



CC/35  
 Pricé Manski<sup>U</sup>  
 Per [unclear]  
 MEM 11/6

Treasury Chambers, Parliament Street, SW1P 3AG

Mark Addison Esq  
 Private Secretary  
 10 Downing Street  
 London  
 SW1

[Handwritten signature]  
 No attachment  
 MEM 11/6

Dear Mark,

9 June 1986

**YARDSTICKS FOR THE SUCCESS OF BUDGETING IN DEPARTMENTS**

In his minute of 20<sup>article PT18</sup> March the Chief Secretary undertook to let the Prime Minister have yardsticks to show the success of budgeting in departments following the multi-department review. These yardsticks are attached. They are listed under the headings of the four principles the Prime Minister stressed in her foreword to the report.

Your letter of 17 April recorded the Prime Minister's wish to see the yardsticks 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. They have been prepared to cover this whole range.

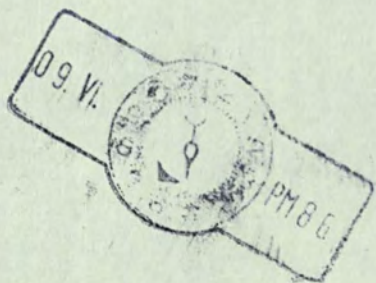
The Chief Secretary hopes this checklist will be used by Ministers and senior officials not only to look backwards and measure progress but to set specific targets for the future development and use of budgeting. It is for each department to decide where it most needs to extend budgeting. But targets for the key issues and dates for implementation will allow performance to be monitored in the future.

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

Yours,

Jih

CIVIL SERVICE Long Term Policy #119



## YARDSTICKS FOR SUCCESS OF BUDGETING IN DEPARTMENTS

## 1. RESPONSIBILITY FOR BUDGETING

Evidence of:

- (i) People in all parts of the department, including headquarters, managing budgets.
- (ii) Budgets being discussed, agreed and reviewed at every level from head of department right through the line to the basic budget holder.
- (iii) Statements of responsibilities and costs for functions which cross management lines.

Contributing to:

- (iv) Examples of managers using the budgetary process to do things differently or better.

## 2. LINKS WITH PES

Evidence of:

- (i) A fundamental planning stage as part of the budget setting cycle feeding into the public expenditure Survey.
- (ii) Survey decisions being translated into budgets.
- (iii) Performance against budget informing decisions in the next cycle.

Contributing to:

- (iv) Greater attention to plans for the second and subsequent

years of the Survey, and of the decisions taken being made to stick when baselines are rolled forward.

- (v) Budget holders taking a longer-term view of objectives and resources.

### 3. MEASUREMENT OF ACHIEVEMENT

#### Evidence of:

- (i) Use of eg unit costs to link inputs to outputs.
- (ii) Budgets which show agreed inputs and outputs, and how they relate.
- (iii) The application of the principles of budgeting to programmes.
- (iv) Value for money targets set by Ministers/top management being translated into budgets for line managers.
- (v) Reviews of past performance and current progress.

#### Contributing to:

- (v) More and better targets and measures of output and performance in plans and reports for top management, covering a greater proportion of the department's business.
- (vi) Further increases in the number and usefulness of output and performance indicators in the public expenditure White Paper and in departmental reports.

### 4. ORGANISING TOP MANAGEMENT'S RESPONSIBILITIES

#### Evidence of:

- (i) Clear-cut responsibilities for resources.

- (ii) Coherent arrangements for top management to set priorities, allocate resources and review performance across the department.
- (iii) Timely, accurate and digestible information for top management, and for line managers, and the means for top management to send clear messages to line managers.
- (iv) Effective support for top management.

Contributing to:

- (v) Decisions on the direction of change, priorities, re-allocating resources, and setting targets for improved performance.