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## 10 DOWNING STREET

From the Principal Private Secretary

8 November, 1985

### MEETING WITH THE PRIME MINISTER

The Prime Minister had a meeting with Sir Robin Ibbs and yourself on 6 November about the scrutiny programme and other efficiency issues.

Sir Robin said that the scrutiny technique and the FMI had already achieved a great deal. But these techniques needed to be used more positively if the full benefit of savings were to be achieved. For example, if scrutiny findings had been exploited more quickly, another £280 million could have been saved on top of the £750 million saved since 1979. His main concern was that Ministers were insufficiently eager to push departments to exploit the scrutiny technique to its fullest extent. Ministers had to squeeze the maximum benefit from a given level of public expenditure. Crucial here was the establishment of targets against which performance could be measured. Certainly more targets had been erected, but many were imprecise or weak. He had no feeling that there was within Government the same urge to save and squeeze as he felt as a Director of ICI.

Follow-up of scrutinies was often weak, as was demonstrated in the case of the follow-up to the inner city scrutiny. Despite the establishment of the CATS, there was too much effort still being devoted to complicated negotiations between Departments. Departments were fettered too by the need to work through local authorities, many of whom were not supportive of the Government's approach. He had, therefore, proposed the "agency" approach which would cut down on the inter-departmental negotiation and promote more direct action. In this instance the scrutiny technique had undoubtedly identified a problem but the follow-up had not solved it.

After further discussion, the follow-up action listed below was agreed:

- (i) No.10 Private Office would chase up the progress on the review of the future of Crown Suppliers which was commissioned by the No.10 letter of 19 March, 1985.
- (ii) Sir Robin Ibbs would consider, and advise on, the action which might be taken to encourage Departments to

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adopt better targets.

(iii) The Prime Minister would hold a further value for money presentation by the Home Office next summer. Mr. Beesley would provide No.10 Private Office with the draft of a letter which might be sent to the Home Office specifying the format of their presentation.

(iv) The Efficiency Unit would advise No.10 on the Department which should be asked to present a value for money seminar in February: the Departments of the Environment and Industry were possible candidates. Either Customs and Excise or Inland Revenue should be asked to make a presentation in April or May after the Budget.

(v) No.10 Private Office would seek a report from MPO on progress made so far on the implementation of the performance bonus scheme. The two reports produced by Hay-MSL on the scheme were relevant.

(v) A report should be sought from the Cabinet Office on Departments' response to the requirement, set out in the No.10 letter of 28 May, that Departments should indicate that all proposals with value for money implications should include a statement of what is to be achieved, how it is to be measured, by when and at what cost.

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