



file KB

10 DOWNING STREET

From the Private Secretary

18 February 1980

Subject - Govt Mach: Pt 5: Secretary Prog

ANNUAL SCRUTINY OF DEPARTMENTAL  
RUNNING COSTS

The Prime Minister has seen Sir Derek Rayner's letter of 8 February to your Secretary of State and his letter of 14 February to Mr. Finsberg on the Bath Maintenance Economy Review.

The Prime Minister very much welcomes Sir Derek Rayner's proposals for the examination of departmental running costs by Ministers and hopes that the Secretary of State, the Chief Secretary and Minister of State, C.S.D., will give the new system the underpinning by the common service departments which it will need. She also notes the reference to repayment. While she recognises that there are technical problems, she would like to see proposals brought forward for consideration by Ministers later this year and she has asked Sir Derek Rayner, in consultation with your Secretary of State and others, to arrange for this to be done.

The Prime Minister agrees with Sir Derek Rayner's comments on the Bath Report. She believes that the Report's principal message is that there is a basic flaw in the Government's present arrangements for the stewardship of assets in the State's possession. Repayment may prove to be the answer to all or part of this problem. In respect of the specific issues about Bath raised in the Report, the Prime Minister looks forward to receiving the note from Sir Derek Rayner on this about which he has been in touch with the Secretary of State for Defence. She has asked me to emphasise that she expects to see detailed replies on each and every defence matter raised in the Report, and she will want the replies to include a specific account of action taken so far in response to the findings of the Report.

I am sending copies of this letter to Brian Norbury (Ministry of Defence), Alistair Pirie (Chief Secretary's Office, H.M. Treasury), Geoffrey Green (Civil Service Department) and to Clive Priestley in Sir Derek Rayner's Office.

D. A. Edmonds, Esq.,  
Department of the Environment.

PRIME MINISTER

You are seeing Sir Derek on Monday. I commended to you the document at Flag E, from which much of the argument flows. It would make a good starting point for a word with Sir Derek.

Are you content to bless the draft attached to this minute?

PRIME MINISTER

DEPARTMENTAL RUNNING COSTS AND RELATED MATTERS

1. Following Cabinet's agreement last October that both it collectively and Ministers in charge of departments severally should examine the cost of running departments, I have prepared a draft note of guidance for Ministers with the help of Treasury and CSD officials.

2. The draft is now for clearance with the Secretary of State for the Environment, the Chief Secretary and Minister of State, CSD, because some of the work of assembling the data needed would fall to central agencies responsible to them, notably the Property Services Agency. I hope to write to Ministers next week.

3. I have told the three Ministers named above that I would put you in the picture and the purpose of this minute is to do so, in particular to give you an opportunity to comment if you wish on the notes I propose to send to Ministers.

4. With this in view, I attach for you to see the following papers:

Flag A Draft letter to Mr Whitelaw, with its enclosed:-

Flag B Note 1, on the annual examination of departmental running costs, leading to action now.

Flag C Note 2, my personal thinking on the goal for which I believe Ministers should aim, namely a full "departmental account" of their assets, costs and receipts.

5. I have side- or underlined the main points in these papers.

6. In putting drafts of Notes 1 and 2 to Mr Heseltine, I have returned to the issue of repayment for common services, as against free provision on allied service terms. I know that you already regard this as an issue of central importance. The Secretary of State for Industry has, as it happens, just written to Mr Heseltine saying that he believes in repayment for accommodation and would like his Department to be associated with any study of it.

7. I attach my letter to Mr Heseltine (Flag D). Repayment is dealt with on pp. 2 and 3. If you felt able to give my work on this your overt support, I believe that it would be of the utmost value in expediting the task. Accordingly,

*Please see that (NO) notes deleted notes on each - every note revised in the Draft Review*

*Notes in hand in which I have a specific comment*

Action 1



Action 2

I offer, immediately following this minute, a draft note which, if you agree, might be sent on your behalf to Mr Heseltine. *Agreed no*

8. What makes me ask for your intervention is my recently sharpened consciousness of the insensitivity of successive governments and their officials to the value of assets and the slowness with which things change.

9. In paragraph 7 of my letter to Mr Heseltine (Flag D), I speak of the Government's sitting on massive assets without knowing it. For example, when buildings are handed over by the PSA to departments to use, as far as I can see "ownership" disappears: the "Crown" owns the building, but neither departments nor the PSA, under present arrangements seem to know the value of the assets nor to be clear about who is responsible for them and thus cannot be effective asset managers.

10. This has been brought home to me very clearly in reading the last of the "Rayner project" reports from last year, of an updated "Maintenance Economy Review" (ie Chapman review) of the Bath District, PSA. The report itself is very long and detailed but you may like to see my commentary on it, sent to Mr Finsberg under cover of my letter of yesterday (Flag E). Again the main points are side- or underlined. The essential point, in my judgment, is that unless departments are aware of the value of the assets in their charge and pay for the use of them and of the goods and services they consume there is no incentive for them to avoid the sort of nonsense to which the Bath team has drawn attention: the Officers' Mess, Hullavington, appears to be a classic of its kind (Flag E1).

11. Mr Channon has sent the Defence Secretary some suggestions about all this, copied to you, including the idea of a "special drive" to get rid of under-used assets. In fact, the MOD tells me that it has an urgent examination of the implications of the Bath report in hand and I have asked Mr Pym, who I understand feels very strongly about all this, to let me have information which will enable me to report to you on progress a little later. But the main issue here is classifying the ownership of and accountability for assets. Government cannot hope to be a good manager if it relies first on a basic structure of management responsibility which is defective and second on repeated "efficiency" and similar exercises aimed at symptoms rather than causes.

12. Hence the draft note.

*Derek Rayner*  
Derek Rayner  
15 February 1980

*Channon - I wish all files to me were set out like this one h. mt*

*16 1/2 hrs  
What was done. But we never see any results.*



D A Edmonds Esq  
Private Secretary to the  
Secretary of State for the Environment  
2 Marsham Street SW1

cc B M Norbury Esq, CSD  
A C Pirie Esq, HM Treasury  
G E T Green Esq, CSD  
C Priestley Esq

ANNUAL SCRUTINY OF DEPARTMENTAL RUNNING COSTS

1. The Prime Minister has seen Sir Derek Rayner's letter of 8 February to your Secretary of State and his letter of 14 February to Mr Finsberg on the Bath Maintenance Economy Review.

2. The Prime Minister ~~has asked me to say that she~~ very much welcomes Sir Derek Rayner's proposals for the examination of departmental running costs by Ministers and hopes that the Secretary of State, the Chief Secretary and Minister of State, CSD, will give the new system the underpinning by the common service departments which it will need. She also notes the reference to repayment. While she recognises that there are technical problems, she would like to see proposals brought forward for consideration by Ministers later this year and she has asked Sir Derek Rayner, in consultation with your Secretary of State and others, to arrange for this to be done.

3. The Prime Minister agrees with the comments made by Sir Derek Rayner on the Bath report. She has asked me to confirm that she would like to receive a note from Sir Derek Rayner on this as he has proposed to the Secretary of State for Defence, but she believes that the report's principal message is that there is a basic flaw in the Government's present arrangements for the stewardship of assets in the State's possession. Repayment may be the answer to all or some of this flaw.



4. I am copying this to Brian Norbury (MOD), Alastair Pirie (Treasury), Geoffrey Green (CSD) and Clive Priestley.

C A Whitmore/M A Pattison

*Agreed  
MA*

CONQUEROR  
LONDON