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10 DOWNING STREET

From the Private Secretary

MISS KATE JENKINS
EFFICIENCY UNIT
CABINET OFFICE

The Prime Minister held a meeting with Sir Robin Ibbs and you yesterday to discuss value for money targets. The first part of their discussion concerned other matters and is being recorded separately by Charles Powell.

Sir Robin said that the Efficiency Unit had made considerable progress with departments in encouraging them to make effective use of value for money targets. This year's results were a noticeable improvement on last year. Departments were beginning to understand what proper target setting involved: some departments in particular were showing they could meet those targets too. Sir Robin's report confirmed that there was still a long way to go, however. He proposed that the Prime Minister should endorse the conclusions of the report, and that it should be circulated to colleagues.

Sir Robin also reported that the Treasury were generally content with his report, though they had some concerns about recommendation 9, that some of the savings generated by departments as a result of meeting targets should be ploughed back into their programmes, to provide them with an incentive. Sir Robin said that it was important to remember that this was a way of generating savings which would otherwise be lost. The Treasury, on the other hand, recalled the over-riding importance of containing public expenditure, and of seeing that the taxpayer benefited from savings obtained.

At the conclusion of this part of the discussion, the Prime Minister agreed to endorse Sir Robin's report, and that it should be circulated to colleagues under a covering letter to be issued from her office. That letter would need to reflect the importance of departments securing increased efficiency and savings for the benefit of the taxpayer and others, and of the incentive effect which ploughing back some of the savings into departments could have. The draft would need to be cleared with the Treasury before being submitted to the Prime Minister for her approval.

A number of other points were covered in the discussion:

- (i) developing procedures for target-setting could only have an impact if the full commitment of Ministers in charge of departments and Permanent

SLH

Secretaries was obtained. After that commitment had been given, Sir Robin and his colleagues in the Unit needed to keep up pressure on departments to ensure they stuck by them. The Prime Minister agreed to continue her practice of writing personally to newly appointed Secretaries of State drawing attention to their responsibilities for ensuring their departments provided value for money;

- (ii) Sir Robin said that the idea of range pay for deputy secretaries and under secretaries had his full support. He thought it was vital for these senior grades to be told clearly what was expected of them, and for their performance to be assessed accordingly. That was the way to ensure those with potential performed better, as well as rewarding equitably those who had performed well. The Prime Minister said she appreciated the strength of Sir Robin's argument. She would have an opportunity to discuss with her colleagues when the discussions on the review body reports were completed;
- (iii) the Prime Minister and Sir Robin agreed that it was worth considering a new initiative in selected departments to encourage the adoption of a number of key targets to help improve their management and efficiency. The Department of Health and Social Security and the Ministry of Defence might be suitable candidates, initially. Sir Robin would discuss the proposal further with Sir Kenneth Stowe and Sir Clive Whitmore. He would then put a paper to the Prime Minister with proposals;
- (iv) finally it was agreed that the Prime Minister would continue her series of value for money seminars. A suitable candidate for the next one might be the Ministry of Defence, with particular emphasis on procurement; Sir Robin agreed to consider this further in the context of (iii) above and to report back to the Prime Minister with a firm recommendation.

I am copying this minute to Jill Rutter (Chief Secretary's Office), Michael Stark (Cabinet Office), Michael Kerin (Sir Kenneth Stowe's Office) and John Pitt Brooke (Sir Clive Whitmore's Office) .

Mark Addison

MARK ADDISON

14 May 1986