

1. Prime Minister -

- 1. MR. WHITMORE to confirm you in your view that the CSD is failing to get
- 2. PRIME MINISTER to agree with the course of action which the Cabinet proposed in paragraph 5 of his minute.

1980 SCRUTINY OF DEPARTMENTAL RUNNING COSTS

MW 22.V.

LPC's letter 11/5/81

The Lord President's paper at 'A' is intended to report on the CSD's investigation of the lessons to be learned from the 1980 scrutiny of departmental running costs. This paper was commissioned by Cabinet on 29 January.

2. You will remember that in January Cabinet considered the results of the 1980 scrutiny. Apart from demonstrating an alarming 25% increase in Civil Service running costs, the main aims of this exercise were:

- (a) to ensure that Ministers were aware of the importance of monitoring and controlling the costs of running their Departments, and to ensure that they insisted on adequate systems to enable them to perform this task;
- (b) to ensure that Ministers collectively were aware of the demands on Government resources made by departmental running costs. The figure of £8.3 billion for 1980/81 is a sum that deserves collective scrutiny;
- (c) to ensure that Ministers could be made aware of the efforts of their colleagues to reduce costs, and perhaps more importantly to learn useful lessons from the practices of other Departments.

3. When Cabinet considered the 1980 scrutiny in January they decided (see minutes at 'B'):

- (a) that officials should consider how this annual exercise could be refined to improve its usefulness, and to ensure that it was properly co-ordinated with the PESC and estimates exercises. The results of this work will be reported separately by the Lord President, and are only briefly touched on in the attached paper;

What these papers need is in sufficient concern of the bill and very little needs to be done.

The only reason I have left is July publicity with maximum attention drawn to the facts of the Treasury which Committee can do better than X- examination and the lobby in July.

Why will this of CSD are confirmed.

Now - which part of management consultants' work is it? M.H. members of technical McKinsey's

/(b)

(b) that the CSD and Departments should investigate the figures critically, looking particularly at areas where they were high and, where there was no compelling reason, ensure that action was taken to bring costs under greater control;

(c) that only after this investigation should a decision be taken on whether figures should be published.

4. Back in January, you also had in mind:

(a) that you might discuss some of the larger increases in running costs with the Ministers and Permanent Secretaries of the Departments concerned;

(b) Sir Robert Armstrong's suggestion that the CSD investigation might help to sharpen the 1981 exercise by picking out the key ratios and comparisons which really would be significant and of use to departmental managers. In other words, the CSD should develop what might be called "performance indicators" for Departments.

5. The Lord President's paper does not really fulfil the remit the CSD was given. It simply presents Ministers with some 50 pages of tabulated annexes, and largely leaves them to draw their own conclusions. I asked Sir Derek Rayner's office to comment so that Ministers would have something more useful to consider. This he has done, and his paper is at 'C'. Drawing on Sir Derek Rayner's and Sir Robert Armstrong's comments, I suggest -

(a) you should ask the Lord President to do more analysis of the lessons that ^(have been) can be learned for Departments, and to explore whether Sir Robert Armstrong's concept of "key ratios" is feasible. He could ask the Financial Management Co-ordination Group of Officials to produce an early report on this;

What particular savings have they found. One pointless sacrifice each?

DW

Specify what savings which would be a net advantage (eg) & who is spreading the good word. & contribute. / (b)

Agreed
←

(b) you should support Sir Derek Rayner's view that the figures for running costs should be published, contrary to the Lord President's recommendation. The Civil Service should be more accountable for its running costs. Sir Derek Rayner suggests that the Government's White Paper on efficiency might be a suitable vehicle for publishing these figures;

*Agreed . . .
Should take
management
committee
into account*

(c) that you should look again in the summer at the possibility of calling on a couple of Ministers and their Permanent Secretaries to run through their departmental costs. It might be best to await settlement of the Civil Service dispute before doing this;

Agreed

(d) that meanwhile we should continue to examine the running costs of No. 10, perhaps with a view to reporting to you in the summer;

Agreed

(e) that you should agree the Lord President's recommendation that 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.

6. The best time for collective consideration of the demands that departmental running costs make on Government resources would seem to be October, at about the same time as the consideration of public expenditure generally.

WPR