



Prime Minister

There is some hard-hitting advice in the papers below, from the Policy Unit and Sir Robin Ibbes.

Ref. A084/2835

PRIME MINISTER

You have called a meeting on 29 October to discuss with Lord Gowrie, other Ministers and Sir Robin Ibbes the report of a multi-Department review of Government purchasing. Papers for the meeting are -

Dms
29.10

(i) the report (sent with Lord Gowrie's minute of 3 August);
and

(ii) the paper (an extended agenda) circulated with Lord Gowrie's letter of 29 August to colleagues.

2. The main proposals (summarised in Lord Gowrie's minute of 3 August) are that -

(a) Departments should act to achieve substantial savings in public purchasing costs, particularly through: better knowledge of and contact with suppliers; use of performance specifications; better organisation, procedures and planning; and improved training.

(b) A Central Purchasing Unit (CPU) should be set up to help and advise, and as a catalyst for change.

(c) To ensure potential savings are realised, Departments should agree savings targets with the CPU.

THE ISSUES

3. Lord Gowrie's agenda lists five questions for discussion -

(i) whether Ministers accept the central finding that Government attitudes and methods lag significantly behind good private sector practice, and must be improved;



- (ii) assuming that the central finding is accepted, the timescale for commissioning departmental action documents;
- (iii) the role of a Central Purchasing Unit;
- (iv) the importance of targets for cost saving; their level; and whether they should be published;
- (v) timing of publication of the report, and presentation.

MAIN POINTS FOR DISCUSSION

4. Question (i): The Treasury have generally endorsed the report, and no Department has challenged the central finding as such. But there are likely to be reservations about:-

the need to take account of departmental differences, in implementing the report; and

the assessment of potential savings.

On the first point, Lord Gowrie is likely to suggest that the need for flexibility in particular circumstances be considered when drawing up an action document. Discussion of the second point can best be taken under (iv).

But see
Policy Unit
views.

DMB
26/10

5. Question (ii): Given the complexity of the recommendations the suggestion that six rather than the usual three months be allowed to prepare action documents seems right. This would enable the CPU, if approved, to advise Departments on preparation.

6. The Home Secretary has suggested a need to resolve certain issues centrally before commissioning action documents. Relevant recommendations - apart from the CPU - are those for a functional specialism for purchasing, and supply, and for pay incentive schemes for buying staff. A similar argument might be advanced



for delay while the common service agencies complete their recommended reviews of pricing and supply policy. But these seem insufficient grounds for delaying the search for improvements. The process needs in any event to be an iterative one, with Departments learning from their own and others' experience, assisted by the CPU, as work proceeds.

7. Question (iii): The report recommends that a small CPU, headed by a senior private sector procurement specialist, be set up by January 1985, initially for three years. Annex H to the report suggests its main functions should be to:

monitor Departments' achievements, reporting to you annually;

advise Departments on implementation of improvements, and on purchasing practice;

review departmental procurement plans to identify where co-ordinated purchasing could increase market strength;

set up contracts in some cases;

agree targets for departmental savings.

8. Given the radical changes sought, the case for a small central unit with strong outside representation and with a limited life seems well made. Such a unit could prove a valuable source of practical advice, based on outside experience; and would help ensure that the need for change is firmly communicated at all levels. But an important question for discussion is whether it would be right for a CPU to set up contracts. This would cut across responsibilities of departmental accounting officers. In any case the CPU would be able to offer such a service for only a few years. For analogous reasons departmental targets (if accepted) should be agreed formally with the Treasury, perhaps with a presumption that CPU advice would normally be accepted. The Chief Secretary can be expected to argue on these lines.



9. Annex H to the report suggests three options for location of a CPU: Treasury, Cabinet Office or an independent unit. I doubt whether an independent unit of this size makes sense. A case can be made for location either in the Treasury or in the Cabinet Office. I suggest that you decide this independently of the meeting, taking account of decisions reached on the Unit's role and any points colleagues make. I will advise separately on this following the meeting.

10. Question (iv): The report recommends adoption by April 1986 of departmental cost savings targets, and a report to you on achievements by June 1987. Colleagues are likely to challenge the suggested central "guidance" of 5 per cent real savings over two years. Departmental targets against which progress can be monitored are obviously important. The Chancellor of the Duchy is not proposing publication of these. The question whether any central guideline should be published is sensitive and controversial. The argument in favour is that it would provide an additional spur to action. Arguments against are that:

success would be judged in relation to the target, rather than actual achievement;

there would be pressure for disclosure of departmental targets, which could damage negotiating positions.

You will wish to decide in the light of colleagues' views.

11. Question (v): The presumption is clearly in favour of publishing the report. (This is the norm following multi-Department reviews, and Parliament know of the review.) On timing, the choice is between publishing now or delaying for completion of departmental action documents. The risk of leaks, and the needs to brief trades unions, and recruit for a CPU (if approved), all argue for early publication.



12. You will wish to seek colleagues' views on presentation. It will be important to avoid implying that changes will be at industry's expense; that the risk of impropriety will be increased; or that public purchasing policy will be affected (eg in favour of a "buy British regardless" policy).

HANDLING

13. I suggest you begin by inviting the Chancellor of the Duchy to present the report's conclusions. His suggested agenda (paragraph 3) can conveniently be followed.

14. You might wish to invite comments and contributions broadly as follows:

Question (i): colleagues to comment. Chancellor of the Duchy and Chief Secretary to respond as appropriate.

Question (ii): colleagues to comment, Chancellor to respond as appropriate.

Question (iii): you might wish to indicate support for a CPU to advise and assist Departments; invite the Chief Secretary, and other colleagues if they wish, to comment on its role; and finally invite the Chancellor of the Duchy to draw up terms of reference and agree them with colleagues. You might possibly also wish to invite comments on a CPU's location, while reserving the issue for later decision.

Question (iv): Chancellor of the Duchy to introduce; Chief Secretary and other colleagues to respond. You will want to look to Sir Robin Ibbs particularly to comment on the setting of targets.

Question (v): you might wish to invite colleagues to agree to early publication; and seek views on presentation.



CONCLUSIONS

15. Decisions are required on:

- (a) the need for concerted action to improve public purchasing;
- (b) timing of preparation of action documents;
- (c) whether a CPU is justified and, if so, its broad role (detailed terms of reference, and location, would be for later decision);
- (d) whether Departments should adopt savings targets; whether a 5 per cent central "guideline" is appropriate (or whether the figure should be reviewed in the light of action programmes); whether any guideline should be published;
- (e) whether the report itself should be published; if so when; and how it should be presented.

RTA

ROBERT ARMSTRONG

26 October 1984

cc NO



DB o/r

PRIME MINISTER

GOVERNMENT PURCHASING

1. Your private secretary's letter of 7 August indicated that you would want me to be present when you discuss the recent report on government purchasing with colleagues.

2. The proposals in the report are quite radical and depend, crucially, on bringing central government practice more into line with that of the best private sector companies. This will not be easy and will meet resistance from within the civil service. But the prize is large and warrants a special effort to achieve it. Those who did the review estimate that a 5 per cent saving (worth £400 million per annum) could be attained over 2 years. And I have consulted a number of leading businessmen (including Lord Weinstock, Sir Terence Beckett and Lord Rayner) who all agree that the report is on the right lines and offers substantial savings.

3. The proposals are likely to meet subtle resistance aimed in part at avoiding the undoubted effort required to change comfortable buying habits and to turn round the purchasing arrangements. I believe it is important that when you and your colleagues meet to consider the report you should all start with a clear reminder of the potential benefits. I suggest you consider asking Lord Gowrie to arrange for the meeting to begin with a short presentation lasting, say, 10 minutes by the team that led the review. This would set in context subsequent discussion of the issues in Lord Gowrie's paper.

4. I am copying this minute to Sir Robert Armstrong only.

ROBIN IBBS

24 August 1984

Account Mach: Rayner P+16,



PRIME MINISTER

GOVERNMENT PURCHASING

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23 AUG 1954

1. Your private secretary's letter of 7 August indicated that you would want to be kept informed when you discuss the present report on government purchasing with Ministers.

2. The proposals in the report are quite radical and demand, essentially, an entirely central government practice more in line with that of the best private sector companies. This will not be easy and will meet resistance from within the civil service. But the price is fairly low and we must make a concerted effort to achieve it. Those who did the review estimate that a 5 per cent saving (worth £60 million per annum) could be obtained over 5 years. I think we have considered the report in detail and I think we have agreed that the report is on the right lines and offers substantial savings.

3. The proposals are likely to meet some resistance aimed in part at avoiding the unneeded effort required to change controllable budget habits and to turn round the purchasing arrangements. I believe it is important that when you and your colleagues meet to consider the report you should all start with a clear reminder of the potential benefits. I suggest you consider asking Lord Gowrie to arrange for the meeting to begin with a short presentation lasting say, 10 minutes by the team that led the review. This would set in context subsequent discussion of the issues in Lord Gowrie's paper.

4. I am certain this relates to the report mentioned only.

FOUR EIGHT

F R.

Mr. Barclay File

MR BUTLER

Government Purchasing

Sir Peter Middleton would like to attend the meeting arranged for 29 October on Government Purchasing. The subject is the Efficiency Unit's recommendations in favour of more commercial procedures.

Nine Ministers are due to attend the meeting, including the major spending Ministers, and the Chief Secretary. Sir Robert Armstrong and Sir Robin Ibbs have been invited, but so far no other officials.

I can understand why Sir Peter would like to be present, but I foresee difficulties unless we also invite other Permanent Secretaries such as Sir Clive Whitmore and Sir Kenneth Stowe.

To avoid the meeting getting out of hand, I should like to hold the line ^{at} ~~that~~ no officials except the Cabinet Secretary. Would you be content with that?

oms

18 October 1984



SOT

10 DOWNING STREET

From the Private Secretary

3 September 1984

Government Purchasing

Mary Brown wrote to me on 31 August to suggest that the meeting which the Prime Minister will be holding on Government purchasing might begin with a short presentation by the central team.

I am sure that the Prime Minister would find such a presentation helpful, and I will contact Bob Brown as Mary suggested. We will be in touch with your office, and with the offices of other Ministers concerned, to fix a day and time for the meeting.

I am sending a copy of this letter to Sir Robin Ibbs, who supported the idea of a presentation in his minute to the Prime Minister of 24 August.

David Barclay

Paul Thomas, Esq.,
Management and Personnel Office

ECU

B.R.

MRS. RYDER

Mr Barclay
Monday 29th Oct
at 14.30.
CR
419.

GOVERNMENT PURCHASING

Could you very kindly arrange the meeting on the above some time in the next six weeks or so. We should allow up to 1½ hours, and invite the following:

- Chancellor of the Exchequer x chief Sec.
- Foreign and Commonwealth Secretary x Min
- Home Secretary ✓
- Secretary of State for Defence ✓
- Secretary of State for Social Services x Min. ✓?
- Secretary of State for the Environment ✓
- Secretary of State for Trade and Industry x Min?
- Secretary of State for Transport ✓
- Lord Gowrie ✓
- Sir Robert Armstrong ✓
- Sir Robin Ibbs 834.4444 x 3842 ✓

We could take substitutes from the Foreign Office, the Home Office, and Transport, but not from the others unless absolutely essential.

If you could very kindly let me know when the meeting has been arranged, I need to telephone the Cabinet Office about the arrangements for a presentation at the start of the meeting.

Dms

Note: Spoke to Mr Brown (Cabinet Office) who will call a week or so before to arrange a time to visit the Cabinet Room. He will provide all AV equipment etc.

Dms
4/9



CABINET OFFICE

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① OK to purchase /cc M
② fire entry.

Db
SJS

From the Minister of State

Lord Gowrie

David Barclay Esq
Private Secretary
10 Downing Street

MANAGEMENT AND PERSONNEL OFFICE

Great George Street
London SW1P 3AL
Telephone 01-233 8610

31 August 1984

Dear David,

GOVERNMENT PURCHASING

We spoke a short time ago about this report and how the proposed meeting of Ministers should be handled.

Lord Gowrie thinks the Prime Minister and her colleagues would find it helpful to have a short presentation, lasting about 15 minutes, by the central team. This would describe the main findings, and the evidence on which they are based. The presentation would help remind Ministers both of the potential gains to be made by implementing the report and the main issues to be discussed. Lord Gowrie feels this would give a useful start to the meeting and provide a brief opportunity for Ministers to question the team on any points which are unclear. I understand that Sir Robin Ibbs has also suggested the idea of a presentation.

If the Prime Minister agrees to this, you may like to discuss the arrangements directly with Bob Brown, the team leader (233 3080). The presentation would be computer-based and that means some preparation time and the use of facilities in the meeting room.

Yours sincerely,
Mary.

MRS M E BROWN
Private Secretary

CABINET OFFICE

MANAGEMENT AND PERSONNEL UNIT
Cabinet Office
London SW1A 2HQ
Telephone 071 273 3400

From the Office of the
Lord Censor

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31 AUG 1984