



Prime Minister⁽⁴⁾
To note the Chief Secretary's
response.

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Treasury Chambers, Parliament Street, SW1P 3AG

D Barclay Esq
10 Downing Street
LONDON
SW1

4 July 1984

Dear David

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FINANCIAL MANAGEMENT IN GOVERNMENT DEPARTMENTS

see Pt 15

The Chief Secretary was grateful for your letter of 13 June and for the replies from Ministerial colleagues.

He shares the Prime Minister's desire to see real results. The White Paper focusses on ^{the} progress departments are making with setting up and learning to use the improved information and control systems that were described in last year's White Paper. But it does also illustrate the results of the drive for greater efficiency in the Civil Service since 1979. For example:

(a) you have seen the Secretary of State for Environment's assessment that his Department has saved a total of some £200 million since 1979 in terms of staff salaries alone;

(b) the Department of Health and Social Security have implemented the report on the flow of work between social security offices: this is devolving more decision-making to line managers and saving nearly 1,000 staff;

(c) departments have undertaken scrutinies with the Efficiency Unit - which have already yielded savings of £240 million a year.

These examples cannot themselves be attributed to the new systems established as a result of the FMI because the work was set in hand earlier or undertaken while new systems were being set up. But they are nonetheless examples of the approach that the initiative is intended to spread throughout the Government service. Some improvements will take time to come through. For example, professional consultants have often emphasised the investment and time needed to achieve lasting changes in attitudes and approach. Others are already being seen in, for instance, the way top management discussions

are being used to identify efficiency scrutinies. If the pressure is kept up, the new systems which departments are developing will deliver further real results. The Chief Secretary intends in his discussions with colleagues to stress the importance of their interest and leadership in developing the new approaches and using them to deliver the results all wish to see.

The Chief Secretary was also grateful to have the Prime Minister's agreement to the publication of the White Paper, and that of Ministerial colleagues. He is making arrangements for their helpful suggestions to be incorporated in the text and to fix the precise date for publication through the usual channels.

I am copying this letter to the Private Secretaries to Ministers in charge of departments, Richard Hatfield (Cabinet Office) and Sir Robin Ibbs.

Yours sincerely

J. Gieve

JOHN GIEVE
Private Secretary

CONFIDENTIAL

CIVIL SERVICE C-7 Pt 6



4 JUL 1984



10 DOWNING STREET

From the Private Secretary

9 July, 1984

Financial Management in Government Departments

Thank you for your letter of 4 July.

The Prime Minister was grateful for, and has noted the Chief Secretary's response to her comments on the progress of the financial management initiative, as set out in my letter to you of 13 June.

I am sending a copy of this letter to Richard Hatfield (Cabinet Office) and to Sir Robin Ibbs, but not to the other recipients of your letter.

DAVID BARCLAY

John Gieve, Esq.,
Chief Secretary's Office



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From the Secretary of State for Social Services

David Barclay Esq
Private Secretary
10 Downing Street

11 July 1984

nbpm
Treasury will summarise these responses.

Dear David

DNB
13/7

FINANCIAL MANAGEMENT IN GOVERNMENT DEPARTMENTS

We have seen the Prime Minister's comments on the costs and benefits of the RMI as contained in your letter to the Chief Secretary's office of 13 June and John Gieve's reply of 4 July. You might find it helpful to have a little more information about how we have sought to improve financial management and efficiency in a wider context than, though consistent with, the FMI.

The DHSS share of the £20 million estimate of the direct cost of the FMI is about £600,000 - quite small given the size of our businesses. We have taken the line that the FMI is the business of senior management at all levels in the Department and we have kept central overheads to the minimum. In practice it is difficult to distinguish the costs and benefits of, on the one hand, initiatives specifically arising from the FMI and, on the other, management action which is in the spirit of the FMI, but was taken in advance of it. The former reinforced the latter.

Major management change takes time to carry through, but our earlier initiatives have already yielded substantial savings - for example the saving of nearly a thousand posts following the implementation of a traffic study in our social security regional organisation, over 3,000 posts saved as a result of our programme of Rayner reviews, savings of about £8 million from the first phase of our new budgetary control system and nearly £5 million a year from the introduction of new forms of mail services between social security offices. In spite of increased demand for services and hence for staff, the running costs of the Department have decreased in real terms by £29 million since 1982/83 and administration costs as a percentage of benefit expenditure has fallen from 7.4 per cent in 1978/79 to 5.9 per cent in 1983/84. We are confident that more recent initiatives (including the major programme reviews) will bring further substantial efficiency gains.

Similarly, in the National Health Service, the measures that had already been taken before the Griffiths report have already delivered substantial efficiency gains and health authorities plan to save at

least £100,000,000 this year from cost improvement programmes over and above the substantial gains that were made last year. Some of these savings will be ploughed back into implementation of the measures recommended by Roy Griffiths and these, with measures such as competitive tendering and implementation of Rayner scrutinies, will produce larger efficiency gains in later years.

I am copying this letter to John Gieve (Chief Secretary's office) and Richard Hatfield (Sir Robert Armstrong's office).

*Yours
S A Godber*

S A Godber
Private Secretary

Civil Service : long term Khay A. 16

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4 JUL 1984

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