



10 DOWNING STREET

From the Private Secretary

28 March 1985

The Prime Minister has now seen the Chancellor's minute of 25 March about running costs control. She endorses the Chancellor's proposal that running costs targets should gradually be introduced in substitution for manpower targets and agrees therefore to the procedure set out in the minute. Like the Chancellor, however, she is concerned at the way in which running costs have continued to rise sharply despite the Government's success in reducing manpower. She believes that if the running costs targets are to be met, the Financial Management Initiative needs to be made sufficiently strong. With that in mind, therefore, she would be grateful if the Treasury and the Efficiency Unit could consider what changes in management arrangements within departments might be necessary to ensure that the running costs targets are as successful in the future as manpower targets have been in the past.

I am sending a copy of this letter to Paul Thomas (Lord Gowrie's office) and to Sir Robin Ibbs.

(Timothy Flesher)

Mrs. Rachel Lomax,
HM Treasury

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BMP



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From the Private Secretary

28 March 1985

The Prime Minister has now seen the Chief Secretary's minute of 25 March about the guidelines for the 1985 Public Expenditure Survey. She has agreed the general approach set out in the minute and in particular endorses the Chief Secretary's proposal that departments should be required to provide the information necessary for costing any options for reductions identified by the Treasury.

The Prime Minister was also content with the other proposals in the Chief Secretary's minute except that she considered the section on additional bids to be insufficiently rigorous. She would prefer that the guidelines should provide that additional bids should only be submitted in exceptional circumstances.

No doubt you will take the Prime Minister's comment into account in framing the final draft of the guidelines.

(Timothy Flesher)

Richard Broadbent, Esq.,
Chief Secretary's Office,
HM Treasury

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