



EFFICIENCY UNIT

70 WHITEHALL, LONDON SW1A 2AS

Enquiries : 01-233 8412

Direct line : 01-233 7359

bbp
Bff for meeting on
1 Feb.

Dusk
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The Rt Hon Michael Heseltine MP
Secretary of State for Defence

26 January 1984

Dear Michael,

File with DB

MW

Thank you for your letter of 22 December describing your plans and targets for management and efficiency improvement in the Ministry of Defence. I have also had a useful discussion with Peter Levene.

2. I think that you personally may be interested to know about the overall response to my letter. The pattern of replies is encouraging, and it strongly suggests that a very substantial increase in value for money is within the Government's grasp if Ministers are prepared to push hard enough - even when choices are difficult. This is not least because the necessary tools for top management that you have pioneered are starting to be adopted more widely. Nevertheless there is still a pressing need to:

- (1) Identify the 'businesses' (in the FMI sense of specific groups of objectives and responsibilities to achieve them).
- (2) Be aware of who the customer is, and to seek better services for him at lower cost.
- (3) Set precise targets that act as clear yardsticks of success or failure.
- (4) Set targets as real improvements to be achieved in a given time - medium term targets need to be broken down into annual components.
- (5) Be selective; Ministers need to concentrate on the most important targets, even at the expense of lesser activities; they should expect appropriate lower level goals to be set by senior line managers when dividing up their own budgets.
- (6) Establish sound performance criteria to judge the extent to which performance has improved and to set tighter targets in the future.

Above all we need a sense of urgency, without which the results will be too little and too late. I shall be suggesting to the Prime Minister that my own programme of assistance should reflect these themes.

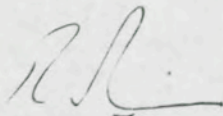
3. I would say that your approach in MOD is absolutely in the right direction. The sense of urgency and the concrete targets in some of the key areas are exemplary, especially for such a large and complex organisation. With specific observable objectives in each area you will be in a position to drive the department to achieve the improvement you seek.

4. With this in mind I would like to offer my help and that of the Efficiency Unit as follows:

- (1) We would be glad to take a particular interest in the review of Service and civilian manpower control as you suggest. This review is important not only to establish a framework consistent with the development of budgets but also to get the message across that extra numbers will be very hard to find from now on.
- (2) You drew my attention to the special audit of Marine Services and, on the assumption that this is intended to look at what needs to be done and at the service provided to the Navy, we would be glad to take an interest in that too.
- (3) I note that there is a wide range of work underway within the Services. Subject to your views I think I only need to be in a position to be able to tell the Prime Minister that I am being kept informed of the major reviews and their results.
- (4) We would be glad to consider helping further with any additional major studies you commission, particularly any concerned with the wider themes I have elaborated.

5. I am sending a copy of this letter to the Prime Minister, the Chancellor of the Exchequer, Sir Robert Armstrong and to Peter Levene.

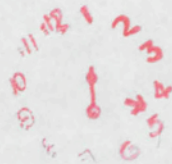
Yours truly,



Robin Ibbs

Civil Service: Long-Term Policy pt. 14

27 JAN 1984





MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALLING 01-218 2111/3

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9th February 1984

De Robin

Thank you for your letter of 26th January about the efficiency programme.

I am glad that you are getting an encouraging response from departments. For my own part, I shall certainly be seeking to apply the sort of management principles you describe, in the particular circumstances of the Ministry of Defence. As regards specific studies, I know that my officials have already had a helpful exchange with your people on manpower control; and they will be in touch on other studies in due course. I shall be grateful for the help that you and your staff are able to give.

I am sending a copy of this letter to the Prime Minister, the Chancellor of the Exchequer, Sir Robert Armstrong and to Peter Levene here.

For Mr
[Signature]

Michael Heseltine

Sir Robin Ibbs

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