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*Mr Whitmore's paper
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NOTE OF A MEETING ON WASTE AND EFFICIENCY IN CENTRAL GOVERNMENT
HELD AT 10 DOWNING STREET AT 1630 HOURS ON TUESDAY 2 OCTOBER 1979

Present:-

Prime Minister
Sir John Hunt
Sir Derek Rayner
Mr. D. Wolfson
Mr. C. Whitmore
Mr. P. Mountfield
Mr. C. Priestley
Mr. N.R. Warner
Mr. C.S. Ponting
Mr. M.A. Pattison

The Prime Minister said that Sir Derek Rayner's paper, to be taken at Cabinet on 4 October, identified the importance of Ministers tackling their management role. Her concern was that many Ministers would be uncertain how to pursue this. She was anxious to return the administration of Government in Britain to its former status as the best in the world. Recent attempts to get a grip on management had been unsuccessful. At her request, the PAR system was now being brought to an end, having failed to achieve its objectives in most cases. Ministers found it difficult to tackle management questions, even when they were aware of the areas requiring attention. She would have to convince Ministers of the importance of this function.

Sir Derek Rayner said that she should first make Ministers aware of the cost of running Departments: Government administration was now costing some £6 billion each year. Even the Rayner exercise had so far cost £156,000.

After some discussion of individual examples of inefficiency, Sir John Hunt commented that in Cabinet the Prime Minister should avoid ad hoc examples. She should get the concept across. The task was for heads of Departments, with the assistance of Permanent Secretaries and some bright younger staff. It must be the Secretary of State, not a Junior Minister. He was concerned of the risk of the exercise becoming bureaucratized, and for this reason the

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responsibilities of central Departments in managing the exercise ought to be limited. Sir Derek Rayner said that the centre would need to be involved to ensure some cross-fertilisation of the most valuable ideas thrown up. But he agreed that the work should remain the prime responsibility of Departments. The Prime Minister asked whether the Controller and Auditor General's Department should have a role to play. Its staff now seemed to be preoccupied with simple financial auditing. Mr. Whitmore pointed out that the Controller and Auditor General was responsible to the Parliamentary Public Accounts Committee, not to Ministers. Mr. Priestley said that the recent management review of the Controller and Auditor General's Department had moved in the direction which the Prime Minister seemed to have in mind. He could provide a note about this.

Sir Derek Rayner introduced two of his case studies. Mr. Ponting had looked at Defence food procurement. He had found considerable inefficiencies caused by overlapping between Services, poor lines of communication, and inconsistency. It had taken the Department 2½ months to discover the cost of running the existing system. The conclusions of his study had suggested that a once-and-for-all reduction of food stocks to three months - a war level - should secure a £12 million saving. Other possible economies could offer savings of between £1-4 million per year, with corresponding staff savings. Mr. Warner had studied the method and frequency of payment of social security benefits. Research into the possibilities of paying at fortnightly or four weekly intervals, the possible role of banks, and consumer reaction to such changes, had produced possibilities of administrative savings of up to £30 million a year. There would be some consumer resistance, some Civil Service union resistance, and major implications for the Post Office, one-third of whose counter work was on behalf of DHSS. Change-overs would take three to four years, and would involve some awkward political decisions.

Sir Derek Rayner said that the next task on these exercises was to ensure speedy follow up action. In the case of the defence study, this must be seen to happen without waiting for a great overall review of similar elements in defence procurement. The evidence had been collected by Mr. Ponting getting out to see for himself, and would therefore - fortunately - be very difficult to refute. Mr. Whitmore

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commented that the Services had rationalised food procurement in the 1960s, on the basis of careful study, and had since argued that there was no point in looking for further savings there because of that rationalisation. The Prime Minister asked whether these were the two best examples of the recent projects. Sir Derek Rayner said that there were several other studies of similar calibre, although one or two would be disappointing. Sir John Hunt commented that these two examples would provide an excellent demonstration for Cabinet Ministers of the importance of management. They also supported his view that prime responsibility for such work must be with insiders in Departments. Central Departments could not ask the right kind of probing questions. The Prime Minister felt that the Civil Service Department must have a role in the follow up. Sir John Hunt agreed that this was necessary, and thought that the Lord President of the Council should perhaps take delivery of the Rayner studies, saving some of the Prime Minister's time. The Prime Minister wished to see the results of all studies; not least, this would allow her to enquire about follow up as she visited Departments. The knowledge that she was likely to enquire might help to encourage Departments to follow up the studies. The Prime Minister asked whether Sir Derek's studies had produced any instances of jobs that need not be done. Sir Derek Rayner said that his studies had not concluded that any of the functions in question were totally dispensable, although they had identified unnecessary aspects. Mr. Priestley said that some elements of Government statistical work might prove surplus to requirements. Sir John Hunt said that he wished to discuss this specific question with Sir Derek Rayner in relation to the Central Statistical Office. The overall demands of Government for statistical information needed to be looked at, as a case for retaining most statistical reporting could be made if each series of reports was examined in isolation.

The Prime Minister said that she had found these presentations most valuable. They would serve to illustrate the purpose of the Rayner project. In response to a suggestion from Sir Derek Rayner, she asked Sir John Hunt to arrange for Messrs Ponting and Warner, to repeat their presentations at Cabinet on 4 October. The Cabinet

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Office would inform the two Departments in question that these presentations would be made as examples. Sir Derek Rayner would set these in context alongside the outcome of the Rayner studies in other Departments, to avoid any implication that two Departments had been singled out for public pillorying.

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