

Annex minute of Sir R 1665



Ask for advice for Rowi 1/11

Prime Minister

Content with Sir Robert's proposal for a joint Cabinet

Office/Treasury unit, to be called the Central Unit on Purchasing?

Ref. A084/3228

1. CHANCELLOR OF THE DUCHY OF LANCASTER
2. PRIME MINISTER

*DUG
7/12*

Location of the proposed Central Unit on Purchasing

At your meeting on 29 October to discuss the Cabinet Office (MPO) report on Government purchasing practices, it was agreed that, in line with the team's recommendations, a small advisory unit on purchasing should be established. The unit will be staffed partly by private sector people on secondment and partly by civil servants.

2. As you expect departments to have set targets for better value for money in purchasing by next April, and as the targets need to be agreed by the proposed unit, it is important that the arrangements for establishing it are set in motion now.

3. The immediate issue is where the unit should be located. As a machinery of Government matter, this is a decision for you.

4. In practice the choice of location lies between the Cabinet Office (MPO) and the Treasury. In Annex H to the report it was argued, in my view convincingly, that it would not make sense either to set up a free standing unit, on the lines of the Efficiency Unit, or to place the unit in one of the existing purchasing agencies.

5. The unit will need to work closely with the Treasury which will retain responsibility for public purchasing policy. The head of the new unit will need to be a member of the official Procurement Policy Committee, chaired by the Treasury. It is also an essential part of what was agreed at your meeting that targets for improved value for money in Government purchasing should be set and monitored. That will require close liaison between the unit and expenditure divisions in the Treasury.



6. On the other hand the report makes it clear that one of the keys to success in this area is the need to make the purchasing practices of Government Departments more businesslike. Thus the proposed Unit will need to maintain very close links with the Cabinet Office (MPO) over such matters as training, the establishment of a functional specialism for buyers and incentives for purchasing staff. In addition, the Cabinet Office (MPO) have already done a great deal of work on stores stock-holdings and on certain large areas of Government purchasing such as travel.

7. In view of the need for close links with both the Treasury and the Cabinet Office, my advice would be to establish a joint unit, much on the lines of the Financial Management Unit. The joint approach would allow the unit's staff easy entry into both the Cabinet Office and Treasury, while at the same time giving it a degree of independence which will be necessary if it is to be effective. Further, a joint unit would enable the two aspects of the venture - the need to improve performance in purchasing and the need to achieve savings - to be developed together.

8. You will wish to consider also the reporting arrangements for the unit. The Chancellor of the Duchy of Lancaster has, as you know, taken a close interest in the review which led to the report. He has also set in train the action needed to get departmental plans for implementation drawn up and the arrangements for publishing the report. The Treasury Minister responsible for procurement policy is the Chief Secretary. It would be appropriate therefore for responsibility for the joint unit to be shared between the Chancellor of the Duchy and the Chief Secretary.

9. Finally, I should like to call the new unit the Central Unit on Purchasing, to avoid any implication that it will be directly involved in buying.



10. With Sir Peter Middleton I have put in hand work to identify possible private sector buying staff who might join the unit and we are considering the detailed arrangements for the structure of the unit. We shall report to you on these matters as soon as possible.

REA

ROBERT ARMSTRONG

4 December 1984