

CONFIDENTIAL

PRIME MINISTER

CONTROL OF EXPENDITURE: DEPARTMENTAL RESPONSIBILITIES

You asked the Chancellor of the Exchequer and the Lord President for advice on the staffing of the Treasury and CSD so as to equip them for their role in promoting and monitoring "the best possible control systems in departments". You also asked for my views.

2. The Chancellor's and Lord President's offices replied to Mr Rickett on 12 and 16 June. My previous minute to you of 19 May and my letter to the Chancellor of 10 June are also relevant.

3. I am very reluctant to burden you with any more paper on this subject, so I shall keep this short.

4. The Treasury and the CSD are now hard at work inventing the wheel of "financial management", the former I think with some enthusiasm and the latter I suspect with rather less.

5. There is indeed a lot of effort involved here. It ranges from Mr Russell Barratt's scrutiny of the Treasury expenditure divisions' role in promoting departmental efficiency; through the attempt to define "financial management" in government (on which the Treasury is leading); to the Coopers and Lybrand case study in MAFF. But there is a certain vagueness about the timetable for change. As far as the centre is concerned, the work in hand is going to need pulling together, with vigour and determination, to produce a pay-off in terms of:

- (1) ensuring that the Treasury expenditure and the CSD manpower divisions have the skill, knowledge and experience to satisfy themselves that spending departments can cope with their various "businesses" economically and successfully; and



- (2) ensuring that departments are properly staffed and equipped (notably in terms of information and appraisal systems) to do their financial and resource management work economically etc.

6. I think that it would greatly help you (and the central Ministers) to receive a presentation on

- (1) the strategy for central control as it is now developing;
- (2) the particular objectives in which it should be expressed;
- (3) what the expenditure division staff actually do now and what they should do in future; and perhaps
- (4) what the financial management function looks like in a department.

7. This would have the advantage of bringing you up to date in a vivid way; enabling you to comment directly to those concerned; and wonderfully concentrating the central departments' minds. If you were attracted by this, I suggest that:

- (1) and (2) might be undertaken by a senior Treasury official, say Sir D Wass, Sir A Rawlinson or Mr Littler;
- (3) might be done by the Treasury and CSD expenditure and manpower Principals responsible for, say, DHSS or another department; and
- (4) - which is an optional extra - might be done by the Principal Finance Officer of DHSS or the other department.

8. In case you like this idea, I suggest the draft letter to the Chancellor's office attached.
9. If you do not, I suggest that the draft should continue after the third paragraph:

"The Prime Minister would be grateful if she could be informed by mid-September of the progress being made with the various exercises now in hand and with their translation into practical policies for change."



Derek Rayner  
8 July 1981

Enc: Draft letter to Chancellor's private secretary