

Ref: A0182

PRIME MINISTER

EFFICIENCY AND WASTE

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

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

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

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

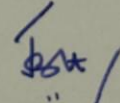
ii. you would like reports from all Ministers in charge of Departments by 23 November, as proposed in his paragraph 16;

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

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

I attach a draft minute on these lines.

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

  
JOHN HUNT

7 September 1979

ECONOMIC COMMENTARY

# St Michael descends upon Whitehall

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

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

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

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

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

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

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

The range of statistics collected

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

## Drive for efficiency

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

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

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

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

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

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

## Pressure on costs

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

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

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

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

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

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

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

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

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

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

**Rodney Lord**

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

Rayner Project

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

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