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

PRIME MINISTER

WASTE IN GOVERNMENT

John Nott sent me a copy of his minute to you of 12 March, and I have seen the comments in Paul Channon's minute of 20 March. As John Nott recognises, this is only part of the wider problem of cutting back wasteful bureaucracy. But I am sure he is right to focus on methods of work at the centre as one area where we must look critically for economies, and not take existing practices for granted.

*Paul Channon*

*A5*

2. I believe Sir Derek Rayner's 'conventions' project will bear on this. A good deal will also turn on the way Ministers tackle the elimination of unnecessary activities in their own Departments. All of us should ask ourselves and our Departments whether we and they need to be consulted or informed about everything which now comes to us. But it is also worth asking some questions about the way we organise business centrally, on the lines John Nott suggests, and I hope we can discuss it at the Chequers meeting. Meanwhile I have one or two comments:

*Speed note*

*he now means Cabinet on 25 April 12*

- (i) I agree that we should aim to cut down the amount of formal consultation which seems to follow from collective responsibility and the Cabinet Committee system. But the Treasury does need to be consulted /on issues



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on issues which could lead to increased public spending, outside a Department's existing programme. I hope we now have a sustainable framework for public expenditure, but it will be under continuous pressure, and there is a real risk that public commitments will be made, implying an addition to the control totals, unless the Treasury is brought in early enough to check that room can be found in programmes or the contingency reserve.

(ii) John Nott makes a related point about the need for specific Treasury approval of individual projects - for tourism, projects costing £100,000 or more. Certainly these are not large individually, and for this reason the Treasury proposed doubling the limit, to its present level, in the middle of last year. As a result only a handful of cases now needs to come to the Treasury. At the time my officials considered whether approval of individual projects could be fully delegated to the Department, within an annual budget and an agreed set of guidelines. But they concluded that they needed to see a few cases from the Department of Trade, Scottish and Welsh Offices, to be in a position to form a view on future levels of expenditure and whether there was scope for reductions. An important part of the Treasury's job is to have enough knowledge of a Department's expenditure to advise Treasury Ministers and Cabinet on the marginal items which might be cut back if room has to be found. There is also the question of comparison with other programmes; thus subsidies for tourism projects have traditionally been justified as part of regional assistance, most of which is of course Keith Joseph's responsibility. But I agree very much that these "delegated authorities"

/must be kept



must be kept constantly under review, to avoid unnecessary duplication. I should always be willing to consider any sensible proposal to revise or revalue guidelines in this kind of case.

(iii) On PSA, I agree that there is a risk of specific needs being hampered by "standard PSA rules and specifications". But I doubt if there is much risk of complacency - not least because Sir Derek Rayner has started a full study of the question whether Departments should pay for their own accommodation. Again this is not as straightforward as it seems, because if we want a central agency to run the Government's office services and control the level of office building, its authority will be weakened if each Department has its own hands on the purse-strings - with some risk of duplication and more bureaucracy not less. But we shall be able to make up our minds about this when the Rayner study is complete.

3. Like Derek Rayner I suspect there is a need for a thorough and searching review of the way Government operates. His various exercises have been very useful, and the successive manpower reductions have trimmed away the fat, but the kind of review I have in mind would need to go much deeper. We can consider at Chequers just how such a review might be set up, but it would certainly need very strong centralised direction, by someone of sufficient calibre and with enough time to give it the necessary impetus.

4. I am sending copies of this minute to John Nott, Keith Joseph, Michael Heseltine, Paul Channon, Sir Robert Armstrong and Sir Derek Rayner.

A handwritten signature in dark ink, appearing to be 'G.H.'.

(G.H.)

3 April 1980