



10 DOWNING STREET

17 April 1986

From the Private Secretary

Dear Jill

**BUDGETING IN DEPARTMENTS**

The Prime Minister has seen the Chief Secretary's minute of 20 March about budgeting in Government departments and the report by the Head of the Government Accountancy Service. She has also seen comments from the Secretary of State for Education and Science.

The Prime Minister has commented that the four principles set out in paragraph 6 of the Chief Secretary's minute were part of the Financial Management Initiative. Every department should have been putting them into practice.

Although the changes were always expected to take time the Prime Minister is concerned that they are not yet sufficiently widespread. She believes this is the key message for the Government in the report. The detailed recommendations are very much a matter of making budgeting work rather than of setting up new systems to achieve the same objectives.

On this basis the Prime Minister is content with the Chief Secretary's proposals for publishing the report and for action by each department. She notes this action will differ from department to department. But she expects the yardsticks for measuring the success of this exercise, and the report in December, to cover not just changes in systems but how they are being used to find savings, set targets to improve value for money and evaluate performance. The Government does not want systems for their own sake or as window dressing. They must be used to achieve better management. The Prime Minister hopes Ministers in charge of departments and their senior officials will make this happen.

I am copying this letter to the Private Secretaries to Cabinet Ministers and other Ministers in charge of departments, and to Michael Stark and Kate Jenkins.

Yr  
Mark Addison  
(MARK ADDISON)

Ms. Jill Rutter,  
HM Treasury.



cc BS



Treasury Chambers, Parliament Street, SW1P 3AG

Mark Addison Esq  
Private Secretary to the Prime Minister  
10 Downing Street  
London  
SW1

16 April 1986

*Dear Mark,*

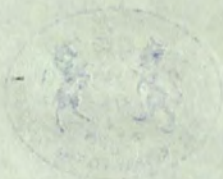
**BUDGETING IN DEPARTMENTS**

When we discussed the Chief Secretary's minute of 8 April I undertook to suggest how you might reply. I attach a draft.

*Yours,*

*Jill Rutter*

**JILL RUTTER**  
Private Secretary



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DRAFT LETTER FROM MR ADDISON TO:

Ms Jill Rutter  
Chief Secretary's Office  
HM Treasury  
Parliament Street  
LONDON  
SW1

*JARRAR*

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GA

Managers letter to  
be done Department.

MSA 1174

PRIME MINISTER

**BUDGETING IN DEPARTMENTS**

The Chief Secretary sent you a report (papers at Flag A) on how budgets are used in Departments, and indicated that he proposed to publish it. You were anxious that the recommendations seemed to be a reiteration of the policy which the Government has been carrying out for some time, and you were concerned that we would not set up yet another system to achieve the same objective but should instead concentrate on making the existing system work.

The Chief Secretary and Sir Robin Ibbs agreed (Flag B) that the point you made was a key one. They see the report as reaffirming the need to establish FMI principles properly throughout Departments.

Treasury have provided a draft reply, for my signature, to go out to Departments which would let them know of your concern to see the established FMI principles fully implemented, and say that the main need is to make the current procedures work not set up new ones. The letter also indicates that you are content with the Chief Secretary's proposal to publish the report.

Content that I should write to Departments in the terms proposed (Flag C)?

JA

Mark Addison  
16 April 1986

JALAPR