



10 DOWNING STREET

From the Principal Private Secretary

cc Cabinet
Transport
Hunt
Rayner
Berrill
Bancroft
Masters.
17 October 1979

Dear Private Secretary,

Efficiency and Waste in Central Government

The purpose of this letter is to confirm the arrangements to be made following Cabinet's discussion of recommendations by Sir Derek Rayner in his minute to the Prime Minister of 30 August (C(79)39).

The Cost of Administration

The Chancellor of the Exchequer, the Lord President of the Council and Sir Kenneth Berrill are invited to arrange for Cabinet to receive each year a statement on the cost of government, as recommended in paragraph 17a. The Prime Minister would be grateful if the Lord President took the lead on this.

The Prime Minister would also be grateful if Ministers would arrange for the scrutiny of the cost of running their departments, as recommended in paragraph 4 of the minute. Sir Derek Rayner will in due course be advising Ministers about methods that might helpfully be used in the costing of overheads and the supply of management information.

Specific functions

Ministers are invited to arrange for the scrutiny of one or more of their Department's functions, together with the associated use of staff, administrative expenditure and overheads, as recommended in paragraphs 13-15 of the minute. These functions should be characteristic of the Department and significant in their use of resources.

Notification and commencement

Ministers are invited to send the Prime Minister by 23 November their proposals for the first year of scrutinies and to copy them to Sir Derek Rayner. The Prime Minister will then arrange for the collation of the proposed scrutinies, as recommended in paragraphs 16 and 17b of the minute. It should be possible to start the programme of scrutinies soon after the beginning of the new year, but if Ministers wish to make an earlier start they are invited to indicate this.

Differences between the functions and circumstances of departments may suggest practical differences in procedure, but the essential characteristics of the scrutinies are that each should be undertaken

/ by a suitably qualified

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by a suitably qualified official, normally at Principal or Assistant Secretary level, working to the Ministerial head of his Department in consultation with his Permanent Secretary and Sir Derek Rayner's unit; that their terms of reference should be agreed with Sir Derek Rayner; that it should not usually take longer than 90 working days to prepare the report and that the report should lead to action which should be completed, or initiated in the case of substantial recommendations, within a year.

Interim guidance on the conduct of scrutinies may be obtained from earlier papers on the conduct of "Rayner projects". These are Sir Derek Rayner's note to Permanent Secretaries of 4 June and the notes issued to project officials by his office on 22 June, 31 July and 17 and 21 September. These notes will be consolidated as soon as possible for circulation to Ministers, but preparatory action need not await the arrival of the composite version.

The Prime Minister has asked Sir Derek Rayner to assist her colleagues and herself by circulating as soon as possible his report on the projects now nearing completion in departments; by helping with the follow-up to and implementation of particular recommendations; by helping to apply such lessons of more general application as may also emerge from them; and by associating himself with scrutinies under the new programme, much as he has done in respect of the projects mentioned above (see paragraph 6).

Programme Analysis and Review

The present arrangements for PAR have been superseded by the new arrangements described in this letter.

National and Departmental Staff Sides

The Secretary General of the National Staff Side has been informed by the Civil Service Department of the programme of cost reviews and scrutinies. A copy of the Civil Service Department's letter will be sent to Permanent Secretaries.

It is suggested that Departmental Staff Sides should be informed in the same terms as the letter to the National Staff Side.

The Civil Service Department will brief departments as necessary on points in which staffsides may be interested, but the Prime Minister has asked me now to emphasise Cabinet's wish that the new programme should be presented in such a way as to invite and attract the willing co-operation of staff. In particular, it should make clear that while the scrutinies will challenge the reason for functions and may well lead to the reduction or cessation of some activities, its chief purpose is to make continuing functions more cost-effective.

I am copying this letter to the Private Secretaries of members of the Cabinet and of the Minister of Transport and to Sir John Hunt, Sir Ian Bancroft, Sir Kenneth Berrill and Sir Derek Rayner.

Yours sincerely,

John Whitmore