

PRIME MINISTER

SELECT COMMITTEE ON THE TREASURY AND CIVIL SERVICE

1. You kindly agreed that I should accept an invitation from this Committee to give evidence. I am called for Wednesday 20 February - I only hope that I can make my way through the lobby of sub-postmasters protesting against the DHSS "Rayner project"!
2. You may like to see the attached paper which I propose to submit beforehand and for which I should be grateful for your approval.
3. I should also very much value your agreement that I should speak frankly in response to questions.
4. Following your earlier confirmation that I should use publicity judiciously, I think that the Government's efficiency drive has gained some assistance from my PLATFORM ONE (BBC1) interview with Professor McKenzie on 24 January and the NEWSWEEK (BBC2) programme on 7 February, in which Mr Channon and two of the "Rayner" officials were interviewed, among others.
5. The Select Committee is attracting some attention and I would hope to use my appearance to spread the word a bit, in order to keep up the general pressure on departments and to encourage Members of Parliament to play a constructive part. I think and hope that you would see no difficulty over this; so far I have been involved in almost nothing that is truly confidential and, as you know, I do not believe that many of Whitehall's administrative practices need or should be cloaked in the mantle of secrecy.

DEREK RAYNER

Enc: Paper for Select Committee

SELECT COMMITTEE ON THE TREASURY AND CIVIL SERVICE

Note by Sir Derek Rayner

1. I was appointed on 8 May 1979 to advise the Prime Minister and her colleagues on ways to improve efficiency and eliminate waste in government. I am supported in this by a small central team comprising 2 Staff Officers (an Under Secretary and an Economic Adviser), an Executive Officer and a Personal Secretary. I also consult, as necessary, the central departments (Civil Service Department, HM Treasury, and the Central Policy Review Staff).

Rayner Projects

2. My first task was to launch a number of so-called "Rayner projects". Each Government department was asked last June to examine radically and searchingly a particular activity or function with the object of identifying ways in which it could be carried out more efficiently, more effectively and at less cost. The investigations were to last, in general, no more than 60 working days.

3. Each project was carried out by one or two officials from within the Department concerned. The officials, who were at about Principal grade, were free of steering committees and hierarchy. They reported direct to a Minister (in most cases a Minister of State) in consultation with their Permanent Secretary and me. They were free to ask awkward questions (eg "Why is this work done at all? Why is it done as it is?"), and to do so at the point where the job is actually done. They were told to come up with recommendations for action, not simply to identify problems.

4. There were 29 projects undertaken. A complete list is at Annex 1. I associated myself with all the projects from inception to conclusion: the study plans were agreed by me; I was available for consultation throughout, accompanying

some of the officials on their visits to the "sharp end"; the reports were copied to me at the same time as they went to the departmental Minister concerned.

5. All the reports are now with Ministers, along with my comments and advice, and most results have been reported to the Prime Minister. The potential savings suggested by project officers are around £80 million a year and £50 million once-for-all. The next and crucial stage is for the reports to be converted into "proposed action" documents, showing which recommendations are accepted, how and by when the savings will be realised and who will be responsible for seeing the recommendations through to implementation. I have the opportunity to comment and advise on these documents before circulation/publication.

6. Throughout my role has been that of adviser. The recommendations are those of the officials nominated to carry out the projects. The reports are the property of Departmental Ministers. It is for individual Ministers to decide what should be done as a result of the reports made to them and to implement the recommendations accepted or action based upon the recommendations made.

7. The Minister of State in the Civil Service Department (Mr Paul Channon MP) has the responsibility for drawing out lessons that might be usefully applied elsewhere within each department and across departments.

Annual Scrutiny Programme

8. On the basis of this experience the Government has decided that there should be an annual scrutiny by departments of specific activities. Each department will examine at least one area of its administration. The programme of each year's scrutinies will be decided upon after the Prime Minister has been informed of the proposals for it. The method of investigation will be the same as that

adopted in the previous exercise - a copy of the note of guidance issued to scrutineers is at Annex 2.

9. A list of subjects for examination in the first year is at Annex 3.

I shall be generally associated with all the projects but more closely with 14 of them (asterisked in the Annex) on which I shall be reporting to the Prime Minister. These are projects which are either intrinsically important or likely to raise issues of general principle.

Statistical Reviews

10. In addition, Departmental Ministers are this year being asked to review their statistical services. This follows the very useful project in the last round which looked at the statistical services of the Departments of Trade and Industry. I shall oversee and co-ordinate these studies, supported by an official in the Civil Service Department and in the Central Statistical Office. The officials in the departments with the responsibility for carrying out the individual studies will adopt the same method of working as in the scrutiny programme.

11. Drawing upon the departmental studies I will assess centrally the statistical services which meet wider needs than those of one department, including the work of the Central Statistical Office.

12. The statistical review will be completed by the end of the summer when I shall report to the Prime Minister.

Cost Information

13. The annual scrutiny of specific activities will be a necessary and important instrument for Ministers in seeking to improve efficiency and reduce waste in their Departments. It supplements the existing machinery, eg for staff inspection and O and M studies. But it is not sufficient. Ministers need also to have available to them management information on the cost of having a Department that is, of its staff, of its buildings and of supplying it with goods (eg stationery, furniture and equipment) and services (eg heating and lighting). This is because in order to run anything one needs first to know and then to question his costs.

14. The Government has decided that each Minister in charge of a Department should scrutinise such costs at least once a year. Cabinet will also consider collectively an annual statement of the cost of running central government. I am currently advising Ministers on the provision and use of cost information systems. It is the intention that there should be a pilot run this year with a view to being fully operational by next year.

Rules and procedures which inhibit effective management

15. A paucity of management information has been one barrier to the effective management of resources in central government departments. Over the coming months, I shall be considering a number of other areas in which existing rules or procedures could inhibit good and efficient management eg:

- the present system of providing certain goods and services, notably accommodation, free to Departments on "allied service" terms;
- the distribution of responsibilities for the management of resources within Departments including the use of professionally qualified staff;

- the role of the central departments in the management and control of resources;

- personnel practices

General

16. I should be glad to have comments and advice from members of the Select Committee.

12 February 1980

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