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10 DOWNING STREET

From the Private Secretary

1 April 1980

Original on
Govt. Mach, Efficiency & Waste Pt 5

Dear Gerry.

The Prime Minister held a meeting yesterday afternoon to discuss the Secretary of State for Trade's minute of 12 March on waste in Government and Sir Derek Rayner's minute of 26 March on the efficiency of central government and lasting reforms. The following were present in addition to your Minister: Sir Ian Bancroft, Sir Robert Armstrong, Sir Derek Rayner and Mr. Priestley.

Waste in Government

The Prime Minister said that she had a good deal of sympathy for the points made in Mr. Nott's minute. In particular, she believed there was too much overlapping of functions between Departments. In some cases, staff in one Department seemed to be monitoring the work of other Departments quite unnecessarily; in other cases, for example as between ODA and FCO and as between the Departments of Industry and Trade, there seemed to be unnecessary duplication of work. She also agreed that the appointment of deputy chairmen of nationalised industries and public boards should not need to be cleared with her; nor should it be necessary for holidays and trips abroad by Junior Ministers to be cleared with No. 10. It would be right for Cabinet Ministers in future to be responsible for visits away from London by their Junior Ministers, though they would need to ensure that official visits were fully justified and that their Departments were always left with adequate Ministerial cover.

In discussion, Mr. Channon said that Mr. Nott's complaints about CSD control of his Department's expenditure were ill-founded. By monitoring expenditure on transport by Departments, the CSD were saving a great deal of money at little cost in terms of staff expenditure. The Prime Minister commented that the existence of central control of expenditure by the CSD and Treasury implied that Ministers were not sufficiently economy minded: it was a sad comment that such control appeared to be needed. None the less, she hoped that the Treasury and CSD would concentrate more on broad control of expenditure and on developing control parameters, leaving more of the detail to spending Departments.

/ Mr. Channon

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Mr. Channon said that he agreed with Mr. Nott that there was too much Departmental "sponsorship"; but the Department of Trade were in fact one of the biggest "sponsor" Departments, and they would need to drop some of their "sponsorship" activities. As regards Ministerial travel, Sir Ian Bancroft pointed out that the Scottish Office had introduced a specific cash limit on travel; and it would be worth considering extending this to other Departments.

Finally, the Prime Minister commented on what she regarded as much wasteful expenditure by the COI on paid publicity - for example on behalf of the Department of Energy. Sir Ian Bancroft said that there might be less waste in this area if Departments, rather than the COI, had responsibility for their own advertising budgets. Mr. Channon said that he would compile a report for the Prime Minister on COI advertising.

Summing up this part of the discussion, the Prime Minister asked Sir Robert Armstrong to provide a revised draft of a minute for her to send to Mr. Nott - taking into account the points which had been made.

The Efficiency of Central Government: Lasting Reforms

Introducing his paper, Sir Derek Rayner said that it was absolutely vital that Ministers in charge of Departments and their senior officials should be fully involved in the efforts to reduce Civil Service numbers and functions. The Rayner projects showed what in principle could be achieved, but if a major and lasting impact were to be made, Ministers and officials would have to take a much greater interest in bringing about a more efficient and streamlined Civil Service. There would need to be greater accountability for success or failure in meeting the Government's efficiency objectives. A whole new approach to Civil Service management was needed. At present, for example, whenever new problems had to be dealt with, Departments almost always asked for additional staff - instead of finding staff economies in other policy areas. Also, there were often ways of dealing with problems without a significant addition to staff numbers.

The meeting then discussed each of the paper's recommendations in turn.

- (i) Recommendations 1-3: It was pointed out that in some very large Departments it would be difficult to combine the posts of Principal Finance and Establishment Officers because the combined job would simply be too big for one person. On the other hand, it was argued that the finance and manpower control functions in Departments

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should be integrated as far as possible. The Prime Minister agreed that Sir Derek Rayner should take the lead on these recommendations with the help of the Treasury and the CSD and the Head of the Government Accountancy Service - with a view to reporting back later this year if possible.

- (ii) Recommendation 4: It was agreed that the aims and practices of central control needed to be restated. The Treasury and the CSD, assisted by Sir Derek Rayner, should put forward recommendations.
- (iii) Recommendation 5: Sir Derek Rayner said that the idea of an "Inspector General" was intended as a way of institutionalising the Rayner exercise on a continuing basis. The "Inspector General" would provide a continuing, independent source of advice on how the Civil Service might function better. The Prime Minister said that she was attracted by the idea, but it would require much further consideration before a decision could be taken. So too would the proposal to merge the CSD with the Treasury, although here again she could see a good case in principle. She would like Sir Ian Bancroft to examine further the idea of an "Inspector General" and the proposal for a merger between the Treasury and the CSD (and the other related changes proposed) in consultation with Sir Douglas Wass, Sir Robert Armstrong and Sir Derek Rayner. Sir Ian Bancroft said that the organisation of government at the centre was being looked at by the Select Committee on the Treasury and the Civil Service and officials giving evidence would need clearance from the Prime Minister on what they were to say. There was also the question of whether the merger study should be made public, given the Select Committee's interest in the subject. The Prime Minister said that, on balance, it would be better to keep it secret at this stage.
- (iv) Recommendations 6 and 7: The Prime Minister said that she would consider these herself.
- (v) Recommendations 8-11: It was agreed that the CSD should advise on these.

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- (vi) Recommendation 12: It was agreed that it would be a good idea, in principle, to ask Departments to keep a record of the cost of resources committed in support of Parliamentary work. But further work was needed on how this might be done. The Prime Minister suggested that the CSD, in consultation with Sir Derek Rayner, should put forward recommendations with a view to action in one Department initially.
- (vii) Recommendations 13-14: It was agreed that Sir Derek Rayner should take the lead on these recommendations drawing on the assistance of the CSD, the Treasury and the Head of the Government Accountancy Service.
- (viii) Recommendation 15: This was agreed in principle; but it would be for the Treasury to take the lead.

Some of the recommendations which were agreed only affect your Department in the first instance; work on these can therefore begin immediately. A number of them, however, involve the Treasury. As regards these, the Prime Minister will shortly be writing to the Chancellor asking for his co-operation in carrying them forward. Clive Priestley has kindly agreed to provide a draft.

The Prime Minister has indicated that she hopes all of this work can go forward quickly and that Sir Derek Rayner can be involved as fully as possible. She would be grateful if your Minister would let her have a proposed timetable for carrying forward the various recommendations.

The Prime Minister does not want this work to be held up until the Cabinet discussion on manpower management in the Civil Service which has been planned for later this month. At that meeting, there will of course be papers by Mr. Channon and Mr. Heseltine and also a general paper by Sir Derek Rayner; but the Prime Minister does not wish to seek Cabinet's endorsement of the various recommendations mentioned above. Sir Derek's paper for Cabinet should not cover his machinery of government proposals, knowledge of which should be restricted to your Department and the Treasury on a strictly "need to know" basis; nor should Sir Derek's paper cover his honours proposals.

2) Finally, as you know, the Prime Minister has invited your Minister to Chequers next Wednesday to discuss Civil Service matters further. She has also asked Sir Derek Rayner to join them later in the day.

/ The Prime

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3) The Prime Minister has it in mind to discuss with Mr. Channon the establishments of Departments, and it would be helpful if he could let the Prime Minister have in advance notes on departmental numbers which would enable her to see the data in a historical sequence. It would be helpful if this could also include information on the changes in staff numbers by grade, especially for big Departments such as DHSS, MOD, Inland Revenue and Customs and Excise.

The Prime Minister would hope to be able to obtain from this information and from her discussion with Mr. Channon a clearer idea of the issues facing Departments in the manpower field, and she would then like to go over with Mr. Channon the main ideas on manpower policy which he intends to put forward to the end-April Cabinet. The Prime Minister would like Sir Derek Rayner to join the discussion later in the day, partly to take stock of progress on the 1979 Rayner projects and partly to continue the discussion on manpower policy and lasting reforms.

I am sending copies of this letter to David Laughrin (Civil Service Department), David Wright (Cabinet Office) Sir Derek Rayner and Clive Priestley.

Wm. ...

Tim ...

G. E. T. Green, Esq.,
Civil Service Department.

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