

CONFIDENTIAL

PRIME MINISTER

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

MAD 11/4

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 days - 3rd 11/4
↓
Fr. 11/4
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23 - 26/11
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18/11
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11/11*

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.

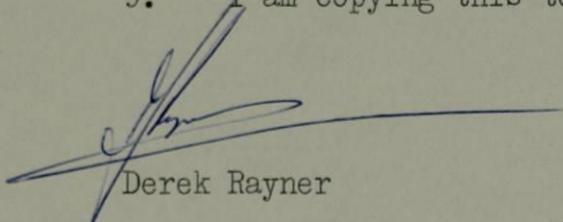
d. The Defence Secretary thinks that MOD has too much review work going on to take on my proposals as well. I would advise against letting him off. The argument which may be made that MOD is different from everyone else and that it does not impinge on the citizen like, say, DHSS will not do: the taxpayer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

A handwritten signature in blue ink, appearing to be 'Derek Rayner', is written over a horizontal line. The signature is stylized and somewhat cursive.

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

