minute. It should be possible to start the programme of scrutinies soon after the beginning of the new year, but if Ministers wish to make an earlier start they are invited to indicate this.

Differences between the functions and circumstances of departments may suggest practical differences in procedure, but the essential characteristics of the scrutinies are that each should be undertaken

/ by a suitably qualified

by a suitably qualified official, normally at Principal or Assistant Secretary level, working to the Ministerial head of his Department in consultation with his Permanent Secretary and Sir Derek Rayner's unit; that their terms of reference should be agreed with Sir Derek Rayner; that it should not usually take longer than 90 working days to prepare the report and that the report should lead to action which should be completed, or initiated in the case of substantial recommendations, within a year.

Interim guidance on the conduct of scrutinies may be obtained from earlier papers on the conduct of "Rayner projects". These are Sir Derek Rayner's note to Permanent Secretaries of 4 June and the notes issued to project officials by his office on 22 June, 31 July and 17 and 21 September. These notes will be consolidated as soon as possible for circulation to Ministers, but preparatory action need not await the arrival of the composite version.

The Prime Minister has asked Sir Derek Rayner to assist her colleagues and herself by circulating as soon as possible his report on the projects now nearing completion in departments; by helping with the follow-up to and implementation of particular recommendations; by helping to apply such lessons of more general application as may also emerge from them; and by associating himself with scrutinies under the new programme, much as he has done in respect of the projects mentioned above (see paragraph 6).

#### Programme Analysis and Review

The present arrangements for PAR have been superseded by the new arrangements described in this letter.

#### National and Departmental Staff Sides

The Secretary General of the National Staff Side has been informed by the Civil Service Department of the programme of cost reviews and scrutinies. A copy of the Civil Service Department's letter will be sent to Permanent Secretaries.

It is suggested that Departmental Staff Sides should be informed in the same terms as the letter to the National Staff Side.

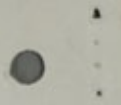
The Civil Service Department will brief departments as necessary on points in which staff sides may be interested, but the Prime Minister has asked me now to emphasise Cabinet's wish that the new programme should be presented in such a way as to invite and attract the willing co-operation of staff. In particular, it should make clear that while the scrutinies will challenge the reason for functions and may well lead to the reduction or cessation of some activities, its chief purpose is to make continuing functions more cost-effective.

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

Your sincerely,

*A. H. H. H. H.*

22 OCT 1979





CSD may comment on 22/X MHP 19/1x.

cc for information

Mr PATTISON

Mr Laughrin  
Sir Derek Rayner  
Mr Allen

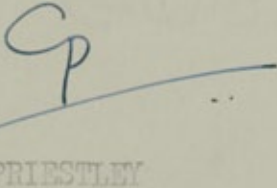
EFFICIENCY & WASTE IN CENTRAL GOVERNMENT

When you met Sir Derek Rayner and me this morning, you asked for a draft statement on the above.

2. I attach a possible Question and Answer. I should draw your attention to two points.

3. First, there is a bit in square brackets at the end of paragraph 1. It might be thought that this is giving a hostage to fortune but Sir Derek Rayner and I both firmly believe that the results of the first round of projects should be reported to the House, given the attention the press has recently paid them.

4. Secondly, it may be thought that the Answer is a shade long. Here the judgment cannot be ours, but you may like to know that the draft is similar in wording to the main message of a letter recently sent by CSD to the Secretary General of the National Staff Side. You may feel as we do that Parliament is entitled to have the same sort of information. If I may say so, I think it particularly desirable to retain the last paragraph of the draft or something like it.

  
C PRIESTLEY  
19 October 1979

Enc: Draft Question and Answer

DRAFT WRITTEN ANSWER

To ask the Prime Minister if she will make a statement  
on promoting the efficiency of the Government Service

All Ministers are taking a direct personal interest in the efficiency and size of their Departments. Ministers in charge of the principal departments have already scrutinised one or more of their functions or activities in collaboration with Sir Derek Rayner. [?] These scrutinies are being completed now and the results will be reported to the House in due course.]

2. The Government has now decided on a continuous and selective programme of similar scrutinies. These will be undertaken personally by Ministers in charge of departments, with the assistance of their senior officials and of Sir Derek Rayner. The ground work will be done for the Minister by one or more officials from within his Department; these officials will be instructed to take a radical view of their task. Most reviews will deal with both the policy and operational aspects of the activity examined. All will be addressed to such basic questions as the value added to the public good by the activity examined and constraints upon its greater effectiveness and economy.

3. The number of reviews to be conducted in any one year depends upon the size and character of departments, but each Minister will conduct at least one while Ministers in charge of principal departments will do more. It is intended that reports should not usually take more than 90 working days to prepare and that all should lead to action which should be completed or, if the recommendations made are very far-reaching, at least initiated within 12 months.

4. Existing arrangements for staff inspection and organisation and methods work will be retained, but the new arrangement for the scrutiny of operations will supersede those for Programme Analysis and Review. The management review programme will be retained for the time being.

5. Ministers will also scrutinise each year the cost of running their Department, that is, broadly the costs of staff and administration together <sup>with</sup> the cost of such relevant common services as accommodation. Each year too the Government will consider an analysis of the cost of administration as a whole, dealing in particular with the main elements of these costs and with movements in them.

6. Most Civil Servants want to provide services to Ministers and the public that are cost-effective and in which they can take a pride. I attach great importance to this. Ministers will seek constructive contributions from their staff and encourage them to recommend ways in which the resources in their charge can be better used.

CSD ON(79) 143

19 October 1979

Mr. Pattison

na - Rayner file

MAF 22/1x

Individual Copies

*Apologs our talk on CSD,  
you should see his Office Notice about the new arrangements in  
CSD.*

REORGANISATION OF MR WILDING'S GROUP

*gp*  
*19.10.79*

ON(79)128 of 20 September announced that, with effect from 29 October there would be a new Under Secretary command headed by Mr A W Russell reporting to Mr Wilding. The creation of this will entail a transfer of certain staff and responsibilities from the existing Management Services command under Mr Pearce and the Manpower command under Mr Bamfield. The aim of the changes is to provide in the new command a clear focus within CSD for reviewing the cost of individual Departmental functions and activities and of the provision of common services and for encouraging cost consciousness generally.

NEW COMMAND - FUNCTIONS AND PROGRAMMES (FP) GROUP

2. The new command will consist of the following Divisions:

a. Division FPI will be responsible for CSD's role in relation to the continuing programme of work by Departments on efficiency reviews of particular functions and activities which the Government has launched in accordance with recommendations of Sir Derek Rayner. It will be headed by Mr R H Wilson, on loan from the Treasury, and he will be supported by Mr D W Rayson and Mr P G F Davis, on transfer from PM4 and CSSB respectively.

b. Division FPII will be responsible for developing those aspects of the work of the existing MS(G) Division concerned with achieving greater economy in Civil Service activities and services common to a number of Departments, including functional reviews, examination of staffing formulae and the Transport Economy Unit. The responsibilities for the control of manpower and related sources in PSA, HMSO and COI currently dealt with by Manpower 3 Division will be transferred to this Division. Mr Good, Head of the existing MS(G) Division, will be in charge of Division FPII. The precise allocation of his staff from MS(G) to the new command and to Mr Pearce's command (see below) has not yet been determined but will be announced as soon as possible. Mr Byers (on transfer from Organisation Division) will deal with the responsibilities transferred from M3 Division, in addition to any other duties within the Division assigned to him.

c. The Staff Inspection and Evaluation Division (SIED) -

The Chief Staff Inspector will report direct to Mr Russell. SIED will continue to provide its present range of services for the rest of CSD.

MR PEARCE'S COMMAND - MANAGEMENT AND ORGANISATION GROUP

3. Management Services and Machinery of Government Divisions will be collectively known as the Management and Organisation Group. There will be no change in the title of MG Division. Mr Russell will be succeeded in charge of it by Mr E Osmotherly on loan from Department of Transport. New names for the MS Divisions will be announced. It is intended that Mr B W Smith will additionally assume charge of those parts of MS(G) which will not transfer to Mr Russell's command.

MR BAMFIELD'S COMMAND - MANPOWER GROUP

4. As indicated above, responsibility for SIEB and for the control of manpower and related sources in the PSA, HMSO and COI will be transferred from the Manpower Group to Mr Russell's command.

PS 15/012



10 DOWNING STREET

From the Principal Private Secretary

cc Cabinet  
Transport  
Hunt  
Rayner  
Berrill  
Bancroft  
Haster.  
17 October 1979

Dear Private Secretary,

Efficiency and Waste in Central Government

The purpose of this letter is to confirm the arrangements to be made following Cabinet's discussion of recommendations by Sir Derek Rayner in his minute to the Prime Minister of 30 August (C(79)39).

The Cost of Administration

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/ by a suitably qualified

HS

by a suitably qualified official, normally at Principal or Assistant Secretary level, working to the Ministerial head of his Department in consultation with his Permanent Secretary and Sir Derek Rayner's unit; that their terms of reference should be agreed with Sir Derek Rayner; that it should not usually take longer than 90 working days to prepare the report and that the report should lead to action which should be completed, or initiated in the case of substantial recommendations, within a year.

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The Secretary General of the National Staff Side has been informed by the Civil Service Department of the programme of cost reviews and scrutinies. A copy of the Civil Service Department's letter will be sent to Permanent Secretaries.

It is suggested that Departmental Staff Sides should be informed in the same terms as the letter to the National Staff Side.

The Civil Service Department will brief departments as necessary on points in which staffsides may be interested, but the Prime Minister has asked me now to emphasise Cabinet's wish that the new programme should be presented in such a way as to invite and attract the willing co-operation of staff. In particular, it should make clear that while the scrutinies will challenge the reason for functions and may well lead to the reduction or cessation of some activities, its chief purpose is to make continuing functions more cost-effective.

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

Yours sincerely,

*A. H. Thompson*



MR. WHITMORE

*Mr. Pettiar.*

*I agree.*

*I have signed the letter. Publ. No.*

*C.R.*

*For dispatch, please*

*YAD 18/x*

Sir Derek Rayner's office would like you to send out the attached "Dear Private Secretary" letter, following Cabinet discussion of Sir Derek's submission to the Prime Minister. I attach at flag A the Cabinet paper, and at flag B Mr. Priestley's covering minute.

In theory, this circular could also go from Sir John Hunt's office, Sir Derek Rayner's office, or the C.S.D.. The C.S.D. is inappropriate because of the strong view in Cabinet that C.S.D. should not be allowed to "bureaucratise" the Rayner exercise. Sir Derek is a little diffident about sending out these instructions himself. I think he is right in this case. His attendance at Cabinet is unusual, and the executive instructions following the Cabinet decision should be seen to go out in the Prime Minister's name.

This leaves a choice between the Cabinet Office and ourselves. The central government work on this is going to come back to the C.S.D. in the long run, and this is one reason for the instructions to go from here in preference to the Cabinet Office. I do not think that Cabinet Office would resist being asked to do so, but this is not really subject matter which they would normally handle.

The draft has been discussed with Cabinet Office, C.S.D. and Treasury. At first sight, paragraph 5 may seem to give the Prime Minister more of an executive role than we would wish. But there are advantages in this presentation. It will permit us to ask the C.S.D. to look at proposals, whilst we can also ensure that the C.S.D. do not try to take over the exercise in the heavy-handed way which is feared by a number of the Prime Minister's Cabinet colleagues.

For these reasons, I think that you should - exceptionally - send out the letter. The draft clearly reflects the various directions the Prime Minister has given in discussion over the last few weeks, and I think it could be dispatched without further clearance from here.

*YAD*

17 October 1979

Mr PATTISON

EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT

1. We agreed on 4 October that I should offer a draft letter to go from Mr Whitmore to Ministers' Private Secretaries to get the new programme on to the slipway.
2. I attach a draft, prepared in consultation with the Cabinet Office, CSD, Treasury and Sir Derek Rayner. It would be helpful if a letter could issue in the near future.
3. The draft is largely self-explanatory, but I should draw your attention to the following points.

Paragraph 5

4. The intention is that Ministers' proposals for scrutinies should be passed by your office to CSD for collation, as recommended in paragraph 17b of Sir Derek Rayner's minute of 30 August. The work of collation should include a facility for the central departments to suggest to the Prime Minister and her colleagues additional topics (see CC(79)16th Conclusions, Minute 5, page 8) and those topics in which the PM might wish to interest herself.
5. Importantly, it is also the intention that the programme should not start until after the PM has seen the proposals in the round (see paragraph 16 of Sir Derek Rayner's minute) and they have been circulated to Cabinet (CC(79)16th Conclusions, as above).
6. You will see that these intentions are not spelled out in so many words. Instead the reader is referred back to the appropriate paragraphs of Sir DR's minute (16 and 17b). If you consider that it would be preferable to enlarge the paragraph to avoid any possibility of confusion, I will gladly let you have a fuller version.

Paragraph 10

7. Sir DR met the Secretary General and the Secretary of the National Staff Side, Messrs Kendall and Jones, informally yesterday. He told them of developments on the "Rayner project" so far and of the recent Government decision to have a sustained programme of scrutinising costs and functions. Mr Wilding (CSD) is writing formally to Mr Kendall today.

Parliamentary statement

8. The draft letter does not deal with the question of a statement to Parliament on the demise of PAR and the birth of a

new programme. Given what I understand is considerable Parliamentary interest both in the Rayner project and, in the past, in PAR, I suggest that it would be timely to make a statement in some form soon after Parliament re-assembles. Today's press coverage will certainly have stimulated Parliamentary and other interest further.

9. I am copying this to the Private Secretaries of Sir John Hunt and Sir Ian Bancroft and to Sir Derek Rayner.

CP

C PRIESTLEY  
12 October 1979

Enc: Draft letter from Mr Whitmore

MR PRIESTLEY

EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT

Thank you for your minute of 10 October. In the time available we have not been able to consult the other recipients; no doubt they will let you have their own comments.

2. We have the following points on the draft letter from Mr Whitmore:-

Paragraphs 2 and 3

The Lord President is away, but we are sure that he will be content to take delivery of the remit in paragraph 3. We are inclined to think that the best time for this will be in July or September when Ministers have seen the Public Expenditure survey figures and can take a view of their "administrative cost" component. But this need not be finally settled yet, or referred to in the draft letter. This paragraph might come before paragraph 2. We suggest that old paragraph 2 might read as follows:-

"The Prime Minister would also be grateful if Ministers would arrange for the scrutiny of the cost of running their departments, as recommended in paragraph 4 of the minute. Sir Derek Rayner will in due course be advising Ministers about methods that might helpfully be used in the costing of overheads and the supply of management information."

We suggest this change because it seems better to consider what advice should be given to departments before encouraging them to get started; and because we suppose that Sir Derek's advice is likely to cover costing as well as, or more accurately as part of, management information. There are some quite important questions here about what Ministers should aim to do and what tools they will need in order to do it.

It is not too difficult to pick out a series of costs such as postage, travel and subsistence, and review whether they are rising or falling across the department as a whole, and the reasons for the change. If one then wants to add the costs which are attributable to the department but are actually incurred elsewhere (see the footnote to para 1 of Sir Derek's minute), it is necessary both to make sure that the information is available from the common service department concerned and to consider the purpose of adding it in (civil superannuation is an example where the purpose seems obscure). But if one then wants to go further and consider the total costs of the different activities

and functions of the department in order to assess their cost-effectiveness (or even simply to know where the money is going), a different set of tools, is needed, which exists in quite a highly developed form in parts of some departments but hardly at all in others. Should we not consider, with Sir Derek and the other central departments, what Ministers should be invited to aim at, if necessary in stages, as the first step?

The Rayner project in DOE will no doubt provide some helpful pointers to this. And we are very ready to contribute whatever may be helpful from our knowledge of management information and accounting systems. But before we contribute to the paper you have suggested, we should again find it helpful to discuss with Sir Derek the aims of the operation so that we can decide what comments and information might be most useful to him.

#### Paragraph 5

If the points made above are accepted, departments will hardly be ready to let the Prime Minister know by 23 November how they propose to conduct their annual reviews of costs. The words "the arrangements ..... and of" in the first sentence might be omitted. We suggest that this would not matter greatly. If these reviews are to be searching and not perfunctory, it will be worthwhile to spend a few weeks in doing our best to ensure that they are properly based.

#### Paragraphs 6 and 8

As you point out, these paragraphs do not specify the part to be played by the central departments as agreed in general terms by the relevant Cabinet minutes (CC(79)16th, Item 5). We are content with this for the purposes of the initial letter to departments. We think however that it will be necessary at quite an early stage to let them know what the arrangements will be. It will also be necessary to give the National Staff Side more details soon. For the moment we are answering their queries by referring to the role spelt out in paragraph 17 b, of Sir Derek Rayner's minute to the Prime Minister.

#### Paragraph 10

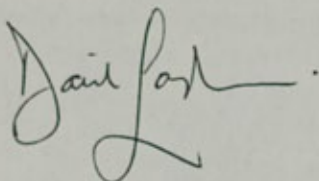
I see from my copy of your minute to Sir Derek Rayner of 10 October that you envisage the formal letter, prepared by CSD in consultation with Sir Derek, issuing from this department. We think that would be appropriate and what the Staff Side would expect. It might be sensible to clarify this by inserting "by the CSD" after "shortly". We are of course entirely happy that Sir Derek should meet the Staff Side again; if one of the purposes of the meeting were to answer questions arising from the letter (as seems probable), we suggest that he might be accompanied by a CSD representative.

#### Paragraph 12

If the letter to the Staff Side is copied to Permanent Secretaries as you suggest, a further briefing document may not be needed. But we shall be happy to supply one if it is, and to clear it with Sir Derek.

3. You also raise the question of a Parliamentary announcement. Given the considerable Parliamentary interest both in Sir Derek's project and (in the past) in PAR, we are inclined to think that a Parliamentary question would be a good thing quite soon after Parliament reassembles; again we will gladly consult you as well as the Treasury and CPRS over the draft.

4. Copies go to the recipients of your minute.

A handwritten signature in cursive script, appearing to read "David Laughrin".

DAVID LAUGHRIN  
PS/Sir Ian Bancroft

12 October 1979

Mr LAUGHRIN  
(PS, Sir Ian Bancroft)

cc for action

Private Secretaries to:  
Chancellor of the  
Exchequer  
: Lord President of the  
Council  
Secretary of the Cabinet  
Sir Kenneth Berrill

cc for information

Private Secretaries to:  
Minister of State, CSD  
Sir Derek Rayner  
Sir Douglas Wass  
Sir John Herbecq  
Mr Wilding (CSD)  
Mr F E R Butler (Tsy)  
Mr Pearce (CSD)  
Miss MacGlashan (CRPS)  
Mr Allen (CO)

Advance copy

✓ Mr Pattison

## EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT

I agreed with Mr Pattison after Cabinet last Thursday that I should offer a draft letter to go from Mr Whitmore to Ministers' Private Secretaries launching the new programme. Sir Derek Rayner is content with the draft attached to this minute, but would be glad to know whether the central departments have any comments. May I please hear from you by 2 pm on 12 October?

2. The draft is for the most part self-explanatory, but I should draw attention to the following points:

Para. 2

Sir DR will draft his advice on management information for Ministers when he has seen what the "Rayner project" in DOE produces. In doing so, he would like to draw upon what other advice the central departments would like to offer him in the light of their knowledge of what already happens in departments and of their view of what should happen under the programme now agreed by Cabinet. subject to CSD, Treasury and CPRS views, the best way forward might be for the central departments to let Sir DR have a single paper by, say, the end of October for discussion before he goes abroad in mid-November (for 2 weeks).

Para. 3

The implications of this paragraph are (a) that the scrutineers should not start until after the PM has had a chance to look through the proposals made (of

para. 13 of the minute of 30 August), and (b) that the work of collation should be done by CSD (*ibid.*, para. 17b). I have assumed that it is unnecessary to say this in as many words.

Para. 7

We have started work on the consolidation of the earlier papers here referred to and will circulate a draft as soon as possible.

Para. 8

Similarly, we shall circulate a draft of Sir DR's report on the "Rayner projects" as early as we can.

Para. 9

This terse reference to PAR is included on Mr Butler's suggestion. If it seemed too much like the cry of a successful Dalek, I should be grateful to the Treasury for an alternative draft.

Para. 10

Sir DR and I meet Mr Kendall and Mr Jones over lunch tomorrow. I will let you know what happens. After that, I suggest that CSD should prepare the "Formal letter" in consultation with Sir DR. The latter would be content to see the General Secretaries again (as he promised them he would at their meeting on 3 July), but I should be glad to know whether CSD has any views on this as a medium for discussion.

Para. 11

Sir DR assumes that it is right to suggest that the CSD should brief departments on staff side points. If it is done by means of a written brief, he would be grateful for a sight of the draft.

3. The draft does not deal with the question of a public or Parliamentary announcement. By the time the letter goes round, the programme may have received some publicity, as the PM has authorised Sir DR to speak to the press and he expects to do so tomorrow. It is probable that the PM will herself refer to DW in her speech to the Blackpool conference later this week. The PM has also authorised Sir DR to talk to some Backbench MPs; he will want to set this up in due course, in consultation with Ministers.

4. All this leaves out the question of a statement to Parliament on the demise of PAR and the rise of the new programme. I do not think that it is for Sir DR to raise this point; if you



agree that it is one which needs consideration, may I ask you to deal with it as appropriate? If it would be helpful for Sir DR to see the draft in due course, he would be glad to do so.

C PRIESTLEY  
10 October 1979

233 3224 (or Mr Allen, 233 3550)

DRAFT LETTER FROM MR WHITMORE (MANAGEMENT - IN CONFIDENCE)

J A Chilcot Esq  
Home Office

EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT

1. The purpose of this letter is confirm the arrangements to be made following Cabinet's discussion of recommendations by Sir Derek Rayner in his minute to the Prime Minister of 30 August.

The cost of administration

2. The Prime Minister would be grateful if Ministers would arrange for the scrutiny of the cost of running their Departments, as recommended in paragraph 4 of the minute. Sir Derek Rayner will in due course be commenting on the supply to Ministers of management information about the use of resources, but preparatory action need not await his advice.

3. The Chancellor of the Exchequer, the Lord President of the Council and Sir Kenneth Berrill are invited to arrange for Cabinet to receive each year a statement on the cost of government, as recommended in paragraph 17a. The Prime Minister would be grateful if the Lord President took the lead on this.

Specific functions

4. Ministers are invited to arrange for the scrutiny of one or more of their Department's functions, together with the

associated use of staff, administrative expenditure and overheads, as recommended in paragraphs 13-15 of the minute. These functions should be characteristic of the Department and significant in their use of resources.

#### Notification and commencement

5. Ministers are invited to let the Prime Minister know by 23 November the arrangements they propose to make in respect of paragraphs 2 - 4 above and of their proposals for the first year of scrutinies. The Prime Minister will then arrange for the collation of the proposed scrutinies, as recommended in paragraph 16 and 17 of the minute. It should be possible to start the programme of scrutinies soon after the beginning of the new year, but if Ministers wish to make an earlier start they are invited to indicate this.

6. Differences between the functions and circumstances of departments may suggest practical differences in procedure, but the essential characteristics of the scrutinies are that each should be undertaken by a suitably qualified official, normally at Principal or Assistant Secretary level, working to the Ministerial head of his Department in consultation with his Permanent Secretary and Sir Derek Rayner's unit; that their terms of reference should be agreed with Sir Derek Rayner; that it should not usually take longer than 90 working days to prepare the report and that the report should lead to action which should be completed, or initiated in the case of substantial recommendations, within a year.

7. Interim guidance on the conduct of scrutinies may be obtained from earlier papers on the conduct of "Rayner projects". These are Sir Derek Rayner's note to Permanent Secretaries of

4 June and the notes issued to project officials by his office on 22 June, 31 July and 17 and 21 September. These notes will be consolidated as soon as possible for circulation to Ministers, but preparatory action need not await the arrival of the composite version.

8. The Prime Minister has asked Sir Derek Rayner to assist her colleagues and herself by circulating as soon as possible his report on the projects now nearing completion in departments; by helping with the follow-up to and implementation of particular recommendations; by helping to apply such lessons of more general application as may also emerge from them; and by associating himself with scrutinies under the new programme, much as he has done in respect of the projects mentioned above (see paragraph 6).

#### Programme Analysis and Review

9. I confirm that PAR is terminated.

#### National and Departmental Staff Sides

10. The Secretary General of the National Staff Side has been informed unofficially of the programme of cost reviews and scrutinies. A formal letter will be sent to him shortly with a view to a meeting with the General Secretaries of the staff associations to answer questions and receive suggestions. A copy of that letter will be sent to Permanent Secretaries.

11. It is suggested that Departmental Staff Sides should be informed after the despatch of and in the same terms of the letter to the National Staff Side.

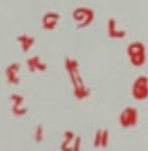
12. The Civil Service Department will brief departments on points in which staff sides may be interested, but the Prime Minister has asked me now to emphasise Cabinet's wish that the new programme should be presented in such a way as to invite and attract the willing co-operation of staff. In particular,

---

it should be made clear that while the scrutinies will challenge the reason for functions and may well lead to the reduction or cessation of some activities, its chief purpose is to make continuing functions more cost-effective.

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

C A Whitmore



170 OCT 1979



976  
Lord Cockfield's office  
confirm that the <sup>Govt</sup> Mach  
enclosure is accurate.

re.

MAD  
9/11

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-~~9305422 ext~~ 233 8224

9 October 1979

Andrew Pinder Esq  
The Board Room  
Inland Revenue  
Somerset House  
Strand WC2

*Jim Andrew,*

THE RAYNER PROJECT

Thank you for your letter of yesterday morning. It arrived fortuitously, as the Prime Minister is interested in including in a speech at Blackpool later this week a reference to the subject in a section on "efficiency and waste" in central government. I enclose the copy of a piece I knocked off hurriedly last evening and gave to Mike Pattison at No. 10. If you or Lord Cockfield's office (to whom I am copying this letter) have any comments on the enclosure, will you please liaise with each other and pass an agreed message to Pattison today?

2. As to the note on your preliminary conclusions, I found it in the main clear and helpful and have, at this stage, only a few points for you to consider, as follows:

- a. What is the cost of the P45 procedure in terms of staff, printing etc?
- b. How much of this is aborted by the failure to submit Parts 2 and 3 to new employers?
- c. What is the cost of the P46 procedure, on the same basis as for a. above?
- d. Both the P45 and P46 procedures are critically dependent on the production and handling of pieces of paper. Must this be so? Is there a history of aborted computerisation? What do other countries do? (I am astounded by your reference to "10 miles of extra shelving" each year.)
- e. Please be as specific as possible about the savings attributable to the proposed questionnaire substituting for the tax returns required under P46 procedure and about the costing of the "more imposing" P45.

- f. In your discussion of the retaining or abolishing P45 Part 1, please set out in as specific terms as possible the advantages and disadvantages for employers, employees and the Inland Revenue and about the cost of retention, should that be recommended. (The last sentence of para. 13 is weak on this.)
- g. Your recommendations should be specific as to the changes proposed; their consequences for employers, employees and the Inland Revenue; and their costs and savings.
3. Finally, some puzzles. What is meant by:
- "restoring cumulation" (para. 6)
  - "parish registers" (para. 9)
  - "all these measures" (para. 12).
4. I am copying this also to Derek Rayner and David Allen.

*Yours sincerely,*

*C Priestley*

C PRIESTLEY

## INLAND REVENUE: MOVEMENTS FORM, P45

This is a three-part, carbon-backed form. When an employee leaves, his employer sends Part 1 to his Tax District and gives Parts 2 and 3 to the employee. The employee gives them, or is supposed to give them, to his new employer.

The new employer keeps Part 2. This enables him to pay TAX correctly. He sends Part 3 to his Tax District, so that the Inland Revenue can - eventually - compare it with Part 1, as a check on what the employee says about his personal circumstances and in order to make any tax repayments to which he may be entitled.

About 9m P45s are handed out each year. But nearly half of the people who change their jobs do not hand in Parts 2 and 3.

This starts a whole new procedure - the P46 - under which the Inland Revenue send out 3m new tax returns in order to restore the employee to the record.

This is an expensive operation. And much of it is unnecessary. Many employees cannot produce Parts 2 and 3 straightaway because they work for employers with a centralised payroll, who cannot produce the P45 in time for the last day at work, but send it on by post. And the P46 is expensive to print, to handle and to send out.

Simply by building a short delay into the rules which trigger P46, we can save staff doing several hundred dull jobs and an immense amount of paper handling. We can also save employers and employees worry and vexation by other simplifications in the procedures in Parts 2 and 3.

This is a case where we can't do without paper - not least if we want to be fair to taxpayers - but it is case where by taking careful thought we can save effort and money.



*Return to the  
me*

*All these for  
Rayner file, M  
MAP*

INLAND REVENUE: MOVEMENTS FORM, P45

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020  
cc for information

Mr Laughrin  
Sir Derek Rayner  
Mr H L James  
Mr Beastall

Mr PATTISON

#### EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT

You asked me this morning to let you have a piece for possible use in the PM's speech at Blackpool later this week. I suggest the following, which assumes for the moment that both the MOD and DHSS examples are used in a prior passage to be supplied by Mr Ridley:

"These ~~the~~ MOD and ~~DHSS~~ examples show that by looking carefully at what actually happens we can save the taxpayer a lot of money and give him a better service. That is what my colleagues and I want and what I believe people want - good services at an acceptable price. I have no doubt from the work done so far that the Civil Service itself, which is often maligned, wants to deliver quality services of which it can be proud. No-one that I know wants poor services at a high price.

You may say that you have heard all this before and that it is only a flash in the pan. But I am very encouraged by what we are finding. I believe that by thinking our way through other areas we have been looking at, we shall come up with some first-rate reforms. We should for example be able to save staff doing several hundred dull jobs in the Inland Revenue and over £1m a year; over £700,000 in the London area of the Customs & Excise; a fifth of what you spend on looking after buildings in a town in the South West; and a fifth of what you spend on an educational committee in Scotland. These examples

show how wide the range of possibilities is. But the main point is that we are only at the beginning. I do not intend this to be a flash in the pan, nor do my colleagues."

2. I am still awaiting a copy of the note which Mr Warner (DHSS) handed to the PM last Tuesday. When I have it, I will, as you asked, offer advice on its utility for the speech.

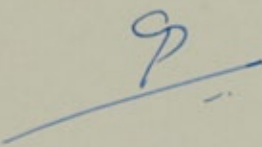
S

C PRIESTLEY  
8 October 1979

Mr PATTISON

EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT: PAYING SOCIAL SECURITY  
BENEFITS

*filed under 2/10/79*  
I now attach an updated version of the note which Mr Warner handed the Prime Minister on 2 October. I see no reason why the PM should not use the data provided, although compressing it into a few sentences is going to be difficult; I understand that Mr Ridley has this in hand and that it will be for him to clear his draft with the Secretary of State.

  
C PRIESTLEY  
8 October 1979

Enc: Paying Social Security Benefits

REVISED VERSION

Updated version of text handed to  
Prime Minister by Mr. Warner (DHSS)  
on 2 October 77.

PAYING SOCIAL SECURITY BENEFITS

1. Social security is big business:
  - Over £15,000 million - nearly  $\frac{1}{2}$  of public expenditure - is spent each year on 1,000 million social security payments
  - Over 30 benefits are being paid at any one time to over 15 million people and dependents
  - Over 100,000 staff work on social security benefits in DHSS and Department of Employment, mainly in 1500 local offices.
2. DHSS spends about £750 million a year - 5% of benefit expenditure - on social security administration:
  - $\frac{1}{3}$  goes on awarding benefits initially
  - $\frac{1}{3}$  goes on maintaining a person's benefit at the right amount
  - $\frac{1}{3}$  goes on paying benefits.
3. Half the money spent on paying benefits goes to the Post Office for the work done over post office counters.
4. Over 90% of social security payments are made weekly by order books with "foils" cashable only at post offices.
5. For each payment made it costs about:
  - 20p-35p for an order book foil
  - 45p-65p for a payable order
  - 50p-60p for a giro cheque
6. Over  $\frac{1}{2}$  the population uses a current bank account and over  $\frac{1}{4}$  of the population has a bank or some other account.
7. Paying benefits weekly by order book costs about £10 a year: to pay 4-weekly by credit transfer to bank accounts would cost about £2 a year.

Cont Merkinan

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AF



10 DOWNING STREET

*From the Private Secretary*

MR PRIESTLEY

The Prime Minister has seen your minute to me of 5 October about the steps which Sir Derek Rayner now has in mind to publicise the Government's commitment to improved efficiency and reduced waste in central Government, following the Cabinet's endorsement of the programme.

She is content for Sir Derek to proceed as proposed, and considers that this would now be valuable.

I am sending copies of this minute to Mr. Laughrin in Sir Ian Bancroft's Office and to Mr. Vile in the Cabinet Office, with a copy of your minute to me.

M. A. PATTISON

8 October 1979

*Handwritten signature*

5/F 22-10-79

file

off



10 DOWNING STREET

*From the Private Secretary*

MR LAUGHRIN

Thank you for your letter of 3 October with which you enclosed a note about the role of the Exchequer and Audit Department in the pursuit of efficiency. The Prime Minister was grateful for this clarification.

It would be helpful if you could provide a more detailed note about the development of the work of the E&AD to which you refer in your letter. Perhaps you could arrange for this to reach me by Monday 22 October.

M. A. PATTISON

8 October 1979

CONFIDENTIAL

TJR



DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

*M. Wolfson*

*DHSS' own version  
of how PM might  
touch on the  
Rayner study*

*MP  
L*

5 October 1979

Mike Pattison Esq  
Private Secretary  
10 Downing Street  
LONDON  
SW1

*Dear Mike,*

MANAGEMENT AND EFFICIENCY

You asked for a form of words that might be used by the Prime Minister next week if she wished to refer to the 'Rayner Exercise' and in particular to the findings of the team working in this Department. A draft is attached. The square brackets at the end of the passage are to sound a note of caution on two counts. It will be 2 - 3 years before the changes could be fully implemented. Moreover the changes will have to be negotiated with the various parties concerned, not least the Post Office, and these negotiations may be made more difficult if these are publicised as firm proposals.

Yours sincerely

D Brereton  
Private Secretary

ENC.



The Civil Service too often takes for granted that what was good enough in the past is good enough today. The private sector is forced by the discipline of the market place constantly to seek better ways. If we are to cut out waste, Government Departments must ask much more frequently the question "Why are these things done at all?" "Are we doing them as efficiently as we can?"

I asked Sir Derek Rayner to help with this work. Early results are most encouraging. Departments have already come up with ideas which could save millions of pounds a year. We want more of this, and Ministers must press ahead. It is not only the taxpayer who benefits. It is also those who use Government services. [ For example a study conducted by DHSS into paying social security benefits has thrown up possibilities for large administrative savings if some people could be paid benefits fortnightly instead of weekly and if more use could be made of banks to pay these benefits. At present very large numbers of people have no choice but to collect relatively large sums of money from Post Offices - often they have to go every week - and virtually no use is made of accounts at banks or building societies. This can be costly to the taxpayer, inconvenient for many people and dangerous for the pensioner.]

cc: Mr. Wolfson  
Mr. James

PRIME MINISTER

This note from Sir Derek Rayner's office seeks your authority for Sir Derek to undertake some careful publicity.

I think that this, properly handled, would now be valuable. You have previously agreed that Sir Derek should use his own judgment on publicity. Following his attendance at Cabinet, I suggested that his office should specifically seek clearance for further publicity at this stage, to avoid any suggestion that Sir Derek had leaked information about Cabinet matters.

Agree that Sir Derek may go ahead with the limited publicity he proposes?

*Yes - excellent.  
as as*

*John R. [Signature]*

*Duty Clerk.*

*PP*

*M. A. Paterson*

5 October 1979

cc for information  
Sir Derek Rayner  
Mr Wolfson  
Mr H L James  
Mr Laughrin  
Mr Beastall  
Mr Allen

Mr PATTISON

EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT: PUBLICITY

1. We had a word about this yesterday.

Press

2. Sir Derek Rayner would not want to usurp the Ministerial role in publicising the programme to which the Government has now committed itself, but he thinks that the Government is entitled to publicise it as one instance of its determination to secure value for the taxpayer's pound.

3. He himself has a number of outstanding requests from the press to deal with. He thinks that he ought to respond to the intelligent interest already expressed in his work by the OBSERVER, GUARDIAN, DAILY TELEGRAPH, ECONOMIST, FINANCIAL WEEKLY and NOW, most of which he has fobbed off. Subject to advice, he would accordingly propose to meet the journalists from these papers and magazines and outline the sorts of things which are beginning to emerge from the departmental "Rayner projects" and the main features of the programme approved by Cabinet yesterday.

Parliament

4. One Secretary of State suggested to Sir DR after Cabinet yesterday that it would be a sound move to talk to some Back-bench MPs, including members of the Public Accounts Committee. Sir DR would be happy to do this, as the idea coincides with his own thinking, again subject to advice.

Staff

5. Sir DR very much agrees with the point made by the Chancellor of the Exchequer yesterday that the hoped-for success of the "Rayner projects" owes much to the involvement of staff (not always of the same mind as their Associations) and that it would be necessary to avoid staff resistance to and enlist the staff as willing partners in the new programme.

6. The Secretary General (Mr Kendall) and Secretary (Mr Jones) of the National Staff Side are lunching with Sir DR on 11 October, when we will tell them how things are developing and outline the new programme. After that, he will need to write to Mr Kendall, detailing the programme, with a view to meeting him and the General Secretaries of the staff associations again, as promised at their first meeting in July.

1-5 OCT 1979



7. As a matter of courtesy to NSS it would be preferable, but not essential for the product of any encounter between Sir DR and the press to appear after his meeting with Mr Kendall next Thursday. Equally, it would be preferable for the first account to appear to originate with Sir DR rather than with Mr Kendall and, subject to advice and to Sir DR's own availability, it might be prudent for Sir DR to have given a story to one or more journalists before he sees Mr Kendall but for publication afterwards.

*Agreed and.*

*CP*

C PRIESTLEY  
5 October 1979

SPEAKING NOTE

*Spate*

Sir Derek Rayner came to Cabinet on 4 October to tell us of progress with the projects. He has now reported further to me on these projects and on the proposals which Ministers have put to him for the first round of the scrutiny programme.

I am delighted with the progress you have been able to make with Sir Derek's assistance. I am particularly grateful for the effort that Ministers personally have been able to put into a number of these projects.

But what has been done so far in most cases - the analysis - is the easiest part. We must now make sure that the recommended results do not evaporate. I realise that the projects producing the biggest recommendations are also the most controversial. Where necessary the policy implications must be properly sorted out between Ministers. This must be done quickly.

I would like each Minister, with Sir Derek's help as appropriate, to:

- put his weight behind implementing the recommendations
- work out a clear plan of action, with a timetable
- make sure that he or his Permanent Secretary takes personal charge of meeting the plan of action within the timetable.

/There are

There are some general lessons to be drawn from particular projects. I shall be asking the Civil Service Department, again with Sir Derek's assistance, to bring these lessons to the attention of other Departments where they can be applied; I hope that you will ensure that these lessons are taken as seriously as those which arise from the projects within your own Departments.

I intend to ensure that we publicise what is coming out of this work.

I have also discussed with Sir Derek the scrutiny proposals for next year. I have asked him to have some of the proposals reconsidered, to keep in touch with progress on all of them, and to keep me informed.

CONFIDENTIAL



PRIME MINISTER.

CIVIL SERVICE DEPARTMENT  
WHITEHALL LONDON SW1A 2AZ  
Telephone 01 273 5400

Sir Ian Bancroft G.C.B.  
Head of the Home Civil Service

A note on how E&AD  
can complement  
Sir D Rayner's  
work. I have not  
added it to the  
Cabinet folder, which  
will be checked on  
this item MAF 31x

Mike Pattison Esq  
10 Downing Street  
Whitehall  
LONDON SW1

3 October 1979

Dear Mike,

Ans

CABINET DISCUSSION ON SIR DEREK RAYNER'S PROPOSALS

I understand that when Sir Derek Rayner saw the Prime Minister yesterday, the Prime Minister asked about the relationship of the work of the Exchequer and Audit Department to Sir Derek's proposals for reducing waste and increasing efficiency in the Civil Service.

... I attach a short note on this which I hope can serve as additional briefing for the Prime Minister for tomorrow's Cabinet discussion. If the Prime Minister is interested in a further more detailed note about the development of the work of the E&AD, we would be happy to provide one.

I am copying this to Jim Buckley (Lord President's office) and Gary Rogers (Minister of State's office).

Yours sincerely,  
David

DAVID LAUGHRIN  
Private Secretary

CONFIDENTIAL

EXCHEQUER AND AUDIT DEPARTMENT (E&AD) AND THE PURSUIT OF EFFICIENCY

E&AD's work is broadly directed at 3 aspects of expenditure by departments:-

- a. a check that money has been spent on the purposes for which Parliament voted it and for compliance with any legal requirements;
- b. an examination of departmental procedures for controlling the spending of its money;
- c. a search for evidence of wasteful or extravagant expenditure to test whether a department is getting "value for money" (without getting too directly involved in wide-ranging reviews of government policy as such).

2. This external probing of departments by E&AD is a valuable stimulus to efficiency, and the present Comptroller and Auditor General is indeed improving the way that it exercises this role. But it will continue to carry out an independent audit on behalf of Parliament and, after the event, expose for criticism what has, or looks as if it has, gone wrong.

3. Sir Derek Rayner has consulted the Comptroller and Auditor General about his own proposals, and E&AD may indeed be able informally to suggest good subjects for scrutiny under them. But Sir Derek Rayner's recommendations serve a different purpose. They should enable the Government itself to exert a tighter grip on efficiency (and thus incidentally leave fewer weaknesses for the auditors to get hold of).

4. The Rayner programme needs some central stimulus and co-ordination. There are two reasons for this. The first is to avoid the risk of the programme's running away into the sand of inertia in departments. The second is to make it possible to apply lessons learnt from the programme across departments as a whole. But this is a job for a central part of the Executive and not for an independent auditor acting on behalf of the Legislature. It falls most aptly to CSD - which ultimately reports to the Prime Minister herself as Minister for the Civil Service - because of its control of staff and administrative expenditure and its responsibilities for the efficiency of the civil service.

5. In sum, the working of the Rayner proposals and E&AD's external audit (so far as it bears on efficiency) should be complementary. It will be sensible to keep those involved informally in touch so that they can effectively reinforce each other. But their primary roles are different and should be kept distinct.

*ms.*





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PRIME MINISTER

PRIME MINISTER

*I have added to these papers the summary which Sir Derek gave you of his main paper*

*M.P.*

Efficiency and Waste in Central Government  
(C(79) 36)

You have already discussed this paper with Sir Derek Rayner and me, and you have his brief and a copy of his speaking note. My brief is therefore confined solely to handling and to conclusions.

HANDLING

2. We are breaking new ground by inviting Sir Derek Rayner and his two supporters to talk to the Cabinet. You will want to welcome them (Rayner himself, Mr C. S. Ponting of MOD and Mr N. R. Warner of DHSS). You might thank their Ministers for allowing them to attend.

3. You might remind Cabinet that you gave Rayner three jobs to do initially:

- (i) Cutting down on demands on the public, firms, etc. for information; this is in hand.
- (ii) Getting rid of 'conventions' which inhibit efficient management; this, too, is well in hand.
- (iii) Cutting out functions. You asked each Minister to designate a suitable young official in his Department to carry out a quick study of potential targets. Two of the earliest reports to come in, from MOD and DHSS, are very promising. And you thought Cabinet would enjoy hearing about them. You are not pointing the finger at any individual Departments: the object is to show what can be done, given co-operation and Ministerial support, to eliminate inefficiency and waste even in the best-run Department.

4. You have circulated (C(79)39) a very good minute by Derek Rayner, about the next steps. One of his suggestions is that there should be a regular system of 'scrutinies' in Departments. The pilot projects which Rayner has already carried out show what can be done. The idea is that Ministers in

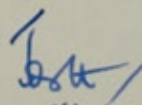
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charge of Departments themselves should undertake this work. It is not a question of the centre arrogating the responsibilities of Departments. The role of central Departments will be limited to giving the thing a push, reviewing progress periodically, and ensuring that lessons are read-across from one area to another.

5. When Rayner and his two assistants have had their say, you will want the discussion to go round the table. It will probably be helpful to call the Chancellor and the Lord President first, as both of them will speak in support of Rayner. The Home Secretary is also an ally. We had expected the Secretary of State for Defence to be hostile, but it will be difficult for him to argue that everything is under control, following Ponting's horror stories. I suggest you avoid too much discussion of the detail of the scheme, and concentrate on getting agreement that the new system is desirable, and on the target date of 23rd November for reports on the first batch of topics to be tackled. You could leave it open whether Cabinet should have a further discussion when you see the first list. (You may find it useful to have such a discussion to put pressure on reluctant Ministers.)

CONCLUSIONS

6. The formal conclusions to record at the end of the meeting might be:-
- (i) to welcome the first indications of success in the Rayner studies;
  - (ii) to endorse the proposals in his minute, circulated with C(79) 39;
  - (iii) to agree that all Ministers in charge of Departments should send their initial proposals for 'scrutinies' to [you] [and the Lord President] by 23rd November;
  - (iv) to note that you will consider holding a further Cabinet discussion about that list at a later stage.

  
(John Hunt)

3rd October 1979



10 DOWNING STREET

*From the Private Secretary*

Mr. Vile

Sir Derek Rayner and Sir John Hunt yesterday met the Prime Minister to prepare for tomorrow's Cabinet discussion of Sir Derek's paper on Waste and Efficiency in Central Government.

As a result of the discussion, the Prime Minister asked Sir John to arrange for Messrs. Ponting and Warner to repeat at Cabinet the presentations they made to her about their individual Rayner projects. She asked Sir Derek Rayner to introduce his paper in a way which would quote the likely conclusions of a number of his individual studies, so that the later presentations by Messrs. Ponting and Warner would not in any way appear to be singling out their Departments and their Secretaries of State for public criticism. I understand that arrangements for the presentation at Cabinet have been put in hand, and that Mr. Priestley has promised to ensure that the Secretaries of State concerned are aware that members of their staff will be called into Cabinet for this purpose.

During the meeting, there was some discussion of the demands made within Government for statistical information, and the requirements placed on small companies to provide raw material for such statistical reporting. Sir John Hunt said that he wished to discuss this whole field with Sir Derek Rayner, as an overall examination of statistical requirements was more likely to identify possible savings than an examination of individual statistical series. I know that the Prime Minister has a particular interest in this question, and I would be grateful if you and Mr. Priestley could arrange to keep us in touch with developments on this front.

The meeting concluded that prime responsibility for further work, on the lines initiated by Sir Derek Rayner, must rest with Departments themselves, although the CSD would need to be kept in the picture, primarily to ensure that the results of the most

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informative work could be shared between Departments. This need not be taken further until after the Cabinet discussion, but the Prime Minister did ask whether there could be some widening of the role of the Comptroller and Auditor General's Department, to assist Ministerial Heads of Department in the management role to which they were now being asked to give careful attention. The Prime Minister was advised that it would be difficult to ask this of the Comptroller and Auditor General, as he was answerable to the Public Accounts Committee. Mr. Priestley mentioned that the recent management review of the Comptroller and Auditor General's Department had indicated some movement in the direction which the Prime Minister had in mind, and he offered to provide a note on this. The Prime Minister will be interested to hear more of this.

I am copying this minute to Mr. Priestley.

M. A. PATTISON

3 October, 1979.

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*Mr Whitmore's sub. ex.  
re NAF*

NOTE OF A MEETING ON WASTE AND EFFICIENCY IN CENTRAL GOVERNMENT  
HELD AT 10 DOWNING STREET AT 1630 HOURS ON TUESDAY 2 OCTOBER 1979

Present:-

Prime Minister  
Sir John Hunt  
Sir Derek Rayner  
Mr. D. Wolfson  
Mr. C. Whitmore  
Mr. P. Mountfield  
Mr. C. Priestley  
Mr. N.R. Warner  
Mr. C.S. Ponting  
Mr. M.A. Pattison

The Prime Minister said that Sir Derek Rayner's paper, to be taken at Cabinet on 4 October, identified the importance of Ministers tackling their management role. Her concern was that many Ministers would be uncertain how to pursue this. She was anxious to return the administration of Government in Britain to its former status as the best in the world. Recent attempts to get a grip on management had been unsuccessful. At her request, the PAR system was now being brought to an end, having failed to achieve its objectives in most cases. Ministers found it difficult to tackle management questions, even when they were aware of the areas requiring attention. She would have to convince Ministers of the importance of this function.

Sir Derek Rayner said that she should first make Ministers aware of the cost of running Departments: Government administration was now costing some £6 billion each year. Even the Rayner exercise had so far cost £156,000.

After some discussion of individual examples of inefficiency, Sir John Hunt commented that in Cabinet the Prime Minister should avoid ad hoc examples. She should get the concept across. The task was for heads of Departments, with the assistance of Permanent Secretaries and some bright younger staff. It must be the Secretary of State, not a Junior Minister. He was concerned of the risk of the exercise becoming bureaucratized, and for this reason the

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responsibilities of central Departments in managing the exercise ought to be limited. Sir Derek Rayner said that the centre would need to be involved to ensure some cross-fertilisation of the most valuable ideas thrown up. But he agreed that the work should remain the prime responsibility of Departments. The Prime Minister asked whether the Controller and Auditor General's Department should have a role to play. Its staff now seemed to be preoccupied with simple financial auditing. Mr. Whitmore pointed out that the Controller and Auditor General was responsible to the Parliamentary Public Accounts Committee, not to Ministers. Mr. Priestley said that the recent management review of the Controller and Auditor General's Department had moved in the direction which the Prime Minister seemed to have in mind. He could provide a note about this.

Sir Derek Rayner introduced two of his case studies. Mr. Ponting had looked at Defence food procurement. He had found considerable inefficiencies caused by overlapping between Services, poor lines of communication, and inconsistency. It had taken the Department 2½ months to discover the cost of running the existing system. The conclusions of his study had suggested that a once-and-for-all reduction of food stocks to three months - a war level - should secure a £12 million saving. Other possible economies could offer savings of between £1-4 million per year, with corresponding staff savings. Mr. Warner had studied the method and frequency of payment of social security benefits. Research into the possibilities of paying at fortnightly or four weekly intervals, the possible role of banks, and consumer reaction to such changes, had produced possibilities of administrative savings of up to £30 million a year. There would be some consumer resistance, some Civil Service union resistance, and major implications for the Post Office, one-third of whose counter work was on behalf of DHSS. Change-overs would take three to four years, and would involve some awkward political decisions.

Sir Derek Rayner said that the next task on these exercises was to ensure speedy follow up action. In the case of the defence study, this must be seen to happen without waiting for a great overall review of similar elements in defence procurement. The evidence had been collected by Mr. Ponting getting out to see for himself, and would therefore - fortunately - be very difficult to refute. Mr. Whitmore

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commented that the Services had rationalised food procurement in the 1960s, on the basis of careful study, and had since argued that there was no point in looking for further savings there because of that rationalisation. The Prime Minister asked whether these were the two best examples of the recent projects. Sir Derek Rayner said that there were several other studies of similar calibre, although one or two would be disappointing. Sir John Hunt commented that these two examples would provide an excellent demonstration for Cabinet Ministers of the importance of management. They also supported his view that prime responsibility for such work must be with insiders in Departments. Central Departments could not ask the right kind of probing questions. The Prime Minister felt that the Civil Service Department must have a role in the follow up. Sir John Hunt agreed that this was necessary, and thought that the Lord President of the Council should perhaps take delivery of the Rayner studies, saving some of the Prime Minister's time. The Prime Minister wished to see the results of all studies; not least, this would allow her to enquire about follow up as she visited Departments. The knowledge that she was likely to enquire might help to encourage Departments to follow up the studies. The Prime Minister asked whether Sir Derek's studies had produced any instances of jobs that need not be done. Sir Derek Rayner said that his studies had not concluded that any of the functions in question were totally dispensable, although they had identified unnecessary aspects. Mr. Priestley said that some elements of Government statistical work might prove surplus to requirements. Sir John Hunt said that he wished to discuss this specific question with Sir Derek Rayner in relation to the Central Statistical Office. The overall demands of Government for statistical information needed to be looked at, as a case for retaining most statistical reporting could be made if each series of reports was examined in isolation.

The Prime Minister said that she had found these presentations most valuable. They would serve to illustrate the purpose of the Rayner project. In response to a suggestion from Sir Derek Rayner, she asked Sir John Hunt to arrange for Messrs Ponting and Warner, to repeat their presentations at Cabinet on 4 October. The Cabinet

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Office would inform the two Departments in question that these presentations would be made as examples. Sir Derek Rayner would set these in context alongside the outcome of the Rayner studies in other Departments, to avoid any implication that two Departments had been singled out for public pillorying.

2 October 1979

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Personal

10 DOWNING STREET

Mr Pringle

To see, and return  
with any comments

Mike Pattison

3/x

Mr. Pattison

No further  
action

Thank you. I have <sup>M/P</sup> 5/4.

suggested a few minor changes.

CP

4.8.79

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NOTE OF A MEETING ON WASTE AND EFFICIENCY IN CENTRAL GOVERNMENT  
HELD AT 10 DOWNING STREET AT 1630 HOURS ON TUESDAY 2 OCTOBER 1979

Present:-

Prime Minister  
Sir John Hunt  
Sir Derek Rayner  
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Mr. C. Whitmore  
Mr. P. Mountfield  
Mr. C. Priestley  
Mr. N.R. Warner  
Mr. C.S. Ponting  
Mr. M.A. Pattison

The Prime Minister said that Sir Derek Rayner's paper, to be taken at Cabinet on 4 October, identified the importance of Ministers tackling their management role. Her concern was that many Ministers would be uncertain how to pursue this. She was anxious to return the administration of Government in Britain to its former status as the best in the world. Recent attempts to get a grip on management had been unsuccessful. At her request, the PAR system was now being brought to an end, having failed to achieve its objectives in most cases. Ministers found it difficult to tackle management questions, even when they were aware of the areas requiring attention. She would have to convince Ministers of the importance of this function.

Sir Derek Rayner said that <sup>he</sup> [she should] <sup>had not to</sup> first make Ministers aware of the cost of running Departments: Government administration was now costing some £6 billion each year. Even the Rayner exercise had so far cost <sup>about</sup> £156,000.

After some discussion of individual examples of inefficiency, Sir John Hunt <sup>Suggested</sup> ~~commented~~ that in Cabinet the Prime Minister should avoid ad hoc examples. She should get the concept across. The task was for heads of Departments, with the assistance of Permanent Secretaries and some bright younger staff. It must be the Secretary of State, not a Junior Minister. He was concerned of the risk of the exercise becoming bureaucratized, and for this reason the

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- 4 -

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2 October 1979

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na MAP

Sir Derek Rayner

cc for information

✓ Mr Pattison  
Mr Allen

SUPPLEMENTARY MATERIAL FOR TODAY'S MEETING WITH THE PRIME MINISTER

Central Government

1. A copy of the Conservative Party Political Broadcast on 26 September is attached. Please see where underlined.
2. "BSO" = Business Statistics Office. I am sorry that this was not amplified in paragraph 8a. of the Speaking Note as you asked.
3. The proposed US post in CSD (see para. 7e of the brief) will have two Assistant Secretary divisions, one dealing with the "Rayner programme" (one AS and two Ps) and the other with functional reviews, cost consciousness and Staff Inspection and Evaluation (one AS, 1 SP, 2 Ps plus supporters). The second division may also be responsible for CSD's manpower control over PSA, HMSO and COI and for its interest in accommodation policy.

Local Government

4. The "fundamental questions" which you raised with Mr Heseltine and subsequently with Mr Carlisle and Mr Fowler are annexed.
5. Only DOE have answered them directly; you have seen their comments, which are pretty thin. You have also seen the letters to you from Mr Carlisle and Sir Peter Baldwin. (You will recall that in writing to Mr Heseltine on 21 August you told him that you would want to consult him on "the tenor of my advice".)
6. Before I come to today's meeting with the PM, you may like to know that Ministers are considering how to get a grip on spendthrift local authorities through RSG, which at present reigns impartially on the frugal and the prodigal. I understand that the possibilities under debate are: imposing cash limits on individual local authorities; introducing a sliding scale related to either the level of pay awards or the level of rates; and imposing a single cash limit on the entire RSG.
7. On today's meeting, we need to keep in mind the distinction between your role as an adviser and the role of the PM's colleagues as Ministers vested with authority. You are not executive and you can "tackle waste" only in the sense of advising others how to do

so: the PM may however look to you and to us as part of her office to help her formulate the issues, get a strategy going, keep it going and get results.

8. One objective of today's meeting should be to suggest that the relevant Ministers need to come together under the PM's chairmanship so that she can infuse them with her own sense of urgency and determination. You were brought in because, although the PM originally asked for Secretaries' of State "own views", she believed that she got in reply a run-around by their officials. The best course now would be to grasp the Ministers firmly, identify the targets and see how to go for them.

9. Your minute refers to the need for a "well-thought out strategy". I would see as the main elements in this the answers to the following questions:

STRATEGY FOR PROMOTING VALUE FOR MONEY AND REDUCING WASTE  
IN LOCAL GOVERNMENT

(1) What is the target or the range of targets?

eg Local politicians' indifference or lack of competence

Overmanning

Too much administration

Poor management

Poor quality services

Poor project control

Poor central control over resources

(2) What forces are already attacking these targets locally

eg Particular good authorities, local politicians

Collective agencies - District Audit Service, LAMSAC etc

(3) What forces are already attacking these targets from within central government, under what authority and with what instruments?

eg The financial regime: RSG and its future

Statutory controls



Inspection

Influence

Guidance and exhortation

(4) What needs to be done next?

eg Deciding on the financial regime

Winning public support

Winning the support of the local authority  
associations

Carrying out demonstrations

Publishing the results

Pulling levers already in central government's  
hands

(5) How do I get it done?

eg Get together the relevant Ministers

Decide on a plan of campaign

Decide who is to co-ordinate or be in the  
lead

Decide on the PR aspects

Decide on arrangements for reporting progress.

10. Some comments on this. First, such a strategy should not be run under the Rayner colours. It is about the responsibilities of Ministers and the delivery of services. It is not the same thing as the Rayner or Pliatzky exercises and it might be seriously flawed if the "Rayner label" were attached to it.

11. Secondly, however, I think you could advise on the approach to adopt. For example, if such questions as those at (1) - (5) were taken at an initial Ministerial meeting, they could be presented in a paper prepared for the PM by us on the basis of the work done so far and we could in principle service the PM's end of the strategy as it unfolded.

12. Thirdly because the issues are complex, large and political, they cannot be defined and tackled except on quite a long time-table. It would be a great pity to miss the present flood and to return to the issues on an "And another thing....." basis.

13. Finally, where the Government can take initiatives now, I think it should, for example on the school curriculum. There is no point in delay where action is now or nearly possible, provided taking one step does not impede others.

C PRIESTLEY  
2 October 1979

Enc: Transcript of Party Political Broadcast on 26 September  
Questions put to Mr Heseltine, Mr Carlisle and Mr Fowler

QUESTIONS PUT TO MR HESLETINE AND OTHERS

- a. How much does central government know about the comparative frugality and prodigality of local government?
- b. What means has central government to encourage and reward the frugal and admonish or punish the prodigal local authority?
- c. What relevance to b. above, if any, have the Rate Support Grant calculations and negotiations, the Consultative Council on Local Government Finance and the District Audit Service?
- d. What do local authorities do, individually and collectively, to help themselves, through eg own services, notably internal audit and management services; LAMSAC; IGORU; LGTB; and use of management consultants?
- e. What does central government do to control or help local authorities, individually or collectively, through eg HM Inspectorates; other advice and statutory controls?
- f. Bearing in mind Ministers' desire to reduce the level of statutory control, are the arrangements under b. - c. above adequate for the purpose of securing value for money and if not what could be done to improve or extend existing arrangements, eg in respect of
  - i. efficiency audit; value for money; and sanctions available to Ministers;
  - ii. persuading local authorities to mount radical appraisals of specific services;
  - iii. enhancing the inspection function and, by this and other means, making available data to enable people to judge the quality of services provided.

PRIME MINISTER

2.

FROM THE PRIVATE SECRETARY

MAD 31x



HOUSE OF LORDS,  
SW1A 0PW

2 October 1979

Dear Martin,

The Lord Chancellor has now seen paper C(79) 39 on efficiency and waste in central Government by the Secretary of the Cabinet. The Lord Chancellor will not be at Cabinet on Thursday because he is sitting judicially in the House of Lords this week, and so he has asked me to convey to you and to the Private Secretaries to the other members of the Cabinet to whom I am copying this letter, that he fully endorses the proposals in this paper. This goes not only for the Lord Chancellor's Department proper, but also for those other departments for which he is ministerially responsible, namely the Public Trustee Office, the Public Records Office, The Land Registry and the Northern Ireland Court Service.

Yours sincerely,  
William Arnold.  
W ARNOLD

Martin Vile Esq  
Private Secretary to Sir John Hunt  
Cabinet Office

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3 OCT 1979

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Guardian  
ext 100  
attached

MAA

cc for information

- Mr Wolfson
- Mr H L James
- ✓ Mr Pattison
- Mr Laughrin
- Mr Beastall
- Mr Allen
- Mr Spearing

Sir Derek Rayner

THE RAYNER PROJECT: PUBLICITY

I had a call this morning from Mr Richard Norton-Taylor of the GUARDIAN, who asked for a background or "on the record" talk with you about your project. He emphasised that he had a genuine and serious interest in matters of efficiency in government.

2. I said that I thought you would be very willing to respond positively to this but that it might be several days before I could come back to him with a view to fixing up a time. He is content to wait.

3. We went on to have a word about the piece which appeared in the GUARDIAN on 24 September about Mr Chapman. Mr Norton-Taylor said that the interview which lay behind the piece had taken place "a very few days" before the article appeared. (This suggests that it was almost certainly after Mr Chapman's meeting with the PM.) Mr Norton-Taylor said that the article which appeared had been cut very heavily but that it did reflect what Mr Chapman had said.

4. While Mr Chapman had not been personally critical of you or this office, he was very critical of the Government's approach and of your exercise. Mr Norton-Taylor found him a curious combination of considerable frustration in some respects and a withdrawn modesty in others. He felt that he had a kind of grudge, centring around his earnest desire to help, but on his own terms. He thought too that he was politically naive; he had criticised the PM and the Government and, although given the opportunity not to have this on the record, had turned it down.

5. I took the chance of what I emphasised as an off the record comment to say that we believed that Mr Chapman had rendered a very considerable service to the public in the first part of his book but that the first course, whether in dealing with Government departments or an institution like the GUARDIAN itself, must be to help it reform itself.

CP

C PRIESTLEY  
2 October 1979

3 OCT 1979



Extract from the Guardian  
of 24 September 1979

RICHARD NORTON-TAYLOR meets an outspoken critic of the Thatcher cuts

## The poor suffer—and the bands play on

THE GOVERNMENT'S attempt to streamline the Whitehall bureaucracy will turn out to be nothing more than "a conjuring trick" but the victims will be those, including children and the elderly, who are among the most vulnerable sections of the community, according to a former senior civil servant.

As a result of administrative and accounting convenience the supply of textbooks or meals on wheels will be cut, while the Army will continue to spend large amounts of money on bands and grooms and separate messes for its officers.

Mr Leslie Chapman, author of *Your Disobedient Servant*, which demonstrated how millions of pounds were wasted through procrastination in Whitehall, the storing of supplies, including horseshoes and large fleets of chauffeur-driven cars which nobody needed, is certain that over-manning and inefficiency will continue.

His book, which describes his experience while working in the Department of Envi-

ronment's Property Services Agency, caught the attention of Mrs Thatcher and leading Tories when it was first published a year ago, and embarrassed both senior civil servants and the Commons Public Accounts Committee.

The Government would try to solve the problem of how to reduce the bureaucracy by hitting services rather than cutting out waste, he said in an interview. The whole process of economising and of reducing public expenditure will thus become discredited, and identified with an attack on those members of society who can least afford it.

Mr Chapman—who has the ear of Mrs Thatcher—believes that 55,000 millions could be saved by Whitehall departments without any damaging effect on the services they are supposed to provide through their budgets. "I would cheerfully sacrifice a year's pension if this was found to be impossible," he said.

Top of his list is the Ministry of Defence. The Ministry

has refused to come up with options of manpower cuts of up to 20 per cent demanded by the Government on the grounds that it is a unique department, more like a conglomerate business than an administrative machine. It plans, instead, to conduct its own review, including the possibility of hiring off research and other work to the private sector.

But Mr Chapman insists that there is no evidence, for instance, that expensive Army bands and tattoos—as opposed to pay—is good for recruitment, the official defence for these activities put up by the Ministry.

He believes that the cost of what he describes as "all this paraphernalia" which other armies, including the American, do without, could amount to up to 15 per cent of the total defence budget, or over £1,200 millions.

The Department of Health and Social Security, Chapman says, is another suitable case for treatment. Senior auditors in area health authorities, he says, know—and

they have told him—that abuses involving labour and over-manning are rife.

The Government's pressure on Whitehall departments has provoked a predictably hostile reaction from both senior officials and Civil Service unions. But because of Whitehall's inflexible budgetary procedures and the way it presents its accounts, the quickest cuts are made in those areas—notably welfare or health and safety—which lend themselves to short-term decisions.

The Government, according to Chapman, should have looked at waste first—the way the Civil Service went about its work—before launching its attack on Whitehall's role and its functions, a political task which was not his concern. But the search by Sir Derek Rayner, managing director of Marks and Spencer, for administrative waste—an entirely separate exercise from the options of cuts of up to 20 per cent in Whitehall's manpower—was described by Chapman as a "joke."

Rayner, he said, was working with one junior official at the level of principal, in each department. It was a half time job and Chapman predicted that at most Sir Derek would propose savings of £30 millions. And though Mrs Thatcher, who has listened, had believed that the management of Marks and Spencer was similar to that of the Civil Service, this, too, was a fiction.

A public that is convinced that the Government is not spending their money properly will also be encouraged, Chapman says, to evade tax. Yet you cannot even see your own files held by the Inland Revenue.

The way the debate over the Government's attempts to cut out waste had been conducted so far within Whitehall suggests that Chapman's prophecies will turn out to be accurate. For no other reason than administrative convenience or political and public prejudice, the poor and the least protected will suffer, the privileged and those at the top will survive.



2/10/79

See Bruntley to  
MAP 8-10-79

PAYING SOCIAL SECURITY BENEFITS

1. Social security is big business:
  - Over £15,000 million - nearly  $\frac{1}{4}$  of public expenditure - is spent each year on 1,000 million social security payments
  - Over 30 benefits are being paid at any one time to over 15 million people and dependents
  - Over 100,000 staff work on social security benefits in DHSS and Department of Employment, mainly in 1500 local offices.
  
2. DHSS spends about £750 million a year - 5% of benefit expenditure - on social security administration:
  - $\frac{1}{3}$  goes on awarding benefits initially
  - $\frac{1}{3}$  goes on maintaining a person's benefit at the right amount
  - $\frac{1}{3}$  goes on paying benefits.
  
3. Half the money spent on paying benefits goes to the Post Office for the work done over post office counters.
  
4. Over 90% of social security payments are made weekly by order books with "foils" cashable only at post offices.
  
5. For each payment made it costs about:
  - 20p-35p for an order book foil
  - 45p-65p for a payable order
  - 50p-60p for a giro cheque

Direct credit into a bank account would cost DHSS about 5p a payment.
  
6. Over  $\frac{1}{2}$  the population uses a current bank account and over  $\frac{2}{3}$  of the population has a bank or some other account.

£1 = month per person.  
 5p through banks  
 without 25-30p. through P.O.

monthly basis  
 £3p saved

CONFIDENTIAL

PRIME MINISTER

*For Cabinet on Thursday:  
but you might glance at it  
before you see Sir Derek  
tomorrow.*

*M.P. 1/4*

PRIME MINISTER

EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT (C(79)39): CABINET,  
4 OCTOBER

I promised you a brief on this.

2. If you wish, I will gladly introduce the paper or answer questions.
3. In case you wish me to introduce, I attach a copy of my speaking note.
4. There follow notes on the paper, on the main points to emerge from my recent talks with certain Ministers and Permanent Secretaries and on "What happens next?"

My minute

5. The essential points are these:
  - a. Political commitment to greater efficiency and less government: how to give it effect?
  - b. Not by wishing it nor by magic: must be by a conscious exertion of Ministerial will, not once and for all, but sustained throughout the Administration.
  - c. Each Minister in charge of a Department should scrutinise the cost of running it (para. 11): some may scoff at this, but I regard it as indispensable to good housekeeping.
  - d. Each Minister should examine in detail at least one function each year (para. 12).
  - e. The annual programme of scrutinies should be settled after informing you of the proposals for it (para. 16): proposals for Year One in by 23 November.
  - f. The CSD should prepare an annual statement for Cabinet on the cost of Government (para. 17a); collate the proposals for scrutinies (para. 17b); with the Treasury and CPRS do work with departments or on their own (para. 17c and d); and get your approval to its programme aimed at quantifiable savings (para. 17c).

*30 mins - 3rd H.  
↓  
Fr. 23. 3.  
↓  
23. 26.  
↓  
18.  
L. 18.*

Points from talks

6. I have seen the Home Secretary, the Defence Secretary, the Lord President and the Chief Secretary and 14 Permanent Secretaries, under Sir Ian Bancroft's chairmanship.

7. The main points are these:

a. The first round of "Rayner projects" seems to have been useful. (For some preliminary results, see para. 9 of the Speaking Note.)

b. It is desirable that the Minister in charge of the department should give the programme I recommend his leadership. The Home Secretary was forceful on this.

c. Permanent Secretaries are not mentioned in the paper, but they are not thereby excluded.

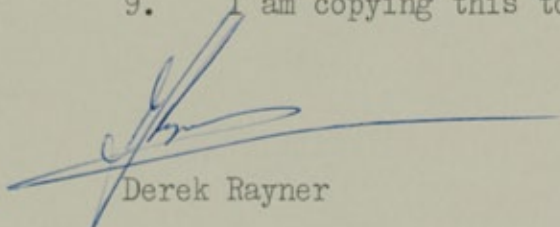
d. The Defence Secretary thinks that MOD has too much review work going on to take on my proposals as well. I would advise against letting him off. The argument which may be made that MOD is different from everyone else and that it does not impinge on the citizen like, say, DHSS will not do: the taxpayer pays for MOD as well and it is a greatly improvable department.

e. It might be argued that while CSD may co-ordinate the programme, it must not be allowed to associate itself with scrutinies or do any on its own account. Equally, it might be said that the Treasury and CPRS would be welcome, but rather on the assumption that the former is too bowed down with work to take much notice and that the latter is unlikely to get down to brass tacks. I have written the central departments into the programme on the assumption that it is impossible to dissociate central control over money and manpower from it and that it is reasonable for the CSD, Treasury and CPRS in their role as servants to Ministers in their collective capacity to play the parts indicated in para. 17c and d, as summarised above. Apart from this, there are two related considerations. First, the CSD is your Department and it seems odd to suggest that the Prime Minister qua Minister for the Civil Service should be denied the ability to use it. Secondly, by compressing its senior posts a little, CSD is to establish a new Under Secretary command so as to make an effective contribution to the programme - I believe that this is potentially a very important development which it would be absurd to stifle at birth. I believe that the PM will need a means of keeping up the pressure.

What happens next?

8. If the Cabinet agrees with the proposed programme, I suggest that my staff should prepare, in consultation with the CSD, Treasury and CPRS, a note for issue to departments by Mr Whitmore, calling for proposals by 23 November and specifying the "rules of the game" in the light of Cabinet discussion. I suggest, incidentally, that proposals should come in on the Ministerial net and if you agree, that they should be addressed to the Lord President.

9. I am copying this to Sir John Hunt.



Derek Rayner

Enc: Speaking Note

## SPEAKING NOTE

1. Manifesto commitment to reduce waste and increase efficiency. Reiterated in last Wednesday's Party Political broadcast (Home Secretary) - "cut out waste, chop out the dead wood", plus "let us work together". Sure that Government wishes to be seen to be doing its part.
2. Administrative cost of Whitehall £6,000m: more than last year's revenue from VAT, for example. A 10 per cent saving is the equivalent of around 1p off the basic rate of income tax or the total revenue from capital gains tax or from stamp duty.
3. Seek savings in administrative costs through good management.
4. Ministers already manage, willy nilly. They cannot and should not manage on their own - have Permanent Secretaries to whom task is delegated. But check on what officials do in Ministers' name. No abdication. Management not only concerned with new policies - cannot separate HOW from WHY. Is the service provided at least cost? Is it cost-effective?
5. No real alternative to good management by those responsible for providing the service. Outsiders

collecting scalps not a satisfactory solution. That is power without responsibility - and they might get the wrong scalps.

6. So talking about "management by exception". Hence the recommendation that overheads are reviewed and that the scale and efficiency of operations are reviewed. If Ministers are to do this they need information on the use of staff and the work of divisions. (DOE study relevant to this.)

7. Scrutinies of specific functions/activities particularly important as a method of identifying waste and inefficiency: getting down to the "sharp end". The 30 projects now under way show that the method can work. Wholehearted support of Departments has helped. Quality of officials very important - but no shortage of good quality people in Government, given right direction and encouragement. Some preliminary results (assuming recommendations implemented):

- a. £30m to £40m per annum in DHSS plus £10m per annum by small administrative changes.
- b. Up to 400 posts in MOD plus once and for all saving of £12m by reducing stocks; up to £4m per annum by rationalising purchases.

NB

Small investment,  
quick timetable,  
Good results,  
applicable to  
particular depart-  
ment and of general  
application to all.

- c. Up to 700 posts in IR depending on decisions on P45 Part I.
- d. Up to 100 posts in C&E depending on extent to which London Collections are reduced.
- e. £10m out of £117m per annum on TOPS allowances.
- f. Up to 20 per cent on works maintenance in Bath Area (PSA).
- g. Different but still significant: up to 20 per cent on the Consultative Committee on the Curriculum.
- h. Up to £7m per annum in Trade (50 per cent of expenditure on Trade Fairs).

KEEP IN RESERVE

- 8. Some miscellaneous items, including hearsay -
  - a. DE's Management Services Unit said to have estimated that Unemployment Benefit Service is overstaffed by 10 per cent.
  - b. Accommodation said to be unused in C&E Collections.
  - c. Paper in Treasury: 1,700 sheets to each employee at EO level plus per month; extra 3,000 linear feet of new files per year.
  - d. Clerical sickness record at BSO said to be "appalling".

e. Grants for farmer: grown up piecemeal, too much nannying for applicants.

f. Scottish Office said to be widely perceived by its staff to be overmanned.7

9. Note absence of the committee system - PAR went wrong through top-heavy formality. And we have not created special Divisions - no hierarchy, just one principal working direct to a Minister in consultation with the Permanent Secretary.

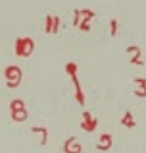
10. Not had whole-hearted support of non-industrial civil service unions. But staff have been most co-operative. Important, if to maintain goodwill of staff, to proceed with implementation in line with natural wastage. Can't throw people on the scrap heap.

11. Central Departments will have to play a role - as identified in the paper. But don't wish to see the role of these central departments over-formalised; the intention is to encourage Departments to manage themselves.

12. Publicity: looking for tangible results and these will be given publicity. But also important to publicise the programme - be as vague or as precise as you wish. Not enough is done to publicise the good work.



1 OCT 1979



Govt Machinery

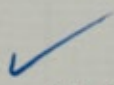
PRIME MINISTER

You are seeing Sir Derek Rayner, with Mr. Mountfield of the Cabinet Office, at 1530 on Tuesday 2 October.

This meeting was arranged some weeks ago, with the intention of discussing problems of waste at local authority level. Sir Derek has now offered some further thoughts as a basis for that discussion.

However, he has also suggested that the meeting be used as briefing for the Cabinet discussion of his minute to you on central government efficiency. For this purpose, he proposes to bring Mr. Priestley from his office, and Mr. N.R. Warner of DHSS and Mr. C.S. Ponting of MOD: he will ask them to make brief presentations on the 'Rayner Projects' which they have been pursuing in their departments.

As the Cabinet discussion is now set for Thursday, it might be sensible to deal with this subject first. I therefore attach at Flag A Sir Derek's minute proposing to turn the meeting into an oral briefing: this includes a note on each of the two projects which will be used to illustrate Sir Derek's work. Flag B is the paper on efficiency and waste in central government which Cabinet will take on Thursday.

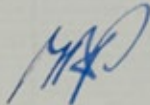


This could well take most of the hour. If there is time left to discuss efficiency and waste in local government, a possible agenda is provided by Sir Derek's note at Flag C, summarising his longer paper at Flag D. The latter would have been more useful if we had received it in time for you to look at it over the weekend. Given its length, and the need to use some of the time to prepare for the Cabinet discussion on central government waste, you may want to suggest that the local authority matters could be taken up again in a few days time. Flag E covers the papers which originally led to this meeting. You had particularly wanted the Cabinet Office to be represented at the discussion, as you agreed with the final section of the minute submitted over Mr. Vile's signature. This has now largely been overtaken by Sir Derek's more detailed note on how waste in local government might be tackled. In summary,

Loc. Govt  
May 79  
Wardle

/ his advice

his advice is that there seems to be scope for major reforms to achieve value for money at the local level, that central government needs to be cautious in accusing local government of wastefulness before the Whitehall house has been put in order, and that Sir Derek is ready to play a part in work on the local problems, but does not feel competent to take the lead. You will therefore need to consider whether you want to give a specific remit to one of the Ministers at the Department of the Environment, or to a group of Ministers in the departments with the most direct links with local authorities - Environment, DHSS, Education, and possibly the Welsh and Scottish Offices, as a minimum.



1 October 1979

Yout. Mach. ✓ CC Mr James  
Mr Wolfson



2

PRIME MINISTER

From the Secretary of State

Nick Sanders Esq  
Private Secretary  
10 Downing Street  
LONDON  
SW1

27 September 1979  
told Trade by phone 28/9 MS  
has written to the Guardian.

Dear Nick,

'GUARDIAN' DIARY: THE RAYNER EXERCISE

You asked for a note on the article in today's 'Guardian' diary which suggested that the exercise to increase Civil Service efficiency has involved "the biggest foreign binge for the department's staff that anyone in the Ministry can remember".

There is no substance in the article. The Principal who is working for Sir Derek Rayner in examining the efficiency of the Department's export promotional work has made only one overseas trip. He accompanied the Minister of State, Cecil Parkinson, on a two day visit to Germany as part of the regular Ministerial support for exporters at the Cologne Food Fair.

We have no indication of the source of the 'Guardian' article, but since the passage I quote above refers to "anyone in the Ministry", we suggest that it may have been inspired by someone on the Staff Side.

Yours sincerely  
Stuart Hampson

S HAMPSON

Private Secretary

THE GUARDIAN SEPTEMBER 27 1979

### Kindest cuts

SUSPICIONS are growing in Whitehall that the Government's great cost-cutting exercise will soon be using more money than it ever eventually saves. The bill for tracking down and closing

the Hadrian's Wall Advisory Committee, for instance, may finally be several times the £400 which that little organisation received every year from public funds.

The latest piece of evidence cited on behalf of this theory comes from the Department of Trade, presided over by Mr John Nott. As a contribution to the Thatcher audit, the Minister has decided to examine the expensive business of foreign trade fairs and related trips abroad by departmental staff.

Do these really help to promote our exports, Mr Nott wondered, and he summoned his civil servants a couple of weeks ago to discuss how the question could best be answered. The result, in the form of probing trips to quiz embassies and businessmen abroad on the matter, has been the biggest foreign binge for the department's staff that anyone in the ministry can remember.

THIS SCRIPT WAS TYPED FROM A TELEDIPHONE RECORDING, NOT COPIED FROM AN ORIGINAL SCRIPT. BECAUSE OF THE RISK OF MISHEARING AND THE DIFFICULTY IN SOME CASES OF IDENTIFYING INDIVIDUAL SPEAKERS, THE BBC CANNOT VOUCH FOR ITS COMPLETE ACCURACY.

RECORDING SERVICES (RADIO)

Tape Transcript by Telediphone Unit

RADIO POLITICAL BROADCAST BY THE CONSERVATIVE PARTY

Speakers: Rt Hon Sir Geoffrey Howe, MP  
Rt Hon William Whitelaw, MP

TRANSMISSION: 26th September, 1979

TIME: 1335-1340

RADIO FOUR

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IN CUE: Radio Four. There now follows a Party Political Broadcast by the Conservative Party.

TAPE INSERT: VOX POPS

WOMAN: "I think the biggest mistake people are making, or have made, or will still make, is thinking that they can have more and more and more and more - and they can't".

MAN: "People want something for nothing, I think.. very much so. Perhaps to some extent I'm...I fall into that category myself. People want a good standard of living - I think that's very general. But they don't want to work".

WOMAN: "Well, I think the problem with the strikes is that it creates a whole sort of strike situation everywhere, is that one group of people start striking and everybody wants to go on strike".

STUDIO: Strikes, threatened strikes, huge pay claims. People everywhere are wondering: what's going on in this country? Sir Geoffrey Howe, Chancellor of the Exchequer...

HOWE: A few weeks ago, just before the last Trade Union Congress, I spoke about a dream world - a dream world in which people can have more and more in return for doing less and less; a dream world in which there's

a giant big pot of gold from which Government can pay for endless public services, endless subsidies, endless pay increases, without ever running out. But the truth is that we don't live in a dream world. If you want to take more, someone else is going to be forced to end up with less. How can our factories, which are actually producing less than they did six years ago, afford to give enormous pay increases? Some companies won't be able to, and will probably go out of business. For the others, higher pay will mean higher prices and thus fewer orders; fewer orders will mean fewer jobs; more companies will have to give more people the sack.

TAPE INSERT: VOX POPS

WOMAN: "When people strike I think everyone suffers, everyone who lives in..within the society - because the consumer suffers because he can't buy the product, or he can't see television or whatever it is, or he can't receive electricity; and the management suffers because they can't run the business and the workers suffer because they don't get paid. So everyone suffers".

HOWE: Because the harm that strikes cause can be so severe, we believe unions ought to have a secret ballot, to establish that it's not only the union leaders or the shop stewards who want to strike, but all the members if they do. No, in the long run, the only people who benefit from our strikes are our foreign competitors. In the long run, the only extra jobs striking creates are overseas and not in Britain. We need to recognise that we're in times of hardship, and that if we really want an economic recovery that can't be done without some inconvenience, without temporary sacrifices, without additional efforts, and without accepting new methods and new technology. This Government is not going to pretend you can have whatever you want and that we can give it to you, because we can't: if you don't produce the goods there's no miracle that we can perform to provide endless services and endless wage increases. It's time to come out of the dream world and face reality. All of us need to do this.

STUDIO: When everyone's busy taking more and more for themselves and the country isn't getting any richer, what happens to social services?

William Whitelaw, the Home Secretary...

WHITELAW: Obviously they suffer, because there's actually less money to pay for them. Of course we would like to provide better social services, but it's simply not possible to go on spending more and more in Whitehall and more and more in our town halls when the country simply isn't producing the goods to pay for it all. While we've asked government bodies and town halls to stay inside their budgets, we realise there are some people who cannot wait for more, until the country starts producing more. These are the people most hurt by inflation: pensioners - we're giving them even bigger pensions than Labour planned; the handicapped - we're increasing their mobility allowance; we're also increasing the Family Income Supplement, and we're paying a Christmas bonus. All of these are good things, but they mean savings have to be found elsewhere. So we are determined to save money wherever we can - by cutting out waste, by chopping down dead wood - and we're asking town halls to do the same. But it's important to say that it isn't the Government that can get production up - it can only create the climate in which this can happen.

TAPE INSERT: VOX POPS

MAN: "Well, at the end of the day I think it's down to if you want the money you've got to work for it, if you've want the life you've got to...you've got to work for it, haven't you? There's no easy way out, I wouldn't have thought".

WHITELAW: Now we need your help to do the job. We are doing what we said we would. But the better future isn't going to arrive with the morning post or the morning paper. It needs all of us to work for it together, and let's get on with it. Let's build the future together.

OUT CUE: In that Party Political Broadcast by the Conservative Party, the speakers were the Rt Hon William Whitelaw, MP and the Rt Hon Sir Geoffrey Howe, MP.



c. c.  
Mr. Wolfson  
CSD  
CO  
DHSS  
LPO  
MOD



JFT  
R/K 1-10-79  
for mtg

10 DOWNING STREET

*From the Private Secretary*

SIR DEREK RAYNER

Efficiency in Central and Local Government

The Prime Minister has read your minute of 24 September and would be very glad to set aside part of the meeting scheduled for 2 October for briefing for the Cabinet discussion on central Government efficiency. She would also be very glad for you to bring with you Messrs Priestley, Warner and Ponting.

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

T. F. LANKESTER

26 September 1979

Re

070.

Golt Mach.

R  
20/9

cc for information

Mr TOWERS

- ✓ Mr Pattison o/
- Mr Wolfson
- PSS/Lord President of the Council
- Minister of State, CSD
- Sir Ian Bancroft
- Sir John Herbecq
- Dr Allen
- Mr Burrett
- Mr Moseley
- Mr Wilding
- Mr Bamfield
- Mr F E R Butler (HM Tsy)
- Mr H L James (No 10)
- Mr Myland (E&AD)
- Mr Pearce
- Mr Pestell
- Mr Beastall (CSD)
- Miss MacGlashon (CPRS)
- Mr Allen

THE RAYNER PROJECT: INDUSTRIAL STAFF

Many thanks for your note of 21 September and for the attached brief for Sir Derek Rayner's meeting with Messrs Adams and Cottam.

2. I attach a record of the meeting, which Sir Derek Rayner found very interesting and encouraging. I have made the record a narrative account in the style staff sides prefer and shall be offering Mr Adams a copy of it.

CP

C PRIESTLEY  
233 8224

26 September 1979

Enc: Record of meeting held on 25 September

THE RAYNER PROJECT: NOTE OF A MEETING WITH MESSRS PETER ADAMS AND FRANK COTTAM, CHAIRMAN AND SECRETARY OF THE TRADE UNION SIDE OF THE JOINT CO-ORDINATING COMMITTEE FOR GOVERNMENT INDUSTRIAL ESTABLISHMENTS (JCC)

1. Sir Derek Rayner, accompanied by me, met Messrs Adams and Cottam for discussion on 25 September 1979. He explained his exercise as follows.
2. His job was to advise the Prime Minister on how to improve efficiency and reduce waste. He was not concerned with cutting the size of the Civil Service but with the questions whether the work that had to be done could be done more effectively and, where there was waste, more economically. Put very simply, he was taking a managerial look at the way Government did its work. His exercise at present consisted of three parts:
  - a. He was trying to assess the impact of Government requests to industry, especially the smaller businesses, for information.
  - b. He had taken a small area of work from each major department and had asked an official from that department to examine it in depth (the so-called "Rayner project").
  - c. Very importantly, he would be considering the "conventions" that made Government work as they did, asking the question whether they could be improved or clarified. Examples were the annuality rule; the more negative effects of accountability to Parliament (the PAC typically being adversely critical in its commentary and rarely praising work which had been well done, whereas in order to criticise the less effective it should familiarise itself with the more effective); and how people were promoted to senior management posts - were the experience and background of such people appropriate?
3. Amplifying his reference to "Rayner projects", Sir DR said that the list of projects was based on some suggestions to departments from himself and on others from departments themselves. The purpose of the exercise was to cover the whole range of Government activity, but individually some projects were very extensive while others were quite narrow in their coverage. He thought that the ones in which his visitors would be most interested were those in the MOD (food procurement) and the PSA (maintenance etc). The key point to make was that in all cases he had asked that someone inside the department should have the chance of scrutinising some aspect of it critically. No project was being conducted by an outsider. His own role was to help and advise the project officers and their Ministers. The exercise would be completed in the course of the next few weeks, leading to reports to individual Secretaries of State, but on the way coming to himself for a contribution and advice. He expected that each project report would be "actioned" in departments.

4. In response, Mr Adams said that, unlike the NSS, he and his colleagues did not deal exclusively with civil servants. They liked to think that they could therefore be rather more objective than the NSS about the Civil Service; for example they had no ambitions to preserve what was there simply because it was there. They were constantly bothered by things which they thought wasteful and duplicative, but the Service seemed to be able to absorb all the exercises which came along without trouble and to be much the same afterwards; for example, there had been numerous enquiries on the Royal Dockyards which had left things much as they were before. They could not help but worry that the Rayner project was just another exercise into which much effort would be put for little result.

5. As Sir DR had said, the projects which affected the Trade Union Side were those in MOD and PSA. There had been a slight problem in that the PSA project team had descended on his members at Bath with no fore-knowledge that they were coming. This might have caused non-co-operation, but it was only a small crib.

6. Mr Adams went on to say that he assumed that Sir DR was interested in all aspects of waste. If so he should say that he and his colleagues believed that many things could be done less expensively in the management of industrial relation exercises and of industrial workers. He should also say that in economy exercises so far, eg cuts in the defence programme, while there had been discussion as provided for, at the end the only people who were dismissed were industrial workers; no non-industrial staff who were not prepared to go had been made redundant. This was an interesting reflection of the fact that over the years the non-industrial element in Government production had grown while the industrial labour force had decreased. But there was no evidence to show that the functions concerned had changed so much as to justify this. Was so much administration necessary? On top of this, it was wasteful that the managers with whom he and his colleagues had to negotiate came into their posts on a rota or "two-year stint" basis. This neglected the fact that the management of people was a peculiar job, requiring a lot of expertise and sensitivity. Mr Cottam added that rotation was designed to prolong and promote undue centralisation in dealing with industrial staff (see below). Sir DR said that he was very conscious of the importance of management and would want to deal with it as part of his "conventions" exercise. If Mr Adams and Mr Cottam could give him any information, to enable him to identify the issues more precisely, it would be very helpful.

7. Mr Cottam said that the CSD in particular had a great ability for debating things "theologically", especially during pay policy. They seemed to have no understanding of the effect on industrial relations or of the problems which could be caused down the line by over-centralisation. It produced disputes, like the one at the Berkeley ROF, but centralisation a bad effect over a whole range of different issues. The central point was that very simple matters had to be discussed with CSD at a high level, involving numerous staff and much delay, whereas productivity was best negotiated as close as possible to where production took

pla Expensive and counter-productive insistence on centralisation was beginning to turn a traditionally moderate labour force into a volatile force.

8. Mr Adams adduced an "hilarious but serious example". The general manager at Rosyth Dockyard, in charge of some 7,000 people, had difficulties with the balance of labour in his work force, lacking skills which he could not recruit locally. The Newcastle shipyards had had redundancies and he laid on transport to bring people from there to look at jobs at Rosyth. The necessary arrangements must include a meal but he had no discretion to provide it and had to get dispensation from CSD to allow £1 per head. He obtained it, but was told that there would have to be an examination of how many people took jobs as a result before he could be assured of a repetition of this authority. In industry, on the other hand, this sort of decision would be taken at a very junior level indeed.

9. Another example from Rosyth was that the lack of copper-smiths held up other work. Local management had wanted to remove the backlog by overtime working, but had no authority to offer this. It was true that the ROFs had Trading Fund accounting, but in his experience this produced little extra room for manoeuvre. He accepted the need for accountability, but believed that the Service could devise much greater delegated authority for local managers, for which they should then be held properly accountable.

10. Returning to the question of industrial relations, Mr Adams said that his impression was that people found themselves responsible for IR if they were not much good at anything else. Mr Cottam again referred to "rotation" of staff. For example, in 1972 the annual negotiation with CSD had eventually gone to arbitration; the officer who led for the official side had been in post for one month and knew little about his responsibilities. After he had been in post for three years he was replaced by another ill-informed official. Mr Adams added that this was someone whose action was to determine the conditions for 160,000 industrial workers and while it could be said that there were advantages for the Trade Union side in this, in that they would always be better informed, it seemed a curious way of managing affairs. Taking this point at the local level, Mr Cottam said that shop stewards would always prefer to deal a manager who could say "no" rather than have to refer to CSD who would say "yes" some months later.

11. Mr Adams said that things were not quite as bad in the PSA, where the units were smaller and more conducive to localised arrangements, but the same principle applied nonetheless. The great worry was the formalisation of procedures. In the Royal Dockyards one could be absolutely sure that any problem would attract a committee or a working party; this went against the grain because people wanted "instant justice" nowadays, not a slow machinery grinding away at simple questions which merited simple answers.

12. Mr Adams continued that the CSD rightly thought that more devolution in industrial matters would lead to more leverage by the TU side. But it had to be recognised that the Service was no different from any other employer in this respect. He did not think that workers would take excess advantage of devolution but there would be a difficult period at first. The question was whether one grasped the nettle or not. The way things were done at present involved untold wasteful activities and top level treatment of trivia. For example, he had been sent by mistake an official file of papers on a case involving the settlement of a level of reward for an individual under the staff suggestions scheme; the issue had been opened two years before he got the file and was still not settled. This seemed to confirm his suspicion that there was a vested interest in not taking decisions in the Service and in having inquiries but no action. For example, there had been an examination of the personnel function in the Royal Dockyards; he did not know what had happened to it. There was at present an exercise, again in the Dockyards, to try and reconcile the difference between workers who believed that they had not enough work to do and management who thought they had. The documentation for this exercise was massive, but he expected, on past performance, the result to be buried. He himself believed that the records of work capacity at the Dockyards on which management worked were an accumulation of errors and that management had never really got to grips with the issues. Inquiry upon inquiry seemed to him to be merely "fighting cotton wool".

13. Sir Derek Rayner said that his own view was that one should pinpoint what was wrong and get a course of action but then in his own experience of MOD the original problem was not always specified correctly.

14. Mr Adams concluded by saying that his main point was that there should be more devolution of authority making those responsible for it accountable, whereas the reward for error in MOD was often promotion or a move sideways. Sir Derek Rayner concluded by thanking Mr Adams and Mr Cottam for their observations which he had found very helpful and by suggesting another talk later. He believed very much in delegated authority, but to managers who were qualified for their tasks. It was no good having penny-pinching economies, as this rarely got to the heart of the matter.

9

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C PRIESTLEY  
26 September 1979

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WHITEHALL LONDON SW1A 2ER

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*Oddi wrth yr Is-Ysgrifennydd Seneddol*



WELSH OFFICE  
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01-233 7448 (Direct Line)  
*From The Parliamentary Under Secretary*

25 September 1979

ADVISORY COUNCIL FOR AGRICULTURE AND HORTICULTURE  
IN ENGLAND AND WALES

R 26/19

In the absence of Nick Edwards I am writing to thank you for your letter of 14 September about your proposal to abolish the Advisory Council for Agriculture and Horticulture. I agree with your proposals, suggested timetable and line of action.

Perhaps you might consider whether the second paragraph of the draft letters of appreciation might be amended to reflect more fully the fact that this was a joint decision. It seems to me that in this context the wording of the relevant section of the draft press notice would be appropriate, ie -

"The Secretary of State and I 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."

The Secretary of State has had joint responsibility for the Council since the Transfer of Functions Order last year, so I think it would be appropriate for his name to be associated with your expression of thanks in the last paragraph of the draft letters.

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

WYN ROBERTS

The Rt Hon Peter Walker MBE MP  
Minister of Agriculture, Fisheries and Food  
Whitehall Place  
LONDON SW1A 2HH

26 SEP 1979





PRIME MINISTER

EFFICIENCY IN CENTRAL AND LOCAL GOVERNMENT

You have asked to see me at 3.30 pm on Tuesday 2 October on local government. I expect to send you by the end of this week an Aide-Memoire based on the work which Mr Priestley and I have so far been able to do on this and I should be glad to have him with me.

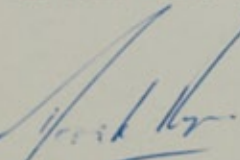
2. However, this minute looks mainly to the Cabinet discussion of my minute to you on central government efficiency, which is due to take place within forty-eight hours of my seeing you. I should like to suggest that part of the time you have set aside on 2 October might be devoted to background briefing for that discussion.

3. I shall in any case offer you a written brief for the Cabinet meeting, but I believe that some oral briefing might also be of great help to you. What I have in mind is this.

4. Last week I heard, at a conference of the officials responsible for "Rayner projects" in departments, some stimulating preliminary accounts of their findings. Two of the most telling were by Mr N R Warner of DHSS, on how social security benefits are paid, and Mr C S Ponting of MOD, on food procurement for the Armed Forces. Short notes on these two projects are set out below. If you agree, I shall bring Messrs Warner and Ponting with me to give you a similar oral presentation, of about seven minutes each. I have the agreement of the Ministers responsible for the projects, Mrs Chalker and Lord Strathcona respectively, that I should make the suggestion to you.

5. I hope that the presentation would give you an idea of what may be achievable by the kind of "scrutiny" recommended in my minute. The accounts would of course be provisional, since the formal reports will be made to the Ministers concerned and to me later in October. I should add that I see a similar type of scrutiny producing a good effect in local government and that I shall be touching on this in the memorandum noted in paragraph 1 above.

6. I am copying this to the Secretary of State for Defence, the Lord President of the Council, the Secretary of State for Social Services, Sir John Hunt, Sir Ian Bancroft and Mr Wolfson.



Derek Rayner  
24 September 1979

Yes Mr A  
Prime Minister  
Do you want  
Derek Rayner to  
bring Messrs.  
Priestley,  
Warner and  
Ponting  
when he  
see you  
on Oct 2?  
(Peter Mounthield  
from the  
Cabinet  
Office  
is also  
coming  
at your  
request)  
TL  
25/9

Notes on projects

Ministry of Defence: Mr C S Ponting (Principal) is working to Lord Strathcona on a review of all aspects of arrangements for the procurement, storage, distribution and quality control of food for the Armed Forces, including the role of NAAFI. The aim is to consider whether arrangements can be made simpler, more efficient and more effective at less cost and to look for savings in staff time and general administrative expenditure.

Department of Health and Social Security: Mr N R Warner (Assistant Secretary) is working to Mrs Chalker on a review of arrangements for paying all social security benefits. The review covers methods of payments (eg by order books and through banks); frequency of payment (eg fortnightly or monthly instead of weekly); period of entitlement to benefit (eg from date of claim or otherwise); and the extent to which there should be different arrangements for different benefits.



Gout. Mach.

10 DOWNING STREET

Prime Minister

Law Bancroft supports this  
advice. In particular -  
C.P. to TPL - 12.9.79 - (P4,2)

i) he does not think Leslie Chapman has the talent or the tact to be of much help to Lord Soames as a CSD "front-shooter" or efficient man.

ii) Derek Rayner may want to use Chapman at some stage, but he would take it badly if you were to push Chapman either onto him or onto Lord Soames.

TL 20/9



10 DOWNING STREET

re B  
c. Cabinet  
+ below.

From the Principal Private Secretary

17 September 1979

Dear John,

Efficiency and Waste in Central Government

My letter of 18 June invited a further progress report by 1 October with the assistance of Sir Derek Rayner. These reports are no longer required as Sir Derek Rayner has made recommendations to the Prime Minister for continuing action on efficiency and waste, which the Secretary of the Cabinet is circulating to members of the Cabinet for discussion on 4 October.

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

Yours ever,

Muri Whimome.

J.A. Chilcot, Esq.,  
Home Office.

B

Mr WHITMORE

cc Sir Derek Rayner  
Mr Mountfield  
Mr Allen

*See Part 1.*

EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT

In your letter of 18 June to Mr Chilcot, you indicated that Sir Derek Rayner should consider preparing guidance on how Ministers might carry forward their work on efficiency and waste, with a view to further progress reports to the Prime Minister by 1 October. I attach a copy of the letter.

2. This was overtaken by Sir DR's submission to the PM of 3 July, which he wrote after consulting Mr Pattison on 25 June, and by her agreement that the various exercises on questions of efficiency and waste should be brought together in a main campaign with Cabinet authority behind it (Mr Pattison's minute to me of 16 July, para. 3).
3. The product of the agreement was Sir DR's submission of 30 August, which is now to be circulated for Cabinet discussion on 4 October.
4. But your letter of 18 June still stands and I gather that Ministers' offices are asking CSD whether they should be preparing reports for 1 October.
5. Given the recommendations in Sir DR's submission, it seems unnecessary to bother Ministers for those reports. I attach a draft "stand-down" letter which you might like to issue for the record.

*CP*  
C PRIESTLEY  
17 September 1979

Enc: Draft letter



cc Sir DR  
Mr. A.

10 DOWNING STREET

Note Not for discussion with  
Sir DR.

From the Principal Private Secretary

18 June 1979

Dear John,

The Prime Minister has seen your letter of 6 June to Ken Stowe, containing the Home Secretary's progress report on the review of quangos, and on measures to eliminate waste and promote efficiency. She has also now had an opportunity to go through the similar reports provided by all Cabinet colleagues.

She has noted that most Ministers have so far only been able to make a preliminary assessment of areas to be tackled within their Departments in this exercise. She would like all Cabinet Ministers to continue to take a close personal interest in progress, and she would like to receive a further report later in the year.

The Prime Minister has also noted that there are some variations in the approach adopted. The Home Secretary and a number of other Ministers have already discussed these matters with Sir Derek Rayner, and she would like Sir Derek to consider all the reports so far submitted, with a view to preparing some more specific guidance as to how Ministers might now carry forward this work. This will enable Ministers to submit a further progress report to her, with the assistance of Sir Derek, by say 1 October next.

I am sending copies of this letter to the Private Secretaries to members of the Cabinet, including the Minister of Transport, and to Sir Ian Bancroft, Sir John Hunt and Sir Derek Rayner.

Yours sincerely,

Mavis Whittmore.

John Chilcot, Esq.,  
Home Office.

cc you 22/6/79

DRAFT OF 17 SEPTEMBER 1979

J A Chilcot Esq  
Home Office

EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT

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

C A Whitmore



17 SEP 1979



END

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February 2010