

PRIME MINISTER

EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT: THE "RAYNER  
PROJECTS"

1. This is a report on progress with the "Rayner projects" commissioned by your Minute of 4 June to Ministers in charge of Departments.

PROGRESS MADE

2. Most Ministers mounted a project. Some had two and, in the case of the Property Services Agency, three. I excluded very small Departments (those of the Chancellor of the Duchy of Lancaster and the Law Officers) and the Paymaster General's Office.

3. There were 29 projects. Most were carried out by one officer; some involved two or three. 35 officers were engaged in all.

4. I have had talks with 30 Ministers. I have met all the officials together on three occasions; have seen many of them individually; and have visited offices with five of them (an Inland Revenue Tax Office in Southwark, a Customs and Excise Office in Shaftesbury Avenue, an Unemployment Benefit Office in Stepney, a DHSS office in Hoxton and DES Pensions Branch in Darlington).

5. Ministers and I have now received 23 project reports. Summary details of these and a note on each are given in Annexes 1 and 2 respectively.

6. I have agreed that six more reports should come in later, because they started late or were more complex than most, or in HM Customs and Excise, because it was possible and sensible to extend the project's scope.

7. I have so far discussed four reports with Ministers; written to six saying that I agree with the recommendations made; written to four Ministers and to the Chairman of the Manpower Services Commission asking for talks about six more. I shall be dealing with the last and with the rest, by discussion or correspondence, over the next few weeks. Each Minister will then consult his staff side, interest groups and in some cases other Ministers, including as necessary the Lord President and the Chief Secretary, on the basis of a "proposed action" plan agreed with me.

8. So this is a report of potential results, not of results achieved. In some cases, eg that of the FCO and ODA merger, I may need to report to you separately and I hope you will agree to this.

Action 1

POTENTIAL VALUE OF THE RECOMMENDATIONS MADE

9. The potential value of the recommendations made so far at £80.3m pa is substantial. The details are in Annex 1. I have ordered the information in Annex 2 on completed reports now to hand in three categories: those producing savings in services to the public; those producing savings involving Government only; and those where I shall be pursuing with the Minister concerned the question of the savings attributable to them.

10. Many projects have examined a comparatively small piece of administration in detail. Some of the possible savings are therefore small in absolute terms. Nonetheless, they include some important percentage savings, including 11.5% of the staff effort on the Inland Revenue's Form P46, 39% of that on MAFF's administration of capital grants for farmers and 55% of that on rate collection in Northern Ireland. These encourage me in the view that there are very considerable savings to be made in Government administration, especially as the projects have been, naturally enough limited in scope and number.

11. Not all savings are realisable at once. The bedrock is obviously the DHSS project. On this foundation, savings eventually stabilise at £30.3m pa. They include some 1,716 posts and once-for-all savings (in the case of MOD and the MSC) of £53.5m in addition.

12. Some of the staff savings have already been earmarked by Ministers as a contribution towards the Lord President's exercise on reducing the size of the Civil Service. These are noted in Annex 1. They total around £35.4m.

#### GETTING THE RESULTS

13. In the majority of the areas examined I am satisfied with the potential outcome. I have been impressed by the very high quality of many of the project officials, by the amount of work they have been able to accomplish on their own, or in very small teams, and by the excellent stimulus some have received from their Ministers and Permanent Secretaries. Inevitably, some officials have not been as good as others, some Ministers have taken less interest than others and some project subjects have had fewer possibilities than others of producing savings. But these few cases do not invalidate the method of scrutiny which the Cabinet embraced at its meeting on 4 October.

14. None of the savings will come about by wishful thinking. All will have to be worked for, many outside Whitehall as well as some inside. Some will impact on particular sections of the public, none of which will be slow to defend its interests, as it perceives them. If I may say so, therefore, it is vital that Ministers should be precise and determined in finalising an action plan and then keeping to the implementation timetable. You may wish to encourage Ministers to do this.

Action 2

15. This will be especially critical in the case of the largest group of projects, and of savings, ie those which affect the public. The savings set out at the beginning of Annex 2 are the most dramatic in gross cash terms, but obtaining some of them will need vigorous explanation and defence. Some proposals should be welcome because they represent change and reform which should be relatively uncontroversial, eg the Inland Revenue, Welsh Office and part of the Home Office reports. But some mean marked changes that will not be welcomed, either in particular places (eg the MSC's proposals for closing down Skillcentres in Scotland or the NIO's for closing down local rating offices in Ulster); or to large groups of people (eg the DHSS's proposals for altering the frequency with which benefits are paid); or to specific interest groups (eg MAFF's proposals for streamlining the administration of capital grants to farmers).

16. Some decisions will be difficult. I would certainly not want to press for the whole of the project officers' recommendations and nothing else. Even so, Ministers might be encouraged to come to firm, optimum decisions and to resist pressure to leave things as they are which would mean that Government would go on being generous with the taxpayer's money. Generosity may be difficult to diminish because people and interest groups have grown accustomed to it. But the project reports also show that the basis on which it rests may be inefficient, obsolete, illogical or prodigal.

17. It will therefore be very important for each Minister not only to draw up a precise plan for the implementation of those recommendations which he accepts, but also to establish with his Permanent Secretary's help

Action 3

an effective and consistent means of progress chasing. You may wish to take an opportunity to emphasise this. I shall endeavour to help Ministers with this. In some cases I shall continue to associate myself with the project in order to see it through. Obvious examples are those in MOD, DHSS and the Inland Revenue. There may be others in which you would wish me to interest myself.

Action 4

COMMENTARY

18. This is an Administration committed to the better management of resources. My experience of officials shows that if firmly pointed in the right direction and firmly led they can do a very good job. I am once more struck by the ability and dedication of many of those I have met, whether as project officers or on my visits. The Service has much talent, energy, imagination and enthusiasm. On the other hand, I am also struck by a slackness in cost-consciousness and a certain detachment from reality in the perception of some officials of the value of resources and the importance of using them cost-effectively. Some project officers have captured this well. You have met Messrs Warner (DHSS) and Ponting (MOD), but they are not the only ones whose work has drawn my attention either to weaknesses in management and other practices or to substantial opportunities for economy through modernised procedures.

19. The points and lessons of general application which I draw out so far are these:

- a. The social effects of the projects are very wide. It cannot be argued that they favour any group at the expense of another. Interests as various as those of Social Security beneficiaries and farmers are affected. The anonymous taxpayer should benefit most.

b. Departments of State, nationalised industries and other public bodies may become too reliant on each other and grow inefficient because of it. The prime example here is that of the Post Office's dependence on DHSS. Relationships within the public sector may be valid but need careful and sustained scrutiny, to ensure that extended bureaucracy does not get set in concrete at the expense of both and certainly of the taxpayer.

c. Administrative systems get left behind by developments in business or technology. Obvious examples are the Inland Revenue's PAYE Movements Forms and the DHSS's method of paying benefits. (The UK and Eire are alone among advanced countries in their ponderous ways of paying benefits.) Ministers and departmental managers need to work for the reform of such systems; repeated changes of mind by past Ministers, as in the case of Inland Revenue computerisation, have not helped. The crucial factor is how much importance Departmental Ministers attach to good management. There is too an obvious need for the central departments, in the work they do for you and for Ministers collectively, to inform and stimulate the search for reform.

d. Policies appropriate in the past, but no longer so, have captured resources. It is often difficult for Ministers and officials to break free, because they are shackled to investments in staff and other resources, eg specialised buildings, even if such policies have proved ill-founded or are no longer apt. This seems



to be the case with the Skillcentres network and the structure of training allowances (MSC); there has been a large investment in capital and labour and it is very natural to try and use them to capacity but the better course may be to run down existing staff and fixed plant and adopt new policies with the wisdom of hindsight. Obviously it is not sensible to throw good money after bad.

e. Much Government activity may be unproductive. This is usually due to the growth of administrative systems piecemeal, as in the cases of the Teachers' Pension Scheme, the Social Security System and MAFF's Capital Grants Scheme. Several projects raised the question of the correct use of professional staff, eg HM Inspectors of Schools, and of the value which is being added to the common good by the work they are doing at present. The need is for a continuing radical review of functions, shaking them down to their basic principles and ceasing to do what is unnecessary. This must be for Departmental Ministers. But once again there is a good question about how best to encourage this from outside the Department.

f. For understandable reasons the Service can be very cautious with too much checking, control and supervision. This attitude was aptly described in the Home Office project as relying on both "belt and braces". Again functions need a good shake from time to time. That must be a duty laid on line management, but Ministers must keep them up to the mark.

g. Departments sometimes seem to find it hard to define their working relationships with each other and with outside bodies effectively. Examples are the relationships between the Scottish and Welsh Offices and local authorities; between DES and LEAs over the Teachers' Pension Scheme; within MOD between the Service departments; and, within FCO, between the "FCO" and the "ODA". It can lead to a needlessly fussy and needlessly supportive attitude to local authorities and, within Whitehall, to putting too much emphasis on avoiding other people's toes. The lesson is that someone has to stand up for the taxpayer and that in most cases the person best placed to do it, perhaps the only person who can, is the Ministerial head of the Department.

h. An important example, in my view, of the way in which costs of administration get obscured and therefore cost-consciousness fails to develop is that of allied services. The Government is going for repayment in the case of HMSO services. The "Rayner projects" included two other services, accommodation (PSA) and central training (CSD). I differ from both reports in believing that repayment for such services is the correct way in bringing home the actual cost of resources consumed. As a whole, the projects confirm my view that Government is not sufficiently conscious of the value of its resources, whether human or material. I shall want to pursue this in my conventions exercise.

i. Another example, less of obscurity of relationships, than of the proliferation of systems related to each other, is the area



covered by DHSS, DE and the MSC. Here, it seems to me as an outsider, there are two opportunities for rationalisation. Either one recognises that the Unemployment Benefit Service is part of the Social Security System and merges the two, with consequential savings in staff and overheads, or one accepts that it is not really sensible to have an Unemployment and an Employment Service alongside each other, again with separate regional, area and local staffs and overheads. Neither choice could be effected without upsetting interest groups and established policies; neither could be effected quickly; but looking at it from the point of view of the taxpayer, there are substantial benefits to be had here.

j. Another instance of lack of cost-consciousness is that of providing services to certain client groups at a low or no charge, eg licences for the use of radio frequencies and services to exporters. Where government provides a service which people need for pleasure or profit it is generally (but not universally) sensible to charge. Accordingly, I agree with charging for services on a full-cost basis, always provided that the full costs are in themselves justifiable. More fundamentally, there must be a question whether our practice in leading industry and commerce to expect services from government which they could provide for themselves is right. On export promotion, we differ from some more successful nations which expect (indeed make) business and industry finance their own overseas effort.

k. Finally, I am left with a clear impression of the difficulty of supporting both the Prime Minister of the day and Ministers in their collective responsibility for the effective

management of resources. I believe strongly in responsible and powerful management by individual Ministers and their Departments; I have not yet felt my way to the right balance between Ministerial and departmental responsibilities and those of the central departments acting in support of you and the Cabinet. I shall want to pursue this further in my conventions exercise. For the moment, I should say that I regard the central Departments as having a key role in helping to control the cost of administration and that I have accordingly drawn upon them in appraising the project reports sent to me.

#### STAFF AND THE STAFF ASSOCIATIONS

20. I was pleased with the general atmosphere in the Customs and DES offices I visited, and with the sense of application in all offices. But I was distressed by some of the working conditions and equipment available to staff in the local offices of the DE, the DHSS, and Inland Revenue I visited. The staff turnover is often high. This indicates, among other things, low satisfaction with the work and is very expensive in terms of recruitment, training and the time of local managers. At the DHSS office I visited in Hoxton, staff "waste" at the rate of 45% a year. Some of the main reasons for this (apart from the fact that they can get £500 a year more working for the local authority) are these:

- Antiquated office machinery, especially for over stamping payment order books, which sprays ink over the operators.
- The operators are not given overalls, allegedly because of public expenditure cuts.

- Because there is a £30 limit on the size of payable orders, clerks have to print out many second orders, often for a very small amount.
- Girocheques for beneficiaries are written out by hand.
- The regulations are very complicated and local supervisors spend a lot of time explaining them to new staff.

21. Staff themselves have been, almost without exception, helpful to and interested in the projects. In my experience, the knowledge and experience of staff actually doing the work are of immense value. So I am keen to see effective consultation with departmental staff during future projects. There should be an honest but not excessively protracted attempt to consult departmental staff sides. I myself have encountered only the tiniest difficulty with departmental staff sides. Some project officers have been denied co-operation but in general staff sides have either been helpful or not unhelpfully inactive.

22. As for the staff associations, I had an excellent meeting with officers of the "industrial" trades unions, who were full of ideas, and two not unfriendly meetings with the "non-industrial" General Secretaries. Both feel, of course, that they have seen it all before. Some have good ideas, which they are prepared to put to me privately. The difficulty for some General Secretaries is that while they are quite stimulated by the efficiency exercise, it is indistinguishable (they say) in their members' eyes from the staff "cuts" exercise.

PUBLISHING THE RESULTS ACHIEVABLE BY MINISTERS

23. The déjà vu is important. I would like to think that all the exercises in which I am involved helped to free your Administration of the need to bring in people like me. The need is for robust management by Ministers and officials, as much of it exposed to public view as possible. The lack of firm management practice, of firm definition of managerial responsibilities and of information to show whether management is effective or not breeds a general lack of confidence. Ministers and senior officials need so to practise their job as managers as to win and keep the leadership of their staff and the reasonable confidence of the public. The issues are often complex, as some of the projects show. I firmly believe that making information about them available, to the staff side, to the public generally and to the interest groups concerned can only be to the good, provided that this is not simply procrastination and that the Minister does have a firm intention to reform his Department's use of resources.

Action 5

24. I advise that a statement should be made about the expected outcome of the "Rayner projects" and also that each Minister should be willing to make available the project officer's report or material drawn from it.

Action 6

25. In your Minute of 4 June, you envisaged that the outcome would in some cases be published as exemplary. If this is still your view, I recommend that the following should be published with the agreement of the Minister concerned. Except for the DHSS one, these are among the shorter documents, but some of the longer ones are also very readable.

Action 7

- The DHSS report on the payment of social security benefits. ✓

- The Inland Revenue report on the PAYE Movements Form P45.
- The Home Office report on the Radio Regulatory Department.

RECOMMENDATIONS

26. I invite you

Action 1  
(para. 8)

a. to agree that I should report to you later on some cases if necessary, eg the FCO/ODA merger; ✓

Action 2  
(para. 14)

b. to encourage Ministers to finalise action plans and keep to the implementation timetable so as to achieve the savings indicated; ✓

Action 3  
(para. 17)

c. to emphasise to Ministers the importance of effective follow-up arrangements within their Departments. ✓

Action 4  
(para. 17)

d. to indicate whether there are projects with which you would like me to continue to associate myself; ✓

Action 5  
(para. 24)

e. to consider whether a statement should be made on the outcome of these projects; ✓

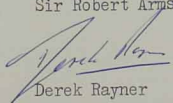
Action 6  
(para. 24)

f. to encourage Ministers to make as much information about projects available as possible; and ✓

Action 7  
(para. 25)

g. to consider whether any of the reports should be published as exemplary. ✓

27. I am copying this to Sir Ian Bancroft and Sir Robert Armstrong.

  
Derek Rayner

30 November 1979