

Ref. A07820

PRIME MINISTER



Prime Minister
Content to endorse the
programme of work set out
at Annex A?

Yes
LM
19/3

The Efficiency of Central Government:
Some Targets for 1982

This minute reports on progress with Sir Derek Rayner's programme of "lasting reforms" and on further work to be undertaken this year on improving the efficiency of central government.

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3. It has been clear from the start that very close working between the Treasury and MPO will be essential to effective action. Sir Douglas Wass and I have instituted a fortnightly management meeting, also attended by Sir Anthony Rawlinson and Mr Cassels, to ensure that joint action is achieved in practice.

4. We recently met Sir Derek Rayner to discuss proposals by him intended to accelerate action on "lasting reforms" (on some of which he himself has made slower progress than he would have wished) and for efficiency targets to be met in 1982 as a contribution to a long-term strategy for improved management.

--- 5. This has resulted in agreement on the action set out in the enclosed note. We all consider that the note sets out practical steps which will be of great importance in securing the progress agreed to be necessary. Sir Douglas Wass and I will see that the whole is effectively co-ordinated, in consultation with Sir Derek Rayner as necessary, and I will keep you informed on progress.

6. The note is not an exhaustive list of the action in hand. For example, the MPO's "early tasks" document, which will be coming back to you shortly, will set out major objectives for MPO in 1982. This will include a long-term programme of action to improve management in Government Departments and secure the better running of the services provided by central government and will be tied in closely with the Treasury initiative on financial management (paragraph 4(i) of the attached note). The Treasury and all Departments are at present engaged in the "chain of command" review of open structure posts following the Wardale



report. It has been recently decided that the Annual Review of Running Costs will be repeated in 1982. Ministers and their Departments are deeply involved in other "efficiency" exercises, including getting their staff numbers down in line with the manpower targets for 1984. In some Departments, a lot of effort is also required to give effect to decisions already taken. But that does not detract from the value of the actions to which our commitment is recorded in the attached note. They are of major importance to the improvement of management and efficiency in the Civil Service.


7. Sir Derek Rayner has asked me to say that he attaches particular importance to the proposition that a programme of administrative reform is incomplete without a clear benefit for staff. By this he means not token sweeteners, but something which both indicates that the Government has a whole policy for good management and is right in itself, eg investment in decent working surroundings for local office staff. This explains the references at paragraph 5(ii) and (iii) of the attached note to improved working conditions.

8. We hope that you will endorse the programme of work set out in the attached note.

9. I am sending copies of this minute and the note to the Chancellors of the Exchequer and the Duchy of Lancaster, the Chief Secretary, Treasury and the Minister of State, Treasury (C); and to Sir Douglas Wass and Sir Derek Rayner.

ROBERT ARMSTRONG

19 March 1982



Treasury and MPO

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The reorganisation of the central Departments, together with the work on efficiency which has been completed in 1980 and 1981, represents the first stage in a long term programme of reform which may take ten years to complete. This note sets out some specific targets for 1982 agreed with Sir Derek Rayner as a contribution to the next stage in the process. ("Lasting reforms" are marked LR).

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This applies to scrutinies etc undertaken by Departments in 1979-81, on which Sir Derek Rayner reported to the Prime Minister on 26 February; the 1981 review of supporting services for Research and Development (responsibility with Sir Derek Rayner); and follow-up to the 1981 review of forms (responsibility with MPO).

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In addition to assisting in the scrutiny programme now agreed for 1982, the Management and Personnel Office and the Rayner Unit will co-ordinate three Government-wide reviews: a programme of Resource Control reviews; projects to assist Departments in their control of running costs; and a review of Personnel work. Overall responsibility for co-ordinating the reviews falls to Mr Cassels.

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Sir Derek Rayner will circulate a new draft on the managerial authority of Ministers and Permanent Secretaries to a group of Permanent Secretaries, before consulting Ministers. Action to be completed by end-May.

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(i) Treasury will take forward action resulting from the work of its Financial Management Co-ordination Group, on the lines described in the Chief Secretary's minute to the Prime Minister of 5 March. Following consultation with selected Permanent Secretaries and Sir Derek Rayner, and after clearance with the Prime Minister, guidance on the improvement of financial management, including the further development of management accountancy, will be issued to Departments. The guidance will draw together the general lessons from such earlier work as the Cooper & Lybrand report on MAFF and will invite Departments to draw up and agree with the Treasury a specific programme of action. Such a programme will take several years to complete over the whole field but the aim will be substantial progress this year. Responsibility with the Treasury (but in consultation with MPO); guidance to be issued in April.

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Since the PSA vote for 1982-83 is now closed, there is no possibility of providing extra money for improvements in the coming year. But in preparation for 1983-84, the following work will be put in hand:

(i) The Treasury will press on with the introduction of the repayment system, which will make Departments themselves responsible for managing their own accommodation on budgets on a trial basis in 1983-84.

(ii) The Treasury have included in the proposed guidelines for the 1982 public expenditure survey an invitation to Departments to consider whether to provide within their total programmes more or less than their share of the existing PSA provision for Government civil accommodation, indicating how far any additional provision can be regarded as linked with improvements in efficiency.

(iii) Sir Robert Armstrong will write to the new Director General of the PSA to seek his assessment of the state of the PSA estate and plans for improving substandard accommodation.



6. Career Development for Managers

Changes in career development intended to strengthen management ability in Departments in the longer term will be studied by MPO in accordance with its action document (report by end-1982).

7. Enabling Staff to Give of Their Best

The policies at 5 and 6 above are relevant. But the MPO also has in hand work to increase the motivation of junior staff through greater involvement in the organisation and planning of their work (report mid-1982); to examine the current system for staff reporting and appraisal (interim report April); to experiment in the more effective use of resources in local offices (project work in 1982); and to review the criteria for promotion (report mid-1982).

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PERSONAL

Mr RICKETT

EFFICIENCY OF CENTRAL GOVERNMENT; FINANCIAL MANAGEMENT: MCA

I am marking this minute PERSONAL because it offers advice on a reply to Sir R Armstrong's minute of 19 March on some targets for 1982. It is therefore "off the record". This subject is dealt with first. The minute then goes to some unfinished business on financial management and the meeting with the MCA.

Efficiency targets for 1982

2. This minute is the product of an initiative taken by Sir Derek Rayner with the Joint Heads of the CS, Sir A Rawlinson and Mr Cassels (who constitute the "Civil Service Management Meeting" held each fortnight). The purpose of the initiative was to establish that a long-term programme was needed under the leadership of the Joint Heads and that it would only mean anything if it consisted in practical action/s.
3. I attach a possible draft reply, which you will want to discuss with Mr Whitmore.
4. The draft takes the opportunity to do something that I think will be generally helpful, namely to set out the PM's "efficiency" agenda for the next few weeks.
5. We shall aim to brief on the various items of business listed.

Financial management

6. I attach a short draft letter in reply to the Chief Secretary's undated minute of last Thursday or Friday - short partly because the reply to Sir R Armstrong picks up much of the detail in the "agenda" and would be copied to the Chief Secretary.



MCA

7. As agreed, I offer herewith draft letters to Miss Timms (MAFF) and Mr Spencer (DOI).

8. I am consulting Sir R Armstrong about a possible "thank you" letter to Mr Banks - I have sent you a blind copy of my minute.

9. You will of course have noted that both Mr Peter Walker and Mr Patrick Jenkin are retaining consultants to help implement the schemes of work agreed on after the Coopers and Lybrand and Touche Ross assignments (both of which were commissioned as a direct result of the PM's interest in internal audit a year ago).

CP

C PRIESTLEY
22 March 1982

Encs: Draft minute to Sir R Armstrong
Draft letters to Mr Mathews, Miss Timms and Mr Spencer

Sir Robert Armstrong

THE EFFICIENCY OF CENTRAL GOVERNMENT: SOME TARGETS FOR 1982

The Prime Minister has seen your minute of 19 March and the attached note, for which she was grateful. Her comments are as follows.

2. The Prime Minister endorses the programme of work set out in the note for 1982. She thinks that it is right to plan for a continuing programme of reform, consisting of practical measures aimed at the achievement of practical changes.

3. Secondly, the Prime Minister is glad that you and Sir Douglas Wass have set up a series of fortnightly meetings, with Sir Anthony Rawlinson and Mr Cassels, to ensure that joint action is achieved in practice. She notes that Sir Derek Rayner has been associated with this work and is pleased that this will continue to be the case. Mrs Thatcher is glad that you will keep her in touch with progress. She thinks that a report every six months would be appropriate, the first at end-September 1982, please. It would be helpful if the report covered all relevant initiatives, that is, those in para. 6 of your minute as well as those in your note.

4. Thirdly, the Prime Minister agrees with Sir Derek Rayner's observation that reform must include benefits for staff and she hopes that no unnecessary obstacle will be allowed to stand in the way of this.

5. Finally, it may be helpful to record here the matters to which the Prime Minister will be giving attention herself over the next few weeks.

- (1) Internal audit: report by Chief Secretary, end-March.
- (2) Treasury initiative on financial management and management accounting: report by Chief Secretary, including draft paper and arrangements for central co-ordination of and support for the work proposed, April.
- (3) Training in financial management: report by Chancellor of the Duchy of Lancaster, April.
- (4) Annual scrutiny of departmental running costs: meeting with Chief Secretary and Minister of State (Commons), 20 April.
- (5) Draft reply to the report of the Treasury and Civil Service Sub-Committee on efficiency

6. I am copying this to the private secretaries of the Chancellor of the Exchequer and Duchy of Lancaster, the Chief Secretary to the Treasury and the Minister of State (Commons), Sir Douglas Wass and Sir Derek Rayner.

C A Whitmore



no 13

10 DOWNING STREET

From the Private Secretary

23 March 1982

FINANCIAL MANAGEMENT REVIEW BY COOPERS & LYBRAND

The Prime Minister read your Minister's letter of 9 March with great interest. She very much welcomes Mr. Walker's vigorous response to the report by Coopers and Lybrand Associates and hopes that it will produce substantial benefits for the management of his Ministry's financial affairs.

I am copying this letter to John Kerr and Terry Mathews (HM Treasury), Jonathan Spencer (Department of Industry), Jim Buckley (MPO), David Wright (Cabinet Office) and Chris Joubert (Sir Derek Rayner's Office).

W. F. S. RICKETT

Robert Lowson, Esq.,
Ministry of Agriculture, Fisheries & Food.



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10 DOWNING STREET

From the Private Secretary

23 March 1982

REVIEW OF FINANCIAL CONTROL

The Prime Minister found your Secretary of State's minute of 12 March interesting and helpful. She is grateful for it and sends your Secretary of State her good wishes for the successful completion of a scheme well adjusted to the needs of himself and his department and consistent with wider developments across the Government as a whole.

I am copying this letter to John Kerr and Terry Mathews (HM Treasury), Robert Lawson (MAFF), Muir Russell (Scottish Office), Jonathan Rees (Department of Trade), John Craig (Welsh Office), Jim Buckley (MPO), David Wright (Cabinet Office) and Chris Joubert (Sir Derek Rayner's Office).

W. F. S. RICKET

Jonathan Spencer, Esq.,
Department of Industry.

63

T F Mathews Esq
HM Treasury

FINANCIAL MANAGEMENT

The Prime Minister was grateful for the Chief Secretary's recent minute in reply to my letter of 15 March. She has noted the intended timetable on internal audit; financial management including management accounting; external help; a comprehensive statement to Parliament; and is content.

I am copying this letter to Jim Buckley (MPO), Jonathan Spencer (DOI), Kate Timms (MAFF), David Wright (CO) and Chris Joubert (Sir Derek Rayner's Office).

W F S Rickett

Robert Lawson

~~Miss V K Timms~~

Private Secretary to the Minister of
Agriculture, Fisheries and Food

FINANCIAL MANAGEMENT REVIEW BY COOPERS AND LYBRAND

The Prime Minister read your Minister's letter of 9 March with great interest. She very much welcomes Mr Walker's vigorous response to the report by Coopers and Lybrand Associates and hopes that it will produce substantial benefits for the management of his Ministry's financial affairs. ~~The Prime Minister has asked me to make this further comment.~~

Mrs Thatcher strongly agrees with the Consultants' conclusion that the conventional view of the role of finance in Government management has been too restricted and therefore with their and your Minister's proposal that responsibility for management should be defined and accountability delegated to coincide with responsibility. This is consistent with the Government's general policy since it took office and more particularly with the initiative about to be proposed to Ministers by the Chief Secretary.

I am copying this to John Kerr and Terry Mathews (HM Treasury), Jonathan Spencer (DOI), Jim Buckley (MPO), David Wright (CO) and Chris Joubert (Sir Derek Rayner's Office).

W F S Rickett

J P Spencer Esq
Private Secretary to the
Secretary of State for Industry

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The Prime Minister found your Secretary of State's minute of 12 March interesting and helpful. She is grateful for it and sends your Secretary of State her good wishes for the successful completion of a scheme well adjusted to the needs of himself and his department and consistent with wider developments across the Government as a whole. ~~The Prime Minister has asked me to add these comments.~~

First, Mrs Thatcher is glad to see the emphasis which your Secretary of State attaches to the role of Ministers (para. 3), as she thinks the good definition and execution of this role critically important to sound financial management. Similarly, she agrees that there is a strong argument for not dividing responsibility for money and manpower.

Secondly, the Prime Minister is glad that your Secretary of State has set in hand the actions listed in para. 6 of his minute. This seems generally excellent and likely to make a substantial contribution to Government policies in the area of financial management, not least for the control of departmental running costs and increasing the responsibility of officials down the line. However, the Prime Minister did not see any reference to the training of those responsible for advising on financial matters and she hopes that, given the scale and

nature of the Department's financial business, serious attention will be given to this.

I am copying this letter to John Kerr and Terry Mathews (HM Treasury), ~~Kate Timms~~ ^{Robert Lawson} (MAFF), Muir Russell (Scottish Office), Jonathan Rees (DOT), John Craig (Welsh Office), Jim Buckley (MPO), David Wright (CO) and Chris Joubert (Sir Derek Rayner's Office).

W F S Rickett

Prime Minister 2

WV
22/3
for Mark



Chancellor of the Duchy of Lancaster

mt

PRIME MINISTER

FINANCIAL MANAGEMENT

I have seen the minute which the Chief Secretary is sending you in reply to your Private Secretary's letter of 15 March. I endorse entirely what he says and shall tie in with his report my own on training.

As the Chief Secretary says, it did seem after the meeting with the Management Consultants' Association that the opportunity should be taken in replying to the report of the Treasury and Civil Service Sub-Committee on efficiency to give Parliament a comprehensive statement of the work in hand to improve financial management - and indeed not only that but management effectiveness more widely. I am sure that that is right and that a White Paper is called for. The MPO is putting work in hand on this in co-operation with the Treasury.

I am copying this as before.

Baroness Young

BARONESS YOUNG

22 March 1982

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22 MAR 1962





JR

10 DOWNING STREET

From the Private Secretary

DAVID WRIGHT

THE EFFICIENCY OF CENTRAL GOVERNMENT:
SOME TARGETS FOR 1982

The Prime Minister has seen Sir Robert Armstrong's minute of 19 March, reference A07820. She was grateful for this report on progress with Sir Derek Rayner's programme of "lasting reforms" and on the further work to be undertaken this year on improving the efficiency of central government; and she has endorsed the programme of work set out in the note attached to Sir Robert's minute.

I am copying this minute to John Kerr (HM Treasury), Jim Buckley (Chancellor of the Duchy of Lancaster's Office), Terry Mathews (Chief Secretary's Office), Adrian Carter (Minister of State's Office, HM Treasury), Jeremy Colman (HM Treasury) and Clive Priestley (Sir Derek Rayner's Office).

W. F. S. RICKETT

22 March 1982



10 DOWNING STREET

From the Private Secretary

22 March 1982

FINANCIAL MANAGEMENT

The Prime Minister was very grateful for the Chief Secretary's recent minute, which she has noted without comment.

I am copying this letter to John Kerr (HM Treasury), Jim Buckley (Chancellor of the Duchy of Lancaster's Office), Jonathan Spencer (Department of Industry), Robert Lawson (MAFF), David Wright (Cabinet Office) and Clive Priestley (Sir Derek Rayner's Office).

W. F. S. RICKETT

Terry Mathews, Esq.,
HM Treasury.

A handwritten signature in the bottom right corner of the page.

Prime minister 2

WM
19/3



ml

PRIME MINISTER

FINANCIAL MANAGEMENT

Your Private Secretary's letter of 15 March contained your comments on my minute of 5 March. I am glad you found it encouraging; we do most certainly intend to put greater impetus and coherence into the movement on this front.

2. I hope to let you have a progress report on internal audit at the end of this month.
3. On management accounting and other aspects of financial management, I shall much welcome Sir Derek Rayner's help as you suggest, including his comments on the proposed Treasury paper. I will show it to you next month as soon as it is ready, and of course before it is issued to departments. That will probably be the best time for me to report to you also on the arrangement of the effort by the central departments to co-ordinate and support the work proposed in the paper, and perhaps too for the Chancellor of the Duchy to report on the training that will be needed.
4. As regards external help, I think we agreed after the meeting with the Management Consultants' Association that a formal central committee with consultant members would be more likely to retard the work than to hurry it forward, and I do not propose to pursue that suggestion. The Treasury will of course, with the MPO, consult departments on service-wide issues, but without a great formal apparatus, and any consultation with knowledgeable outsiders, not necessarily confined to consultants, should be

similarly informal. Following the meeting, I have asked officials to keep that line of contact open (and find out whether and how much the consultants would charge for the occasional consultation). At the departmental level, I expect that some departments will want consultants' help with implementation; that is better dealt with case by case.

5. I think that it would be a good idea to give Parliament a comprehensive statement of the work in hand to improve financial management. As we mentioned briefly after the meeting, it would be sensible to combine that with the Government's reply to the forthcoming report by the Treasury and Civil Service Sub-Committee on efficiency, and we will plan accordingly.

I am copying this minute to the Chancellor of the Duchy of Lancaster, the Secretary of State for Industry, the Minister of Agriculture, Fisheries and Food, Sir Robert Armstrong and Sir Derek Rayner.

L.B.

LEON BRITTAN

9/3/82?

1871

1871

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WM
19/7
Sa Mac

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000 19 March 1982

Clive Priestley Esq
Cabinet Office
70 Whitehall
LONDON SW1A 2AS

Dear Clive,

THE EFFICIENCY STRATEGY 1982 : THE SCRUTINY PROGRAMME

Your letter of ^{underneath} 25 February to John Kerr refers.

On the scrutiny of memoranda and instructions issued by headquarters to local Tax and Collection Offices notifying new procedures and revising existing ones, you recorded the Prime Minister's suggestion that it might serve the wider objective of increasing delegation of authority to local offices, examining the relationship between headquarters and such offices in attempting to simplify administration and increasing the discretion of local management. You also recorded her interest in reducing the complexity of regulations.

We certainly agree that the terms of reference of the scrutiny should be amplified to stress the objectives of reducing complexity and encouraging local initiative and discretion wherever possible. As a separate initiative towards increasing the authority of regional and local offices, we are already delegating to line managers greater control over the distribution of their manpower and the budget for particular areas of their expenditure. For example travelling and subsistence and telephone costs have already been delegated, and postal costs are to follow shortly. We hope to continue this process so that regional and local offices will ultimately have a full picture of their costs and, so far as practicable, clear budgets within which to operate.

But we would wish to keep the main focus of the scrutiny very much on the memoranda and instructions themselves since otherwise there would be a danger of duplicating work which is already going on, and perhaps holding up its conclusions. Three major structural reviews are already in progress - into the tax district network and organisation, the collection service and the line management and inspection system of the regional offices - and all are expected to complete their work and report later this year.

/On the possibility

MANAGEMENT IN CONFIDENCE



On the possibility of including the scrutiny of the VAT HQ at Southend in this year's programme we have now examined this in detail and have concluded that it would be better to leave it for the following year. Customs have already started a staff inspection of the Southend HQ, with Treasury participation. It would not have made sense to have had staff inspectors and a Rayner team going over very much the same ground at the same time. To have terminated the inspection in favour of a Rayner scrutiny would have created the impression of vacillation and would have contrasted oddly with the general policy of strengthening staff inspections (which Customs have done). Moreover a number of other studies are taking place in the Southend headquarters: the internal audit unit are studying the banking section, and a joint MPO/Customs job satisfaction team are studying large clerical areas in order to improve efficiency. Against this background, we have concluded that the best way forward would be to let the staff inspection run its course, but to start a Rayner scrutiny at the beginning of 1983.

We have noted the Prime Minister's comments on the scrutinies of the Department of National Savings and the Civil Service Catering Organisation.

I am copying this letter to recipients of yours.

Yours ever,
Peter

P S JENKINS
Private Secretary



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