



Prime Minister

CONFIDENTIAL

You were not convinced that it would achieve anything to circulate the Chancellor's paper. You felt the central departments were not equipped with sufficient expertise to carry out the tasks the paper allotted to them. Sir Derek's note gives good reasons for circulating the paper, and addresses your concern (para 4). Content that I should write this at D?

PRIME MINISTER


More draft minutes not

CABINET PAPER ON CONTROL OF EXPENDITURE: WML 20/5
DEPARTMENTAL RESPONSIBILITIES (Chancellor's minute of 14 May)

1. I understand that you doubt whether the Chancellor's paper will make any difference if the central departments lack staff with the right expertise to carry out the new task of supervising departmental control systems and whether it should be put to Cabinet until such doubts have been removed. May I offer you my thoughts on this?

2. First, the paper now before you has been prepared in response to one of my "lasting reforms" proposals - namely that the respective functions of the "spending" and central departments should be re-defined, 20 years after the Plowden Report, to reflect modern circumstances. The main change envisaged is that the responsibility of the centre to ensure that the civil service has good systems of resource control and management is acknowledged. This is important and I think that it should be ratified.

3. Secondly, I have been battering away for some time at the question of the competence of the centre to carry out the revised task envisaged for it. The Treasury does understand that it needs to equip itself better. In recognition of this it will be carrying out a scrutiny of its Specific Expenditure Divisions this year; the scrutiny will be led by a senior official, an experienced Deputy Secretary, whom I know, and I expect solid benefits to flow from it. This is not going to be got right at one go, but a start has to be made.



4. Thirdly, I fully accept that - while the scrutiny programme and other evidence have demonstrated that there is a wide range of talent in the civil service - in the areas of financial management and in the application of the disciplines of good accounting practices - knowledge is patchy and the career opportunities for those who excel in these disciplines are too limited because their importance is not recognised. Unless a substantial effort is made to recruit directly some outstanding qualified staff with clear promotional prospects to the top of the organisation, and unless there is mounted a crash programme, through the Civil Service College and other training institutes, to train people who are already in the Service, we shall in the foreseeable future continue to be lacking in the knowledge and skills essential to an efficient organisation. I am discussing this with senior officials of the Treasury and CSD and the Head of the Government Accounting Service next week.

5. Fourthly, it may help put the Chancellor's paper into context if I emphasise the point touched on in his draft covering note, namely that the objective of greatly improved financial management is being attacked on two main fronts and by a number of different means, including:

A. Making sure that financial responsibility is understood and allotted

- Central Ministers' paper on departmental responsibilities (the subject of these papers)
- My paper (still to come) on the managerial authority of Ministers and senior officials
- Treasury and CSD papers (still to come) on Principal Finance and Establishment Officers
- Scrutiny of the definition and allotment of responsibility and accountability, Ministry of Defence.

B. Making sure that financial management is competent

- Intended case study of the finance function in one or more departments following your Internal Audit meeting
- Intended proposals on training for financial management
- Completed scrutinies of monitoring and control, Treasury (1980) and Ministry of Defence (1981)
- Completed scrutiny of the organisation of financial administration, Northern Ireland (1980)
- Intended scrutiny of the measures needed to enable the Treasury's Specific Expenditure Divisions to carry out the new role indicated by the Chancellor (paragraph 3 above).

6. I have discussed with you separately means of pushing this work on. For the present, I think that it would be right to keep the momentum going, by getting the Chancellor's paper onto the record and by stimulating the central departments to be robust in preparing themselves for and carrying out the new role.

7. May I suggest that your private secretary should reply to the Chancellor's office along the lines of the attached draft?


DEREK RAYNER
19 May 1981

Enc: Draft letter plus textual points

DRAFT LETTER TO THE CHANCELLOR'S PRIVATE SECRETARY

PAPER ON CONTROL OF EXPENDITURE : DEPARTMENTAL RESPONSIBILITIES

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The Prime Minister ^{was} ~~is~~ grateful for the Chancellor of the Exchequer's minute of 14 May and for the draft paper and memorandum. Subject to the points made below, she is content that he and the Lord President should circulate them to Cabinet with a view to the endorsement of the memorandum.

The Prime Minister is concerned lest the memorandum may give unnecessary hostages to fortune. In particular, she feels that paragraphs 11 and 20 are not firm enough in describing the role of the central departments. She feels it would be better to delete the references to the "appropriateness" and "practicability" of central prescription from these paragraphs. The point could then be made in paragraph 10 that the central departments will of course consult other departments to ensure that the requirements they propose are appropriate to the functions of those departments and the needs of the public interest.

Secondly, the Prime Minister thinks that Cabinet colleagues may well ask whether the central departments have sufficient staff of the right experience and training to promote and monitor the best possible control systems in departments. She thinks it essential that the relevant parts of the centre should be staffed in such a way as to make the proposed role both credible and effective. The Prime Minister acknowledges that it is unlikely that this ^{can} ~~could~~ be achieved overnight, but she would like to know what plans are in hand to bring it about. She would be grateful for early advice on this, including Sir Derek Rayner's views.

I am copying this letter to Jim Buckley (Lord President's Office), David Wright (Cabinet Office) and Clive Priestley (Sir Derek Rayner's Office).