

600
But the findings are - findings. There are descriptions of the present position. I am happy to see in the report in the present position.

Prime Minister: Agree to circulate report as Mr Cassells proposes

JF 2572


MR FLESHER
MULTI-DEPARTMENT REVIEW OF RUNNING COSTS

Last year, as part of the efficiency strategy and also in support of the Financial Management Initiative, a multi-departmental review of running costs was carried out by six departments:

circulating this which shows in detail details of food management. It will need to be led to more ready than be looked at and done making me

<u>Department</u>	<u>Supervising Minister</u>
Education and Science	The Rt Hon Sir Keith Joseph Bt MP
Employment	The Rt Hon Michael Alison MP
Energy	The Rt Hon Nigel Lawson MP
Foreign and Commonwealth	The Rt Hon Douglas Hurd CBE MP
Trade	The Rt Hon The Lord Cockfield
Management and Personnel Office	The Rt Hon The Lady Young

- All departments have completed their reviews and reported to their respective Ministers.
- The review was co-ordinated by a central team led by Mrs Elizabeth Thoms, Rayner Unit. I attach the central report for the Prime Minister to see.
- The report summarises the main findings of the departmental reviews (paras. 21-39), identifies common failings in existing arrangements (paras. 40-42) and sets out principles and broad guidelines for properly managing running costs (paras. 43-105). The theme of the report is that costs should be controlled by, and be the responsibility of, those people best placed to obtain cost effectiveness - who are generally the line managers (see paras. 55-61). From this follows the need for sensible practical arrangements, such as clear lines of authority and responsibility, effective levels of delegation, well-designed information systems and output measurements, proper training and the adaptation of central controls to suit the new circumstances. On all these the report offers guidance of immediate practical relevance to departments. For the longer term, I have commissioned my staff to draw up guidance for issue in the MPO's series of Management Guidelines in 1983-84.
- I have flagged parts of the report referred to above which the Prime Minister may find to be of particular importance or interest.
- Although the departmental reviews were started before the Financial Management Initiative the central report's recommendations support the principles set out in the White Paper on Efficiency and Effectiveness in the Civil Service (Cmd. 8616). The draft report was circulated to the Permanent Secretaries of all the departments taking part in the FMI for their comments. The general view was that the report fitted in well with departments' lines of development and provided useful support and practical guidance for the next stage in the FMI.



7. Their main concern was to ensure that everyone concerned with the FMI understood that detailed arrangements, for example those for delegation, would vary according to circumstances and to emphasise the importance of not underestimating the effort required by and cost of implementation. These points have been taken into account in the report.

8. If the Prime Minister is content, the next stage is for the report to be circulated to Ministers. I suggest that this is best done under a Private Secretary minute sent on her behalf. I attach a possible draft. I can if you wish arrange for my office to circulate copies of your minute and of the report to save you this chore.

9. The report will subsequently be sent to the Treasury and Civil Service Committee of the House of Commons and made publicly available. The publicity issued at that time will emphasise the relationship with the FMI so as to underline the importance of, but not pre-empt, the White Paper on the FMI to be published in July.

10. I am sending copies of this minute and the enclosure to the Private Secretaries to the Chief Secretary and the Lord Privy Seal and to Lord Rayner and Sir Robert Armstrong.

J.S. Cassels

J S Cassels

25 February 1983



DRAFT MINUTE FROM MR FLESHER TO MR HALLIDAY
(PS/ HOME SECRETARY)

REVIEW OF THE CONTROL OF RUNNING COSTS

I enclose two copies of a report by John Cassels,
Second Permanent Secretary in the Management and
Personnel Office, on the multi-departmental review
of running costs, which he has recently submitted
to the Prime Minister, who has asked me to commend
it to your Minister.

The Prime Minister endorses the report's theme
that costs should be controlled by, and be the res-
ponsibility of, those best placed to obtain cost
effectiveness. The report may be regarded as a
component part of the Financial Management Initiative
and as providing useful practical guidelines for
implementing some of its principles.

I am copying this to the private secretaries of
Cabinet Ministers, Lord Rayner, Sir Douglas Wass and
Sir Robert Armstrong.

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

"Review of Running Costs": report to
the Prime Minister by J.S. Cassels,
Management and Personnel Office, February
1983 (ISBN 0 7115 0052 5)

Signed AWayland Date 28 February 2013

PREM Records Team



10 DOWNING STREET

From the Private Secretary

MR. CASSELS
MANAGEMENT AND PERSONNEL OFFICE

The Prime Minister has asked me to thank you for your minute of 25 February, and for the report on the exercise to review the running costs of certain departments. The Prime Minister is grateful to those who took part in these reviews and to the members of the Rayner Unit who co-ordinated them.

The Prime Minister thinks that the test of this review will be whether it results in practical steps being taken to correct the failings of the present systems in the departments covered by this review and in the other departments. She has asked that this point should be stressed in circulating the report to departments, and when it is made available to the Treasury Select Committee and published.

T. FLESHER

7 March 1983

PRIME MINISTER

REVIEW OF RUNNING COSTS

OK
Minute for me
as at flag C

Both Robin and I feel that you were a little hard on the review of running costs submitted with Mr. Cassels' minute of 25 February. We suggest that you look at paragraphs 62 onwards which do establish a number of proposals for future action by departments. Admittedly, these paragraphs do not stand out very well in the report, but they are summarised in paragraphs 3 to 6.

Lord Rayner and Clive Priestley both think that the review was worth undertaking and believe that it should be circulated (see Mr. Priestley's minute at Flag A). If you agree that the report should be circulated, there are two possible minutes attached. The first, at Flag B, reflects a slightly tougher approach than that originally proposed by Mr. Cassels and identifies you closely with the need to implement the lessons of the review. An alternative approach, at Flag C, distances you from the review and leaves it to Mr. Cassels to circulate it.

Do you agree that the report should be circulated? If so, do you prefer the minute at Flag B which associates you with it, or that at C which distances you?

4 March 1983

Flag C
intentionally
preferable
with intention
with an ill result

Mr FLESHER

REVIEW OF RUNNING COSTS

We spoke recently. Lord Rayner's views and mine are as follows.

Lord Rayner's views

2. Lord Rayner:

- (1) was content for the Cassels report to say that he had been consulted in its preparation and that it had his support (see para. 7 of the text);
- (2) considered that the review had been a good piece of work upholding the basic principles of good financial management;
- (3) considered that the draft he saw should be firmed up in tone; and
- (4) believed that there should be a summary (now included as paras. 3 - 6).

My views

3. I repeat that the report was prepared by one of my staff, Mrs Thoms; was completed by another, Mr Trumper; includes some of my drafting; but is the responsibility of Mr Cassels.

4. The report is not as exciting as some other reviews, eg statistics or forms, because it is about systems, rather than particular functions, operations or activities: it was less about such colourful things as the £30 Government rat (or the £5 Government gerbil) as the reasons why such things happen. The colour - such as there is - therefore lies in the way the



culture of control work (see paras. 21 - 42) rather than in particular instances.

5. That said, the report gets across the big scale of running costs in Government (£14b in 1981-82, para. 45) and a sense of what such money would otherwise buy (para. 47). It brings out the duty of Ministers and officials to control such expenditure and makes a set of simple - but for nonchalant Government - seminal statements about the nature of that duty and how it should be acted upon (paras. 50, 55 - 61).

6. Looking ahead, the report suggests practical arrangements for putting its principles into practice (paras. 62 - 105), while entering a reasonable caveat to the effect that - if we mean it - we must stick at it and, to get sure progress, advance by means of pilots (paras. 107 - 108). It seeks to forestall cost arrangements by putting implementation costs side by side with running costs as a whole (paras. 109 - 110).

Advice

7. The review and the report contribute to the Financial Management Initiative. Indeed, the review pre-dated the FMI, springing from the belief that we would best get progress on the controls of running costs by showing - by means of detailed work in six departments - how a subject which many Ministers and senior officials consider beneath them should be tackled.

8. We are here dealing with the pennies, not the pounds, of public expenditure. Inevitably, the report is less exciting than other reports, but it does have the great merit of establishing in unmistakable terms how those pennies should be controlled.

9. The report is therefore a worthy component of the FMI. It merits endorsement by the Prime Minister, but probably in more direct terms than those of the draft letter submitted by Mr Cassels. I attach an alternative draft.

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DRAFT OF 4 MARCH 1983

DRAFT MINUTE FROM MR FLESHER TO MR HALLIDAY (PS/HOME SECRETARY)

REVIEW OF THE CONTROL OF RUNNING COSTS

I enclose two copies of a report by John Cassels, Second Permanent Secretary in the Management and Personnel Office, on the multi-departmental review of running costs, which he has recently submitted to the Prime Minister, who has asked me to commend it to your Minister.

The Prime Minister has observed that, while the report deals with the pence rather than the pounds of public expenditure, they add up to a formidably large total. The taxpayer may reasonably expect them to be tightly controlled, in the belief that if central Government is weak here, it will be weak everywhere. Mrs Thatcher has also noted that the review sprang from the Annual Scrutiny of Departmental Running Costs which - whatever adjustments may be necessary to the detailed arrangements - is now, she hopes, a well established part of the management practices of a well-run department.

The Prime Minister has asked me to say that she endorses the report's conclusions, summarised on p V of the text, which she commends to the attention of Ministers in charge of departments and their senior staff. She sees the report as a useful contribution to the current Financial Management Initiative and would like to see its conclusions reflected in the White Paper to be published later this year. The Prime Minister considered, however, that the test of her review will be whether it results in practical steps being taken to correct the failings it reveals. She looks therefore to Ministers and their senior staff to ensure that the lessons of the review are ~~learned~~ fully learned and applied in their Depts.

I am copying this to the private secretaries of
Cabinet Ministers, Lord Rayner, Sir Douglas Wass and
Sir Robert Armstrong.

T J FLESHER



cc 5V

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PRIME MINISTER

MULTI-DEPARTMENT REVIEW OF RUNNING COSTS

I commend to you the report of the Review of Running Costs which Mr Cassels has just submitted (his minute to Mr Flesher of 25 February). *with TF*

This has been a good exercise, very well co-ordinated and managed by Mrs E Thoms, a principal in the Rayner unit, now serving in the Treasury. I have met the examining officers in the 6 departments concerned and was impressed by their keenness and grasp. I believe that in each case they succeeded in submitting clear and well-founded reports to their supervising Ministers. As these are implemented, useful savings and better value for money will follow.

Our central team has built on the findings of the departmental reviews and the outcome is, I believe, a report which is both readable - and therefore likely to be widely influential - and practical. It will make an extremely timely contribution as the main implementation stage of the Financial Management Initiative gets under way.

The report is clear evidence of our determination to press on with our policy for good management in central government. This is the point I will emphasise when we release the report to the Treasury and Civil Service Committee of the House of Commons and to a wider public audience.

Baroness Young

BARONESS YOUNG

28 February 1983

28 FEB 1983

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