



PRIME MINISTER

1980 SCRUTINY OF DEPARTMENTAL RUNNING COSTS

At Cabinet on 29 January I was invited to report again in the light of further analysis of the 1980 scrutiny. At Annex A is a summary of colleagues' responses to the questionnaire I circulated and at Annex B their views on the value of the exercise. Some misgivings were expressed. The cost of the scrutiny itself was not trivial, perhaps between £ $\frac{1}{4}$  and £ $\frac{1}{2}$  million on the basis of a small sample. But in general colleagues found the scrutiny useful in the management of their own Departments.

Officials have examined certain technical aspects of the scrutiny and recommended some changes for the 1981 scrutiny. Derek Rayner and I are happy with these and Barney Hayhoe will be writing to colleagues about the scrutiny.

Departments' activities and expenditure patterns differ a good deal and the value of comparing one with another is limited. Their main usefulness is to individual Ministers in running their own Departments, though selective comparison across departmental boundaries may be instructive and relative changes over time should prove interesting. There will certainly be lessons to be learned from looking at the cost of the same activities in different parts of a department.

The Civil Service is becoming more cost conscious but we still need in particular to reduce the volume of administrative expenditure by using cheaper procedures in areas where prices are rising; and also to improve management accounting information available to Ministers and individual managers charged with controlling costs.

The scrutiny of Departmental Running Costs will keep a watch on this, building on existing information systems where possible. The Financial Management Co-ordination Group of officials should consider how best to do this.

On 29 January we agreed to consider when next I reported the publication of detailed figures. Except for MOD, the figures for all major and some smaller departments were published at the end of 1980 in answer to PQs. There has been no further Parliamentary or public interest. I suggest, therefore, that we should not publish fuller details from the 1980 exercise unless specifically asked.



RESTRICTED

To summarise, subject to colleagues' agreement I propose that:

- a. the Financial Management Co-ordination Group of officials should consider how the Departmental Running Costs exercise should be integrated with other work on management information systems;
- b. detailed results of the 1980 exercise should not be published unless we are specifically asked; and
- c. I should report further after the 1981 exercise.

I am copying this to colleagues in charge of Departments, Sir Robert Armstrong and Sir Derek Rayner.

A handwritten signature, possibly 'S.', is written in the center of the page.

SOAMES  
// May 1981

RESTRICTED