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CABINET OFFICE

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March 1982

D Omand Esq
Private Secretary to the
Secretary of State for Defence

THE EFFICIENCY STRATEGY 1982: THE SCRUTINY PROGRAMME

Owing to the late submission of some Ministers' proposals in response to Clive Whitmore's Dear Private Secretary letter of 15 December, it is only recently that the Prime Minister has been able to consider all the proposals together. Mrs Thatcher was grateful for your Secretary of State's minute of 15 January, which she read with sympathy as she appreciates the size and complexity of the tasks of management in your Ministry and the painful nature of decisions either taken or to be taken in some areas.

2. The Prime Minister is well content with Mr Nott's proposal that there should be scrutinies this year of his Ministry's arrangements for dealing with Service and civilian pensions and for the issue of Service pay. She thinks that these are both good subjects, well worth doing, which may turn out to have important implications for other aspects of Service management. She would like to be informed later whether this proves to be the case. She has asked Sir Derek Rayner to take a particular interest in them both on her behalf.

3. The Prime Minister is also pleased with the proposals that RAF Support Command and individual training associated with it and the Meteorological Office should be included in the programme of Resource Control Reviews. She thinks both subjects excellent and their inclusion in the programme a first-rate example to other Departments.

4. The Prime Minister also noted your Secretary of State's reference to his new Directorate-General of Management Audit, whose establishment last year she very much welcomed. She thinks that, because your Ministry is now well on the way to being better equipped for the intensive examination of costly areas of work, the Civil Service as a whole would have much to learn from the work of the new Directorate and she hopes that opportunities for this can be provided from time to time.

5. I am copying this letter to John Kerr (HM Treasury), Jim Buckley (Chancellor of the Duchy of Lancaster's office) and David Wright (Cabinet Office).

C PRIESTLEY



11 APR 1962



CONFIDENTIAL

Mr RICKETT



THE EFFICIENCY STRATEGY 1982: MINISTRY OF
DEFENCE

We spoke this morning and I now intend to send Mr Omand (MOD) the attached letter, which draws on the draft I submitted last Friday. Please let me know if the letter does not suit.

CP

C PRIESTLEY
1 March 1982

Enc: Letter to Mr Omand

I have told Mr Priestley this is OK.

As subject

2/3

Mr Whitmore

Yes. OK | in

Clive Priestley wants to convey the Prime Minister's reactions on MOD's proposed scrubbing programme to David Omand, leaving out the sensitive suggestion that the programme should be extended. He particularly wants to make points A & B (see attached). I can see no objection. Agree? *LM 1/3*

pa.

PRIME MINISTER

I think not. Let us get Trident on a two other things over

Efficiency Strategy 1982: the MOD

You agreed in January that I should delay writing to Mr. Nott's Office in the terms of the draft at Flag C because of certain difficulties we were facing then.

hope we can make this not

I don't believe that those particular problems are ever going to be entirely behind us, but I think that they are at present slightly less worrying than they were two or three weeks ago. I think therefore that now would be as good a moment as any to write urging Mr. Nott to extend his resource control reviews into the areas of Army and Navy support*. May I do so?

John

26 February, 1982.

* the draft on flag C will need amending slightly to take account of the passage of time since it was prepared.

CONFIDENTIAL

Mr RICKETT

Mr Whitmore



THE EFFICIENCY STRATEGY 1982: MINISTRY OF DEFENCE

1. I refer to your minute of 22 February on the scrutiny programme, for which thank you. As requested, I offer here-with a draft letter to MOD in response to Mr Nott's minute to the Prime Minister of 15 January.

2. The background is still much as in my personal/ confidential minute of 4 February, to which you may like to refer. The new factors are these:

- (1) Mr Nott has now made a truculent statement in front of some of his colleagues (at the presentation on 24 February) which does not help to smooth the path for a letter from Mr Whitmore. The statement was also wrong-headed. The assertion that the only way to manage the MOD is to "stop it or to shut it" is all of a piece with what used to be thought of in my days as a National Service squaddie as the norm for good order and military discipline, namely "If it moves, salute it; if it doesn't, whitewash it". Defence is one of the biggest business conglomerates in the country and much of Sir F Cooper's personal effort is devoted to getting its management onto a sounder basis. And what Mr Nott described as trivial savings, other departments see as very sizeable sums indeed. I don't think that we should reward truculence by backing off, but it does affect the questions of exactly what is asked for (see paras. 5 and 7 of the draft) and to whom the letter is copied (para. 8) - you may think it wise to restrict the circulation to the Cabinet Office in order somewhat to reduce the provocation factor.



(2) Sir Derek Rayner will have a test drive of the Defence Sales Organisation presentation by Mr Blyth on 4 March, with a view to it being offered to the PM shortly afterwards - provided Mr Nott does not squelch the idea, which is always possible.

3. If there is any prospect of Mr Whitmore's letter being much delayed, please let us consider how to notify MOD that the PM would like Sir Derek Rayner to take a particular interest on her behalf in the two scrutinies Mr Nott has offered.

cp

C PRIESTLEY
26 February 1982

CONQUEROR

Enc: Draft letter

MANAGEMENT - IN CONFIDENCE

D Omand Esq
Private Secretary to the
Secretary of State for Defence

THE EFFICIENCY STRATEGY 1982: THE SCRUTINY PROGRAMME

1. Owing to the late submission of some Ministers' proposals in response to my Dear Private Secretary letter of 15 December, it is only recently that the Prime Minister has been able to consider all the proposals together. Mrs Thatcher was grateful for your Secretary of State's minute of 15 January, which she read with sympathy as she appreciates the size and complexity of the task of management in your Ministry and the painful nature of decisions either taken or to be taken in some areas.

2. The Prime Minister is well content with Mr Nott's proposal that there should be scrutinies this year of your Ministry's arrangements for dealing with Service and civilian pensions and for the issue of Service pay. She thinks that these are both good subjects, well worth doing, which may turn out to have important implications for other aspects of Services management. She would like to be informed later whether this proves to be the case. She will be asking/has asked Sir Derek Rayner to take a particular interest in them both on her behalf.

3. The Prime Minister is also pleased with the proposals that RAF Support Command and individual training associated with it and the Meteorological Office should be included in the programme of Resource Control Reviews. She thinks both subjects excellent.

4. The Prime Minister has made two other points. First, she noted your Secretary of State's reference to his new Directorate-General of Management Audit, whose establishment last year she very much welcomed. She think that, because your Ministry is now well on the way to being better equipped for the intensive examination of costly areas of work, the Civil Service as a whole would have much to learn from the work of the new Directorate and she hopes that opportunities for this can be provided from time to time.

5. Secondly, the Prime Minister thinks that there would be ^{great} ~~solid~~ advantage in including one or two other Service commands or functions of a nature and size commensurate with those of RAF Support Command in either the Resource Control Review or the scrutiny programme.

6. Mrs Thatcher believes that the advantage would be both to your Ministry, especially perhaps to its military leadership, in providing intrinsic gains in efficiency and effectiveness, and to the Government as a whole. This is because Defence expenditure accounts for such a large proportion of total government spending and because, being in the

public eye on that account, it is especially desirable for senior military and civilian managers to show that they are taking - in your Secretary of State's words - a "No holds barred" approach to related or comparable blocks of expenditure.

He 7 - m - therefore hopes very much that you d - of - s - can agree to extending the resource control review in this way

7. *2* It may be that the right time to bring other Service commands or functions into the programme would be a little later this year, when it will be possible to draw on the experience ^{got gained} ~~by~~ then from the reviews of RAF Support and the Meteorological Office. I should be grateful if you would kindly let me know what is decided by the end of April.

8. I am copying this letter to John Kerr (HM Treasury), Jim Buckley (Chancellor of the Duchy of Lancaster's office), David Wright and Clive Priestley (Cabinet Office).

C A WHITMORE

DRAFT

LETTER TO MR. OMAND, MINISTRY OF DEFENCE

The Efficiency Strategy 1982

The Prime Minister was grateful for your Secretary of State's minute of 15 January, which she read with considerable sympathy.

The Prime Minister is happy with Mr. Nott's proposal that there should be scrutinies this year of your Ministry's arrangements for dealing with Service and civilian pensions and for the issue of Service pay. She thinks that these are both good subjects, well worth doing, which may turn out to have important implications for other aspects of Services management; she would like to be informed later whether this proves to be the case. She will be asking Sir Derek Rayner to take a particular interest in them both on her behalf.

The Prime Minister is also pleased with the proposals that RAF Support Command and individual training associated with it and the Meteorological Office should be included in the programme of Resource Control Reviews. She thinks both subjects excellent and looks forward to meeting the examining officers at the presentation on 24 February.

However, the Prime Minister thinks that - not least because your Ministry is now well on the way to being better equipped for the intensive examination of costly areas of work - there is much to be said for including one or two more expensive Service commands or functions in the Resource Control Review.

/ Mrs Thatcher

Mrs Thatcher thinks that this would accord with your Secretary of State's warm response to the Chancellor of the Duchy of Lancaster's minute to her of last November. She also thinks that there would be a very real advantage to the Government as a whole and to your Ministry, in extending the Resource Control Review to Army and Navy functions of a nature and size commensurate with those of RAF Support Command. This is because Defence expenditure accounts for such a large proportion of Government spending as a whole and because, being in the public eye on that account, it is especially desirable for Ministers to show that they are taking - in your Secretary of State's words - a "no holds barred" approach to related or comparable blocks of expenditure. The Prime Minister therefore hopes very much that your Secretary of State can agree to extending the Resource Control Review in this way.

I am copying this letter to John Kerr (H M Treasury), Jim Buckley (MPO) and David Wright and Clive Priestley (Cabinet Office).