



FILE

CE MASTER SET

10 DOWNING STREET

 CC: MR BEESLEY  
 SIR R. ARMSTRONG  
 MR MOUNT  
 MR REDWOOD

TF

*From the Private Secretary*SIR ROBIN IBBS

The Prime Minister took a meeting on Friday, 11 November to discuss your proposals for achieving greater efficiency in the public sector. The meeting had before it your minutes to the Prime Minister of 29 September and 25 October. Sir Robert Armstrong, Mr. Beesley, Mr. Mount and Mr. Redwood were also present.

The Prime Minister said that she found your analysis of objectives and tasks extremely valuable. The priority now was to secure implementation of the necessary changes, and then to ensure that things did not simply carry on as before.

You argued that motivation was the key to success in this area. You felt it was necessary to make clear that Ministers themselves were committed to securing greater efficiency, and would not be diverted from this by the prospect of some political pain. If they failed to do this, the edge of enthusiasm for change further down the line could be blunted.

Whilst the Prime Minister agreed that strong leadership was a most important factor in securing motivation, she felt that a system of rewards and sanctions related to performance was also valuable. The public sector could benefit greatly from a combination of merit pay for good performance, and prompt removal of those whose performance failed to come up to standard. Sir Robert Armstrong said that a start on the latter would be made by Christmas. He added that another dimension was posting policy: good people were a scarce resource, which had to be used wisely.



In discussion of your ideas for tackling inefficiency elsewhere in the public sector, the Prime Minister expressed reservations about the Griffiths Report on the National Health Service. She was not convinced that it offered solutions to all the deep-seated administrative problems of the National Health Service. It was appalling that so many extra staff had been recruited with so little impact on the length of waiting lists. More use should be made of comparative statistics of hospital performance, and she would herself consider using this material at Question Time to draw attention to good and bad practice. It was agreed that a major change in the culture of the organisation was required, away from the tradition of "consensus management". Strong chief executives could achieve this, and were therefore good value for money, although their appointment invariably gave rise to criticism. Mr. Redwood suggested that the Efficiency Unit might find it worthwhile to examine selected District Health Audits.

The Prime Minister also mentioned her recent meeting with Lord Rothschild, the Minister of Agriculture and others, about agricultural research. Lord Rothschild had argued persuasively that far too high a proportion of agricultural research funds went on administration, partly because of the cumbersome procedures for assessing proposals.

The Prime Minister agreed that you should now pursue a programme of bilateral meetings on efficiency with Departmental Ministers. Apart from the factors mentioned in your minutes, and those raised in discussion, she asked you to explore:-

- (i) trends in administrative unit costs in each Department, as compared with inflation; and
- (ii) procedures for removing people who failed to come up to a satisfactory standard.



The Prime Minister suggested that you might pay particular attention in the early stages of your programme to the Department of Education and Science and the Department of Health and Social Security. She agreed that you should aim to report back in early January. At that stage you would wish to put forward further proposals, and it might be sensible to arrange for you to talk to the Cabinet as a whole. The Prime Minister also agreed that it would be useful for you to report progress regularly to her. You proposed meeting approximately every six weeks.

I am sending copies of this minute to those who were present at the meeting.

(David Barclay)

14 November, 1983



**CONFIDENTIAL**



Ref. A083/3247

MR BARCLAY

*IBBS  
15/11*

*attached.*

Thank you for your minute of 14 November, recording the Prime Minister's meeting on Friday 11 November to discuss Sir Robin Ibbs's proposals for achieving greater efficiency in the public sector.

2. The fourth paragraph of your minute records the Prime Minister as expressing the view that the public sector could benefit greatly from a combination of merit pay for good performance, and prompt removal of those whose performance failed to come up to standard, and then me as saying that a start on the latter would be made by Christmas. For the avoidance of doubt I ought to say that what I hope to deliver by Christmas is proposals addressed to the problem which the Prime Minister has once or twice mentioned in Cabinet, of doing more to provide promotion opportunities for high-fliers by facilitating (and even encouraging) premature retirement of those who are no longer performing as well as they used to perform, and for other means of dealing with the same problem - for instance, by special posting arrangements. This is a different matter from "prompt removal of those whose performance fails to come up to standard", for which considerable provision already exists.

3. I am sending copies of this minute to Sir Robin Ibbs, Mr Beesley and Mr Mount.

*14*

Approved by  
ROBERT ARMSTRONG

*and signed in his absence*

14 November 1983

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