



Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon William Whitelaw CH MC MP
Secretary of State
Home Office
50 Queen Anne's Gate
London SW1H 9AT

17 December 1982

R. Williams

FINANCIAL MANAGEMENT

You will remember that the programmes of work for improving financial management which the Prime Minister commissioned in her personal minute of 17 May are due to reach the Treasury and the MPO in January. The Lord Privy Seal and I think that it may be helpful to colleagues if I outline briefly how we propose to carry things forward.

Officials have kept in touch over the developments in each department since the launching of the initiative last May, and it should be possible to move forward quickly as soon as the programmes reach the Treasury and MPO. As they come in, the Lord Privy Seal and I will call for an early submission in each case, giving a preliminary assessment of the proposed programme and advice on the next steps. Janet Young and I may then in some cases wish to discuss colleagues' proposals with them, in advance of making a general assessment and reporting to the Prime Minister.

Colleagues will, of course, wish to consider how best to give effect in their own departments to the general principles set out in the Prime Minister's letter of 17 May, and accompanying paper, and her Private Secretary's letter of 2 September. In making their preliminary assessments, however, we shall ask our officials to consider, *inter alia*, how the proposed programmes deal with the following 5 main issues, which you may find it helpful to bear in mind:

- (a) the provision of reliable and useful management information to all levels of departmental management, including Ministers and top officials (paras 15(b) and (c), 27 and 29 of the White Paper Cmnd 8616);
- (b) the matching of management information with the clear allocation of appropriate responsibility to managers at each level (paras 13 and 15(c) of Cmnd 8616);

(c) the budgeting and control of administrative costs (para 15d of Cmnd 8616);

(d) the comprehensiveness of the department's programme, when necessary in stages, for making wider improvements in its handling of financial business, for example by the development of output measurement and the formulation of explicit objectives (paragraphs 15(a) and (e) and 28 of Cmnd 8616;

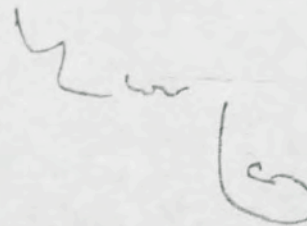
(e) the implications of the programme for training and staffing, including the use of external assistance where appropriate (para 21(h) of Appendix 3 to Cmnd 8616.

In assessing the programmes, attention will also be paid to the costs and cost-effectiveness of the developments proposed (para 11(h) of Appendix 3).

I have received periodical reports on progress from my officials. These show that departments have put a great deal of hard work into the financial management initiative. The Lord Privy Seal and I take this opportunity to express our warm appreciation of that. Colleagues will no doubt wish to give their personal attention to the proposed programmes as they come forward for approval.

When all the programmes have been received, the Lord Privy Seal and I will prepare a general assessment and make a full report to the Prime Minister. Concurrently, our officials will start work on the preparation of the further White Paper which the Government has said it will publish in July 1983.

I am copying this letter to the Prime Minister, other Ministers in charge of departments involved in the initiative, Sir Derek Rayner and Sir Robert Armstrong.



LEON BRITTAN

17 DEC 1982

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to Civil Servants

10 DOWNING STREET

From the Private Secretary

21 December 1982

FINANCIAL MANAGEMENT INITIATIVE: DEPARTMENTAL PROGRAMMES OF WORK

The Prime Minister was grateful for the Chief Secretary's minute of 17 December and for the copy of his letter to the Home Secretary. She will look forward to receiving a report from Mr. Brittan and Lady Young on the departmental programmes of work.

The Prime Minister recognises that the work of assessing the departmental programmes and of preparing a report to round off the initiative with a satisfactory plan of future action will be an added burden for the Chief Secretary, the Lord Privy Seal and their staffs. But she regards the initiative as of great importance for the good management of the work of central government and she would like the Treasury and MPO officials concerned to feel a sense of both her encouragement and her expectation of a good outcome.

Mrs Thatcher has asked me to add that while her interest in the provision of reliable and useful management information is already clearly on the record, she attaches considerable importance to the inclusion in the plan of future action of a sufficient scheme for the education and development of officials who have or will have substantial responsibilities for either the direct management of resources or the provision of financial advice to Ministers. The Prime Minister thinks that a central report which did not include such a scheme would be open to severe criticism in Parliament and elsewhere.

I am copying this to John Kerr and Harry Bush (HM Treasury), Mary Brown (MPO) and Christopher Joubert (Rayner Unit).

(TIMOTHY FLESHER)

John Gieve, Esq.,
H.M. Treasury.

NR

cc for information

Mr FLESHER

Sir Derek Rayner

FINANCIAL MANAGEMENT INITIATIVE: DEPARTMENTAL PROGRAMMES OF
WORK

You asked for advice on the Chief Secretary's personal and confidential minute of 17 December. (I have had some part in preparing it and the letter to Ministers in charge of departments, wearing both my hats as head of the Rayner Unit and as head of the Management and Efficiency group in the MPO. You will recall, by the way, that the financial management initiative (FMI) is one of the subjects on which Sir Derek Rayner remains available to advise.)

Background and future progress

2. The background and the next steps are:
- (1) Launched by Prime Minister at request of central Ministers in May 1982.
 - (2) Prime Minister expressed concern about seriousness of Ministerial/departmental response when clearing draft reply to Treasury and Civil Service Committee (TCSC) report, July-August 1982.
 - (3) Departments reminded of importance of management information on behalf of Prime Minister, 2 September 1982 (copy letter attached).
 - (4) Reply to TCSC published as "Efficiency and Effectiveness in the Civil Service" (Cmd. 8616), 28 September 1982, making the F M I known and promising the publication of a "central report" by July 1983.
 - (5) Chief Secretary's reminder to Ministers, 17 December 1982: copied to Prime Minister



by Mr Brittan under cover of his personal minute.

- (6) Departmental programmes of future work received by Treasury and MPO, end-January 1983.
- (7) Full appraisal of all programmes made by Treasury and MPO by end-March 1983; Chief Secretary and LPS hold bilaterals if necessary.
- (8) Report, possibly personal and confidential, to Prime Minister, April 1983.
- (9) Draft central report - summarising departmental intentions and indicating future action by central departments - circulated for Ministerial approval, May-June 1983.
- (10) Publication of central report, July 1983.

3. I propose to let the Prime Minister have a personal assessment of the progress being made when we have seen the programmes of work. This will probably be about mid to late February. Its purpose will be to advise the Prime Minister in which points, if any, she might take a particular interest as we run up to the drafting of the central report.

The progress made so far

4. This is a fascinating story. As the Chief Secretary's minute implies (paras. 4 and 5), the response of and progress made by departments have been patchy. Some - notably Agriculture, Customs, Defence, Environment, Health and Social Security, Home, Industry and Inland Revenue - have been very active on at least part of the field covered by the FMI. Others have seen the light rather late in the day, eg Education and Science.

5. Interest by Ministers in charge of Departments has so far been slight. The main purpose of the Chief Secretary's letter to Ministers is to stimulate his colleagues to exert themselves when they receive for approval the draft "programmes of work" - that is, the plans for future improvement of financial management - which they will get next month on their way to the Treasury and MPO.

6. Progress in the Treasury itself has been not the least absorbing part of the story. There is no doubt about the Chief Secretary's commitment or that of Mr Wilding, the deputy secretary who leads for him on the FMI. But Mr Wilding has had to fight a long drawn-out battle with the under secretaries in charge of the public expenditure groups whose staff will be appraising the "programmes of work". They see their jobs as chiefly political - to equip their Ministers for public expenditure clashes with "spending" Ministers; they are dubious about learning the new tricks of being quality controllers for departmental systems of management. There is more enthusiasm at assistant secretary and principal levels, which is just as well as it is here that the brunt of the appraisal work will be borne.

7. The joint advisory unit (Treasury and MPO), under Mr Russell and comprising consultants and civil servants, has been doing good work - mainly within departments, helping to sort out some of the detailed practical issues which have arisen. The main function of my own staff has been to get the criteria for appraising the programmes established; this has been a long struggle, now reasonably well resolved.

Advice

8. I do not think that the Prime Minister need send any message to Ministers generally at this stage, since her position and interest are clearly indicated in the Chief Secretary's letter to his colleagues (page 1, para. 3; page 2, para. 3).



9. However, the Chief Secretary, the LPS and the central departments could do with some encouragement, provided it has a touch of steel. I attach a draft private secretary letter.

CP

C PRIESTLEY

20 December 1982

Encs: Private Secretary letter of 2 September 1982.
Draft letter to Mr Grieve

CONQUEROR



Mr Wilding
 PPS FST EST
 MST(C) MST(R)
 Sir D. Wass
 From the Private Secretary

10 DOWNING STREET

Mr Mountfield

2 September 1982

Mr Gilmore

Sir A. Rawlinson

Miss M. Brown

Mr Borriatt

Mr N. J. King

Mr Ridley

Senior Private Secretary

PS/C&E
 PS/IR

FINANCIAL MANAGEMENT INITIATIVE: MANAGEMENT INFORMATION SYSTEMS

The Prime Minister is anxious that, in preparing their programmes of work in response to the Financial Management Initiative (launched by her letter of 17 May to colleagues), departments should pay sufficient attention to the need for reliable and useful management information. As part of the drive for improving all aspects of financial management, she is particularly concerned that systems should provide the information that is needed for efficient management at all levels in the department, including Ministers and top officials.

This aspect of improving management was covered in the paper enclosed with the Prime Minister's minute to her colleagues of 17 May, see for example paragraphs 5, 9 and 11 (c)-(e). The Prime Minister considers, however, that it would be right to take the opportunity provided by the proposed White Paper in reply to the Third Report from the Treasury and Civil Service Committee to bring out more clearly what is already implicit in the earlier paper.

The point arises in particular over the passage in the draft White Paper which deals with the Select Committee's references to the MINIS system in the DOE. While the Prime Minister recognises that some variation from MINIS may be necessary to meet differences between departments, she attaches great importance to the principles that underlie it, which apply generally; and thinks that the White Paper should set out the Government's intention to give effect to them.

I attach a revised draft of the passage in question (replacing paragraphs 17-25 of the version circulated with the Lord Privy Seal's letter to the Chancellor of the Exchequer of 19 July). The Prime Minister would like to draw colleagues' particular attention to what is said about the purpose of MINIS in paragraph 27 and to the statement of the Government's intentions in paragraph 29.

The Prime Minister hopes that both the wording and the substance of the revised passage will meet with the approval of her colleagues and that they will ensure that their departments' responses to the financial management initiative will take full account of it.

Yours sincerely,

PERSONAL AND CONFIDENTIAL

John Grieve Esq
Private Secretary to the
Chief Secretary

FINANCIAL MANAGEMENT INITIATIVE: DEPARTMENTAL PROGRAMMES OF WORK

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2. The Prime Minister recognises that the work of assessing the departmental programmes and of preparing a report to round off the initiative with a satisfactory plan of future action will be an added burden for the Chief Secretary, the Lord Privy Seal and their staffs. But she regards the initiative as of great importance for the good management of the work of central government and she would like the Treasury and MPO officials concerned to feel a sense of both her encouragement and her expectation of a good outcome.

3. Mrs Thatcher has asked me to add that while her interest in the provision of reliable and useful management information is already clearly on the record, she attaches considerable importance to the inclusion in the plan of future action of a

sufficient scheme for the education and development of officials who have or will have substantial responsibilities for either the direct management of resources or the provision of financial advice to Ministers. The Prime Minister thinks that a central report which did not include such a scheme would be open to severe criticism in Parliament and elsewhere.

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Private Secretary

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draft at
frag B
A.



FROM: CHIEF SECRETARY
DATE: 17 December 1982

PRIME MINISTER

Prime Minister:

Attached at frag A is a note for the Rayner Unit on the history and future of the Financial Management Initiative; at frag B is a draft reply. Agree that I should respond on your behalf. Mr Prestley suggests

FINANCIAL MANAGEMENT INITIATIVE: DEPARTMENTAL PROGRAMMES OF WORK as

I enclose a copy of a letter which I have today sent to all Ministers in charge of departments involved in the Financial Management Initiative. The letter outlines how Janet Young and I propose to deal with the programmes of work which departments will be sending to the Treasury and MPO in January and invites colleagues to give them their personal attention.

2. You will see that I shall ask my officials to prepare an early submission giving a preliminary assessment of each department's programme as it is received. This will enable us to pick up at an early stage any points which appear to need bilateral discussion with colleagues.
3. You may also find it helpful to have our preliminary impressions of progress on the initiative so far. They are based on the contacts which Treasury and MPO officials have had with their departmental colleagues.
4. The response has on the whole been forthcoming but it has not been uniform. As might be expected, those departments which were already getting ahead with improvements in financial management have made the fastest progress. Some of the others were at first slow to take on board the full scope and meaning of what was required. But encouragement from the Treasury, MPO and our joint financial management unit has now led to a more serious and systematic approach.
5. There is a general move, reinforced by your Private Secretary's letter of 2 September, towards better management information systems

for Ministers and top management. In other respects, progress so far has been more patchy; some departments have concentrated on administrative expenditure at the expense of the rest, and one of the things we shall have to watch is whether the programmes provide for adequate coverage of the whole field, in stages where necessary (see paragraph 2(d) of my letter to colleagues).

6. In general however it is clear that the initiative has gained momentum since the summer and that launching it has provided a real stimulus to change. The prospects for a worthwhile series of programmes in January appear generally good - though programmes from a few departments which have made late starts can be expected to contain more proposals for further study than for immediate action.

7. These are of course only preliminary impressions. Some proposals have still to be worked up more fully, and all will be subject to change between now and the end of January. In most cases, they have not yet been submitted to the departmental Ministers concerned whom we are now trying to get personally involved in this work. We shall be able to form a more definite view when the programmes reach us in January and will report to you again as soon as we can make a fuller assessment on that basis.

8. I am copying this minute to Janet Young, Geoffrey Howe, Barney Hayhoe and Sir Derek Rayner.

am

L.B.

LEON BRITTAN

17 December 1982