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Civil Service
Prime Minister 2

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DEPARTMENT OF HEALTH & SOCIAL SECURITY
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From the Secretary of State for Social Services

The Rt Hon Leon Brittan QC MP
Chief Secretary to the Treasury
Treasury Chambers
Great George Street
LONDON SW1

13 March 1982

Leon

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DEPARTMENTAL BUDGETING SYSTEM

In my comments on the 1981 scrutiny of departmental running costs, I mentioned that I was considering how the Departmental budgeting system could be improved and that to that end a firm of consultants, Price Waterhouse Associates (PWA) were working with my officials on reviewing our system.

We have now had the consultants' advice and you may be interested to see the enclosed copy of their Report. As you will see, they conclude that the Department's present computerised accounting system could economically be adapted to the requirements of a budgetary control system and recommend a detailed implementation programme for introducing such a system to be integrated into the preparation and presentation of supply estimates. There are good prospects that the system they recommend will help managers to control their costs more effectively and I have decided in principle to introduce such a system and to move ahead as quickly as possible with the implementation programme.

Initially it may be possible to work within the constraints of the Parliamentary Vote provision. But as PWA point out, one of the essentials of a budgetary control system of the type recommended is that individual budget holders should have some degree of freedom in the use made of their budget allocation so as to achieve the most efficient use of resources. I am sure that this is right and my officials will be discussing with yours what changes in the present sub-head divisions of total Vote expenditure will be feasible in order to support this development.

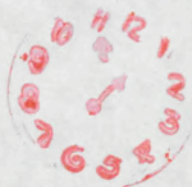
I am copying to the Prime Minister, Janet Young, Michael Heseltine - whose Department is also considering developments in this field - and to Sir Derek Rayner.

cc - Mr G. Hulme
Minister
Mr Mason
Mr Patridge
Mr Huppell

Young *Heseltine*

NORMAN FOWLER

22 MAR 1982



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