



Ministry of the Environment
6/2/5

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PRIME MINISTER

POLICY WORK AND THE FINANCIAL MANAGEMENT INITIATIVE

I have seen Peter Rees's minute of 15 May on this subject and I support his recommendations, indeed I should like to see them slightly strengthened. I have to say that I have been concerned recently, as I have gone round to talk to Ministers and Permanent Secretaries about value for money targets, that the will to fix and stick to tight budgets is weak in departments. In my view the suggestion that all proposals in Cabinet papers and all policy reviews should include statements about how performance will be assessed offers a constructive way to reinforce your message that every pound of public expenditure should be made to count.

In his paper Peter Rees refers to, "all policy proposals going to Cabinet Committees which have value for money implications should include a note about performance assessment." I believe you should be more specific and ask that all proposals that entail expenditure should contain a clear statement of how value for that expenditure will be assessed. There should be three elements in this:

- 1 definition of what is to be achieved and how it will be measured;
- 2 the time by which achievement is expected;
- 3 the cost.

A requirement that leads only to new sets of woolly words will be no use.

What I am suggesting is no more than is expected in any well-run company and is not confined to trading aspects of operations. There is no point in spending money unless you know what you hope to get for it and can check later.

Rigorous appraisal of this sort may not be popular with your colleagues. But it is essential that having defined the expected output, time and cost all Ministers should stick to proper assessment and that there should be some real sanction if the results are not delivered. The accounting officer and the expenditure divisions of the Treasury should see that the reviews actually happen and that necessary action follows.



The exceptions "when something different is being suggested" (mentioned in paragraph 5 of Peter Rees's minute) should be very rare. If there is to be a significant effect on public expenditure the presumption must be that, almost without exception, policies have to justify their existence regularly and rigorously on value for money grounds. Of course I accept that some policies will be adopted for essentially political reasons. But that does not mean they should be exempted from delivering the best value for money within the confines of what is politically realistic.

In view of the sensitivity of this advice, I am copying it only to the Chancellor of the Exchequer, the Chief Secretary and to Sir Robert Armstrong.

Robin Hood

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17 May 1985

(approved by Sir Robin Ibbotson and signed in his absence.)