

CEB



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2 May 1986

BUDGETING IN GOVERNMENT DEPARTMENTS

Thank you for your letter of 17 April about the report from the multi-departmental review of budgeting.

I agree that it is for you to decide precisely how the principles of budgeting should be applied in your department, and then to set targets which are realistic in its particular circumstances. This may well mean confirming some of your existing plans, because all of the changes recommended in the report go with the grain of the work which started with the FMI, if not earlier. But we must not assume that we already have the right plans and sufficiently demanding targets. The review shows that we need to look again at some of the basic mechanisms to make sure they are the best we can realistically get, and will be in place and used as quickly as possible.

For example, I recognise the need for budgets to link to your internal Long Term Costing process. But it is also essential that there are clear and effective linkages to the Public Expenditure Survey and Supply Estimates. The mechanics of this may take some time to put into place. But now is the time to decide how the various parts fit together, and to set the timetable.

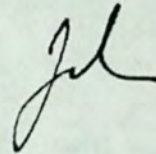
I know, and welcome, the effort going into the development of your Executive Responsibility Budgets. The concept of a hierarchy of budgets for the managers of

measurable programmes of work for identified customers seems to me entirely right. But the review has shown how important it is to use budgets of this kind to plan and control resources within, rather than in parallel to the Survey and Estimates.

I hope these matters can be discussed further between our officials, in time for decisions on implementation by the end of October.

I am sending copies of this letter to the Prime Minister, Cabinet colleagues, other Ministers in charge of departments and to Sir Robert Armstrong and Sir Robin Ibbs.

Yours ever,



JOHN MacGREGOR

