

PRIME MINISTER

THE EFFICIENCY OF CENTRAL GOVERNMENT

1. You asked for a note on the preferred result of the Cabinet discussion on 1 May. I suggest that it should be as follows.

COST CONSCIOUSNESS

2. A necessary preliminary is consciousness of the cost of the Civil Service. This can be achieved more strikingly than in para. 4 of Mr Channon's paper of 18 April.

3. The paragraph already indicates a 24% increase in cost:

<u>h</u>	1979 - 80	£3.7m -
	1980 - 81	£4.6m

4. But some idea of future cost movement is also necessary. You might ask Mr Channon tomorrow for a calculation of the cost of the Civil Service in 1983-84, both if left alone or if reduced to 630,000.

5. The cost figures plainly indicate a need for

- a firm manpower policy
- a firm policy for reforming management practices and procedures.

A MANPOWER PLAN

6. The Government's aim should be a manpower plan aimed at a substantial

- a. reduction in cost by
  - i. eliminating and curtailing functions -
  - ii. reducing the length of the hierarchy\* -

- b. improvement in efficiency by
  - i. simplification, eg of complex regulations
  - ii. mechanisation
  
- c. short-term cost benefit in terms of minor housekeeping eg
  - meetings
  - official travel
  - non-vocational training.

7. \* I do not like Annex E of Mr Channon's paper. I agree that the use of the grading structure is a problem, but the original or real problem is the length of the hierarchy. I suggest therefore that the plan should include a specific examination of its reduction, in addition to the idea of looking at reducing the size of the Under Secretary + population (para. 16) and that you give a firm lead on this.

8. On preparing the plan, I suggest a certain tightening of Mr Channon's document:

a. I agree that there should be a senior official at the centre. But let him not be designated as a "special adviser", but as under instruction to bring back to Cabinet by a set date the overall plan for such endorsement as may be necessary and to assist Ministers before and after doing so.

b. He must be authorised to go into departments at the highest levels.

c. Let a timetable be incorporated: departmental and overall plans prepared by X (end-October?), Cabinet endorsement by Y (end-November?) and implementation begun by Z (end-1980?).

9. On targets (paras. 19 - 23 of Mr Channon's paper), I suggest

a. The real needs are to decide how much the country can afford to spend on central government and how much governing the Government want to do;

b. If the Cabinet can decide on a cost and a figure by X (end-October?), Ministers might then approach it cumulatively, say 2% in 1981-82, 3% in 1982-83 and so on.

c. The final target should not be tied to the end of this Parliament.

10. In so far as my paper deals with manpower, it can be taken together with Mr Channon's, but I suggest that you should bring across from it very firmly the ideas of

- thinking the "unthinkable" (ie BE RADICAL) about the need for and scale of departmental activity
- unremitting attention to the cost of administration
- getting down to detail with the help of a "seeing eye".

RAYNER ON LASTING REFORMS

11. The first part of my paper (Existing work, paras. 2 - 12) is mainly reporting but I suggest that you might

a. stress the importance of a good result on DHSS social security payments



b. emphasise that Ministers should take the new scrutiny programme and the scrutiny of costs very seriously, since these provide ways of reaching down into their departments.

12. The right managerial framework (paras. 25-36) affects formalities (or procedures) and people.

13. Here you are inviting comments rather than Cabinet approval, as you have commissioned the work, but it will be a good opportunity to get Ministers to say what they think the needs are.

14. The right framework of management by and under departmental Ministers and in support of Cabinet is important for the long term, because it should provide for better on-going management.

15. By clarifying what Ministers and officials should do to manage and how, it will free you from having to put Civil Service management onto crash regimens every so often. Without it, cost-consciousness and management must always be second order subjects.

16. I suggest that you emphasise that whilst the work to improve management and the motivation of officials may appear somewhat intangible in its effects, you are looking for substantial benefits from it.

PEOPLE

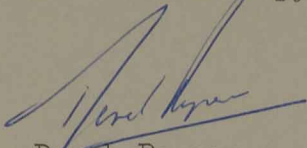
17. The above work is intended to stimulate officialdom.

18. You may wish to consider whether, in the light of experience so far, you want to say or do anything to mark

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the importance you attach to management by both Ministers and officials.

19. I am copying this to Sir Robert Armstrong.



Derek Rayner  
21 April 1980