



10 DOWNING STREET

THE PRIME MINISTER

4 February 1983

Personal

Dear Edward

Thank you for your letter of 21 December about the Government's response to the Treasury and Civil Service Select Committee's report on efficiency and effectiveness in the Civil Service. I enclose the Government's formal response to your letter which suggests that your Committee might take up the points you raise with Janet Young and Leon Brittan. I should add however that if you yourself wish to meet me to discuss these matters I should be delighted to see you.

Yours

Raymond

The Right Honourable Edward du Cam, M.P.

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THE PRIME MINISTER

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My dear Chairman,

Thank you very much for your letter of 21 December. I am grateful for the support which the Treasury and Civil Service Select Committee gives to our policy for improving Civil Service management. Perhaps I could deal in turn with the points that you make.

First, the financial management initiative. This will be an essential contribution to the better control of resources within central Government. We have no intention of allowing the momentum to slow down. One of the things that the Treasury and the Management and Personnel Office will look for when examining departments' programmes is evidence of commitment to make firm and early progress with implementation.

The central report on departmental programmes will be published during July. The schedule is tight, but we shall do our best to get the report to you in time for you to look at it before the Recess.

Secondly, departments have been asked to put forward plans for developing output measures and performance indicators within the context of the financial management initiative. The objectives of the initiative are described in detail in Appendix 3 of the White Paper, Cmnd 8616, and considerable emphasis is given to measurement in paragraphs 10 and 11.

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As your own report acknowledged, there are practical difficulties in the way of fully quantifying outputs. But even where that is so, advance can be made in developing indicators which help in judging progress towards meeting objectives. I expect that the replies from departments to the financial management initiative will make proposals for a substantial amount of effort in this important area. We also intend to include more and better indicators wherever possible in future Public Expenditure White Papers.

Third, you mentioned the MINIS concept and the management and review of programmes. I shall want to see that the general response to the initiative conforms with the principles for administrative expenditure established by Michael Heseltine in the Department of the Environment, it is our firm intention that these principles should be applied more widely.

The financial management initiative will help with this, since it covers both administrative and programme expenditure. In particular the principles of clarifying responsibilities, setting objectives and targets for performance, and having the associated information and expertise, are equally applicable to programme expenditures.

The management and review of programmes is central to the financial management initiative and I expect replies from departments to include a wide range of relevant proposals. These will be closely examined to see what action by the central departments would help. I think it important to extend into the programme area the reviews of performance that have been so successful in the administrative area, notably through the scrutiny process, although I do not imagine that this will be equally feasible in all programmes. A centrally co-ordinated review later this year of departments' consultancy, inspection and review capabilities (that is, management services, organisation and methods, and so on) will also touch on this. This is part of the whole programme of centrally co-ordinated efficiency exercises in 1983 which was announced on 20 December in answer to a Parliamentary Question by Fred Silvester (a copy is attached).

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We entirely accept that Parliament has a fundamental interest in this area. The Government has already committed itself to make available as much as possible of the enhanced information about programmes and operations which will result from the work under the financial management initiative. This is a point with which the central Report on the initiative will deal specifically. You probably know that the Procedure (Finance) Committee have asked the Treasury for a note on the effects of the FMI on the presentation of financial information to Parliament. We intend to make an interim reply at this stage, explaining that it is too early to reach firm conclusions and that the Treasury will discuss the issues with departments with a view to putting forward definite proposals in due course.

Your Committee's recommendations (viii)-(x) relate, with (xvi) and (xvii), more specifically to Parliamentary review and the role of the Comptroller and Auditor-General. As you say, these are relevant to Norman St. John Stevas's Bill and fall for consideration in that context. Leon Brittan set out our position during the Second Reading debate on the Bill on 28 January.

Fourthly, you kindly enclosed a copy of the response by the Council of Civil Service Unions to our reply to your Report. The Treasury has also received a copy of the report and is in touch with the departments concerned about them. I do not accept the general proposition that the manpower reductions have reduced effectiveness, but the Treasury is discussing the Memorandum with the CCSU.

Finally, I am glad that you believe we are agreed in our aims on this subject. I know that John Biffen has carefully noted your suggestion of a debate, although it has not been possible so far to make suitable arrangements. Meanwhile, however, Leon Brittan and Janet Young as the two central Ministers responsible day to day for efficiency and effectiveness matters, would welcome an early exchange of views

/ with you.



with you. If you would like to pursue this, Janet Young would be glad to arrange a meeting.

Copies of this letter go to the Chancellor of the Exchequer, the Leader of the House, the Lord Privy Seal, and the Chief Secretary to the Treasury.

Yours sincerely

Janet Young

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The Rt. Hon. Edward du Cann, M.P.