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cc BGT



FROM: CHIEF SECRETARY

DATE: 8 April 1986

PRIME MINISTER

BUDGETING IN GOVERNMENT DEPARTMENTS

Bf
one weekCF
green will make a draft
TS letter
MER 9/4

Your Private Secretary's letter of 1 April sent me your comments on the report on budgeting in government departments by the Head of the Government Accountancy Service.

2 Sir Robin Ibbs and I agree the point you have made is the key one.

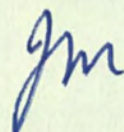
3 The recommendations from the review amount to a re-statement of the principles of the FMI. The review confirms we have been making the right changes, and with some degree of success. But it also found that not all departments have yet put the principles into practice as fully as we would now like. For example the FMI did require managers at all levels to set and review budgets. The recommendation that "all managers from the top right through the management line should be responsible for setting and reviewing budgets" is needed because some departments have not yet made a reality of the principle.

4 I am sure it would be helpful if you were to emphasise this point to colleagues. Although the procedures were in the FMI they are not yet sufficiently widespread. Forcing this home is the key message in the report.

5 The recommendations are very much a matter of making budgeting work rather than of setting up new systems to achieve the same objectives. We do not want systems for their own sake or as window dressing. We want them to achieve better management.

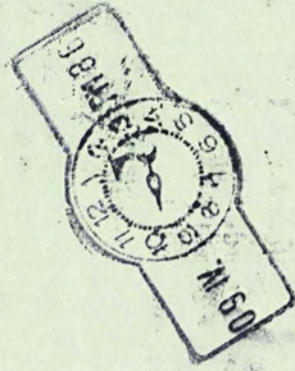
This means Ministers in charge of departments and their senior officials must show their commitment to using the processes they have, and to continue to develop and use better ones.

6 I am copying this minute to Sir Robert Armstrong and to Sir Robin Ibbs.

A handwritten signature in blue ink, consisting of the letters 'jm' in a cursive, stylized font.

JOHN MacGREGOR

CIVIL SERVICE : Long Term Policy : Pt 18



CONQUEROR
III