



VB
 CC: All members of Cabinet
 Chief Whip's Office,
 (Commons & Lords)
 Lord Advocates Office
 Law Officers Dept.
 Cabinet Office
 Sir Derek Rayner's Office

CF to file

10 DOWNING STREET

From the Private Secretary

1 June 1981

1) CF 11.6.81
 2) BF 1.7.81
 3) BF 7.8.81

Car Service

Dear Jim.

1980 Scrutiny of Departmental Running Costs

The Prime Minister was grateful for the Lord President's minute of 11 May reporting the outcome of the analysis of the 1980 scrutiny of Departmental running costs that was commissioned at Cabinet on 29 January. She was also grateful to Sir Derek Rayner for his minute of 18 May, and to the Chancellor of the Exchequer for his minute of 28 May.

The Prime Minister attaches great importance to this scrutiny exercise. She considers it essential when Departmental running costs are rising at a rate of 25% a year. She recognises that the 1980 exercise was very much a pilot run. But she feels that there are a number of ways in which the scrutiny, and the subsequent analysis reported by the Lord President, could have been improved. She would like her comments to be taken into account in the 1981 scrutiny, now under way.

First, the Prime Minister feels that the scrutiny exercise should help to ensure that Ministers do all they can to reduce the running costs of their Departments, and that it should also ensure that Ministers learn from the practices of other Departments. She is therefore concerned to say that she agrees with Sir Derek Rayner that the Lord President's paper gives no real feeling for the effectiveness of Departmental efforts at keeping down costs and achieving specific savings. If Ministers are to learn from their colleagues, it is important to identify and disseminate the "best" practices within Departments. The Prime Minister therefore agrees with Sir Derek Rayner that for this and subsequent years' scrutinies Ministers should be given clear statements of the positive measures taken by their Departments to achieve cost reductions, together with details of the savings achieved. These statements should be reported collectively to Ministers by the Lord President.

She would also be grateful for the Lord President's advice on whether it would be possible to pick out from the figures produced by the scrutiny "key ratios" or "performance indicators" which could help Departmental managers assess their performance, and compare it, with other Departments. Perhaps the Financial Management Coordination group of officials could be asked to look at this in the context of their other work on the scrutiny (see below).

/ The Prime Minister

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3 | The Prime Minister recognises that the main value of the running costs exercise is to help Ministers improve practices within their Departments. But she also sees the exercise as enabling Ministers to consider collectively the demands made on Government resources by Departmental running costs. These costs, at £8300 million a year, are a significant demand on public funds, and the annual increases in these costs are also very substantial. The Prime Minister agrees with Sir Derek Rayner that Ministers should consider the possibilities of reducing non-staff administrative costs when they are taking decisions on public expenditure generally. She notes that Mr. Hayhoe has asked Ministers to submit the results of the 1981 scrutiny to him by mid-September; and she hopes that a paper can be circulated to Ministers collectively as soon as possible after that.

The Prime Minister acknowledges that there is a risk that the scrutiny of running costs will duplicate other management information systems. She therefore agrees to the Lord President's proposal that the Financial Management Coordination Group of officials should consider how the Departmental running costs exercise should be integrated with other work on management information systems.

2 | Finally, the Prime Minister feels very strongly that the figures for running costs reported to Cabinet in January should be published. As I have already mentioned to you, she would like these figures to be annexed to the Government's White Paper on efficiency. She has agreed with the Lord President's recent proposal that we should aim to publish this White Paper by the end of June. It can then form the basis for the forthcoming enquiry by the Treasury and Civil Service Select Committee into efficiency in Government.

↓ | I am copying this letter to the Private Secretaries to Ministers in charge of Departments and to the offices of Sir Robert Armstrong and Sir Derek Rayner.

See long term Management
Civil Service D+B
for white Paper

Yours sincerely

William Rickett

Jim Buckley, Esq.,
Lord President's Office.