

CONFIDENTIAL

PRIME MINISTER

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Sir Bencher & Soames are disappointed with Mr Nott's scrutiny proposals. They accept that this is not the moment to press for something more significant, but would like to return to the point later in the year. May we write as in Flag A?

THE SCRUTINY PROGRAMME 1981: MINISTRY OF DEFENCE

1 Flag B-

1. The letter sent on behalf of Mr Nott to your private secretary on 19 February proposed that the Ministry of Defence should scrutinise the following this year:

- Movement of HM Forces Personnel in the UK  
(cost £33m +)
- Defence Telecommunications (cost £58.5m)
- Dissemination of Information (cost £0.5m)

2. Those three scrutinies would be additional to two already agreed with Mr Pym - of Defence Sales and the Control of Expenditure and Financial Accountability - and to the Service-wide scrutiny of supporting services for research and development.

3. Mr Nott has taken head on the reference in Mr Whitmore's letter of 1 December 1980 that it is particularly important that larger employer departments should focus on areas which are manpower-intensive. He has made no proposals for such scrutinies, arguing that:

a. there is a general problem in a department of the size of MOD "of identifying likely scrutiny subjects which are both of manageable size and organisationally discrete"; and

b. there is much already going on in the main manpower-intensive areas of MOD, eg on

- the future status of the Royal Ordnance Factories
- moving more post-design and R&D supporting services out of government
- reducing Civil Service manpower engaged on Quality Assurance



- the Royal Dockyards
- further contracting out of food procurement
- more freedom for Servicemen to furnish married quarters.

4. However, Mr Nott says that he "may wish to make further proposals for studies as the year goes on".

5. Although MOD thus envisages six scrutinies this year, and perhaps more, both Lord Soames and I find the response noted in paras. 1 and 3 above very disappointing - he, indeed, finds it extraordinary and worrying, given what was said in Mr Whitmore's letter (para. 3 above). (I should say also that Mr Nott's minute of 12 February on Defence Sales worried me and that I was glad to see the reply sent on your behalf.)

6. We both regard the difficulty of finding suitable subjects as over-stated; we have both made a number of suggestions to the MOD top brass informally, none of which has found its way into Mr Nott's list. Lord Soames believes that for the most part the exercises referred to at para. 3b above follow through work already done and are in any case concerned less with improving, simplifying and reducing the manpower content of tasks which have to be done by government than with possibilities for getting work done privately.

7. We have therefore considered whether we should advise you to seek more or different proposals from Mr Nott now.

8. However, we do not advise a formal démarche to try and extract more from Mr Nott immediately, because

- a. Mr Nott and the new Ministerial team at MOD have been in place less than two months; we do not think that he has yet taken the measure of the place; and



b. we believe that if we go carefully but firmly we shall get a better outcome than if we start off with a confrontation.

9. So we advise that:

✓ a. You should consent to these new scrutinies, but register a firm desire that more should indeed be undertaken later this year, focussing on manpower-intensive areas.

✓ b. You should say that you have asked me to discuss the possibilities with Mr Nott after a period of weeks. (He has in any case asked me to see him for an informal talk in April and I am to see Lord Trenchard similarly this month.)

✓ c. Lord Soames and I should take an opportunity to have a personal talk with Mr Nott about these matters away from the office.

10. In case you agree, I attach a draft letter to Mr Nott's private secretary, which might go from Mr Whitmore.

11. I am copying this to the Lord President.

Derek Rayner  
4 March 1981

Enc: Draft letter to MOD