

PRIME MINISTER

cc: Mr. Whitmore
Mr. Wolfson

1.
ms.

This is a report from Derek Rayner on his work to date and his work in hand. He also seeks guidance for the future.

You will have an opportunity to talk about his future on 3 November, after the unemployment benefit presentation, but you may find it helpful to read through the submission, and comment on specific points as you go. Sir Derek Rayner's main questions are:

1. Are you content with the direction of work in hand under his auspices?
2. Would you like a progress report to Parliament in a White Paper, early next year?
3. Sir Derek has to reduce the time he is spending on his government assignment. Would you be content for him to continue to supervise this work, reducing the time he spends on it, so that he would concentrate on the main themes? The consequence is that he will need to strengthen his office (for which you gave authority last week). Alternatively, he could be replaced, if you would prefer that.

Yes
Yes
Sir Derek also reiterates his invitation to you to visit his forms exhibition. He further suggests that he and Lord Soames might arrange an exhibition on running costs of Government Departments, to be set up in the ante-room here for a couple of days so that Cabinet Ministers and others attending meetings would see it. If you like this idea, we can write to Lord Soames' office as suggested at Flag B.

Yes please ms
MFD

24 October 1980

Sir Derek's personal note of those who help and those who hinder should come next week. MFD

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EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT

1. This minute offers a brief progress report; notes that I shall be submitting further reports to you this autumn; and consults you about the future level of my work.

2. If you agree, perhaps we may discuss it when we meet on 3 November, but I suggest that an exhibition of departmental running costs (para. 8 below) might be commissioned now. If time is not available on 3 November owing to the presentation on the DE/DHSS scrutiny, perhaps your Private Secretary would convey your response to me or my office.

Progress report

3. I invite you to take note of the attached summary of progress (Annex A).

4. On Forms, I was grateful for the message you sent me on 16 September via Mr Pattison. I expected the chances of your being able to visit the exhibition that day to be slim given the pressures on your time and I am pleased that you thought of including it in your programme at all.

5. The exhibition will remain in being for some weeks yet. I should be delighted to show it to you if there was another opportunity. I have in the meantime written to Mr Channon on how best to take matters forward.

Action reports this autumn

6. I invite you to note that I intend to offer you reports on the following:

- a. Rayner projects, 1979: A brief updating report. For you only in the first instance.

- b. Pilot scrutiny programme, 1980: An interim report on the results so far. Plus recommendation that the scrutiny programme should now be made permanent, if you and your Cabinet colleagues agree.
- c. Statistics report: A report on the results of separate departmental studies and on inter-departmental issues.
- d. Repayment for Property Services: The report of the study you commissioned following last year's Rayner project on Maintenance in the Bath Works District. It will recommend repayment for the common user estate.

All these reports should come to you in November. The last two will require endorsement by Ministers collectively, if you agree; Repayment may be controversial; I am considering tactics with Mr Heseltine.

7. I invite you to note also that - apart from the Lord President's progress report to Cabinet on the size of the Civil Service (an issue which may well be relevant to the future content of the scrutiny programme) - you or Cabinet will be receiving other material as follows:

- a. Annual scrutiny of departmental running costs: First report to Cabinet by the Chancellor and the Lord President, November.
- b. Efficacy of management review: Report by me, following the ODA and MAFF reviews. For you only in the first instance. It will not take much of your time.
- c. Organisation of CSD and Treasury: Report by Sir Ian Bancroft, helped by Sir Douglas Wass and me, probably early November.

8. When they have the report on running costs (and also repayment for Property Services), I think that the Cabinet might be much helped by a small exhibition in the ante-room, perhaps mounted on a few free-standing panels. With repayment for HMSO supplies, the cost of services once provided free is coming home as never before. One department was amazed recently

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to get a bill for £11m, of which on enquiry £5m turned out to be for warehousing stocks of forms. Such costs can be presented graphically. I suggest that you should ask the Lord President and me to arrange for such an exhibition. In case you agree, I attach a draft minute which your Private Secretary might send us soon (Annex B).

The Government's record

9. The Government's achievement on efficiency is important and promises to be substantial.

10. It is not easy for Parliament, the public or the Service to grasp it all. I think that a White Paper or some similar publication early in 1981 would be a useful and welcome statement, both as an instrument of management and as a public record of where the Government has got to and intends to go. I suggest that a statement should be commissioned.

Future level of my work

11. I explained in July that I should have to ask you to allow me to reduce the time I am spending on Government business, say at the turn of the year. We had a useful word about this when the Lord President and I saw you on 15 October, but it would be helpful if we might now agree formally on how you would prefer my assignment to be shaped in future.

12. I think there are two key questions:

a. Am I providing the sort of service you and your colleagues want?

Yes - excellent.

b. How much time should I give to it?

As much as you can.

13. It is of course for you to say whether I am doing what you want, but you may find these observations helpful.

14. I think that the "value added" by my work could be increased. Much depends on what Ministers do with the advice

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they receive. I commented on this when we met on 15 October; I will send you a separate note on it (and on officials). No less important is the question whether I am directed at the right targets.

15. On the whole, I think that the project/scrutiny technique has proved its value. It has produced both savings and reform in many of the areas studied and first-rate spin-off exercises in the shape of the reviews of Government statistics and of repayment for Property Services. I am discussing with CSD a possible second Service-wide review, this time of supporting services in R&D Establishments.

16. But an important purpose of the scrutinies was to exemplify both a method of working and areas of government activity where efficiency could be improved. I think that the effect on Ministers themselves has so far been less than it should be. For the future, I am certain of three things:

a. We should not accept for the programme subjects which are either comparatively trivial or likely to be frustrated by policy changes known to be in the offing. The subjects put up by the Department for National Savings (Premium Bond record computerisation) and the Home Office (procedures for naturalisation and registration) are examples.

b. We should aim for expensive areas of administration. The good but comparatively small-scale subjects so far selected in the Inland Revenue suggest for example that there is much manpower-intensive and cumbersome administration waiting for examination.

c. Some subjects already tackled are going to need fairly intensive follow-up and input from me. The obvious example of this is the highly promising joint scrutiny by DE and DHSS (also involving the MSC) of the delivery of unemployment and supplementary benefits to the unemployed, now in train, and on which you will receive a presentation on 3 November.

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17. On lasting reforms, the pressures on my office and me have been such that I have made slower progress with some - notably the managerial authority of Ministers and Permanent Secretaries - than I would like. But the programme as a whole, for parts of which the Chancellor of the Exchequer and Minister of State, CSD, are responsible, is coming along well and I do expect to see substantial benefits. These are of a somewhat intangible kind as far as the man in the street is concerned, but are capable of producing radical changes. I would like to stay with and increase my input to that programme, not least in respect of work with Permanent Secretaries, individually and collectively.

18. On time, the heart of the matter is how much I can make available.

19. I do not work on a "so many days a week in Whitehall" footing. The work does not arise like that and I could not simply block two days a week out of my M&S diary. I estimate that overall I give about 40% of my "working hours" to Government business, supplemented by work in the evening and at the weekend.

20. I now believe that I should step back somewhat and that I should concentrate more fully on things that are really important. You will have views, and permutations are possible, depending partly on your decisions on the CSD/Treasury and "Inspector-General" issues.

21. I should be much happier about my future work if the CSD and Treasury were merged. The same applies, but less so, to the appointment of an "inspector-general", as I now tend to see this coming along at a later stage. I regard the merger - and the right people in the right jobs - as among the most important requisites of the success of your efficiency/waste policies.

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22. I myself see the choices as broadly two:

a. I withdraw pretty fully to an advisory and consultative role, although quite frankly I would not expect the track to my door to be one of the most heavily beaten in Whitehall.

b. I withdraw a little, dropping all marginal work. I would concentrate on the really important things:

- the scrutiny programme;
- chasing up projects and scrutinies to action;
- lasting reforms;
- difficult subjects needing an extra push because they are unlikely to be brought to the best possible conclusion if simply left to the department/s concerned, eg major scrutinies (like that now involving DE/DHSS/ MSC), of which I think there should be more, and the review of the length of the hierarchy;
- highlighting and getting management action on possible economies exposed by the examination of departmental running costs;
- providing such counsel to Ministers and their departments as I can.

No 23. There is of course a third choice, which is to replace me with someone else; I do not mean to preclude this. If you preferred the second choice I should have to ask you to allow me to reinforce my office. I have so far kept it very small*, but I have arranged provisionally with Sir Ian Bancroft that, subject to your agreement, he should let me have a Higher Executive Officer (A) from CSD.

24. My assessment is that my office (which you kindly indicated on 15 October should continue to report to you, so securing its independence and objectivity) should now be staffed so as to reduce the burden of the day-to-day work on Mr Priestley and me, allowing us to spend more time on the

* Mr Priestley (US), Mr Allen (Economic Adviser), Miss Holmes (Executive Officer) and Miss Sullivan (Personal Secretary)

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big targets, on taking initiatives myself and on helping others, notably the Treasury and CSD (with their Ministers' agreement), with important work.

25. The HEO(A) and someone at Principal level (now Mr Allen) would cope with the day-to-day work, notably the oversight and analysis of scrutinies. You have already kindly indicated that I might take on two Assistant Secretary level posts. Subject to your agreement, I should like these posts to be constituted as follows, although the borderline between them need not be exact:

✓ Post (1): A determined, tenacious officer to stick with the follow-up to scrutinies generally and things that some might prefer to soft pedal, eg repayment for Property Services, the statistics review, forms, the hierarchy review and any big scrutiny subjects such as the current DE/DHSS/MSD one (paras. 2 and 16c above).

✓ Post (2): An officer who would help departments get their running costs down ("good housekeeping").

26. I should like Mr Allen to fill Post (1) on promotion but to keep the question of Post (2) in reserve until we can see the outcome of the scrutiny of departmental running costs and can identify the skills needed to bring costs and possible economies home.

27. The result would be an office consisting of 1 Under Secretary, 2 Assistant Secretaries, 1 Principal, 1 HEO(A), 1 EO and, say, 2 (not 3) Personal Secretaries. The cost of my operation would be increased, from £7,900 a month to £16,500. (This is on a "full cost" basis, including in addition to salaries and national insurance an average cost for telephones, postage etc and an amount for superannuation, accommodation etc provided as an allied service. I should remind you that you told Mr Arthur Lewis MP on 31 July that there was "no need to make additional appointments at present to Sir Derek Rayner's staff".)

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Summary

Paragraph
reference

3 & 6

28. I ask you to

note the summary of progress at Annex A and that I shall be submitting certain reports later (projects, scrutinies, statistics review, PSA repayment);

7

note that other reports will be relevant (size of Civil Service, departmental running costs, management review, CSD/Treasury merger);

8

invite the Lord President and me to arrange a small exhibition for Cabinet in connection with departmental running costs;

10

consider whether a statement of the Government's efficiency achievements and intentions should be published early in 1981;


13

indicate whether I am doing what you want;

23 & 25

subject to that, agree that I should reinforce my staff first by the addition of an HEO(A) from CSD and then of two Assistant Secretaries.

29. I am copying this to Sir Robert Armstrong only.



Derek Rayner
23 October 1980

Annexes

- A. Summary of progress, September 1980
Appendix: Scrutiny of departmental running costs,
Department of Energy
- B. Draft letter to Mr Buckley, Private Secretary to the
Lord President

SUMMARY OF PROGRESS, SEPTEMBER 1980

1. FORMS

Exhibition prepared by Mr M J Connolly (M&S) moved from Baker Street to CSD, August. Proposals from Minister of State, CSD, awaited; likely to concentrate on volume, intelligibility and control of forms. Submission to Prime Minister, Autumn 1980.

2. RAYNER PROJECTS, 1979 (29 exercises)

Data on decisions taken, savings achieved etc being sought from departments with a view to updated report to Prime Minister, mid to late November. (Main savings (social security payments) now likely to be about £40m pa.)

3. SCRUTINY PROGRAMME, PILOT RUN 1980 (39 exercises)

29 reports received; eight more to be completed this year; last two early in 1981. The 29 reports, prepared at a cost of £0.3m, identify potential savings of £20m pa. Percentage savings range from 10-100%. But biggest exercise - on services for the unemployed (joint DE/DHSS) - likely to increase this substantially. Interim report to Prime Minister, November.

4. GOVERNMENT STATISTICS REVIEW (22 departmental exercises plus inter-departmental exercise)

21 reports received; last expected shortly. Identify potential savings of £12.5 pa at a review cost (so far) of £0.2m. Savings range from 4%-33% (with an average of 17.5%) because some departments have identified major potential economies. Departmental reports with Ministers. Inter-departmental report, to be submitted to Prime Minister at end-November, will cover work on the Central Statistical Office, cross-Whitehall issues arising from departmental reviews (eg work of the Office of Population Censuses and Surveys) and such common themes as future control of statistical work and pricing of publications.

5. REPAYMENT BY DEPARTMENTS FOR PROPERTY SERVICES

Inter-departmental official group (Treasury, CSD, PSA Rating of Government Property Department) has submitted report. Sir Derek Rayner will now discuss with Mr Heseltine, with a view to Cabinet submission later in Autumn; report will recommend repayment for "common user" estate and supplies. Explanatory minute to Prime Minister before Cabinet submission.

6. ANNUAL SCRUTINY OF DEPARTMENTAL RUNNING COSTS (PILOT RUN, 1980)

Ministers are sending Minister of State, CSD, data on their running costs. Summary will be put to Cabinet later. Analyses so far received have identified major increases in costs in several areas. The analysis for the Department of Energy is appended as a typical example. Central action is needed to enable Ministers and their Permanent Secretaries better to reduce such costs. Sir Derek Rayner believes that he and Mr David Young, Sir Keith Joseph's Industrial Adviser, who has interested himself in this subject, could do much to help here.

7. MANAGEMENT REVIEW

The Prime Minister asked for a report on the efficacy of management review in the light of the two exercises in 1979-80, on the Ministry of Agriculture and the Overseas Development Administration respectively. The ODA exercise is complete, MAFF nearly so. Sir Derek Rayner will report as soon as he can. (CSD Ministers have no plans for a management review of the established type in the immediate future.)

8. LASTING REFORMS

- (a) Management of resources in departments (Sir Derek Rayner in lead): Less progress made than hoped for owing to pressure of other work. Aiming at submission later in the Autumn on the authority of Ministers and officials covering inter alia Accounting Officers, Principal Finance and Establishment Officers and line management.

- (b) Management of resources at the centre (Chancellor of the Exchequer or Sir Ian Bancroft in lead): Sir Derek Rayner's contributions to annuality and cost-effectiveness of safety etc regulations completed. Work on purposes and methods of central control and on the financial framework for management still in hand. Work of study team on CSD/Treasury organisation and "Inspector-General" in progress, to progress, to produce report to Prime Minister, end-October/-early November.
- (c) Culture of Whitehall (Minister of State, CSD, in lead): CSD is consulting departments and Sir Derek Rayner on "succession to key management posts" and is at work on pay* and promotion and helping staff to give of their best. DHSS, at Cabinet's request, in keeping a record of the cost of Parliament.

* CSD is at work on a proposal to initiate "merit pay" (a principle including penalties as well as bonuses) at the Under Secretary level.

Appendix: Scrutiny of annual departmental running costs,
Department of Energy