

FROM: DAVID HOWELL, MP.

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CONFIDENTIAL

cc. The Rt. Hon. M. Thatcher, MP.  
The Rt. Hon. Sir G. Howe, QC, MP.  
Kenneth Baker, Esq., MP.  
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The Rt. Hon. Sir Keith Joseph, Bt., MP.,  
House of Commons,  
LONDON SW1.

5th May, 1977.

MEMORANDUM

1. You asked me to do a note following our dinner on May 2nd drawing together the themes which emerged and identifying next steps, if any.
2. The most important point to emerge was, I think, that a positive emphasis must be given to our whole approach in this area. From No. 10 downwards the message needs to be that we intend to make the administrative machine the most efficient and waste-free in the world; that we are inheriting a demoralised and overblown structure, that we intend to work with (not against) the Civil Service to repair the position, and that we expect a response in the same spirit.
3. The second general point we developed was that motivation for attacking over-Government must be pushed right down to operational levels. It was argued that unless officials are continuously concerned to question unnecessary activities and to feed up to their superiors the possibilities in this direction (even where there might be political implications) Ministers and Permanent Secretaries will stand very little chance of making a sustained impact.
4. We recognised in our discussions that this required sustained interest and involvement at the very top. But we also recognised that whatever the progress along these lines, the other vital ingredient was the determined application of cash limits. Experience between '70 and '74 showed that the most enthusiastic assault on unnecessary government activities stood no chance unless it went hand in hand with tight and well monitored restraints on available cash. (The Public Sector Group intends to bring forward a paper on the development - and the problems - of the cash limits system fairly shortly.)
5. We discussed what this might mean for Ministerial responsibilities. It was concluded that the idea of appointing Financial Secretaries in spending departments was not valid. It was debated whether the Minister at the centre who would be responsible for pushing the attack on over government, would be the Chief Secretary or a separately appointed Minister. (Lord Rothschild's Minister of Waste). The argument seemed to go against





a separate Minister on the grounds that this had in effect been tried with the appointment of the Lord Privy Seal, supposedly in this role, in 1970, and in favour of combining the responsibility in the hands of the Chief Secretary who could back it up with real power over the cash.

It was, however, concluded that this aspect was not vital, and that circumstances at the time would enforce the best kind of appointment which the Prime Minister wished to make.

6. We were not able to discuss the point raised in the original Working Paper concerning the contribution of Parliament. But most of us would presumably accept that bodies like the General Sub-Committee of the Expenditure Committee and the PAC are doing increasingly good work in bringing Parliamentary and public pressure to bear in a well focused way on bureaucracy and government waste.

7. The practical conclusions which emerge are, I suggest, as follows:-

- (a) Our intention to take a positive line in the attack on over-government, and to inspire and work with the best among the Civil Service, needs to be communicated both to our colleagues and the Party as a whole. This will be very important from the point of view of presentation, so that we overcome the official surliness and antagonism which was evident in 1970 and so that we do not make our problems with the Civil Service unions worse than they will be anyway.
- (b) We must set out the precise machinery which the new Prime Minister can authorise to be set up on the first day to ensure that interest is engaged and sustained by both Ministers and officials in the attack on over-government.
- (c) We should develop and collate all those policy proposals which could lead to substantial manpower savings and to reduction of government activities, and ensure that these are put to officials with the enthusiastic recommendation of Ministers in their early days.
- (d) We should familiarise ourselves not only with the cash limits procedures, but with the snags and difficulties as well, so that they can be kept in check and not allowed to become reasons for undermining the whole cash limits system.
- (e) We should perhaps consider making public our approval of the growing role of Parliament in restraining bureaucracy and government waste. It is for consideration to see how far we should go in publicly endorsing proposals such as those of Edward Du Cann for strengthening the role of the Comptroller and Auditor General, and for dovetailing the cash limits system with the system of Supplementary Estimates.
- (f) Those responsible for our publicity and propaganda need to be taken into our minds very soon so that they can work out the best ways to present our over-government theme in a positive light, and show that it is the path to more jobs rather than less.