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10 DOWNING STREET

From the Private Secretary

14 July, 1981

Control of Expenditure: Departmental Responsibilities

The Prime Minister was grateful for the comments made by the Chancellor of the Exchequer, the Lord President of the Council and Sir Derek Rayner in response to her request for advice on the staffing of the central departments (my letter to you of 21 May).

The Prime Minister takes the point and welcomes the fact that there is a lot going on. She also notes that there is something of a chicken and egg problem here in that providing training and experience for the staff of central and other departments depends on analysing what is meant by "financial management" in government and the skills of which it consists, both generally and in relation to particular departmental activities.

The Prime Minister believes that prompt action to deliver the changes required will be essential and she agrees with the Chancellor's reference to the possible need to bring in help from outside, whether in defining what has to be done to up-grade financial management or to help with the up-grading itself. For example, she would envisage that it might be necessary as a start to mount a crash programme, through the Civil Service College and training institutes outside government, to train people in the disciplines of good financial and resource management.

The Prime Minister has said that she would find it helpful to receive a presentation on these matters during September when some of the thinking and analysis already in hand are further advanced. She would like such a presentation to cover:-

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An over-view

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- An over-view, perhaps by senior Treasury and CSD officials, of what we are doing and trying to achieve in relation to financial control and management.
- What Treasury and CSD control means in practice now and would mean in future (brief presentations by Principals from the Treasury and CSD).
- A presentation on the financial management and control system in a large department: the Prime Minister has suggested that the Principal Finance Officer of the DHSS might accept this task.

BF | The Prime Minister would be grateful if the Chancellor or the Chief Secretary would set in hand arrangements for such a presentation, in consultation with the Lord President, the Secretary of State for Social Services and Sir Derek Rayner. A possible date for this presentation would be 1500 hrs on Tuesday, 8 September. The Prime Minister would, of course, like the Chancellor, the Lord President, the Chief Secretary, Mr Jenkin and Sir Derek Rayner to accompany her on this occasion if they are free to do so.

I am copying this letter to Jim Buckley (Lord President's Office), Don Brereton (DHSS), Terry Mathews (Chief Secretary's Office) Clive Priestley (Sir Derek Rayner's Office), and David Wright (Cabinet Office).

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