

PO-CH/NL/0194 PARTE

Chex
Lawson

PART E

MANAGEMENT-IN-CONFIDENCE



PO -CH /NL/0194



PART E

(CS)

CHANCELLOR'S PAPERS ON
CIVIL SERVICE (CS)
MANAGEMENT AND PAY
ISSUES

PO -CH /NL/0194

PART E

Begin: 13/6/88

DD: 25 years

Ends: 15/11/88 (CONTINUED)

[Signature] 11/9/95

FROM: A M W BATTISHILL



THE BOARD ROOM
INLAND REVENUE
SOMERSET HOUSE

13 June 1988

file:

(PEM wants to discuss)

CHANCELLOR OF THE EXCHEQUER

NEXT STEPS

Mr Unwin kindly sent me a copy of his minute of 10 June to you on this subject. I have now seen a copy of the OMCS's enquiries, though we were not on their original circulation list.

2. The position of the two Revenue Departments is, of course, very similar, and the Revenue no more easily fits within the categories devised by the Next Steps Team than does Customs.

3. When we discussed this subject before, you had doubts about turning the Revenue (or any of its constituent parts) into a full agency, in the Next Steps sense, because of the politically sensitive nature of the work and the very close links between tax policy and administration. My understanding was that you did not envisage any early organisational changes for us of the kind implied in the creation of other, smaller Whitehall agencies.

4. The line I have been taking in the Department is that, because of the Board's statutory responsibilities for care and management, we already operate like an agency in many important respects, under the general direction of yourself and the Financial Secretary. I have not encouraged people here to look for early dramatic changes. If you decided to treat the Inland

cc Financial Secretary
Sir Peter Middleton
Mr Unwin (Customs & Excise)

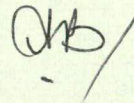
Mr Battishill
Mr Painter
Mr Rogers
Mr P Jones
PS/IR

Revenue as, in effect, already an agency for all practical purposes, that would probably conform closely with most people's perceptions inside and outside the Department. (That is not to say that there may not be a separate case for looking at the future of valuation services after the end of domestic rating in 1990.)

5. Like Customs, we have been engaged on an internal exercise to see how we measure up to the criteria within the Next Steps report. In the area of financial management and accounting, this will reflect work we have been doing on a system of unit costs, and in producing our first full Management plan. The exercise should be completed quite soon; when it is I shall be happy to let you and the Financial Secretary see it.

6. You will presumably want the two Revenue Departments to take a consistent line. For my part, I would have no difficulty with the kind of formula in paragraph 3 of Mr Unwin's minute, if you were content with it. It nicely catches the greater managerial flexibility and accountability underlying the Next Steps approach, without in our case any need to re-draw Departmental boundaries or fundamentally change our relationships with Treasury Ministers.

7. If you are content, I should be very happy to take that line with the Next Steps Team.



(A M W BATTISHILL)



ps1

FROM: A C S ALLAN
DATE: 16 June 1988

MR BATTISHILL - IR

cc PS/Financial Secretary
Sir P Middleton
Mr Unwin - C&E
Mr Painter - IR
Mr Rogers - IR
Mr P Jones - IR
PS/IR

NEXT STEPS

The Chancellor was grateful for your minute of 13 June, and is content with what you propose.

A handwritten signature in black ink, appearing to read 'ACSA' with a stylized flourish underneath.

A C S ALLAN

PMG 4 JUL 1988 11



MINISTRY OF DEFENCE WHITEHALL LONDON SW1 2HB

MO 21/8/5V SECRETARY

TELEPHONE 01 914 8000

30th June 1988

DIRECT DIALING PAYMASTER GENERAL

REC.	4 JUL 1988
ACTION	MR LUCE
	colx, RL/ST
	Sir P Middleton
	Mr Anson
	Mr Monck

- Mr Bryner
- Dame A Muelton
- Mr C D Botler
- Mrs Case
- Mr Burr
- Mr Waller
- Mr Bolt

PMG

Dear David,

Thank you for copying to me your letter of 9th June to Kenneth Baker in which you urged Departments to join the Management Charter Initiative. It is an attractive idea.

We already do a great deal in the Ministry of Defence to develop management talent which is much in demand at all levels. On the civilian side we have a range of activities including career development, the Senior Management Development Programme, an executive grades development scheme and a wide range of both mandatory and voluntary management courses. But there is always room for improvement and the MCI could give a useful impetus as well as keeping the Department in touch with developments in Industry. We will therefore be looking more closely into what is involved, not least in terms of resources, and how we would handle certain aspects of the Charter.

On the Service side I am less certain. As you know they have a highly structured management training for all levels aimed at their particular needs, and the MCI could be less relevant here.

I am copying this letter to the Prime Minister, other Members of the Cabinet and Richard Luce, and to Sir Robin Butler.

Yours we, Mr Kalen
George Younger Miss Roberts
AMG

The Rt Hon Lord Young of Graffham



CH/EXCHEQUER ^{15/7}

REC.	15 JUL 1988
ACTION	PMG
COPIES TO	

QUEEN ANNE'S GATE LONDON SW1H 9AT

14 July 1988

Dear David,

MANAGEMENT CHARTER INITIATIVE

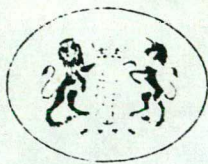
Thank you for sending me a copy of your letter of 9 June to Kenneth Baker.

I very much support the aim of improving management training and development. In the Home Office, we have been working hard to do just that. The Department has sought to make the best use it can of the new management development programmes to which your letter refers and, over the past few years, has been devoting a good deal of effort to the continuous improvement of its internal management courses. We plan to make further advances in these areas in the future.

As you say, participation in the Initiative would require resources up front. The Home Office, like all Departments, is facing many new demands for manpower, while few existing tasks are dropping away. It is therefore important that we make sound judgments about priorities in allocating our scarce resources. With this in mind, I should like to know a little more about the investment required by the Initiative and the benefits we would get from it, and I am accordingly asking my officials to talk to your people in your Quality, Design and Education Division who I understand have done much of the work on the Code.

I am copying this letter to the Prime Minister, other members of the Cabinet, Richard Luce and Sir Robin Butler.

PM 14 JUL 1988 8



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

The Rt Hon Lord Young of Graffham
Secretary of State for Trade &
Department of Trade & Industry
1-19 Victoria Street
LONDON
SW1H 0ET

Industry CHIEF SECRETARY	
REC.	14 JUL 1988
ACTION	PMG.
COPIES TO	

my
14 July 1988

Lee David,

Thank you for copying to me your letter of 9 June on the Management Charter Initiative.

I have read the draft code of good management practice with interest and applaud the principles which it embodies. Indeed, I note that many of the strategies which it advocates - development planning, personal target setting, performance appraisal and feedback - are already in use in my Department as in other parts of the Civil Service.

We do, however, need to consider the cost effectiveness of some sections of the code for the public sector - for example, the obtaining of recognised management qualifications - and I am concerned about some of the resource implications. I am therefore arranging for the cost-benefit equation for my Department to be studied more closely. My officials will also be considering how this initiative relates to other on-going exercises on management training and improving understanding of industry which will also be making substantial calls on our resources in the future.

I am sending copies of this letter to the Prime Minister, other members of the Cabinet, Richard Luce and Sir Robin Butler.

PAYMASTER GENERAL	
REC.	14 JUL 1988
ADD.	Mr C D Butler
	PS/CA, PS/CS
	Sir P Middleton
	same Annweiler
	Mr PHIPSON
	Mr PHILLIPS
	Mr Manck
	Mr Burglar
	Mrs Case

- Mr Luce
- Mr Turnbull
- Mr C Allan
- Mr McIntyre
- Mr Burr
- Mr G H B Jordan
- PS/CTE
- PS/IR
- RFS
- PGO
- GAD

Yours etc
JH

- JOHN MacGREGOR
- NILO
- DNS
- HMSO
- COT
- RM

J A Dole
Controller and Chief Executive



Her Majesty's
Stationery Office

St Crispins
Duke Street
Norwich NR3 1PD

Telephone 0603 694210

J M G Taylor Esq
PS/Chancellor of the Exchequer
H M Treasury
Parliament Street
London SW1P 3AG

15 July 1988

with p.p.
Intake

Dear Mr. Taylor,

HMSO REVIEW OF THE YEAR 1987-88

You may care to have a copy of our Review of the Year for 1987-88 which has been published today.

I am pleased to be able to report that HMSO has once again met its financial objectives as agreed with the Treasury. Turnover at over £330 million was 3% up on the previous year although price increases were held below the level of inflation. The net surplus of £2.1 million has, with Treasury agreement, been retained in the business.

Your sincere
John Dole



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon Lord Young of Graffham
Secretary of State for Trade and Industry
Department of Trade and Industry
1-19 Victoria Street
LONDON
SW1H 0ET

CH/EXCHEQUER	
REC.	20 JUL 1988
ACTION	PMG
COPIES TO	

Handwritten initials

19 July 1988

Dear David,

MANAGEMENT CHARTER INITIATIVE

Thank you for copying to me your letter of 9 June to Kenneth Baker.

I am writing to express my support in principle for the Management Charter Initiative and to commit the Scottish Office to be a member of the Initiative. We currently have a Working Group reviewing training (in the widest sense) in the Scottish Office. Although the Group is not due to report until the end of October and has just completed a major analysis of staff development needs, it is likely to make recommendations which are entirely compatible with the thrust of the MCI. We are in any case already committed, not least by a number of recent central initiatives, to a programme of improved management development. Membership of the MCI will focus on efforts in that direction and I believe that only good can come of it.

We shall also draw the attention of our NDPBs to the MCI.

I am sending copies of this letter to the Prime Minister, other members of the Cabinet, Richard Luce and Sir Robin Butler.

Yours ever
Malcolm Rifkind

MALCOLM RIFKIND



Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

19 July 1988

J A Dole, Esq
Controller and Chief Executive
HMSO
St Crispins
Duke Street
Norwich NR31 1PD

A handwritten signature in dark ink, appearing to be "Mj" or similar, located to the right of the recipient's address.

Dear Mr Dole,

HMSO REVIEW OF THE YEAR 1987-88

The Chancellor has asked me to thank you for sending him a copy of your Review of the Year, with your letter of 15 July. He has read this with much interest.

Yours sincerely,
Maira Wallace

MOIRA WALLACE
Private Secretary



Permanent Secretary
H M TREASURY

Alex

PEM would like to discuss the attached with the Chancellor. I've held up the Office Notice and alerted the PM's + EST's offices.

Simon 22/7

RM
L22/7

CONFIDENTIAL

GOVERNMENT ACTUARY'S DEPARTMENT

22 KINGSWAY LONDON WC2B 6LE

TELEPHONE 01-242 6828 Ext

FAX 01-831 6653



From the Government Actuary
E. A. Johnston CB, FIA

Sir Peter Middleton KCB
Permanent Secretary to the Treasury
Her Majesty's Treasury
Parliament Street
LONDON
SW1P 3AG

21 July 1988

Dear Peter,

MINISTERIAL RESPONSIBILITY FOR GAD

The news that GAD is likely to be transferred from the PMG to another Treasury minister has reached me.

Of course I understand that the allocation of duties among ministers depends on many things, and that the PMG's other responsibilities pose a special problem. Usually it doesn't matter much to us but a change just now would be unfortunate. GAD is in the throes of a fundamental crisis, as the staff losses leave it highly questionable whether and what future there is for the department. The Paymaster has been taking an interest. It is not that I expect one minister to be more favourable than another, although the Paymaster's background gives him a natural understanding of our problems, but that it is difficult to get attention for such a small department. Having done so and got up some momentum, it will be quite a setback to have to do so over again. The change will be felt by my senior staff, whose morale is in a particularly sensitive state at present; you may have heard that one left recently and we have not been able to fill the vacancy.

Although we are referring more to the Paymaster than for many years past, it still amounts to very little time in total - it must be less than the CCTA which he is to retain.

As this has not yet been announced, I would be grateful if it could be looked at again, with a view to leaving GAD with the Paymaster.

Yours truly

E.A.J.

E. A. JOHNSTON

CONFIDENTIAL

PMG 28 JUL 1988 8

FROM: J A PATTERSON
DATE: 27 JULY 1988

cc: PS/Economic Secretary
Miss O'Mara
Mr Rich

Mr Wilson o/r
Mr Speedie o/r
Mr Webster

PAYMASTER GENERAL	
REC.	28 JUL 1988
ACTION	Mr C D Butler
	PS/Cx PS/CST
	Sir P Middleton
	Dave A Mueller
	Mr ANSON
	Mr Phillips
	Mr MORCK
	Mr BURGNER

Mrs Case

PS/PAYMASTER GENERAL

DNS AND MANAGEMENT CHARTER INITIATIVE (MCI)

1. I understand that you are co-ordinating responses from the Chancellor's departments on this topic. The Secretary of State for Trade and Industry's letter of 9 June 1988, which was copied to his ministerial colleagues, refers.
2. DNS welcomes the initiative and the draft code of practice on which the Management Charter is based. Indeed, the draft code reflects for our management grades many of the practices in our departmental Training Strategy which we introduced last year. So it is a valuable support for the efforts of our departmental Establishment Officer and Training Officer to give management training a higher priority against the constant pressures just to get on with the operational job and its immediate demands.
3. We note that it is planned to establish local networks of MCI members. DNS has more than 97% of its staff dispersed away from London in the three large product divisions in the North of England and Scotland. No other London-based department has anything like as high a percentage of staff in these locations. So this 'local network' approach is particularly welcome to us, since most of our managers are in these locations.
4. So we plan to discuss this and other aspects of the Initiative with the DTI people in the near future. In general I hope that we shall decide to participate formally in the Initiative. But this may not be the right answer for a Department with only a handful of managers at Grade 6 or above.

J A PATTERSON
(DIRECTOR OF SAVINGS)

Mr Luce
Mr Turnbull
Mr C Allan
Mr McIntyre
Mr Butt
Mr G Jordan

PS/IR
PS/CTE
RFS
P40
GAD

NILO
DNS
HMSO
COI
RM

FROM: L J HARRIS
 DATE: 28 July 1988

PS/CHANCELLOR OF THE EXCHEQUER

PS/Chief Secretary
 PS/Financial Secretary
 PS/Paymaster General
 PS/Economic Secretary
 Full Next Steps circulation

TCSC REPORT ON NEXT STEPS


The TCSC report on Next Steps was published at mid-day today at a press conference taken by Mr Higgins.

Most of the recommendations come as no surprise. The Committee support the main recommendations of the Efficiency Unit's report (though they are not impressed by what they call its "vague generalities and restatements of the conclusions of previous reports"). They hope that Next Steps will lead to an acceleration of the pace and extent of change in the direction of more accountable management, they welcome the possible injection of talent from outside the Civil Service, and endorse the need for management experience to be seen as a necessary qualification for senior posts. They believe that Government should err towards giving managers too much rather than too little freedom, and that central Treasury (though not Parliamentary) controls should be relaxed as far as practicable. They stress the need for getting the right people into the right jobs, and emphasise the importance of adequate investment in training. Most of this is in line with the Government's declared policy on Next Steps, and any differences identified in the eventual response are likely to be ones of emphasis rather than substance. There are, however, three main areas where a fuller response may be needed. First, the Committee is attracted by the idea of co-ordinating personnel policy issues through a Civil Service Management Board chaired by the Head of the Home Civil Service with the Project Manager as Chief Executive. This idea was commended to them by Sir Frank Cooper. A similar (unpublished) proposal by Sir Kenneth Stowe was rejected by Ministers last year, and there are no very new arguments for re-opening the issue now. Second, the Committee profess to detect a difference of approach between the Treasury and OMCS to the question of privatisation. As was acknowledged at today's press

conference, the merits of privatisation have to be considered at a very early stage of any agency proposal. Setting up an agency does not rule out privatisation at some time in the future, and some agencies may be established with the specific objective of later privatisation. The report does not comment on the merits of privatisation, but notes "that the essential thing in any individual case is to avoid uncertainty". There is, in fact, no essential difference of approach between the Treasury and OMCS on this issue, and the Government's response to the TCSC report will be a good opportunity for restating the common line. **Third, the Committee are keen that Chief Executives should give evidence on their own behalf to Select Committees, that all Chief Executives should be Accounting Officers for their agencies, and that the whole issue of accountability should be debated by the House as soon as possible.** This raises wide questions about the relationship between agencies, departments, Ministers and Parliament, and the Government's response will need to set out their view of the proper balance with some care.

The body of the report makes some passing judgements which cannot be allowed to go unanswered - for example, they do not agree with the Treasury that the FMI has been a very considerable success, and they are less sanguine than the Head of the Home Civil Service about the present state of Civil Service management - while I understand that at this morning's press conference some members of the Committee implied that the Treasury were not fully committed to the Next Steps approach. It should not be too difficult to answer these fairly low-key criticisms in a report which is generally supportive of what the Government is trying to achieve.

OMCS and the Treasury will now be putting together a draft response for consideration by Ministers within the normal two month period.


L J HARRIS

Dictated by Mr Harris
but signed in his absence

FROM: C W KELLY

DATE: 28 July 1988

PAYMASTER GENERAL

cc: Chancellor
 Chief Secretary
 Sir Peter Middleton
 Mr Anson
 Dame Anne Mueller
 Mr Phillips
 Mr Turnbull
 Ms Seammen o/r
 Mr Chivers
 Mr Strachan
 Mr Hansford
 Mr Enderby
 Mr Bell

IPCS AUGUST 1988 PAY REVIEW

I need to bring you up to date on where we have got to in our negotiations with the IPCS about their 1 August settlement, the first under their long-term pay agreement.

2. We reported to you on 27 July the results of the survey of outside pay movements. We have since received the consultants' report on their survey of outside pay levels. We have been discussing the interpretation of this with the IPCS, together with information about the recruitment and retention problems reported by departments and, of course, the question of affordability. It is clear that there is a considerable gulf between us. I do not yet know if it can be bridged.

3. So far the discussions have been relatively informal and without prejudice. If they break down, as they may well do shortly, we will be in the business of exchanging formal and public claims and offers leading almost certainly at the end of the day to a proposal from the IPCS that we should agree to go to arbitration.

*We have taken
 two queries for
 Spence - see above
 Mr.*

Pay movements

4. The survey of movements showed that the interquartile range of movements in basic pay was 5.0 to 7.6 per cent (median 6.1 per cent). For total pay ie including allowances, bonuses and London Weighting it was 5.3 to 8.0 per cent (median 6.5 per cent). Under the transitional arrangements in the agreement we are not formally bound to settle in the interquartile range this year. But it probably makes sense to act as if we were.

5. To count against this, the IPCS grades in total have already received an average of 5.4 per cent on 1 April 1988. On the face of it, this allows scope for very little more. But:

i. Some of the 1 April increases, perhaps around 2 per cent, actually related to a restructuring agreement concluded as long ago as 1985; and

ii. Anything we agree now will have to take the IPCS through until 1 August 1989, a period of 16 months since 1 April 1988.

6. The IPCS are, of course, arguing these points for as much as they are worth. We for our part have conceded nothing, pointing out that 5½ per cent is still that much additional money in their members' pockets, whatever its derivation. If we were being totally objective, however, I think we would have to agree that there was actually a degree of merit in both points.

The levels survey

7. The levels survey information is not at all easy to interpret, and it has taken both sides several weeks to analyse it. There are many different ways of looking at the information and there is scope for disagreement about what measures of outside pay it is appropriate to compare with our pay scale maxima and our range pay maxima (ie including the performance points) respectively. There is quite a wide range of payment structures in the outside world.

8. We have argued that the most robust basis of comparison is to look at basic salaries actually in payment by outside employers outside London, to adjust them for the fact that their pension schemes are generally contributory, and then to compare the results with our normal scale maxima (because about 70 per cent of staff are on the maxima and a fair proportion will actually move one point beyond it with effect from 1 April through performance pay). On that basis the scale maxima for our P and T staff approximate to the median of outside pay, while our scale maxima for scientists, though 8 per cent lower than P and Ts, are still comfortably above the lower quartile of outside pay (see Chart 1).

9. The levels survey is, of course, there to inform and not constrain the negotiations. But we believe that we are following Megaw in regarding the lower quartile as a basic test of acceptability. If we fell below that, I think we would have to accept that the IPCS would have a case for arguing that our pay rates had become "seriously inconsistent" and that we ought to take steps to rectify the position.

10. But there are other ways at looking at this. One of those favoured by the IPCS is to look at the normally attainable maximum salary payable by outside employers (rather than salaries in payment) and to compare those with our scale maxima (not our span maxima). On that basis (see Chart 2) our scale maxima for P and Ts are slightly deficient relative to lower quartiles for the comparators and our scientist scale maxima are materially deficient. The IPCS also argue that we ought to be looking at median or average pay outside rather than at the lower quartile, dispute the deduction for pensions and can make the picture look even worse by throwing in bonuses and allowances as well.

11. We do not accept that comparing maximum attainable salaries with our scale maxima is fair because it gives us no credit for our range pay, which is potentially worth another 12 per cent. If we added in range pay we would again be above the lower quartile, although only just so for scientists.

12. In reality, probably neither of these views have an exclusive claim on the truth. Maximum attainable salaries may be a less robust concept than actual salaries in payment, but there is some logic in the view that we should either be comparing maxima with

maxima or salaries in payment with salaries in payment. Again, it may be wrong to leave out range pay altogether. But nor can we claim that they are quite the same as "normally attainable maxima" since they are subject to a quota. Our position has also been undermined by a statement made by the OME in the course of a paper summarising the results of the levels survey which suggested that, as supposedly objective agents, they tended to take the IPCS view rather than ours.

13. All in all my judgement is that a fair comparison would put our pay rates close to the lower quartile, and possibly below it for scientists and for the more senior grades covered by the survey (ie Span A).

Fringe benefits

14. The most substantial fringe benefit in our favour is pensions. The advantage here is, however less than it was, probably between 3 and 4 per cent (and the IPCS dispute even that). On the other side, the IPCS can point to a variety of other benefits which outside employers offer - cars, subsidised mortgages and share option schemes for example. We are not at too much of a disadvantage here, however. The survey suggests that the main quantifiable benefit available on any significant scale is company cars, and even they are available only to 18 per cent of employees at these levels, and partly on the basis of need. The Civil Service has a slight edge (but only slight nowadays) on annual leave which we have argued cancels this out.

15. We are also (of course) playing the card of job security, though for the IPCS this is less convincing that it used to be because of eg the dockyards and now the National Engineering Laboratory.

Recruitment and retention

16. Although departments do not officially report to us any widespread recruitment and retention problems, except in London and the London area and in certain specialisms across the country, there is a good deal of unhelpful evidence around which the IPCS are deploying in argument. The Civil Service Commission, which always makes out its task to be more difficult than it is, says a good deal in its latest report about the problems of recruitment;

while several departments have supplied information to their local trade unions on the difficulties they are having in filling vacancies. It is true to say that these problems are overwhelmingly concentrated in the London area, and in certain specialisms. It is also the case that quite a lot of them actually arise out of budgetary constraints. In many instances if departments staffed themselves up to their theoretical complements they would not have the money to pay for them. Nevertheless there is mileage for the IPCS here.

View of departments

17. We have kept information about these negotiations to a small circle of representatives of a half dozen departments principally involved as employers of IPCS grades: MOD, PSA, DTI, MAFF, Home Office and DoE/DTP. They are not urging us to spend a lot of money on this review. Some of them, particularly PSA and MAFF, are short of funds this year, have had their position made worse by LPAs and are keen to postpone any significant addition to next spring. They say that the most they could afford this year is 2½ per cent, implying a full year cost of around 4 per cent. They are also keen to concentrate as much of what limited amount of money may be available on London and the scarce disciplines. They recognise, however, that a purely selective approach is unlikely to be negotiable. It would mean that the majority of IPCS members would receive no increase between 1 April 1988, and 1 August 1989 and no apparent benefit at all from the levels survey.

18. The levels survey, incidentally, is not particularly helpful in distinguishing between disciplines. It shows that there are differences between disciplines in outside rates of pay. But they do not always correspond closely to the recruitment and retention problems reported by departments. It does, however, confirm that we have a "London" problem rather than a wider South East problem (certain exceptions apart).

Where we have got to

19. McCall has so far stated two positions:

- i. His open position, which would be to argue for a 6½ per cent increase (the median of movements in total pay) for the

whole pay spine; for an additional spine point (worth around 4 per cent to those concerned) for the middle grade people (Span B) and two spine points (8 per cent) for the senior people (Span A); and for the pay of all scientists and other grades brought up to P and T rates. The full year cost of this package would be about 14 per cent, although he is good enough to say that he recognises that there would have to be some staging.

ii. A slightly less expensive package, with even more staging in it, amounting to 3.8 per cent this year and 10 to 11 per cent in a full year if that produced an agreement.

20. Both proposals are, of course, far beyond the realms of anything that is remotely feasible.

Timing

21. There is something to be said for trying to reach agreement with McCall quickly, if we could do so at acceptable cost. Once we get into the business of open claims both he and we could be forced to assume positions from which it would become more difficult to resile later. In particular, if McCall could do a deal with us privately, it would be in his interest to adjust his presentation of what he had achieved to accord with our view of what the levels survey shows. My guess is that he is actually quite interested in doing a deal, and not getting into dispute, because he wants his agreement to be seen to be working and to be a lasting model for the rest of the Civil Service. On the other hand, his heir apparent, Tony Cooper, the Deputy General Secretary is much more concerned to make an impact to ensure his selection as McCall's successor. I am fairly sure that Cooper's preferred view would be to try to get us into a position where we agree to go to arbitration, where he thinks that he would do very well.

Arbitration

22. I have made it clear that, although the agreement provides for arbitration by joint agreement, I could hold out absolutely no prospect that you would agree to it. I have said that both because I believed it to be likely to be true and because I did

not want the IPCS to see arbitration as an easy way out. This has irritated McCall more than a little.

23. In practice, if it did come to that, I think we would have to consider a proposal about arbitration very carefully before turning it down. While I think we have a fairly reasonable story to tell, there would be a not entirely trivial risk of coming unstuck. In the worse case the arbitrator might conclude that, although the levels survey is there to inform but not to constrain, the spirit of the agreement requires us to pay at least some attention to it; and he might feel that the IPCS interpretation has more to commend it than ours. He might also note that the interquartile constraint does not bite this year and might judge that the affordability problem could be dealt with by suitable staging. But if, because of this risk, we refused to agree to arbitration it would at the very least look like a breach of faith, even it was within the letter of the agreement. It might well, indeed, mean the end of the agreement itself. Moreover, although we would take some care in stating our reasons for refusing arbitration, we could not rule out the possibility that such a decision might be judicially reviewed, and that a judge might conclude that we were acting unreasonably in refusing arbitration.

24. I think this all points to trying hard to reach a negotiated settlement if we can.

Next steps

25. We have spent most of this week so far in discussion with the IPCS. They are coming back again this evening, following a discussion in their NEC today. I would hope that they will come back with a remit which suggests that there is some point in us carrying on talking to see if we can produce proposals to put to you within the cost envelope that departments say they can afford. It is not impossible, however, that they will come back instead with instructions to call what they might regard as our bluff, put in a very substantial open claim and dare us to refuse arbitration. There will be not a few, particularly on the left, who will see considerable attraction in this.

26. I have discussed the substance of this minute with Sir Peter Middleton and Dame Anne Mueller, and separately with Mr Hansford in RC on the affordability question, though they have not seen it in draft.

CWK

C W KELLY

encs

CHART 1. ~ BASIC SALARIES IN PAYMENT OUTSIDE LONDON
AGAINST OUR SCALE MAXIMA

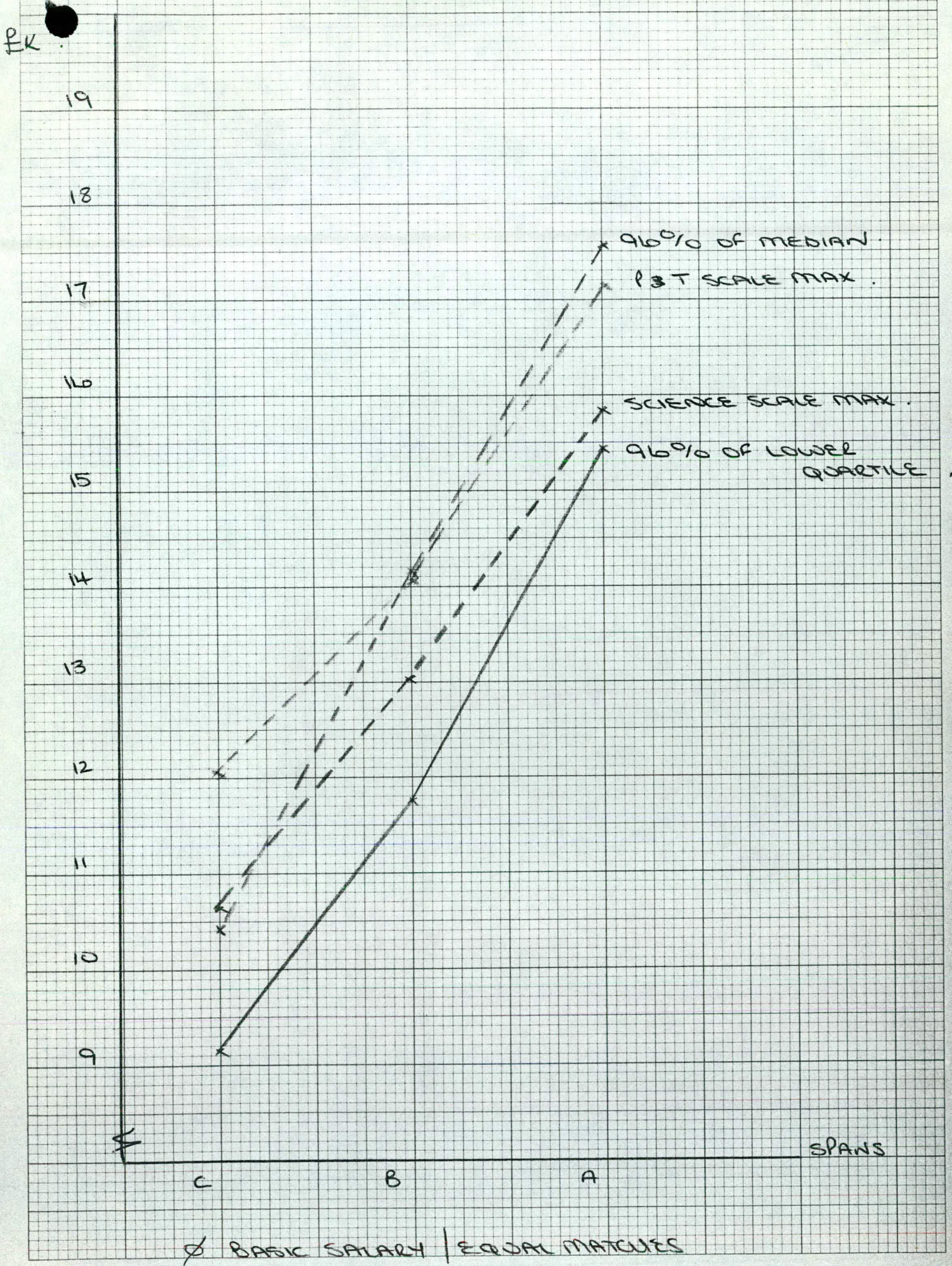


CHART 2 ~ MAXIMUM ATTAINABLE SALARIES OUTSIDE LONDON AGAINST OUR SPAN AND SCALE MAXIMA ϕ

IPCS VERSION

£K. 21

20

19

18

17

16

15

14

13

12

11

10

SPANS

C

B

A

96% OF AVERAGE.

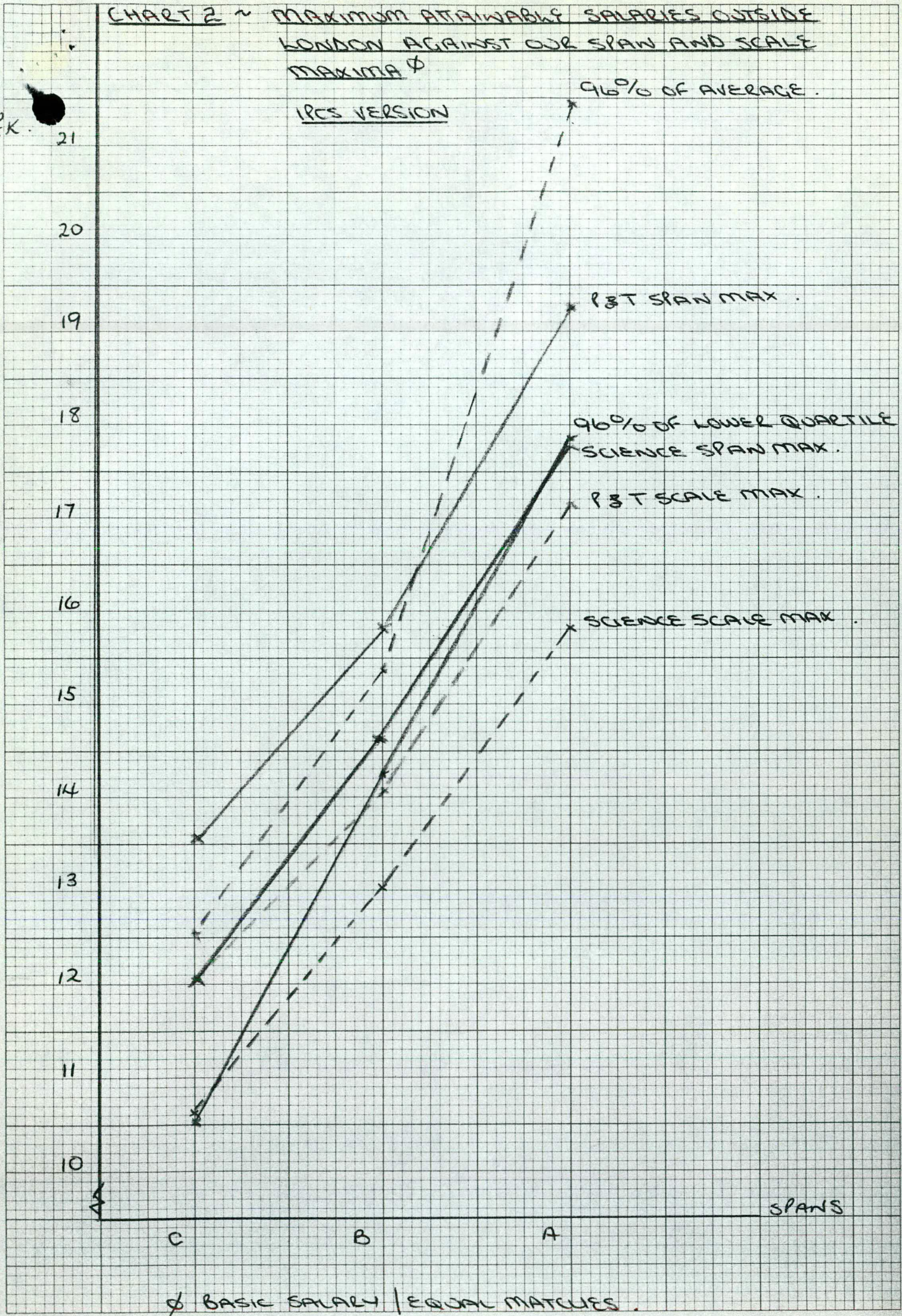
P3T SPAN MAX.

96% OF LOWER QUARTILE SCIENCE SPAN MAX.

P3T SCALE MAX.

SCIENCE SCALE MAX.

ϕ BASIC SALARY | EQUAL MATCHES.



mci
MANAGEMENT CHARTER INITIATIVE

MANAGEMENT CHARTER INITIATIVE
c/o SHELL UK LIMITED
SHELL-MEX HOUSE
THE STRAND
LONDON WC2R 0DX

Sir Peter Middleton KCB
HM Treasury
Parliament Street
London SW1P 3AG

RECEIVED
AUG 1988

Mr. C.D. Butler
PS/Chancery ✓
PS/CST
PS/PMG

29th July 1988
Mr. Hansen
Dame A. Mueller
Sir T. Burns
Sir G. Lither
Mr. Mauck
Mr. Bingham
Mr. Luce
Mr. Butt
Mr. Waller

Dear Sir Peter

We are writing to invite the Treasury to become a founder member of the Management Charter Initiative. This business-led Initiative is a response to the Handy and Constable/McCormick reports which highlighted Britain's under-investment in the training and development of managers in comparison with our major international competitors.

The aims and the practical benefits that we expect the Initiative to provide are summarised in the attached booklet which also embodies a Code of Practice. Broadly, our objective is to encourage the spread of good management development practice as widely as possible within the economy - so that more of the most talented young people are attracted to careers in management and so that existing management potential is developed to the full. The Code has been developed by representatives of some of the most successful organisations in Britain and validated through extensive consultation. Superficially, it might appear to be "motherhood"; in substance, the implications are profound even for the most progressive organisation.

Now that the broad conceptual basis of the Initiative has been laid, we are ready to launch it in earnest. Our immediate aim is to form a substantial body of founder members comprising organisations large and small, private and public sector; organisations which we already know, or believe, would share our conviction that a corporate movement to translate the ideals of the Code of Practice into lasting practical effect would yield considerable benefits to the participants and the economy at large.

In parallel with the launching of this corporate movement (the Management Charter Initiative or MCI), we plan to begin an extensive process of consultation on two complementary aspects:

- (i) the development of a coherent "architecture" for the provision of management education and, in conjunction with this, a widely-recognised system of management qualifications to act as a source of motivation to individuals undergoing continuing management development;
- (ii) the creation of a permanent body to co-ordinate the implementation of the MCI, to administer the system of management qualifications and to advance the practice of management and its development.

Your support for the MCI at this stage will involve no prior commitment to the outcome of these consultations. Rather, the founder members of the MCI will have the opportunity to influence directly the outcome - ensuring

that all aspects of the Initiative are relevant and market-driven and that any complementary system of qualifications reflects business need.

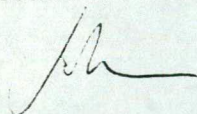
The publicity which will accompany the launch and build-up of the MCI will be designed to make employment in member organisations attractive to the highest calibre of potential recruits. Membership should also motivate existing employees by underlining their organisation's commitment to continued people development - as an investment every bit as important as that in new plant and equipment or new technology. For organisations wanting practical guidance based on current good practice, we plan to develop and disseminate a comprehensive range of supporting services and products; and we hope to build a management development focus into the Local Employer Networks now being established across the country. To achieve all this, launching the MCI aggressively and professionally, we need to place the Initiative on a firm financial footing, particularly during the build-up period before operational funding is securely established. The Government strongly support the aims of the Initiative. The Secretary of State for Trade and Industry has offered up to £0.5 million per year over a 5 year period to help the Initiative become established and self-financing as quickly as possible - provided the money is matched by corporate contributions.

As regards the latter, there has been a good deal of discussion. We believe that the direct involvement and participative effort of founder members is at least as important as financial support. We also believe that the request for financial support should in no way deter smaller organisations or tightly constrained public sector bodies. On the other hand, soundings in larger private sector businesses have indicated widespread recognition of the urgent need for substantive measures to improve the way managers are developed in Britain: so much so that one-time founding contributions of up to £10,000 for large organisations may be considered appropriate. Some supporting notes on the financial plans for the Initiative are attached.

In the 12 months since the Initiative was launched, we have been most encouraged by the widespread enthusiasm that has been evident in many quarters for what we have been seeking to achieve. With today's resurgence of business confidence and with support across the spectrum for sweeping improvements in management practice, the time is surely right to press forward. Accordingly, we invite you to become a founder member of the Initiative. We look forward to receiving a financial contribution appropriate to the size of your organisation and, more importantly, your support and involvement.

If you require further information, please contact Dr. Graham C. Milborrow on (01) 405-3456 or Warren Bourne on (01) 257-1194.

Yours sincerely



John Banham -
Director General
Confederation of British
Industry.



Bob Reid
Chairman - Shell UK Ltd.
Chairman - Council of
Management Education and
Development.

*We gave this a govt backing
at Sunningdale & it had strong support*

NOTES ON THE FUNDING ARRANGEMENTS FOR THE MCI

- 1 The one-time contributions from founding corporate members plus the Government's contribution of £0.5 million pa over 5 years is intended to cover:
 - the initial launch to founder members; registration of members; establishment of direct links with members; extensive consultation on the various aspects of the overall Initiative including possible refinement of the Code of Practice and a complementary system of management qualifications; awareness campaign in schools, colleges and universities; pilot work to find the most effective ways of supporting members in putting the Code into lasting practical effect;
 - development of useful "products" and services to be delivered on a franchise basis through MCI networks;
 - establishment of MCI networks including comprehensive country-wide coverage of local networks, where possible building on existing resources such as Local Employer Networks.
- 2 The balance of funds surplus to the start-up requirements of the MCI will be consolidated as a reserve which will be held by the Foundation for Management Education and drawn on as required by the MCI's implementation team. This team will be directed by a steering group chaired by John Banham, Director General of the CBI.
- 3 The MCI's implementation team is drawing up a comprehensive business plan for the launching and progressive implementation of the Initiative. Highlights of this plan will be sent to corporate members. The plan will include a review of projected expenditure and income, including that from the franchising of useful products and services, made to determine the funding arrangements after the MCI becomes fully operational.



Foreign and Commonwealth Office

London SW1A 2AH

1 August 1988

From The Minister of State

The Lord Young
Secretary of State
Department of Trade & Industry
1-19 Victoria Street
LONDON

7/8

CH/EXCHEQUER	
REG.	03 AUG 1988
ACTION	PMG
COPIES TO	

PMG

Dear David

MANAGEMENT CHARTER INITIATIVE

Thank you for sending Geoffrey Howe a copy of your letter of 9 June to Kenneth Baker.

I very much favour the ideas behind the Management Charter Initiative (MCI). Many of the requirements in the draft Code of Practice are already carried out in the Foreign and Commonwealth Office as indeed they are in other Government Departments. We have also done a good deal recently to improve the effectiveness of management in the FCO. In particular, we make extensive use of management development courses at the Civil Service College, and we have improved our internal management training courses. We shall continue to give this high priority.

While supporting the principles embodied in the Code of Practice I should like to learn more about the new resources which I understand will be required from Departments joining the MCI. Resources, both financial and manpower, are scarce and it is important that we give careful consideration before entering into new commitments. I propose that my officials should talk to yours about this.

I am copying this letter to the Prime Minister, other members of the Cabinet, Richard Luce and Sir Robin Butler.

Yours ever

Lynda

Mrs Lynda Chalker

CONFIDENTIAL AND PERSONAL



FROM: J M G TAYLOR
DATE: 1 August 1988

Pay

PS/PAYMASTER GENERAL

cc PS/Chief Secretary
Sir P Middleton
Mr Anson
Dame A Mueller
Mr Phillips
Mr Turnbull
Ms Seammen
Mr Chivers
Mr C W Kelly
Mr Strachan
Mr Hansford
Mr Enderby
Mr Bell

IPCS AUGUST 1988 PAY REVIEW

The Chancellor has seen Mr Kelly's note of 28 July. He has commented that we have to take the lower quartile figures seriously - but nothing else.

JMGT

J M G TAYLOR



cc PS/Chancellor
 PS/Chief Secretary
 PS/Financial Secretary
 PS/Economic Secretary
 Sir Peter Middleton
 Dame Anne Mueller
 Mr Anson
 Mr Monck
 Mr Phillips
 Mr Burgner
 Mr C D Butler

Mr C C Allan
 Mr Luce
 Mr Turnbull
 Mr Waller
 Mrs Dunn
 Mrs H Roberts
 Mr Stevens
 Mr Woolley
 Mr Call
 PS/C&E
 PS/IR
 17 August 1988

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Lord Young of Graffham PC
 Secretary of State
 Department of Trade & Industry
 1-19 Victoria Street
 LONDON SW1H 0ET

Dear David,

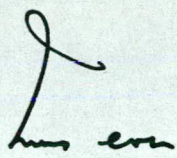
MANAGEMENT CHARTER INITIATIVE

Thank you for sending Nigel Lawson a copy of your letter of 9 June to Kenneth Baker.

2. I generally welcome the MCI, and am pleased to see that our current management practices are endorsed by the Code of Practice.

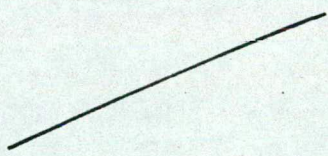
3. However, given the need to absorb any costs from the MCI, we should need to investigate the benefits and costs before making a commitment to join.

4. I am copying this to the Prime Minister, other members of the Cabinet, Richard Luce and to Sir Robin Butler.



Pm

PETER BROOKE



*planning
earlier pps*

The Rt. Hon. Lord Young of Graffham
Secretary of State for Trade and Industry

The Rt Hon Kenneth Baker MP
Secretary of State for Education and Science
Department of Education and Science
Elizabeth House
York Road
LONDON
SE1 7PH

**Department of
Trade and Industry**

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

CH/EXCHEQUER	
REC.	18 AUG 1988
ACTION	PMG
COPIES TO	

✓ 18/8

Direct line 215 5422
Our ref PS3BHD
Your ref
Date 17 August 1988

Kenneth

MANAGEMENT CHARTER INITIATIVE

Thank you for your letter of 10 August. I am grateful to you and colleagues for giving this matter so much careful thought.

I have always been of the view that joining MCI requires real commitment and that each Department would need to consider joining individually in the light of their own circumstances and management development plans.

I understand Permanent Secretaries will be discussing the letter from John Banham and Bob Reid on 7 September. Sir Robin Butler has suggested that he sends a collective reply offering overall support for the initiative but making clear that Departments will decide and reply individually about founder membership. I believe this is consistent with both our views. I was planning to hold a meeting in October and, as you suggest, we can all take stock then. We will need to discuss all aspects of the Council's work not just the code of practice; my office will set this up with you and those colleagues who attended the meeting on 27 April. But I see no reason for Departments who are convinced about the benefits of the code to wait until the autumn to join MCI; DTI will be signing up as soon as possible, as promised in our January White Paper.

I am copying this letter to the Prime Minister, other members of the Cabinet, Richard Luce and Sir Robin Butler.

Ken Baker



ELIZABETH HOUSE
YORK ROAD
LONDON SE1 7PH
01-934 9000

CH/EXC. EQUER	
REC.	11 AUG 1988
ACTION	PMG
COPIES TO	

✓ 11/8

The Rt Hon Lord Young of Graffham
Secretary of State for Trade and Industry
Department of Trade and Industry
1-19 Victoria Street
LONDON SW1H 0ET

Dear Inuit,

10th August 1988.

MANAGEMENT CHARTER INITIATIVE

You wrote to me on 9 June about the Management Charter Initiative and copied your letter to colleagues encouraging them to put their Departments forward for membership. In the meantime I understand that John Banham (CBI) and Bob Reid (Shell) have written to Permanent Secretaries.

Those colleagues who have replied to your letter have welcomed the Initiative and endorsed its objectives of improving the quality of management education in both the private and public sectors. This support is welcome. Most of those whose letters I have seen, however, have expressed doubts about the benefit of individual membership for their Departments against the cost of the commitment. It seems to me that for those Departments with plans already in train to jack up the management training of their staff - and Malcolm Rifkind and I, for example, appear to be in that position - the Initiative would mainly serve to highlight or focus these changes. For those working closely with the private sector in the way that your own Department does, for example, there may be more direct benefits from membership when it leads to joint training. There are probably a range of positions between these two. Indeed, individual membership by Departments may be less important than some form of collective commitment. What is important is that all colleagues consciously consider whether the Initiative can help advance their own efforts to improve the management development of their own staff.

I suggest that we take stock in the autumn when the Departments have had time to consider the direct approach from John Banham and Bob Reid and to weigh the advantages of different forms of membership.

I am sending copies of this letter to the Prime Minister, other members of the Cabinet, Richard Luce and Sir Robin Butler.

Herbert

Hermett

PMG 10 AUG 1988 8

CENTRAL OFFICE OF INFORMATION

From the Acting Director General

PS/ Paymaster General

cc: PS/Economic Secretary

MANAGEMENT CHARTER INITIATIVE

The Secretary of State for Trade and Industry's letter of 9 June 1988 was copied to the Chancellor's Department.

The Paymaster General will wish to know that it is the intention of the Central Office of Information to join the Management Charter Initiative. We see an identity of interests between many aspects of the Code of Practice and the needs of the COI which increasingly will have to rely on the abilities of its managers in order to provide the competitive services required by Departments.

Mike Devereau
10 August 1988

PAYMASTER GENERAL	
REC.	11 AUG 1988
ACTION	Mr C D Butler
	PS/cx PS/CST
	Sir P Middleton
	Dame A Muller
	Mr Anson
	Mr Phillips
	Mr Monck
	Mr Burgner

Mrs Case
 Mr Luce
 Mr Turnbull
 Mr C Awan
 Mr McIntyre
 Mr Burr
 Mr G Jordan
 PS/IR
 PS/C+E

Mr Johnston - GAD
 Mr Ladd - NILO
 Mr Patterson - DNS
 Mr Dole - HMSO
 Mr Taylor - COI
 Mr Garrett - RM
 Mr Bridgeman - RFS

PMG 11 AUG 1988 1



ELIZABETH HOUSE
YORK ROAD
LONDON SE1 7PH
01-934 9000

11 AUG 1988
PMG

The Rt Hon Lord Young of Graffham
Secretary of State for Trade and Industry
Department of Trade and Industry
1-19 Victoria Street
LONDON SW1H 0ET

PAYMASTER GENERAL	
REC.	11 AUG 1988
ACTION	MR C D Butler
	PS/CX PS/CST
	SIR P Middleton
	DAME A Mueller
	MR ANSON
	MR PHILLIPS
	MR MONCK
	MR BURGNER

Dear Sir,

10th August 1988.

MR C Allan
 MR McINTYRE
 MR BURT
 MR G Jordan
 PS/IR PS/CTE

MANAGEMENT CHARTER INITIATIVE

MRS CASE
 MR WICE
 MR TUMBU

You wrote to me on 9 June about the Management Charter Initiative and copied your letter to colleagues encouraging them to put their Departments forward for membership. In the meantime I understand that John Banham (CBI) and Bob Reid (Shell) have written to Permanent Secretaries.

Those colleagues who have replied to your letter have welcomed the Initiative and endorsed its objectives of improving the quality of management education in both the private and public sectors. This support is welcome. Most of those whose letters I have seen, however, have expressed doubts about the benefit of individual membership for their Departments against the cost of the commitment. It seems to me that for those Departments with plans already in train to jack up the management training of their staff - and Malcolm Rifkind and I, for example, appear to be in that position - the Initiative would mainly serve to highlight or focus these changes. For those working closely with the private sector in the way that your own Department does, for example, there may be more direct benefits from membership when it leads to joint training. There are probably a range of positions between these two. Indeed, individual membership by Departments may be less important than some form of collective commitment. What is important is that all colleagues consciously consider whether the Initiative can help advance their own efforts to improve the management development of their own staff.

- MR JOHNSTON - GAD
- MR LADD - NILO
- MR PATTERSON - DNS
- MR DOLE - HMSO
- MR TAYLOR - COI
- MR GARRETT - RM
- MR BRIDGEMAN - RFS

I suggest that we take stock in the autumn when the Departments have had time to consider the direct approach from John Banham and Bob Reid and to weigh the advantages of different forms of membership.

I am sending copies of this letter to the Prime Minister, other members of the Cabinet, Richard Luce and Sir Robin Butler.

W. H. H. H.

H. H. H.

FROM: C C ALLAN
DATE: 10 August 1988

PAYMASTER GENERAL

cc Chancellor of the
Exchequer
Chief Secretary
Economic Secretary
Financial Secretary
Sir Peter Middleton
Dame Anne Mueller
Mr Anson
Mr Monck
Mr Phillips
Mr Burgner
Mr C D Butler
Mr Luce
Mr Turnbull
Mr Waller
Mrs Dunn
Mrs H Roberts
Mr Stevens
Mr Woolley
Mr Call
PS/HM C&E
PS/IR

MANAGEMENT CHARTER INITIATIVE (MCI)

Lord Young's letter of 9 June to Mr Kenneth Baker invites Cabinet colleagues to commit their departments to membership of the MCI.

Recommendation

2. This submission covers the Chancellor's departments (their comments are summarised in the Annex).
3. Our advice is that, whilst supporting the aims of the MCI, and the principles embodied in the Code of Practice, you should not make a commitment to joining it until there is a clearer picture of the resources costs and benefits, and of how these might be balanced against other priorities.
4. You should know that Mr Banham and Mr Reid of the MCI have written to all Permanent Secretaries urging them to support the initiative, and asking for a contribution of £10,000 from every department - this would be on top of the £500,000 already offered by DTI on the condition that it is matched by genuine private sector contributions. OMCS will be responding on behalf of all departments, seeking collective affiliation (perhaps fronted by OMCS) and, as far as possible, no additional financial commitment beyond DTI's £500,000. Permanent Secretaries will not be replying individually.

Background to the MCI

5. The MCI is an industry-led initiative and flows from work carried out by the Council for Management Education (CMED). The aim is to develop a ladder of recognised qualifications for managers; study for these would form part of a process whereby managers could obtain chartered status from a British Chartered Institute of Management. A Code of Practice has been developed for those who join the MCI, and will be launched at the CBI conference in November.

Resource implications for departments

6. The need to have proper management development programmes and training has to be balanced against other priorities and available resources. The demands placed on the Chancellor's departments mean that it may not always be possible to meet the career options of each individual manager (including time off for management development and training). Customs and Excise are particularly concerned that MCI, and the resources required for it, should not divert effort from the work they are doing to combat drugs traffic.

7. Lord Young points out that the MCI may call for resources. "Next Steps", ongoing management development programmes, and various initiatives to improve understanding of industry, customer care, and so on, will all place demands on resources. Departments will be well aware that the additional costs of joining MCI must be accommodated within running costs - but it would be sensible to emphasise that in the reply to Lord Young.

Views put forward by other Ministers

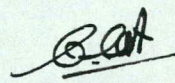
8. Nearly all Ministers have sent cautious replies to Lord Young - welcoming the concept of the principle but wanting to know more about the costs and benefits before giving a whole-hearted commitment. The Secretary of State for Scotland has, however, agreed to take part.

Summary

9. Although the Chancellor's departments do not dissent from the principles of the Code of Practice, and would try to adhere to them in planning their management development strategies, most

have strong reservations about the resource implications. Only HMSO is ready to join, probably because they are involved in 'Next Steps' development. In general, the Chancellor's departments would like a clearer picture of the benefits and the possible resource costs of MCI and other initiatives before committing themselves.

10. I attach a short draft reply which falls short of a full commitment to joining the MCI. The draft does not record HMSO's willingness to join the MCI: in view of the letter to Permanent Secretaries, and bearing in mind the reaction of the Chancellor's other departments, it would, tactically, be best not to mention HMSO's views at this stage. The draft sounds the warning note about the need to live within running costs.


C C ALLAN

MANAGEMENT CHARTER INITIATIVE (MCI)**HM CUSTOMS AND EXCISE**

- Much to applaud in the Charter's aims and will do their best to comply. However there will be teething problems not least is lack of PES provision and need to balance against other priorities e.g training on drugs and prevention. Therefore a cautious approach is suggested which would try to adopt the principles of MCI but stops short of commitment to joining as a founder member.

INLAND REVENUE

- Initiative has not been fully discussed but preliminary view was that they would wish to join the MCI and supported the general aim of improving management training and development. Concerned at some of the resource implications and see that there might be some difficult decisions over priorities. Not convinced they would get good value for money from helping managers towards recognised qualifications.

GOVERNMENT ACTUARY

- Fine in theory but has resource implications. They will consider all these in the light of Training Review they are about to undertake.

PAYMASTER GENERAL'S OFFICE

- Fully supports the aims of the initiative and proposes to participate as fully as possible within the limitations of a small Department.

HMSO

- Intend to join. Code of Practice reflects existing management policies and is particularly appropriate to aims under restructuring.

ROYAL MINT

- Very much in favour. MCI hopefully expresses kind of things they do already. However need to think further about implications of founder membership.

**NATIONAL INVESTMENT
AND LOANS OFFICE**

- Full support in principle and already abide by many aspects of charter. However because of size they believe they do not have resources to become effective members of MCI.

**DEPARTMENT FOR
NATIONAL SAVINGS**

- Welcomes the initiative and the draft code of practice. Should provide support for efforts to give management training a higher priority. Will discuss with DTI in near future and hope to decide to participate but only a handful of managers at Grade 6 or above.

REGISTRY OF FRIENDLY
SOCIETIES

- Measures designed to achieve improvements in management practice welcome. Civil service already pursues many of the ideas being advanced. Overriding constraint is resources and allocating priorities within them. Remains to be seen what more can be achieved in connection with MCI.

TREASURY

- Principle of the scheme is fine, and supports much of Treasury's own management development and training work. But, in common with the Chancellor's other departments, resource constraints are an important consideration.

DRAFT

Thank you for sending Nigel Lawson a copy of your letter of 9 June to Kenneth Baker.

2. I am pleased to see that many of the management practices currently in use in the Chancellor's departments are endorsed by the Code of Practice. However, the MCI should not be viewed in isolation from other developments. Any additional costs of joining the Management Charter Initiative must be absorbed within existing running costs.

3. Although generally welcoming the MCI, the Chancellor's departments would prefer to investigate the benefits and resource implications (and how these can be accommodated) before making a commitment to join.

4. I am copying this to the Prime Minister, other members of the Cabinet, Richard Luce, and Sir Robin Butler.

(PETER BROOKE)

CONFIDENTIAL AND PERSONAL

~~XPT~~



FROM: ROSIE CHADWICK

DATE: 23 August 1988

BF

MR C W KELLY

cc PS/Chancellor
PS/Chief Secretary 26/8
Sir Peter Middleton
Mr Anson
Dame Anne Mueller
Mr Phillips
Mr Turnbull
Ms Seammen
Mr Chivers
Mr Strachan
Mr Hansford
Mr Enderby
Mr Bell

X IPCS AUGUST 1988 PAY REVIEW

The Paymaster General has commented that your minute of 28 July was "real time stuff" when it was written, and he was very grateful for this. He looks forward to hearing about developments in August.

REC

ROSIE CHADWICK
Assistant Private Secretary

from the Master · The Rt. Hon. Sir Patrick Nairne, G.C.B., M.C., M.A.

St. Catherine's College · Oxford · OX1 3UJ

College (0865) 271700

Master's Office (0865) 271754

23rd August, 1988.

Sir Robin Butler, KCB, CVO,
Head of the Civil Service,
Cabinet Office,
Whitehall,
London SW1.

CABINET OFFICE
A ..8878...
24 AUC1988
FILING INSTRUCTIONS
FILE No

Dear Robin,

Future of the Association of Civil Service Art Clubs

I feel that I should write to you personally, as Head of the Civil Service, about the future of the Association of Civil Service Art Clubs, of which I have been President for some ten years.

The Association has been run by an Executive Council under the chairmanship of Michael Lindsay-Smith, who resigned at the end of April; the Vice-Chairman, John Anthony, has been in poor health for some time; and I have now had a letter from Tom Money, the Secretary to the Executive Council, who has been a most capable officer of the Association, in which he explains that other members of the Executive Council are also seeking to retire after many years of duty, and that it is proving very difficult to find a new Chairman and replacements for the Executive Council. The hard fact is that the Association has been run virtually entirely by retired Civil Servants, and that makes it rather more difficult to find successors for officer posts.

I enclose some notes on the Association, which Tom Money has prepared at my expense. As you will see, the Association has been in being for nearly 60 years. Its annual exhibitions have attracted just under 100 exhibitors in recent years, and normally a satisfactory profit is made from the exhibition, which, with the agreement of the Department of the Environment, has been conveniently held in the Banqueting House Crypt. I myself have usually presided over the opening ceremony to which, as the note shows, we have attracted some impressive 'openers'.

I also enclose a copy of the accounts for the year ended 31 December 1987. I understand that current assets are just under £290 on current account and around £1570 on building society deposit. Individual members of the Association pay a modest subscription of £2, and there has

continued/...

been a sliding scale of £10-£25 for affiliated departmental clubs. The summer schools are more-or-less self-supporting: the profit from the exhibition is principally required for the printing and issue of the newsletter. Since the Banqueting House Crypt is not available this year, we have had to cancel the plans for an exhibition for the first time during my years as President.

So much, in broad terms, for the facts of the situation. May I put these points to you?

- (a) It would be wrong to let the Association die without some effort within Whitehall to sustain it in the light of the Association's role over 58 years in fostering practical assistance for the appreciation, practice, and study of the arts among Civil Service members.
- (b) There are today many amateur practitioners of the arts - in particular, painting, drawing, and pottery - and it may well be that there is in the upper reaches of Whitehall a Permanent Secretary or another senior colleague who, because of his or her own interest in the arts, would be ready to take a lead in giving new life to, and finding some new members for, the Executive Council. If my advice (for what it is worth) would be of any help, I would be ready to offer it - though I think that it is now time that a serving Civil Servant, or a more recently retired one, should replace me as President.
- (c) Whoever was ready to take a lead, would have to draw on what strength exists among the departmental clubs. Here there would appear to have been some decline. Some twelve years ago there were thirteen affiliated departmental clubs with an aggregate membership of about 700, mostly serving members of the Civil Service. In those days, the Chairman, Secretary, Treasurer, and exhibition organiser of the Association were all serving Civil Servants. Today there are only four affiliated clubs with an aggregate membership of less than 200 and, as I have already indicated, the key executive posts of the Association are filled by retired Civil Servants. Tom Money has, I understand, consulted the Secretaries of the two larger clubs (DHSS and DoE), but they have so far been unable to find within their membership suitable Executive Committee replacements.

continued/...

- (d) We have gained greatly in recent years by being able to hold the exhibition in the Banqueting House Crypt. It is unavailable this year because it is to be used to commemorate the tercentenary of the Glorious Revolution. There is always, I fear, a risk that the Association may be turned out of the Crypt because of Government policy relating to marketing such historic facilities; but I should mention that George Moseley wrote to me (in reply to a letter from myself) on 17th April 1984 confirming that he was satisfied that there was "no compelling reason to depart from the existing arrangements under which the Association uses the Crypt free of charge".

I very much hope that you, or one of your colleagues on your behalf, may be able to help. It occurred to me that, as a first step, you might feel that there would be advantage in raising the matter in the margins of the Permanent Secretaries' Annual Conference at the end of September. If more detailed information should be required, I think that the best course will be to turn to Mr. Tom Money, 119 Astonville Street, London SW18 5AQ, (01-874-4669).

*Every good wish,
yours ever,
Pat*

(Patrick Nairne)

CHAIRMAN OF THE EXECUTIVE COUNCIL: MICHAEL LINDSAY-SMITH

VICE CHAIRMAN: JOHN V. C. ANTHONY, OBE

SECRETARY TO THE EXECUTIVE COUNCIL: T. MONEY

Telephone No:

Reply to:

Notes of the Association of Civil Service Art Clubs

The Association was formed in 1930 with the object of promoting the formation of Art Clubs throughout the Civil Service and to act as a central organisation for the purpose of encouraging, coordinating and offering practical assistance for the appreciation, practice and study of the Fine and Applied Arts.

Where a Department has been unable to form an Art Club members of that Department may join the Association as individual members.

The Association's facilities include:-

- (a) opportunity to exhibit at the Annual Exhibition;
- (b) attendance at organised weekend and summer schools;
- (c) receipt of the periodical News Letter

Membership is open to both serving and retired Civil Servants.

Statistics on Annual Exhibition 1980-1987

Venue: The Crypt, Banqueting Hall, Whitehall

	<u>80</u>	<u>81</u>	<u>82</u>	<u>83</u>	<u>84</u>	<u>85</u>	<u>86</u>	<u>87</u>
No of Exhibitors	93	98	94	102	98	97	93	87
No of Pictures & Sculptures Exhibited	336	300	336	341	350	357	308	297
No of Pots Exhibited	85	115	90	75	77	84	60	80
Sales of Pictures & Sculptures	£2576	£2165	£2681	£1902	£2719	£3542	£2158	£2305
Sales of items of Pottery	£105	£234	£252	£203	£182	£156	£178	£175
Profit on Exhibition	£292	£197	£397	£170	£135	£289	£2	£167

Note - Profit in relation to sales dropped as from 1984 when the Association was asked to pay the contractor for transport of screens (£175 average). Cost hitherto had been met from Government resources.

P.T.O

ASSOCIATION OF CIVIL SERVICE ART CLUBS
 ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1987

(Totals for 1986 are in brackets)

Expenditure

Income

GENERAL ACCOUNT

Newsletter-Printing	305.19	(370.24)	Subs & Donations	301.20	(362.75)
Postage & Telephone	113.04	(81.50)			
Travel	15.30	(9.80)	Interest (Bldg Soc)	104.48	(123.24)
Stationery	35.80	(31.57)			
Honararium	50.00	(50.00)	Loss on a/c	160.52	(99.42)
A.G.M. Cost	23.00	(22.30)			
Audit	20.00	(20.00)			
Bank Charges	3.87				
	<u>566.20</u>	<u>(585.41)</u>		<u>566.20</u>	<u>(585.41)</u>

EXHIBITION ACCOUNT

Travel	37.70	(37.00)	Entry Fees	309.40	(238.35)
Postage & Telephone	22.09	(27.65)	Sales:		
Stationery & Printing	219.41	(223.35)	Pictures	2305.00	(2158.00)
Payments to Artists	2108.49	(1985.82)	Pottery	175.50	(178.25)
Food & Wine	127.41	(169.37)	Catalogues	113.00	(101.10)
Hall Costs	20.00	(20.00)	Donations	41.76	(24.50)
Screens-carriage	179.40	(171.15)			
Honararium	50.00	(50.00)			
Sundries	13.50	(14.00)			
Profit on account	166.66	(1.86)			
	<u>2944.66</u>	<u>(2700.20)</u>		<u>2944.66</u>	<u>(2700.20)</u>

SCHOOL'S ACCOUNT

Accommodation & Tutors	6575.00	(7712.40)	Receipts	6626.00	(7789.00)
Profit on a/c	51.00	(76.60)			
	<u>6626.00</u>	<u>(7789.00)</u>		<u>6626.00</u>	<u>(7789.00)</u>

STATEMENT OF BALANCES AT 31 DECEMBER 1987

<u>Liabilities</u>		<u>Assets</u>	
Balance bt. fwd.	1684.02	Cash:-	
Add Profit on:-		Current A/c	442.18
Exhibition A/c	166.66	Building	
Schools A/c	51.00	Society a/c	1509.22
	<u>1901.68</u>		
Less			
Loss on General A/c	160.52		
	<u>1741.16</u>		
Add Creditors	236.24	Debtors	26.00
	<u>1977.40</u>		<u>1977.40</u>

T.W. MONEY - TREASURER

We have audited the Income and Expenditure Account and the Balance Sheet with the books, accounts and vouchers produced to us, and they are in accordance therewith. We have received all the information and explanations required by us. In our opinion the accounts of the Association are properly kept and the Income and Expenditure Account and the Balance Sheet give a true and fair view of the state of the Association affairs as at the 31 December 1987.

J. [Signature]
[Signature]

H. [Signature] 1988

MANAGEMENT IN CONFIDENCE

FROM: C J A CHIVERS
DATE: 6 SEPTEMBER 1988

1. MR KELLY

*not available, but approved
in draft.*

cc

PS/Chancellor
PS/Chief Secretary
Sir Peter Middleton
Dame Anne Mueller
Mr Fox
Ms Seammen
Mr Strachan
Mr Easton
Mr Flitton

2. PAYMASTER GENERAL

*This is the
fundamental
can provide for*

CIVIL SERVICE INDUSTRIALS : 1988 PAY SETTLEMENT

We need to consult you about our next move in relation to the industrials, following the meeting of the JCC pay sub-committee last week.

2. At that meeting the Trade Union side confirmed their rejection of the 4.5% pay offer, and refused to go back to their members with it again despite being told that we could hold out no prospect of an improvement. They said that their misgivings about the composition of the offer were secondary: the problem was that it was simply too little in relation to recent settlements in both the private and public sectors. Some of the national officers present had been involved in the negotiations with BNFL and the UKAEA (which yielded pay settlements of 5.5 and 5.9%) and were not willing to accept less for their members in the civil service.

3. They also referred to the prospect of inflation accelerating and particularly to the increase in mortgage rates. They said that a modest increase could still bring about an agreed settlement, but that unless there were more money on the table there could be no agreement. Furthermore they would withdraw from any discussions on a longer term pay arrangement. I said that our offer of such discussions had been conditional on their accepting the pay offer for 1988.

4. I said that our offer was exactly in line with the other major civil service pay settlements this year and if they accepted

it they would be on all fours with the NUCPS and CPSA, negotiating without any promises but in good faith in the hope of a bit of extra money in the context of a long-term pay agreement. They said that that was not good enough: they must have some money up front.

5. It is not at all easy for us to move in this situation. If we were to increase our offer the non-industrial unions would be likely to ask for more on account as well.

6. On the other hand the employing Departments are not quite as resolute as they were before we reached this point. The MOD are beginning to express concern about the possibility of industrial action at sensitive establishments if we impose the offer. They do not expect that there would be extensive strike action, but there could be isolated stoppages and imposition would generally sour the industrial relations climate.

7. Against this background we have been reviewing our options. We have concluded that it would be worth exploring with the unions at our next JCC meeting on 12 September a proposal on the following lines.

8. We would offer them an endloaded package which would still give them 4½% in the year beginning 1 July 1988. It would be possible, for example, to increase our offer of £5.40 for craftsmen and £4.50 for semi and unskilled workers to £7 and £5.75 respectively with effect from 1 October 1988. That would give an increase of 5.7% on basic rates, but for the year July - to - June the cost would still be 4½%. The proposal would be that that increase would be combined with changing the annual settlement date for the industrials to 1 October, so that it would be a 5.7% increase in respect of a 15-month period, which equates to 4½% at an annual rate. October would not be a bad date to have for the industrials under a long-term pay agreement.

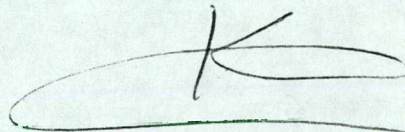
9. We believe that, although a proposal on these lines would not actually involve any concession on our part, but would in reality mean extending the 4½% pay regime for a further three months, it

MANAGEMENT IN CONFIDENCE

would have attraction to the unions because it would enable them to give their members more substantial cash increases next month. Knowing as they do that the alternative is imposition of our previous offer they may well be ready to recommend it. MOD, who are the employing Department principally concerned, think it would be worth trying.

10. I should mention that the JCC is in disarray following the expulsion of the EEPTU from the TUC. It remains to be seen whether the other unions will sit down with the Electricians on the JCC next week. We may have to make the offer to two meetings separately.

11. I should be glad for your approval to proceed on these lines.

A handwritten signature in black ink, consisting of a large, stylized 'K' with a horizontal line extending to the left and a vertical line extending upwards from the top of the 'K'.

KIT CHIVERS

FROM: MS D SEAMMEN
DATE: 8 SEPTEMBER 1988

CHANCELLOR

cc Chief Secretary
Financial Secretary
Paymaster General
Sir P Middleton
Mr Scholar
Mr Anson
Dame Anne Mueller
Mr Culpin
Mr Kelly
Mr Luce
Mr Hoare
Mr Graham

Copy

SPECIAL PAY ADDITION FOR CUSTOMS AND EXCISE

You will be aware that Customs and Excise have had on the table claims for special pay additions arising from two scrutinies. The Barnard scrutiny, on London VAT offices, sought an addition for HEOs in London VAT offices of £1500 per annum to meet severe recruitment and retention difficulties. The Gudgin scrutiny, on the skills of VAT officers sought additions to reward staff in VAT offices who took computer or accountancy training courses relevant to VAT. The claim was on a national basis.

Barnard

2. In protracted discussions with Customs and Excise, we became convinced that the Barnard claim was on strong grounds. There clearly was a severe problem of recruitment and retention of HEOs in London VAT offices to the point where revenue was at risk. Customs and Excise had already decided to use their discretion on the newly introduced local pay additions to pay the maximum of £600 per annum to these HEOs. But a bigger sum was needed to make the necessary impact. We therefore agreed on another £650 per annum, giving a total of £1250 per annum in the form of a special pay addition. Taken together with the recent increase in London Weighting, this means a premium of £3000 per annum for HEOs in London VAT offices. This should be a substantial incentive to Customs EOs on promotion and HEOs to accept posting to London and

once there to stay for a reasonable period. Customs have simultaneously tightened up their self posting system to give management greater ability to fill London posts.

3. Customs and Excise undertook that the costs of this special pay addition would be accommodated within their running costs provision.

Gudgin

4. We saw the claim deriving from the Gudgin report as having ~~much~~ less foundation. There was no national problem of recruitment or retention, nor special difficulty in inducing staff to undertake the short training courses specified. Customs had not given this a high priority, as evidenced by the fact that they had made no provision for the allowance within their running costs baseline.

Conclusion

5. We have therefore agreed with Customs that the Gudgin claim will remain in abeyance while the London Barnard addition settles down. We think this is a satisfactory outcome, of which you might like to be aware.

Il Pauli

PP. MS D SEAMMEN

MANAGEMENT IN CONFIDENCE

FROM: C W KELLY
DATE: 8 September 1988

PAYMASTER GENERAL

cc Chancellor
Sir Peter Middleton
Mr Anson
Dame Anne Mueller
Mr Luce
Mr Chivers
Ms Seammen
Mr Strachan
Mr Gieve
Mr Enderby

IPCS AUGUST 1988 PAY REVIEW

The Financial Times and the Guardian both have stories this morning about the IPCS pay negotiation (attached), claiming that the levels survey indicates pay rises of around 8 per cent but that we are indicating that only 3 per cent is available on affordability grounds.

2. Even leaving on one side the fact that the role of the levels survey is to inform and not constrain the negotiations, neither story is completely accurate.

3. But there is enough truth in them to be uncomfortable. As I reported in my note of 28 July the IPCS interpretation of the levels survey is that it does indicate a very substantial differential between civil service salaries and those of outside comparators. Figures even greater than 8 per cent have been mentioned.

4. We have, as you know, rejected this interpretation on what we believe to be defensible grounds. The press reports are entirely wrong in implying that our position is solely based on affordability.

MANAGEMENT IN CONFIDENCE

5. But we have had to accept among ourselves that we do not have a monopoly of the good arguments. The IPCS view is not entirely fanciful and there is a strong body of opinion on their executive that they ought to put in a substantial claim immediately and ask us to agree to arbitration in the confident expectation that this would lead to a substantial award.

6. The present position is that we are still talking. Very little progress was made during August apart from some further clarification of the figures. Unfortunately we have lost some ground in the course of this as the result of advice from the Government Actuary's Department indicating that the superiority of the civil service pension scheme may be rather less than we had hitherto been assuming. We resume again in earnest next week when the IPCS delegation return from the TUC Conference.

7. The press stories will probably not be very helpful. Nor will the increasing competition between Bill Brett and Tony Cooper for the succession to Bill McCall. Cooper had been regarding himself as relatively safe. But Brett has been running an increasingly effective campaign on the left wing and Cooper is conscious that his chances are likely to be strongly affected by the outcome of the negotiation. Brett could well have been the source of today's story.

8. Press office have been taking the line that the negotiations are confidential and that any rumours about them are pure speculation. The IPCS press office are saying the same.

CW

C W KELLY

Spending clamp hits plan for parity with private sector

Treasury blocks Whitehall pay rise

David Hencke
Westminster Correspondent

THE TREASURY is planning to veto big pay rises for 90,000 civil servants in a move to tighten government spending and set a frugal example for the forthcoming round of public expenditure negotiations.

Whitehall sources say that Treasury officials are prepared to award only 3 per cent to the 90,000 scientists, engineers, surveyors and other professionals who were due for an increase on August 1. This is about a third of the rise recommended in an independent report.

The offer is a serious blow to the Institution of Professional Civil Servants, which last year pioneered a service-wide "performance pay" agreement giving some members increases worth £3,000 to £4,000 a year.

As part of the deal, a study was carried out by management consultants from Price Waterhouse with the aim of bringing salaries in skill shortage areas more into line with the private sector.

The report is understood to have recommended average rises of 8 to 9 per cent. However, when it was delivered to the Treasury, ministers made it clear that there was not enough money.

The timing of the claim — after pay deals had been concluded for top civil servants, clerks and administrators on April 1 — has contributed to the hardening of the Treasury's view. It is already committed to a 4.5 per cent rise for administrative and clerical staff and to more than 5 per cent for top civil servants.

Mr John Major, Chief Secretary to the Treasury, is already facing a tough public spending

round, with big bids from education, health, social security and defence. If such a pay rise were conceded it would increase government costs and could have a knock-on effect on future pay rounds.

A Treasury spokesman said yesterday that neither it nor the union was bound to accept the report's findings.

The Treasury's stance is expected to have two main repercussions. It could affect talks on a long-term pay agreement with the 130,000-strong National Union of Civil and Public Servants; and it could also have an impact on elections for an IPCS general secretary to succeed Mr Bill McCall, who retires next year.

The front runner, Mr Tony Cooper, the present deputy general secretary, is the acknowledged architect of the pay deal and could suffer if members fail to receive large rises this year.

Civil servants in Treasury pay clash

By John Gapper

THE Government's first attempt to return to basing civil servants' pay on earnings in the private sector is facing difficulties following a pay survey that has backed rises of up to 8 per cent or more for the staff involved.

Leaders of the union representing the 60,000 scientific and specialist staff are considering pressing for arbitration over the settlement, after the Treasury indicated it was prepared to pay a rise of only about 3 per cent.

Under the pay deal reached with the Institution of Professional and Civil Servants - the first long-term flexible deal agreed by a civil service union - a survey of pay levels is carried out every four years to adjust earnings.

The study of 100 companies is the first formal exercise in pay comparability for civil servants since the abolition of pay research in 1981, and a failure to reach agreement would undermine the credibility of such deals.

The Treasury has since reached similar deals with the Inland Revenue Staff Federation and unions representing senior civil servants in grades 5 to 7. It is negotiating further deals with the CPSA and NUCPS middle- and junior-grade unions.

Although no formal pay offer has been made by the Treas-

ury, IPCS officials believe it is unwilling to pay the rises they think the survey justifies. Agreement should have been reached on the issue by the end of July.

However, there is also some dispute within the IPCS over which figure the union should press for in arbitration. There is no formal provision for arbitration in the deal, but the union hopes the Treasury will agree to it.

The division between the Treasury and the union has been exacerbated by the complicated nature of the levels survey, which is believed to have produced a wide range of figures including regional variations.

The pay deal provides for the levels survey to "inform but not constrain" the pay settlement.

The Treasury said yesterday that other factors, including retention and recruitment problems, would also be considered.

The deal, which attracted criticism from other civil service unions when it was first agreed last year, was a breakthrough for the Treasury because it included provision for performance and regional pay variations.

Under the deal a separate pay movements survey is carried out annually to adjust differentials between grades.

mp



FROM: MISS M P WALLACE

DATE: 9 September 1988

PS/PAYMASTER GENERAL

cc PS/Chief Secretary
Sir P Middleton
Dame Anne Mueller
Mr Fox
Ms Seammen
Mr Strachan
Mr Easton
Mr Flitton
Mr Kelly
Mr Chivers

CIVIL SERVICE INDUSTRIALS: 1988 PAY SETTLEMENT

The Chancellor has seen Mr Chivers' minute of 6 September. He has commented that in his view the offer now proposed is the furthest we can possibly go.

Mpw

MOIRA WALLACE

MANAGEMENT IN CONFIDENCE



MP
FROM: Ms K ELLIMAN
DATE: 9 September 1988

MR CHIVERS

cc PS/Chancellor
PS/Chief Secretary
Sir Peter Middleton
Dame Anne Mueller
Mr Fox
Ms Seammen
Mr C W Kelly
Mr Strachan
Mr Easton
Mr Flitton

CIVIL SERVICE INDUSTRIALS: 1988 PAY SETTLEMENT

The Paymaster General has seen your submission of 6 September.

2. He has commented he is content in principle, but would like reminding (given the proposal to move to October 1st) of the history of settlement dates with the Industrials.

Kim Elliman

KIM ELLIMAN
Private Secretary

To

FROM: ~~S D H SARGENT~~

DATE: 12 September 1988

PCC - Mr Allan ✓

page

ASSOCIATION OF CIVIL SERVICE ART CLUBS

I attach a letter of 8 September which Sir Peter Middleton has received from Sir Robin Butler. Please let me know if you would be interested in serving on the Association's executive committee or if you can suggest anyone else who might be interested.

S D H Sargent

S D H SARGENT
Private Secretary

Copy on its way!
~~S D H~~
Could I see Nalome's letter?

Alas



CABINET OFFICE

70 Whitehall London SW1A 2AS

01-270 0101

*Copy to be
edged if anyone
is interested*

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robin Butler KCB CVO

Ref. A088/2631

8 September 1988

Dear Peter,

The Association of Civil Service Art Clubs

I attach a self-explanatory letter from Pat Nairne, which I am copying to other Permanent Secretary colleagues. It is clear from Pat Nairne's letter that a new generation needs to take on the Association of Civil Service Art Clubs and, despite the reduction in the number of affiliated clubs, I hope that we can keep the Association, and the annual exhibition of Civil Service art, going.

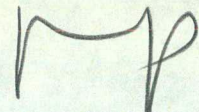
I am circulating this in the hope that one of our Permanent Secretary colleagues with an interest in painting might be willing to take on the presidency of this Association, and also in the hope that others might suggest people in their Departments, with such an interest, who might be willing to serve on the executive committee.

Could I ask colleagues to let me know whether they themselves would be interested in taking this on and also to take soundings of anyone in the Department known to have such an interest, who might be suitable to play a part in carrying on the Association, and to let me have any names which occur to them by the end of this month.

Yours ever,

Robin

Sir Peter Middleton KCB



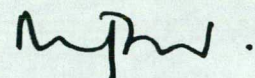
FROM: MISS M P WALLACE
DATE: 12 September 1988

MS SEAMMEN

cc Chief Secretary
Financial Secretary
Paymaster General
Sir P Middleton
Mr Scholar
Mr Anson
Dame Anne Mueller
Mr Culpin
Mr Kelly
Mr Luce
Mr Hoare
Mr Graham

SPECIAL PAY ADDITION FOR CUSTOMS AND EXCISE

The Chancellor was grateful for your minute of 8 September, and commented: "Good".



MOIRA WALLACE

MP

FROM: C J A CHIVERS
DATE: 13 SEPTEMBER 1988

PAYMASTER GENERAL

cc Chancellor
Chief Secretary
Sir Peter Middleton
Dame Anne Mueller
Mr Kelly
Mr Fox
Ms Seammen
Mr Strachan
Mr Easton
Mr Flitton**CIVIL SERVICE INDUSTRIALS : 1988 PAY SETTLEMENT**

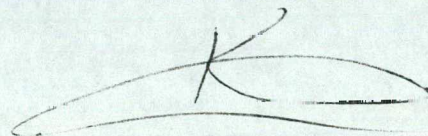
We met the industrials yesterday and made them the offer outlined in my minute of 6 September. The offer was essentially for a 5.7% increase covering a 15-month period from July 1988 to October 1989. It equated to 4½% at an annual rate, and since the pay increase would be payable from 1 October 1988 the in-year cost would be unchanged. We did not pretend to the unions that it amounted to any significant concession. We repeated that we had no room for manoeuvre, and that unless this without prejudice offer was accepted we would be bound to impose the previous offer.

2. After lengthy negotiations, for much of which the JCC was in adjournment, (I mean, the unions were negotiating among themselves, rather than with us) the unions agreed to put this offer to their members on the basis that, though it was wholly inadequate, it was the best that could be obtained and the alternative was imposition.

3. In the course of negotiations we did two things to help the unions to accept the package:

1. We agreed that if they accepted a pay increase from 1 October, instead of from 1 July, we would bring forward an element of consolidation of bonus from 1 January to 1 October. This has no significant cost; and

2. I agreed to write them a "warm letter" saying that acceptance of the offer would open the way to discussions about a possible long-term pay agreement (this has been on the table since June) which would give them the benefit of a movements survey next October and a levels survey in the following year. Whether the bulk of the industrial civil service will do well out of a levels survey is rather doubtful, but they are keen to have one: it would almost certainly benefit some groups of craftsmen.
4. It always takes the industrial unions at least four weeks to canvass their members, and with the effects of the postal strike it will take longer this time. We may not know the outcome until late in October. But there were no murmurings about possible industrial action yesterday.
5. In my minute of 6 September I said that it was uncertain whether the other unions would sit down with the EEPTU following its expulsion from the TUC. The Electricians have always been prominent in the JCC, and provide the current chairman of the trade union side, Mr Wyn Bevan. As it happened the JCC, under the strong guidance of Mr Jack Dromey (TGWU) decided to stick together, and they even allowed Mr Bevan to continue as chairman. They agreed to reconsider in 3 months' time, by which time some of the heat may have gone out of the situation. In the meantime Mr Bevan's influence is unquestionably helpful.
6. I shall report again when we know the response to the new offer.



KIT CHIVERS

22.9.16

~~BF 28/9~~

FROM: C J A CHIVERS

DATE: 22 September 1988

- 1. MR KELLY
- 2. PAYMASTER GENERAL

- cc PS/Chancellor
- PS/Chief Secretary
- Sir Peter Middleton
- Mr Anson
- Dame Anne Mueller
- Mr L J Harris
- Mr Luce
- Mr Gieve
- Ms Seammen

Don't ask me to delay

Session change

At least for words

passed

m

ppp

ARTICLE ON 'FLEXIBLE PAY'

I have been invited to contribute an article to the Public Finance Foundation's magazine "Public Money and Management" on recent developments in Civil Service pay. We believe that it would be timely to publish an article of this sort to reinforce the messages that we have been putting across to the unions both privately and in our various speaking engagements.

Although the attached draft is described as expressing the views of the author we have taken care that it can safely be regarded as a statement of Treasury policy, which is doubtless how it will be viewed in practice.

I should be grateful for your permission to publish this article in the December issue of the magazine. I should also welcome any comments on it. To save you reading the whole thing I have sidelined the passages - towards the end - where the article moves away from factual narrative and has most policy content.

C J A CHIVERS

FLEXIBLE PAY

The term 'Flexible Pay' has passed into common usage as a catchphrase for a variety of current developments in Civil Service pay. But do these developments form a coherent pattern? And where are they taking the Civil Service?

Kit Chivers heads one of the Treasury's Pay Divisions. The views expressed are his own.

The term 'Flexible Pay' is used to refer to a variety of recent developments which are beginning to change the structure of Civil Service pay. They comprise both performance pay initiatives and pay targeting initiatives: both have been brought together in the new Flexible Pay agreements. Some of the main facts about them are summarised in the tables at the end of this article.

These developments can be grouped together because they all involve the differentiation of pay according to skill, merit or geography. Some of them also involve a degree of sharing with employing Departments the responsibility for pay matters, which is another aspect of making pay more responsive to management's needs. Civil Service pay is still managed centrally by the Treasury and negotiated centrally with national unions. But the employing Departments have become more involved in the management of pay in the last couple of years.

The traditional Civil Service pay structure

It may be best to start with the traditional Civil Service pay structure, to give an idea of the starting point for these changes.

"Monolithic" may be the wrong word to describe a structure which comprises many hundreds of specialised departmental grades. But of the half-million non-industrial civil servants more than half are still in five main grades. Except for London Weighting and a few special allowances the basic rates of pay for each grade were until recently uniform regardless of where staff worked; and provided they were reasonably efficient every member of staff proceeded by regular annual increments to the highest pay point available to the grade. A Department could not offer higher pay locally to rectify staff shortages; nor could it reward outstanding members of staff other than through promotion, which might or might not be suitable (or indeed available).

The previous pay structure was, therefore, 'inflexible'. But it had been so for decades. Why should there suddenly, in the space of two or three years, have been such a spate of changes all tending in the direction of increased flexibility?

The context for change

The move towards more flexible pay systems has been a general one, not confined to the Civil Service. But it has come about in the Civil Service in a particular economic and public expenditure context. Two primary and two secondary factors can be identified:

- i. the rigorous control of public expenditure in the early 1980's leading to the control of running costs; and
- ii. the pressure of growing local and national skill shortages;
- iii. macroeconomic (supply side) considerations; and
- iv. the drive to improve management in the Civil Service.

(i) The development of running costs control

An essential element in the evolution of Flexible Pay was the increasing attention paid in the early 1980's to what might be described as the cost of Government itself - first through a straightforward control over manpower numbers, then through the control of Departmental running costs. This affected the nature of the pay bargaining process in government. The original change had come in 1976 with the introduction of cash limits: before then Departments could count on the Treasury fully funding any pay increase that was awarded. Cash limits put the spending Departments at risk if there was an excessive pay award. But many central government cash limits included both pay and programme expenditure so that Departments had room to accommodate higher than expected pay increases though savings on other elements of expenditure. Manpower ceilings also reduced staff numbers and thereby diminished the 'pay' pressure on Departments.

Running costs control made Departments more vulnerable to higher-than-budgeted pay awards for their staff. These developments changed the relationship of Departments to the Treasury: instead of being concerned solely with the need to recruit, retain and motivate their staff they had to balance their management needs against equally real budgetary constraints. They had a bearing on flexible pay in two ways: they forced Departments to become more involved in pay; and they compelled them to be more selective in their approach.

The unions, too, recognised that affordability was now a real constraint. Higher pay awards would in many areas immediately cost jobs by accelerating the contractisation - or if necessary the contraction - of services.

(ii) Local and national skill shortages

Meanwhile the labour market was changing in a way which favoured, and called for, such selectivity. As the economy picked up skill shortages became apparent, especially in London and the M4 corridor. Although there was (and continues to be) no general recruitment and retention problem Departments were becoming

increasingly aware of difficulties in recruiting certain specialisms nationally and a range of staff in certain parts of the South East of England. Departments could not afford, even had the Treasury allowed, across-the-board pay increases sufficient to deal with these problems. The private sector and local authorities were increasingly offering market premia for scarce skills, and the response from the Civil Service too had to be a selective one.

(iii) Macroeconomic considerations

A desire to improve the supply side of the economy has been a significant secondary motive. Increasing the responsiveness of the labour market helps to raise the level of demand at which the economy can be run without generating inflationary pressures.

Since 1979 the Government's regional policy has emphasised getting market forces to work, and importance has been attached to developing greater wage flexibility in the economy as a whole in order to reduce unemployment. London apart, the regional variation of pay rates in Great Britain is small in relation to the variation in rates of unemployment, and there continue to be substantial differences in the availability and quality of staff who are attracted by a given rate of pay.

(iv) The drive to improve management

Finally, there was the drive to improve management in the Civil Service, and in particular the management of performance. These developments essentially represented a second phase of the Financial Management Initiative.

The original FMI in 1982 prescribed that managers should be given clear objectives and responsibilities and better information about how much things cost. The second phase emphasised the importance of identifying individual managers as responsible for delivering measurable results; and there followed closely on that the idea that those individuals should be rewarded for delivering the goods, and penalised for failing. Hence the performance pay initiatives.

Performance pay

Performance pay was not introduced into the Civil Service in isolation. It was intended to reinforce other parallel changes in the civil service management style. The staff appraisal system was reformed at the same time to make reporting more clearly related to the achievement of results - essential if the reporting system was to be robust enough to take the strain of performance pay - and the value of regular direct communication about performance between manager and managed was emphasised.

The original performance pay initiative - the performance bonus scheme - was not accounted a great success. As the consultants who reviewed it found, it had little impact because it was implemented without much conviction, and accompanied by too little communication. But it did help to change the atmosphere, and important lessons were learnt from it for the subsequent schemes. The consultants found, after two years, that despite everything "a clear majority [of those surveyed] are in favour of linking pay to performance".

The performance bonuses of the original scheme were one-off payments not directly linked to the reporting system. All the subsequent schemes to date (listed in Table 1) are linked to annual reports and are based on additional permanent increments (they are permanent provided the standard is maintained, though they can be withdrawn if performance subsequently declines).

This may not necessarily be the pattern for all future schemes. Permanent, pensionable increments are attractive to civil servants (quite rationally) and can serve a double purpose: they enable excellent performance to be rewarded, thereby assisting motivation; and they also enable the best performers to build up, over a period of years, a significant pay lead over average performers through receipt of double increments up the scale and additional range increments on the top of it. This meets a 'recruitment and retention' objective: helping the Civil Service to attract and hold on to more of the very best performers.

Pay targeting

The first significant step towards pay targeting was the introduction in 1985 of Special Pay Additions for certain specialists mainly in defence establishments in the South East. They have proved useful in a limited field. They are highly selective, and are all individually approved by the Treasury subject to strict criteria. But they amount to a very small proportion of the Civil Service paybill. In devising a selective response to the specific recruitment and retention problems referred to above that what was needed was an expansion and systematisation of these additions to serve a wider range of needs, both local and specialism-related. The first response to that requirement was the IPCS Agreement of May 1987.

The Flexible Pay Agreements

The Institution of Professional Civil Servants represents many of the specialist grades which were in short supply. The Treasury-IPCS Agreement, which was closely followed by the Inland Revenue Staff Federation (IRSF) and Grades 5-7 Agreements, provided for

1. a common pay spine for all the 60,000 staff concerned;
2. performance pay in the shape of accelerated incremental progress and range increments on top of the scale;
3. the ability to increase pay selectively where there were special recruitment and retention problems; and
4. a long-term pay agreement on the lines recommended by the Megaw Committee in 1982, involving free collective bargaining within the limits of the interquartile range of outside pay movements, periodic surveys of outside pay levels and access to arbitration by agreement only.

All of these four elements, in different ways, contributed to pay flexibility.

The Flexible Pay Agreements were not easy to negotiate. But they were achieved because they offered real benefits for both sides:

- from the point of view of the Government the advantages were the institution of a pay spine, the introduction of performance pay and the ability to make selective pay adjustments on an agreed basis;
- from the point of view of the unions, the Government had shown itself determined to press ahead with pay differentiation, and they, through the Agreements, were able to influence the approach, ensure that it was not arbitrary and preserve for themselves a continuing role as parties to the Agreements;
- the implementation of the Megaw recommendations providing a settled basis for the determination of pay, which was welcome to both sides.

Megaw and long-term pay determination

The long-term pay provisions of the agreements are cast in a form which is helpful to the development of Flexible Pay. It is too early, of course, to say how these agreements are going to work out in practice, but the Megaw framework is designed to make flexibility possible. The relevant point is that under the Agreements it is the total paybill for the group of civil servants concerned that is subject to the inter-quartile range constraint: there is no presumption that all members of the group will always receive equal increases (even though Megaw attached high importance to maintaining a coherent pattern of internal relativities, and this too is reflected in the agreements). Within each year's total paybill increase recruitment and retention differences can be reflected in differential increases for the groups concerned.

It is important to recognise that these long term pay agreements, following Megaw, do not constitute a comparability-driven pay system. It is a recruitment and retention driven system which pays a realistic degree of regard both to external and to internal relativities.

A sense of fairness is deep-seated in the Civil Service. The traditional Civil Service pay structure maintained stable internal relativities which were highly valued by staff because they were felt to be fair: equal pay for equal job weight. But the system was weak on external relativities and was therefore paying some staff too little, others too much, and at the margin actually failing to recruit and retain the staff the Service needed.

In rectifying that weakness and creating a more efficient pattern of remuneration it is essential to pay regard to the ideas of fairness which are prevalent in the Civil Service. Fairness does not have to mean equality, or traditional differentials, but it does mean that differentials have to be established in a reasonable way. Creating a framework for balancing external relativities, which are often imperative, against what is acceptable in terms of internal relativities is the problem which Megaw and the Flexible Pay Agreements have sought to address.

Local pay additions

Local pay additions (LPAs) are the most recent move in the direction of geographical pay. They are novel in several respects. Most importantly, the decision to pay them or not is at the discretion of the individual employing Department. The grades eligible are in principle all those below the top management levels (the Senior Open Structure); but in practice payments are mainly being made to staff in the major clerical and secretarial grades and their immediate managers. Precisely which grades in each Department, in which areas and which offices, in what amount (up to the maximum of £600 a year) and after how many years' service are all matters for the employing Department in the first instance.

It is 'in the first instance' because there are two safeguards:

(i) there is a lead Department appointed in each area, which is charged with comparing and contrasting the approaches selected by different Departments, helping to reconcile them where necessary, and checking that there are sufficient reasons for different approaches in adjacent offices;

(ii) all plans have to be submitted to the Treasury for formal approval. The Treasury can require differences to be ironed out. The intention, which has so far been observed in practice, is that by and large the judgment of employing Departments should be respected.

The result has been described by Peter Jones, the Secretary of the Council of Civil Service Unions, as 'a dog's breakfast'. He is right, in as much as the diversity of approach is remarkable. But that is not because Departments have not thought carefully about what they are doing. The amounts being spent are modest in relation to the total of civil service pay - around ½%. But £600 a year is a significant sum in relation to the salaries of Administrative Officers and Administrative Assistants (current national scale maxima £7555 and £6081 respectively), and the additions should be of appreciable value in areas where there is currently difficulty in recruiting and retaining staff.

Moreover although it is still early to judge, it appears that Departments like having the responsibility for taking these decisions; their ownership of the scheme has given them confidence in executing it; they believe that the money, all of which they have had to find from within their pre-agreed running costs totals, is well spent; and they would like to be allowed to devote more of their budgets to the scheme.

It will be interesting to see what effect these changes have on the location of Government work. The dispersal programme of the 1970's was centrally targetted, requiring certain Departments to transfer work in the interests of regional development. But since then recruiting, accommodation and other considerations have led many Departments to site work outside the South East on their own initiative. Under running costs control the opening up of

increased pay differentials will help to highlight the cost advantages of relocation (for consideration alongside all the relevant management, staff and economic factors, of course). Relocations on this basis, without central targets, are likely to prove more beneficial than under the earlier programme.

Next Steps

The Efficiency Unit's 'Next Steps' proposals provide the framework in which a considerable part of the future development of Flexible Pay is likely to occur. Executive Agencies will come in all shapes and sizes, and their demands for pay flexibilities will vary widely. Flexible Pay has put the Treasury in a better position to embark on these developments: changes which would have been difficult to contemplate two years ago now look like feasible 'next steps'.

The cost of flexible pay

The achievements so far have been of an intermediate kind: The Treasury has set up new pay systems and established the frameworks of control and monitoring within which they can develop. The benefits will only appear gradually. Meanwhile the cost has been considerable: the negotiation of the Flexible Pay Agreements has absorbed, and continues to absorb, a good deal of effort, which does not cease when an Agreement is concluded. A greater effort at staff communication is needed to explain the new arrangements; managers need to be trained in the handling of performance pay; and altogether pay is likely to occupy significantly more of every Establishment Officer's and line manager's time in future. That is all part of the price of creating a more market-oriented and cost-effective pay structure.

The future

At the time of writing negotiations are in train with other civil service unions with a view to Flexible Pay agreements not necessarily identical, but with some family resemblance, to the three existing agreements. Within a few years agreements of this kind, with their pay spines and Megaw-style long term pay determination provisions, may cover the great majority of the Civil Service. Or alternatively, pay flexibility may develop outside the framework of such agreements.

It is always possible that the developments of recent years could be reversed, and that at some stage the merits of a simpler and more uniform approach and could re-assert themselves. But at present the forces for differentiation remain strong. And even in the long term there is a powerful logic behind Flexible Pay.

No organisation can cut itself off from market realities. The Civil Service is more insulated than most employers from short-term consequences if wage rates get out of line, but even the Civil Service is sensitive in the short-term in the lower grades, and sensitive over a progressively longer period as one moves up through the structure. Experience shows that if one does not respond to the market overtly there will be less desirable covert responses. Staff quality will fall, promotion will be used to retain and reward staff who are not really good enough to merit it, and grade drift will occur. Performance pay must be better than misguided promotions; geographical pay must be better than grade drift.

Flexible Pay may cause a certain amount of transitional pain as past distortions are corrected and as the pay rates of particular groups adjust, disturbing cherished differentials. But in the long run it should provide a stable pay system for the Civil Service, which will provide a better 'fit' to the labour market and therefore enable the Civil Service to recruit, retain and motivate the staff it needs ~~that much more economically~~.

*It is
much more
cost-effective
way.*

Performance pay schemes in the Civil Service

TABLE 1

SCHEMES	Date from which paid	Grades covered	No of staff involved	Range of basic pay (scale)	Nature of incentive
1. Performance bonus	April 1985- March 1988	Grades 3-7	23,000	£21,104- £38,480	Taxable, non-pensionable, one off payments.
2. Discretionary increments for Grades 2 and 3	October 1987	Grades 2-3	600	£38,480- £47,320	3 range points on top of the scale maximum
3. IPCS Agreement (spans A, B and C only)	April 1988	All grades and groups represented by the Institution of Professional Civil Servants	46,300	£10,622- £17,114	Accelerated increments and three additional range points
4. Interim Performance Points for Grades 4-7	Sept '87 (G5-7) Oct '87 (G4)	Grades 4-7	19,000	£21,104- £33,118	1 performance point on top of the scale maximum
5. IRSF Agreement	April 1989	Departmental grades (below G4) in the Inland Revenue represented by the IRSF	60,000	£5,031- £19,793	Accelerated increments and three additional range points
6. Grades 5-7 Agreement	October 1988	Grades 5-7	25,000	£21,104- £29,344	Accelerated increments and three additional range points

TABLE 2 : PAY TARGETING INITIATIVES

Name of Scheme	Date from which paid	Grades involved	Number of staff in receipt	Range of basic pay(1)	Range of Special pay additions pa
Special Pay Additions	Feb 1985	In practice mainly Science, Professional & Technology Grades	2034(2)	£ 8284 to £17114	up to £2000(3)
Movement Between Scales (IRCS Agreement)	Sept 1987 (4)	Science, Professional & Technology Grades	357	£8284 - £17114	up to £4000
Local Pay Additions	July 1988	Mainly administrative & secretarial grades	48527	£6081 to £13458	up to £600 (up to £700 for secretaries in London)

NOTES

- (1) Scale maxima of the grades concerned as at 1/4/88.
- (2) Some of these payments have now lapsed.
- (3) Exceptionally payments could exceed £2,000.
- (4) Movement between scales under the IRSF and Grade 5-7 Agreements may take place from October 1988.

ps/chlex
for Prayers



[4 days - & don't forget!]

DRAFT LETTER TO:

P S C Mawer Esq
Private Secretary to
The Rt Hon Douglas Hurd CBE MP
Secretary of State
Home Office
50 Queen Anne's Gate
LONDON SW1H 9AT

October 1988

THE ACTIVE CITIZEN: SPECIAL PAID LEAVE FOR CIVIL SERVANTS

Thank you for your letter of 22 September.

I suggest that the line to take is that the Government already takes a leading role in giving staff paid time off for voluntary public service at a not insubstantial public cost. The attached extract from the Civil Service Pay and Conditions Code sets out the special leave allowances.

Turning to school governors you may be aware that DES now support the granting of 4 days paid leave per annum in recognition of the extra work placed on school governors, and we are examining their case. Your question on publicity is primarily for DES.

On the broader issue of paid time off, Treasury would look at any proposals pursued through the usual channels. But we would obviously have to consult departments who will be expected to foot the bill. We^{all} also need to be aware of the difficulties - and extra costs - that might arise if departments did not adopt reasonably consistent approaches to granting time off for voluntary work.

Copies go to Tom Jeffrey (DES) and Trevor Woolley (Cabinet Office).

KIM ELLIMAN
Private Secretary

PMG - 5 OCT 1988 8

FROM: L G PAINTING
DATE: 5 October 1988

PS/PAYMASTER GENERAL

- cc PS/Chancellor
- PS/CST
- PS/FST
- PS/EST
- PS/Sir P Middleton
- Mr Anson
- Dame Anne Mueller
- Mr Phillips
- Mr C W Kelly
- Mr Luce
- Mrs Case
- Mr Farthing
- Mr Revolta
- Mrs Wiseman
- Mr Cropper
- Mr Tyrie
- Mr Call

Handwritten: @ to ... 26 September (buckled down school)

Handwritten: 2) work building other ... reactions before ... off the reply

Handwritten: Good idea
Prayers
tomorrow, (Fri),
for which a
clean copy of

"THE ACTIVE CITIZEN" : SPECIAL PAID LEAVE FOR CIVIL SERVANTS

Handwritten: The amended
draft
would
be
helpful
AB 8/x

You asked for advice on the letter of 22 September from the Private Secretary to the Home Secretary, dealing with the Home Secretary's interview on television which was interpreted by some newspapers and correspondents to mean that the government would be prepared to give a lead to other employers by giving civil servants more paid time off for voluntary work. One of the activities mentioned in particular was parent Governors for schools, and the Home Office wonders whether the existing allowance of three days is enough. The letter also asks for a suggested "line to take" on the wider question of special paid leave for voluntary work.

2. The civil service already does a great deal, at not insubstantial cost, in this general area. The attached extract from the Civil Service Pay and Conditions Code gives the leave allowances for voluntary public service. For school governors, the existing allowance of 3 days is arguably quite generous when one takes account of the amount of work normally done outside office hours. Furthermore it is not unreasonable to expect volunteers to share some of the cost by topping up their special leave with some of their own leave.

3. That said, the new responsibilities placed on school governors recently (in a high profile way) have led to claims that the leave allowance should be improved. DES have in the past advised against conceding an improvement but are now inclined to accept the need for one. They suggest an extra day, the cost of which should be very low, but which could of course encourage demands for leave to be granted for other 'community' activities.

4. The need for some kind of consistency across the service so as to keep costs under control is one of the reasons why it has been difficult to delegate this kind of thing to departments. We are, nevertheless, looking at what can be done to produce guidelines rather than detailed rules from the centre.

5. I attach a draft reply.



L G PAINTING

DRAFT LETTER FROM PRIVATE SECRETARY TO PAYMASTER GENERAL

P S C Mawer Esq
Private Secretary to the Home Secretary

THE ACTIVE CITIZEN: SPECIAL PAID LEAVE FOR CIVIL SERVANTS

Thank you for your letter of 22 September.

X We would suggest that the line to take on this general subject is that the government takes a leading role in giving staff paid time off for voluntary public service. The special leave allowances mentioned in the Civil Service Pay and Conditions Code already cost departments a sum which is not insubstantial.

3 We have previously resisted claims for increases in the special leave allowance for school governors because DES considered three days was enough (allowing that the individual ought to share some of the cost), but DES are now inclined to support the granting of another day given the extra work placed on school governors. We are looking at this, and will also consider any proposals that the Home Office may decide to make about help for crime prevention. But we shall obviously have to consult the departments who will be expected to foot the bill. We think that some difficulties - and extra costs - would be involved if departments did not adopt reasonably consistent approaches to granting time off for voluntary work.

Copies go to Tom Jeffrey (DES) and Trevor Woolley (Cabinet Office).

PMG 26 SEP 1988 S

From: THE PRIVATE SECRETARY



HOME OFFICE
QUEEN ANNE'S GATE
LONDON SW1H 9AT

22 September 1988

Dear Simon,

As you may know, the Home Secretary appeared on the new BBC television and current affairs programme "On The Record" last Sunday to talk about the "active citizen". During his interview he was asked by Jonathan Dimbleby whether the Government would, in relation to civil servants, be prepared to give a lead by providing paid time off for this purpose. There was some coverage in Monday's papers. (behind)

It seemed to me, first, that I ought to draw your attention, and that of DES, to the exchange. Secondly, my enquiries since the broadcast have established that existing provisions in the Civil Service Code authorise the granting of special leave with pay for a range of "voluntary public service" activities, including attendance at meetings of a managing or governing body of an educational establishment - the annual allowance being three days. I understand also that the Treasury has recently been reviewing these arrangements, in consultation with Departments. Presumably the existing authorisation extends to parent governors. But two supplementary questions arise - though they are primarily for DES, not us. First, is the three day allowance, and its limitation to "meetings", sufficient? Second, should more be done, in the context of the Government's fresh emphasis on parent governors, to make the allowance known? (a bit late!)

In case the issue is raised with the Home Secretary again it would be helpful to have any comment that you or DES can offer, and any suggestion regarding a "line to take". (X)

The Government's emphasis on active citizenship may well cause this question of paid time off to be raised in a broader context than that of parent governors - indeed some of Monday's press coverage points in that direction. Within the Home Office we have been asking ourselves if there is any other field of activity which we should wish to encourage through allowing time off. Crime prevention is one, and we may be pursuing that through the usual channels.

I am copying this letter to Tom Jeffrey (DES) and Trevor Woolley (Cabinet Office).

PAYMASTER GENERAL	
REC.	26 SEP 1988
ACTION	Mr L Painting
	CX CST
	FST EST
	Sir P Middleton
	Mr ANSON
	Dave A Mueller
	Mr Phillips

S P Judge, Esq.

- Mr C.W. Kelly
- Mrs Case
- Mr Farthing
- Mr Revolta
- Mr Cropper
- Mr Tyrie
- Mr Call

Yours sincerely,

P J C MAWER

From: SIR PETER MIDDLETON

Date: 18 October 1988

CHANCELLOR

cc Chief Secretary
Financial Secretary
Economic Secretary
Paymaster General
Dame A Mueller
Mr Anson
Mr Monck
Mr Phillips
Mr Burgner
Mr C D Butler
Mr Turnbull
Mr C W Kelly
Mr C C Allan
Mr G H B Jordan
Mr Waller
Mrs H Roberts
Mr Call
Mr C A Woolley

PS/C&E
PS/IR

MANAGEMENT CHARTER INITIATIVE (MCI)

On 17 August the Paymaster General wrote to Lord Young advising him that we would need to consider the costs and benefits of joining MCI before committing the Treasury and the Chancellor's Departments to founder membership of the MCI. I now propose that the departmental Treasury should become a member.

2. There are two reasons for this:

- (i) Membership would enhance the effort that is already taking place within the Department to promote the management development of Treasury staff. The 10 point Code of Practice in the Charter fits with our internal policies and little change would be necessary for us to comply fully.

(ii) The Treasury's wider responsibilities for the central management of the Civil Service make it desirable for us to become founder members, as OMCS and DTI already have. We should be able to influence the way MCI develops from the outset. In particular, we shall need to watch how the design of further management qualifications and the "Chartered Manager" concept are to be applied in practice. They must be genuinely useful to management needs, and not be allowed to develop into another restrictive practice.

3. Of your other Departments, HMSO, COI and DNS have agreed to join, but Inland Revenue and Customs are undecided. The Revenue are likely to wish to see how the MCI develops before committing themselves. Customs see their priorities differently and wish to continue focusing on operational requirements rather than management development. However, neither would be embarrassed if Treasury and the smaller Chancellor's Departments become early adopters.

... 4. If you agree I attach a draft for you to send to Lord Young.



P E MIDDLETON

DRAFT LETTER TO:

SECRETARY OF STATE FOR TRADE & INDUSTRY
FROM: CHANCELLOR OF THE EXCHEQUER

*pl type
final*

MANAGEMENT CHARTER INITIATIVE (MCI)

Since Peter Brooke wrote to you on 17 August about MCI we have been considering whether the Treasury should become founder members.

2. We believe that membership will enhance our own efforts to promote management development in the Treasury. Our responsibilities with OMCS for the management issues in the Civil Service make it desirable for us to be involved at the outset. Membership of the main economic departments will also be an overt demonstration to employers at large that properly directed management development and training is an important supply side issue.

3. Copies of this letter go to the Prime Minister, other members of the Cabinet, Richard Luce and Sir Robin Butler.

W — L



MINUTES OF A MEETING HELD AT 11.00 AM ON
MONDAY, 19 OCTOBER IN CHANCELLOR'S ROOM, HM TREASURY

Those present

Chancellor
Chief Secretary
Paymaster General
Sir P Middleton
Mr F E R Butler
Miss A Mueller
Mr Anson
Mr Kemp
Mr C D Butler
Mr Luce
Mr Chivers
Mr Gilhooly
Mr Truman
Mr Painting
Mr Cropper

CIVIL SERVICE PAY

The Chancellor said that the Paymaster General had considered at his meeting of 13 October (paragraph 4 of the minutes) the choice between constructing a plan for 1987 to 1992 or continuing as before. The Paymaster General mentioned the separate choice between continuing to ratchet pay down, and "bottoming out" in an attempt to avoid pay and industrial action explosions like those associated with Clegg or the teachers in recent years. The Chancellor said that the Government already had an idea of the direction in which they wished to move over the medium-term: their version of Megaw was on the table for those unions who wished to accept it, and in the meantime the Government was moving towards greater pay flexibility where it made managerial sense. He did not think it was necessary to have any further plan.

2. The Chancellor said that he would like to see figures for Civil Service pay relative to the private sector. Mr Kemp said that there had been a continual ratcheting-down, but it was

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difficult to distinguish between settlements, add-ons and drift. His view was that, in all these aspects, pay had been ratcheted-down. The Chancellor added that Civil Service pay relative to that in the private sector would be increased to some extent by the higher than usual average pay settlements needed to secure moves to greater pay flexibility. However, once the new system was in place it would be possible to meet the needs of recruitment etc. more cheaply by targeting increases where they were needed most. Mr Kemp agreed that the transitional cost to flexible pay could be expensive, but he hoped it would be possible to keep it down by making any increases conditional on real managerial benefits. The Chief Secretary mentioned the training and efficiency costs of high staff wastage, and thought that any transitional costs would be worthwhile.

3. The following points were made on Appendix A of Sir P Middleton's minute to the Chancellor of 4 August:-

- Senior open structure

The TSRB were likely to recommend high pay increases for top Civil Servants. The Cabinet would be very reluctant to accept high increases for this group, but it would be important to ensure that colleagues were on side. The MOD and Lord Chancellor's Department were to give written and oral evidence to the TSRB. The Chancellor would speak to Mr Younger to try and ensure that MOD's evidence was helpful. The Chancellor would also speak to Lord Plowden when he saw him next to emphasise that recommendations for large pay increases would damage the Civil Service, and that the Government would not accept them.

- Grades 4 to 7

The three unions concerned had now made proposals and it looked as though in the next month it would be possible to agree outline arrangements to implement Megaw and flexibility.



- **IRSF**

Tony Christopher had asked to see the Chancellor, and Mr Kemp recommended that he agree. Mr Christopher had been very helpful in dealing with the IRSF. It should be possible to reach agreement with the IRSF quite soon.

- **SCPS**

The SCPS were more prepared to talk about long-term arrangements, but an "old fashioned" settlement next April was likely.

- **CPSA**

It would be important to avoid any agreement this side of their executive elections. Their aim was to achieve Megaw without flexibility - but this was not acceptable.

- **CSU**

This union was about to merge with the Society. A review of supporting grades was underway and an interesting deal was emerging, but might prove rather costly.

- **Prison officers**

Fresh Start had been implemented last July. The problem was the number of prison officers necessary to compensate for less overtime. The Home Secretary was contemplating introducing TRD and check-off, but he was worried about the consequences.

- **GCHQ**

These issues were now in the background.

- **Civil Service industrials**

Until now, pay of industrials had always been treated as a consequential, but there were now new ideas which were to be discussed with the Paymaster General.



- Allowances and pay-linked conditions of service

A longer-term review was under way about working patterns. The grossing-up of benefits for tax was being discussed separately. It was important to avoid concessions on shorter working hours, where the public sector was closely watched by the private.

- London Weighting and geographical pay

There would be a one-off cost in implementing geographical pay: it would not be possible to abate pay outside London, only to make larger increases in London. Awarding £600 more in London, as the Prime Minister had suggested, would increase the pay bill by £30 million. This cost would have to be met from training etc. and dispersal. The Chancellor noted that E(A) had agreed that they were not in favour of dispersal as an arm of regional policy, but were in favour where it made managerial sense. He was most anxious to encourage dispersal in the Departments for which he was responsible. Mr Luce explained that Departments had been consulted, and the Chief Secretary would be writing round soon with proposed guidelines. It would be necessary to make a Parliamentary announcement reporting on progress since 1979 and outlining future proposals. The Chancellor noted that the Treasury might be prepared to help Departments meet the one-off cost of dispersal if a medium-term saving were likely, but constant monitoring would be needed to ensure that the saving did in fact materialise.

- Pay outlook

Lawyers would be a problem, and this was not helped by Customs' recent decision to regrade lawyers without consulting other Departments.

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4. Mr Kemp noted that in recent years the Chancellor had reported to colleagues on pay at this time of year. However, it was not necessary on this occasion. The Chancellor agreed. Continuing, Mr Kemp said that the only item on which a meeting might be necessary was the TSRB, although there was something to be said for addressing a smaller number of colleagues only. The Chancellor agreed: he would mention the TSRB to the Prime Minister.

CR

CATHY RYDING

20 October 1987

Circulation

Those present



FROM: Ms K ELLIMAN
DATE: 19 October 1988

PS/CHANCELLOR OF THE EXCHEQUER

cc PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
Sir Peter Middleton
Mr Anson
Dame Anne Mueller
Mr Phillips
Mr Monck
Mr Burgner
Mr C D Butler
Mr Turnbull
Mr C W Kelly
Mr C C Allan
Mr G H B Jordan
Mr Waller
Mrs H Roberts
Mr C A Woolley
Mr Call
PS/Customs & Excise
PS/Inland Revenue

CI
Can discuss @ PREM
instead of necessary
OK - letter
to show

MANAGEMENT CHARTER INITIATIVE (MCI)

The Paymaster General has seen Sir Peter Middleton's submission of 18 October.

2. He has commented as Lord Young still proposes a meeting on MCI for October 25, it would be desirable for this letter to issue as soon as possible.

Kim Elliman

KIM ELLIMAN
Private Secretary



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From the Secretary of State for Social ~~Services~~ Security

The Rt Hon Lord Young of Graffham
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CH/EXCHEQUER	
REC.	20OCT1988
ACTION	PMG
COPIES TO	

20 October 1988

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John Moore

MANAGEMENT CHARTER INITIATIVE

You wrote on 9 June encouraging Departments to join the Management Charter Initiative. In the meantime, John Banham (CBI) and Bob Reid (Shell) have written to Permanent Secretaries.

I welcome the Initiative and endorse its objectives. I am happy to say that my Department will become a Founder Member and subscribe to the Code of Practice. The initiative will give additional impetus to many of our existing plans for raising the profile of management development and the recognition of management skills by a practically-based qualification is particularly welcome.

I am sending copies of this letter to the Prime Minister, other members of the Cabinet, Richard Luce and Sir Robin Butler.

John Moore

JOHN MOORE



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Treasury Chambers, Parliament Street, SW1P 3AG
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20 October 1988

Rt Hon Lord Young of Graffham MP
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PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
Sir P Middleton
Mr Anson
Dame A Mueller
Mr Phillips
Mr Monck
Mr Burgner
Mr C D Butler
Mr Turnbull
Mr C W Kelly
Mr A A Allan
Mr G H B Jordan
Mr Waller
Ms K Elliman
Mrs H Roberts
Mr C A Woolley
Mr Call

PS/C&E
PS/IR

MANAGEMENT CHARTER INITIATIVE (MCI)

Since Peter Brooke wrote to you on 17 August about MCI we have been considering whether the Treasury should become founder members.

We believe that membership will enhance our own efforts to promote management development in the Treasury. Our responsibilities with OMCS for the management issues in the Civil Service make it desirable for us to be involved at the outset. Membership of the main economic departments will also be an overt demonstration to employers at large that properly directed management development and training is an important supply side issue.

Copies of this letter go to the Prime Minister, other members of the Cabinet, Richard Luce and Sir Robin Butler.

NIGEL LAWSON

PM 21 OCT 1988 3

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the department for Enterprise

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	Sir P Middleton
	Mr Anson
	Dave A Mueller
	Mr Phillips
	Mr Moxck
	Mrs E D Butler
	Mrs Case
	Mr Luce
	Mr Turnbull
	Mr Allan

Mr McIntyre
Mr Butt
Mr Jordan
PS/IR
PS/CTE

MANAGEMENT CHARTER INITIATIVE

We are meeting on 25 October to review the current position on the MCI. The enclosed note by officials will provide the background for our discussion.

As the note makes clear the Initiative is still progressing well. The main issue we need to consider is the Government's response to the MCI consultative paper on the new national framework for management development, and in particular the proposal for a new professional management qualification. We should also review the progress which is being made with the Code of Practice and the extent of departmental participation as founder members.

I am sending copies of this letter to Peter Walker, Norman Fowler, Peter Brooke, Malcolm Rifkind, Richard Luce and to Sir Robin Butler.

THE MANAGEMENT CHARTER INITIATIVE

A Note by the Department of Trade and Industry, Education and Science and Employment, HM Treasury, the Scottish and Welsh Offices, and the Office of the Minister for the Civil Service

INTRODUCTION

1. This paper invites Ministers to:
 - i. note the current position on the Code of Practice and agree that they should continue to give it their support;
 - ii. endorse the proposed response to the MCI consultative paper on the national framework for management development at Annex A; and
 - iii. note that there may soon be pressure for more Government funding for the supply of educational provision.

GOVERNMENT INTEREST IN THE MCI

2. As the paper indicates, the Government's interest in the MCI is twofold. First, in supporting the efforts of the companies involved in securing a major improvement in the competence of their managers. The Government's role here is to facilitate the Initiative through encouragement, advice and some pump-priming funding. Second, in ensuring that the Initiative takes full account of the Government's interests as a major employer of managers and supervisors. The paper therefore comments on the MCI proposals from both perspectives, though the Government's response will be a single one.

OVERALL ASSESSMENT

3. The Initiative continues to make good progress. The three main components are:

- i. the adoption by both private and public sector organisations of the Code of Practice;
- ii. the reform of management education; and
- iii. the introduction of a professional management qualification ("Chartered Manager").

MCI has now issued a consultative paper (Annex B) which seeks views on ii. and iii. by the end of October.

4. So far reactions to these components have been mixed. There is widespread support for the Code of Practice, though it needs further development if it is to attract the enthusiasm of medium sized firms and smaller firms. 130 organisations have so far subscribed against a target of 200 members by December. Most employers support the MCI's aims in the reform of management education and the related issue of competences.

5. On the issue of professional management qualifications, there is some divergence between employers and individuals. Employers generally do not support the idea of Chartered

Manager, and some even consider that it could prejudice the overall success of the Initiative. On the other hand, there is evidence that many individual managers and potential managers are interested in professional management qualifications. The Government does not need to take a final position at this stage on Chartered Manager. MCI's priority should continue to be the promotion of the Code of Practice, and the development of the new first level educational qualification, with the other work following on.

PROMOTION OF THE CODE OF PRACTICE

6. The text of the Code is at Annex C. MCI have two major tasks. First, to attract organisations prepared to adopt the Code and pay subscriptions to become members. For the moment MCI are concentrating on a pool of major firms and those which have expressed interest. The general recruiting effort will begin in January. Second, to flesh out the Code through a Guidance Note and to begin to offer products, in the form of information and services, to members. This will include material aimed at students explaining what training and career development they can expect if they join an MCI company; it is hoped that this will be ready by the height of the current 'milk round'. It is recommended that Ministers should give support to the Code during the campaign to sign up members. This could take the form of speeches or speech references commending the MCI and the Code, and of participation in specific promotional events.

Involvement of Government Departments

7. The 29 Government Departments with full Permanent Secretaries have received letters of invitation to become members of the MCI. Sir Robin Butler as head of the Home Civil Service has written expressing the Government's support as employer for the Initiative insofar as it relates to the Code of Practice but saying that it will be for Departments individually to decide whether they will be joining. In view of the £500,000 pa pump-priming support which DTI is offering, these Departments will not be paying separate subscriptions, although other public bodies will. So far, 9 departments have joined or indicated an intention to join, namely OMCS, DTI, Department of Employment, Scottish Office, Department of Energy, DHSS, COI, Department for National Savings and the Lord Chancellor's Department. Other Departments are still considering their positions.

THE NATIONAL FRAMEWORK FOR MANAGEMENT DEVELOPMENT

8. The MCI consultative paper seeks views on five specific issues:

- i. networking between MCI corporate members;
- ii. the reform of management education;
- iii. a classification of the knowledge, skills and qualities of effective managers and leaders (managerial competences);
- iv. the creation of a hierarchy of recognised professional management qualifications (Chartered Manager); and
- v. permanent institutional arrangements.

NETWORKING

MCI Proposals

9. The consultative paper proposes networking between MCI corporate members, often at local level, to exchange information, ideas and experience, share resources, and collectively ensure that their needs for educational support are met in the most effective way. Besides using some existing networks which are already operating successfully in particular business communities, it is also proposed to enlist local bodies primarily LENS but also Chambers of Commerce, CBI regional organisations, and regional boards of the corporate members of the BIM.

Overall Government View

10. Government representatives on CMED have expressed concern that the Code does not yet take sufficient account of the needs and interests of small firms. In principle, networking could offer a means of overcoming this, although experience with LENS suggests that establishing effective employer networks is not straightforward. The proposed experiment should therefore be welcomed but the results carefully monitored. The Department of Employment - the Training Agency has indicated willingness in principle to help fund a number of local pilots. In due course the proposed Training and Industry Councils could have an important role to play.

The Government's Standpoint As Employer

11. Departments as employers welcome and support the idea of networking. There are already a good many contacts with private sector organisations, as well as networks within Government and the public sector. The MCI offers the opportunity to extend these and make them more systematic. Networking could be especially useful outside London, where Departments as employers sometimes feel rather isolated from the main stream of Civil Service personnel work.

THE REFORM OF MANAGEMENT EDUCATION

MCI Proposals

12. The consultative paper argues that management education programmes must be market-driven with qualifications that reflect business needs. This implies greater emphasis on modular, work-based programmes with credit transfer systems between different qualifications and between different sources of provision. Employers and individuals find the present system bewildering. MCI therefore propose that there should in future be three levels of management education/training provision:

- i. Certificate level for first line managers leading and directing the work of others within a single function;
- ii. Diploma level for middle managers either with multi-functional responsibilities or with heavy responsibility in a single function; and
- iii. Masters level for Directors or Senior Managers with broad

executive responsibility for the direction of the organisation or organisational unit and for leading the response to external change.

This new ladder of educational qualifications could be free-standing and separate from any professional qualifications or institution.

Overall Government View

13. There is an obvious case for rationalising existing educational provision, and a clear need for an initial qualification along the lines of the proposed Certificate. It is therefore right that MCI is giving priority to the new initial award, as requested by Ministers at their last meeting. The Training Agency has supported design studies for the new qualifications and five pilot courses will run in CNAA institutions in the current academic year. But besides seeing that MCI keeps up the momentum, it will be important to ensure that the content of the programmes leading to the Certificate fully reflects the needs of managers at all levels.

The Government's Standpoint As Employer

14. Departments as employers support the principle of reforming management education in this way but feel it important that the development of the programmes leading to the new awards should follow and flow from the work on managerial competences (see next section). They are also concerned that the reform should be driven primarily by user/employer needs (including those of the Civil Service) and not by educational providers.

CLASSIFICATION OF MANAGERIAL KNOWLEDGE, SKILLS AND QUALITIES (COMPETENCES)

MCI Proposals

15. Some of the most advanced companies use precise definitions for the qualities of effective managers. An MCI taskforce, funded and strongly supported by the Training Agency, is attempting to define the common body of knowledge, skills, understanding and qualities which are required of good managers in all businesses, functions and levels. The aim is not to substitute for the process by which individual employers specify the particular competences their managers need, but to set out a common language and units of competence that employers and providers can draw on so as to increase transferability of skills across jobs. Seven standards development projects will begin in October and national standards for levels of responsibility up to middle manager will be defined by the summer of 1990. A DE/CNAA feasibility study into new assessment arrangements for management competences will report in November.

Overall Government View

16. This emphasis on the ability to apply, rather than merely demonstrate, knowledge underlies the whole programme of the NCVQ. MCI is taking particular care to ensure that its competences classification is fully compatible with the NCVQ standards work under way at other occupational levels. The MCI initiative in this area should therefore be welcomed.

The Government's Standpoint As Employer

17. Departments as employers support this work but are concerned that the management competences should take full account of their needs as employers. They therefore welcome the invitation given to the OMCS to be involved in the MCI taskforce. Ministers are asked to note this with approval.

A HIERARCHY OF PROFESSIONAL MANAGEMENT QUALIFICATIONS

MCI Proposals

18. The consultative paper suggests that there is a potential demand from present and future managers for a qualification which develops, and attests, their professionalism and which will also enable them to pursue their careers across companies and organisations. Such a qualification would be based on the demonstration of competence in the application of knowledge, principles and techniques, and of accomplishment in the practice of management and the exercise of responsibility. It would in other words combine the knowledge and techniques gained through education and training with the skills and qualities developed through experience. There would be three levels of qualification corresponding broadly to the three levels of education provision. The designation "Chartered Manager" could be appropriate for the second level of professional qualifications though other titles are possible.

Overall Government View

19. As already noted, there has been considerable criticism from employers and others of this aspect of MCI's proposals. There is doubt whether it is possible to specify a universal set of qualifications for something as diverse as management, and concern, even if it is, that these could become backward-looking and restrictive. On the other hand, it is also widely accepted that individuals need to be motivated to acquire managerial skills and experience. A Deloitte's survey of more than a hundred managers in the West Midlands confirms that individuals would be prepared to invest their own time and effort in a professional management qualification along MCI lines provided it was sufficiently widely recognised at national level.

20. It is not entirely surprising that employers and individuals should diverge on a proposal, one of the effects (and indeed aims) of which is to increase labour mobility. Few - employers or individuals - would deny that both knowledge/techniques and experience/responsibility are essential to the rounded manager. The issue is whether they should be recognised together in some sort of overall qualification, and what form that qualification should take. The proposal for a qualification might gain wider acceptance if it was not one which regulated entrance to a profession in the traditional sense but rather demonstrated the possession of professional competence, along the lines of the C.Eng. It is recommended that the Government should welcome a professional award on these lines if the consultation process discloses sufficient support for it.

The Government's Standpoint As Employer

21. Departments share the concerns of many other employers that this proposal will not necessarily lead to added knowledge and skills for managers and that it might in practice be developed restrictively. However the proposal can be influenced by employers' views and the key thing at this stage is for the Government as employer to be involved in the further discussions so as to ensure that if it goes ahead, it develops in a helpful way.

A CO-ORDINATING BODY

MCI Proposal

22. The consultative paper argues that there needs to be a central body to oversee and co-ordinate the implementation of this framework, including the Code of Practice and the local networks. CMED by itself lacks the necessary infrastructure and resources but has anyway only seen itself as a temporary body to provide a catalyst in the wake of the Handy and Constable/McCormick reports. It is therefore proposed that CMED/MCI should combine with the British Institute of Management to form a completely new institute. The MCI companies would have a strong position (40% of the seats) on the Council of the new body and existing BIM members would have to requalify to higher standards to become permanent members of the new institute along with new members recruited direct. BIM members are expected to vote on 21 October in favour of the recommendation to merge with CMED to form the new organisation which will in due course (probably next spring) apply for a Royal Charter.

Overall Government View

23. A formal Government position on the status of any new body cannot be taken until the Privy Council Office have asked for advice on a detailed application for a Royal Charter. There is a clear case for a co-ordinating body, even if its function is limited at least initially to overseeing the accreditation of the new educational qualifications and the development of a credit accumulation and transfer system. Such a body should be user-, rather than provider-, dominated; should operate in a light and flexible manner; should be capable of being forward-looking; and should be adequately resourced. This suggests that a completely new organisation should be formed which would be distinctively different from any existing body. It would be desirable for the BIM to be absorbed into, or associated with, such a body if only to ensure that it does not remain as a possible obstacle. The new organisation should if possible also have the support of the other relevant professional bodies.

The Government's Standpoint As Employer

24. Departments as employers share the concern of many other employers that a new professional institute might lead to empire-building or stagnation rather than to continuing development and improvement. But they see a case at least for some simple but flexible organisation to carry forward employer interest in the MCI. Here too the immediate point is for the Government as employer to be involved in the further discussions and to help shape the Initiative constructively.

RESOURCES

25. The consultative paper says nothing about the scale of the resources, particularly educational infrastructure, which will be needed to meet the anticipated demand for the new qualifications and awards. A CMED Working Party is considering this in parallel with the consultative process. The view appears to be emerging that whilst in the longer term these should come from employers and those being trained, in the short term (ie in the next year or so) these can only come from Government. Ministers may wish to note that they could well come under pressure on this point if MCI's broad timetable targets are to be met.

MANAGEMENT CHARTER INITIATIVE

CONSULTATIVE PAPER ON THE PROPOSED NATIONAL FRAMEWORK FOR MANAGEMENT DEVELOPMENT

I am writing to give you the Government's response to the consultative document circulated on 16 September 1988.

GENERAL

2. We welcome the considerable progress which the Management Charter Initiative has made since its initial launch in the autumn of 1987. We are particularly encouraged by the leadership which is being shown by the corporate sector in the Initiative and by the efforts which MCI is taking to consult as widely as possible on its proposals. Government representatives will continue to do all they can to facilitate the success of the Initiative, to which DTI is giving pump-priming support. The Government particularly welcomes the concern shown in the MCI that its work should be employer-led. As a major employer it wishes to play its full part as employer in the further shaping and development of the Initiative.

NETWORKING BETWEEN MCI CORPORATE MEMBERS

3. We consider that medium-sized and smaller firms should be involved as fully as possible in the Initiative. We therefore welcome the proposal to experiment with networking as a means of exchanging information and experience, sharing resources and expertise, and helping firms to ensure that their needs for education and training support are met in the most effective way. The Department of Employment - The Training Agency has indicated its willingness in principle to help fund a number of pilot local networks.

THE REFORM OF MANAGEMENT EDUCATION

4. We agree that the present system of management education qualifications should be rationalised. We endorse the proposed three level structure. We agree that priority should be given to the proposed Certificate-level initial qualification so that courses can begin in the autumn of 1989. We also agree that the Certificate should be available to graduates and non-graduates alike. It will be necessary to ensure that the content of the programmes leading to the Certificate fully reflects the needs of managers at different levels.

MANAGERIAL COMPETENCES

5. We welcome the efforts which MCI is making to define and classify managerial competences and to establish ways in which these can be assessed. The Training Agency is fully involved in both exercises. As the consultative document recognises, this needs to be consistent with the wider reform of

vocational qualifications being conducted under the leadership of the National Council for Vocational Qualifications.

PROFESSIONAL MANAGEMENT QUALIFICATIONS

6. We agree that individuals need to be motivated to acquire the necessary knowledge, skills and experience to become competent managers. The consultations and enquiries being conducted by the Initiative should indicate whether a hierarchy of professional qualifications on the lines set out in the consultative document is likely to achieve this objective. If it does, the Government would welcome such a qualification provided that the necessary validation and assessment arrangements work flexibly in a way which meets the real needs of employers and individuals.

A CO-ORDINATING BODY

7. We consider that a co-ordinating body is needed, at least for the purpose of overseeing the accreditation of the educational provision developed in accordance with the proposed structure of qualifications, including the development of a credit accumulation and transfer system. Such a body should be user-driven, be capable of being flexible and forward-looking, and be adequately resourced. This suggests that a new organisation should be created which would be distinctively different from any existing body. Pending an application for a Royal Charter, it would not be appropriate for the Government to express any view on the status of any such body.

8. I am sending a copy of this letter to Sir Robin Butler in his capacity as Head of the Home Civil Service.

BRIAN HAYES

MANAGEMENT CHARTER INITIATIVECONSULTATIVE PAPER ON THE PROPOSED NATIONAL FRAMEWORK
FOR MANAGEMENT DEVELOPMENT1 SUMMARY

- 1.1 The aim of the Management Charter Initiative (MCI) is to increase the quality and professionalism of managers at all levels throughout the economy; thereby helping organisations to achieve their corporate goals; and helping individual managers to make the most of their existing talents and future potential.
- 1.2 To achieve this, the MCI seeks to unite in productive, practical and continuing partnership the individual, his or her employer and those providing educational support for management development. The ideals of the MCI movement are embodied in a Code of Practice which commits a member organisation:
- to improve leadership and management skills throughout the organisation;
 - to encourage and support its managers in continuously developing management skills and leadership qualities in themselves and in those with whom they work;
 - to provide a coherent framework for self development - within the context of its corporate goals - which is understood by those concerned and in which they play an active part;
 - to ensure that the development of managerial expertise is a continuous process and will be integrated with the work flow of the organisation;
 - to provide ready access to the relevant learning and development opportunities - internal and external - with requisite support and time released, appropriate to its organisation;
 - to encourage and help managers to acquire recognised qualifications relevant both to their personal development and to its corporate goals.
- 1.3 But the MCI movement will only achieve lasting benefits if its ideals can be put into useful practical effect, engaging the motivation of individual and employer. To this end, a number of MCI working parties have been developing a package of proposals. These are now sufficiently well defined to allow us to move on to the next step - an extensive process of consultation to assess their validity and acceptability prior to further development and implementation. Broadly, the proposals comprise five parts:

- (i) Networking between MCI corporate members, often at local level, to exchange information, ideas and experiences, to share resources and collectively to ensure that their needs for educational support are met in the most effective way as regards relevance, accessibility and cost.
- (ii) The reform of management education; the establishment of a nationally-recognised, coherent structure for management education/training which management educationalists can then use in developing specific provisions tailored to the needs of practising managers and their organisations; the corresponding definition of content and standards to allow credit transfer systems to operate both vertically within a hierarchy of qualifications, and horizontally between different sources of provision; greater emphasis on modular and work-based programmes; orientation towards output assessment - the understanding and practical application of knowledge, theory and techniques.
- (iii) Establishment of a classification, or common language, of the knowledge, skills and qualities of effective managers/leaders (managerial competences) - this to provide the basic standards for the provision of management training and development appropriate to individuals' needs throughout their careers.
- (iv) The creation of a hierarchy of recognised professional management qualifications, including accreditation of management experience - this to motivate individuals undergoing continuous management development through the opportunity to obtain valued professional qualifications in the course of their development.
- (v) The associated institutional arrangements - necessary to implement these ideas and to bring together and represent all those interests involved in management development, ie the individual manager, the employers, the providers of educational support and other professional bodies active in the field.

1.4 Comment is welcome on the validity, value and substance of each of the proposals set out in five parts above which need nevertheless to be brought together into a coherent overall package if the principles of the MCI are to be put into lasting effect. Further details on each of the proposals are given in the following paragraphs. A series of consultation meetings will be held over the next three months to involve employers, including corporate founder members of the MCI, the providers of education and training support for management development, all professional bodies active in the field, and individual and potential managers. Any organisation or individual wishing to attend one of these meetings should contact Dr Robin Aram (01 257 3412) as soon as possible. Written submissions would also be welcome before 31st October 1988 to: Management Charter Initiative, Room 996, Shell-Mex House, Strand, LONDON WC2R 0DX.

DETAILED PROPOSALS

2 Networking between MCI Corporate Members

Rationale

- 2.1 The business environment is characterised by increasingly intense competition and accelerating change. At the same time, organisations are becoming more inter-dependant. In particular, all organisations are dependent on the stock of managerial talent which must be continuously replenished and enhanced to maintain competitiveness.
- 2.2 Unless employers work together successfully to:
- attract into management the best recruits and develop their talents to the full,
 - and realise the great potential of existing managers through continuous development,

British businesses will rapidly lose their international competitiveness in outbidding each other for the increasingly scarce stock of managerial talent.

- 2.3 The proposed vehicle for collective corporate effort to increase the quality and professionalism of management is a system of flexible, informal networks sharing the ideals of the MCI's Code of Practice.

Outline of Proposal

- 2.4 Where possible building on existing organisations and resources, it is proposed to establish networks of MCI members, many at local level, with links to the relevant providers of education/training support for management development. These MCI networks would be co-ordinated by a central team dedicated to the advancement of management practice and the development of high standards of professionalism in all practising managers and in all types of organisation.
- 2.5 From their active participation in these networks, MCI members - smaller and medium sized operations as well as large organisations - would derive mutual benefits from:
- the exchange of information, ideas and experience of good practice, through the use of databases, advisory services, briefings, seminars, workshops, etc;
 - the sharing of resources (training facilities, open learning centres, libraries of learning materials, videos, etc) and expertise;
 - collective efforts to ensure that their needs for education and training support are met in the most effective way as regards relevance, accessibility and cost;

- access to services and products developed nationally as aids to the planning and implementation of management development, and backed by the quality assurance of the MCI.

The Next Step

- 2.6 Using existing corporate networks successfully operating in given business communities, notably, for example, Local Employer Networks, it is proposed to start establishing a number of MCI networks in the autumn to experiment and find the best ways of achieving these aims. To this end, it is also proposed to enlist the support and active involvement of local bodies such as Chambers of Commerce, CBI regional organisations and regional boards of the corporate members of the British Institute of Management.

3 The Reform of Management Education

Rationale

- 3.1 Management education programmes must be market driven with qualifications that reflect business need. Because of the variety of people wanting to become managers through different routes, this suggests a greater emphasis on modular work based programmes, incorporating flexible and open learning methods; a shift towards standards and qualifications that assess output, the ability to apply management knowledge theory and techniques, and credit transfer systems so that managers can build up qualifications at different stages of their career - a system of portable qualifications.
- 3.2 The market for qualifications will work better if there are broad common standards within an overall structure which is clear to customers and widely accepted as being relevant to their needs. Of course, quality and relevance will be down to the individual provider; and customers, whether employers or individuals, will have their own particular needs, but market research has shown that managers find the present system of qualifications simply bewildering. Without clearer nationally accepted standards, informed customer choice will be limited and it will not be possible to devise useful systems of portable qualifications. Now employers have an opportunity to put this right.

Outline of Proposal

- 3.3 It is proposed that there should be three levels of management education/training provision, each appropriate to the individual's current managerial needs and stage of development. Not everyone would go through all three stages, but for those developing progressively to the most advanced levels of management practice, it is envisaged that the three steps of education/training provision would be cumulative - ie the Diploma following the Certificate and the Masters following the Diploma. The minimum duration of each step would be one year's part time study.

- The Certificate level provision is intended for first line managers leading and directing the work of others within a

single function. At this operational level, where the emphasis is on the management of people, the typical characteristics of the management task are planning, controlling, motivating and communicating - generally against defined objectives in a structured work environment.

The Certificate programme would provide a comprehensive working knowledge of the principles, concepts and techniques of management and the "language" of business. The content would be modular and the modules would be transferable. Where possible, live projects or work assignments would be used as a basis for developing skill and understanding in the application of knowledge and techniques. The pace of the programme would be variable to meet the needs of the individual, whether non-graduates or graduates.

The Diploma level provision is intended for middle managers managing other managers, having either multi-functional responsibilities or heavy responsibility in a single function. At this tactical level the typical characteristics of the management task would be co-ordinating, improving, arbitrating, delegating, managing change - more often against broad ill-defined objectives and in a work environment with less structure.

The Diploma programme would place emphasis on competence in the application of modern concepts and techniques of management practice and on personal effectiveness as a manager and leader. As for the Certificate, the content would be modular, transferable and geared to work-based learning at a variable pace to suit the individual.

The Masters level provision is intended for directors or senior managers with broad executive responsibility for the direction of the organisation or unit of the organisation, and for leading the response of the organisation to external change. At this strategic level the typical characteristics of the management task are challenging, probing, initiating change, leading - usually against a background of uncertainty where established objectives and structures need to be questioned.

The Masters programme would place emphasis on strategic issues and the management of external change in an environment of uncertainty. Again, the content would be modular, transferable and geared to work-based learning at a pace to suit the individual.

The Next Steps

- 3.4 Starting at the Certificate level, guidelines and benchmarks for the scope, content, modules and standards of the proposed educational provision at each level are being developed. A number of pilot models of the Certificate programme, funded by the Training Commission, would be tried out over the next year. The aim would be to have the Certificate programme ready for widespread implementation from the

Autumn of 1989. The development of the Diploma level guidelines would follow roughly six months later.

The Council for National Academic Awards (CNAA) is currently assessing the practicalities of accreditation under the proposed new system.

4 Establishment of a Classification, or Common Language, of the Knowledge, Skills and Qualities of Effective Managers/Leaders (Managerial Competences)

Rationale

- 4.1 Organisations which are leading exponents of systematic management development are finding increasing value in the pioneering work to devise a more precise system of definition for the qualities of effective managers/leaders. This new classification (of managerial competences) is geared to the demands of the fast-moving, competitive business environment in prospect. The more precise and relevant definition of managerial qualities which it yields should enhance the planning and implementation of management development and the corresponding provision of educational/training support. Naturally such a framework will have to be flexible enough to allow individual providers to meet different market needs, and to innovate. But some broad framework and common units of currency are essential.

Outline of Proposal

- 4.2 The proposed new classification of managerial competences would progressively replace traditional definitions framed primarily in terms of knowledge input. While recognising a functionally specific understanding (marketing, finance, etc), the new classification seeks to define the over-arching qualities of effective managers/leaders, with emphasis on personal effectiveness and the ability to apply skills and abilities in new situations - an important consideration in a world of rapid change. The proposed classification system would start with the following breakdown:

- competence in managing people (for whom responsible; others);
- competence in managing resources (finance; systems evaluation; systems operation);
- personal effectiveness (communicating; people orientation; goal achievement; self development and self awareness);

and thereafter cascade down into more detail, for each of the three levels of management outlined in para 3.3.

- 4.3 The objective of this classification system is to define the common body of knowledge, skills, understanding and qualities which are required of good managers in whatever industry or function or level they operate.

The Next Steps

- 4.4 Naturally, the drawing up of such classification must involve businesses, education providers, professional institutes and other bodies including industrial training organisations. Also it must be fully consistent with the wider reform of vocational qualifications being conducted under the aegis of the National Council of Vocational Qualifications. This entails a practical analysis of the qualities required of effective managers at different levels in a wide variety of organisations of different types and sizes. This will be complemented by a study of similar research in other advanced economies. The work will also include the definition of criteria for the assessment of the core managerial competences comprising this classification system.
- 4.5 The target date for the publication of this work is Spring 1989. The remainder of 1989 will be required to validate these proposals through extensive pilot tests and consultation.
- 4.6 It is also necessary to have a system for assessing competences, under which individual managers can be tested. The CNAA is carrying out a study funded by the Training Commission and involving other interested parties into various possible arrangements for assessment. In addition, the Training Commission are developing an experimental self-help kit to assist individual managers in assessing their competences and to plan their own development, including some guidance on the educational routes open to them.

5 Hierarchy of Professional Management Qualifications including Accreditation of Management Experience

Rationale

- 5.1 Up to now the motivation of those engaged in management development has relied little on their programmes of self-development yielding recognised professional qualifications. Now, however, new factors look like changing radically the perception of both the individual and the employer:
 - Increasingly, young people are recognising that the fast-moving, more competitive business arena of the future creates both opportunities for those who can offer up-to-date expertise and the discipline of a professional approach, and yet potentially less job security. Accordingly, they are wanting to develop their professionalism and to obtain recognised professional qualifications, as a form of transferable property right - the passport to a rewarding career.
 - This trend is being reinforced, on the one hand, by the sharply rising demand of employers for high calibre recruits with the potential to become good managers and, on the other, by the demographic decline in the number of young people entering the workforce (down by roughly a third over the next decade). Increasingly, organisations will have to compete for the available talent not just on the basis of salary, but on their willingness to offer professional development programmes

(functional and managerial) leading to recognised, valued qualifications.

- 5.2 There is no nationally recognised system of professional qualifications which accredits effectiveness in the practice of management. To create one appropriate to the business needs of the future would require the certification of knowledge and skill on the one hand, and on the other, an objective assessment of experience in the exercise of management responsibility at the appropriate level. Such a system must cater for the formally less qualified managers and for those at the level of supervisor as well as more mature managers and those at or aspiring to the highest levels of management qualification and practice.

Outline of Proposals

- 5.3 It is proposed that there should be three levels of professional qualifications aligned with broad bands of job responsibilities:

<u>Level</u>	<u>Management position</u>	<u>Responsibilities</u>
1	entry/supervisory/junior	operational
2	middle	tactical
3	senior	strategic

- 5.4 The structure of the educational provision (para 3.3 above) is intended to provide the training and development needed to ensure that individuals can acquire the knowledge, skills and qualities to successfully carry management responsibilities. The development of the competence criteria (paras 4.2 and 4.3 above) on the three level basis would provide necessary guidance to those structuring the education and training provision. Thus the professional qualifications system should ensure that individuals can demonstrate:

- competence in the application of knowledge, principles and techniques;
- accomplishment in the practice of management and the exercise of management responsibility.

- 5.5 Given the overriding aim that the proposed system of qualifications should motivate continuous self-development, titles are important in the perception of individual managers and their employers. The designation "Chartered Manager" has been put forward as one possibility for the second level of professional qualification. This suggestion and the other titles are open to consultation.

- 5.6 To accredit an individual manager's responsibility and experience, a systematic process of objective assessment is needed. It is proposed that this would draw on the best practice of other institutions and involve a written submission describing managerial job history with details of the main responsibilities for the most significant position

held. It would need to be endorsed by the employer and possibly backed by a sponsor. It would be assessed against some quantitative yardsticks to determine the professional practising level and where necessary backed up by a personal interview.

- 5.7 In the case of the mature manager seeking management qualifications, more emphasis would be placed on the managerial strengths and accomplishment of the individual as demonstrated by the record of management experience and the assessment of management responsibility. Diagnostic processes would need to be developed to help the mature manager identify those areas of knowledge and skill where further development would be useful in complementing his or her established strengths. Such catch-up development pursued through modular programmes tailored specifically to the needs of the individual would, subject to objective accreditation, entitle the individual to the professional qualification at the appropriate level.
- 5.8 Where the diagnostic process demonstrates that the mature manager has a sufficient basis of knowledge and skill - and the experience of exercising management responsibility at the requisite level - the corresponding professional qualification could be accredited on the basis of documentary evidence of a substantial managerial task successfully accomplished.

6 The Associated Institutional Arrangements

Rationale

- 6.1 A co-ordinating body will be needed at the centre of the Initiative to bring together and represent the interests of the various constituencies involved in management development, i.e. the individual manager, the employers, the providers of educational support and other professional bodies active in the field. No existing organisation is ready made to do this; any candidate body will need to undergo extensive adaptation and re-organisation for the purpose. At the same time, it must be financially sound and self-sufficient with an established infrastructure and a countrywide presence. Without this capability, the momentum behind the MCI will be lost. Moreover, although the Government is ready to provide a measure of front-end financial support and contributory effort, all parties are agreed that the business-led MCI should not thereafter be subsidised; its continued viability should depend on its success in yielding tangible benefits to all participants.

Outline of Proposals

- 6.2 In practice, the choice of a suitable body to implement these ideas is severely limited. The temporary Council for Management Education and Development (CMED) - the instigator of the MCI - lacks the infrastructure and resources to implement the Initiative as a countrywide mass movement. In any case, it has never been CMED's intention to proliferate the number of bodies already active in the field of management education and development; rather, to harmonise their resources to common ideals and a shared vision of the future needs of managers at all levels.

- 6.3 Accepting the need for the requisite adaptation and re-organisation, the British Institute of Management has offered to recommend to its members, integration with CMED to form a new organisation which would:
- bring together individual managers (40% representation), employers (40%) and educational providers, other professional bodies and Government (20%);
 - lead and co-ordinate the implementation of the proposals outlined in this consultative paper.
- 6.4 This permanent organisation, possibly called the Management Institute, with a new constitution, would provide a forum to promote innovation and advances in the practice of management in the face of change. It would maintain control - particularly of standards - over the accreditation process for educational provision developed in accordance with the proposed structure of qualifications. It would also administer the implementation of the arrangements for accrediting experience and responsibility to objective external standards.
- 6.5 For its part, the BIM would contribute to the new partnership a financially sound, countrywide organisation with a substantial membership of mature, experienced managers. The commitment and involvement of the latter will be particularly important to the success of the MCI: firstly, to encourage and give a lead to more junior managers and management trainees; and secondly, to ensure that the implementation of the Initiative is realistic and relevant to business need. The two most immediate challenges to the new Institute would be:
- to form mutually satisfactory, complementary relationships with other bodies active in the management development field;
 - to engage the enthusiasm and involvement of younger and more junior managers and those entering business and administration with the view to a managerial career. (An initiative is envisaged for this purpose.)
- 6.6 We are ready to consider alternative proposals for the implementation of the ideas in this consultative paper, but we believe that such alternatives would need to address squarely the practical questions raised above.

The Next Steps

- 6.7 A research study, funded by the Training Commission, has been conducted to assess the part played by professional qualifications in motivating continuous development. The BIM is seeking the consent of its members in preparation for the proposed integration with CMED, prior to forming the new organisation and the application for a Royal Charter. Other professional bodies active in the field of management development are being consulted by CMED. Work is in hand to develop a systematic methodology for assessing managerial responsibility across the corporate sector.

7 Resource implications

- 7.1 A major national initiative of this kind inevitably has significant resource implications. At the current stage of development, it is not possible to set out a detailed statement of the exact investment required, but this will be produced as the operation of the Initiative becomes more clearly defined. It should, however, be noted that the MCI has been conceived as a partnership between the industrial/business community and the government sector. It is envisaged that the initial funding should be borne by these two partners who would collaborate with the academic world in producing appropriate courses and support.
- 7.2 Private companies and local government bodies are already committing substantial sums in response to the appeal to founding members. Central Government has agreed to match the contributions received up to a limit of £2.5 million spread over the first five years of operation. Bids have also been made by the university and polytechnic/college planning bodies for substantial government finance for expansion and development in management education. These measures are designed to ensure a sound basis from which to launch the Initiative, with the aim that it will become self-supporting in future years.

8 Consultation

- 8.1 Your views are now invited on the above proposals, which together form a coherent national framework for management development, namely:
- (i) the establishment of networks of MCI members with links to the relevant providers of education/training support for management development;
 - (ii) the reform of management education;
 - (iii) the establishment of a classification, or common language, of the knowledge, skills and qualities of effective managers (managerial competences);
 - (iv) the creation of a hierarchy of professional management qualifications including accreditation of management experience;
 - (v) the associated institutional arrangements.

September 1988

We recognise that good management practice is essential if we are to maximise the potential of our most valuable resource: the people who work here. Their enterprise, initiative and creativity is crucial to our future success.

We are therefore committed to the following:

- 1 To improve leadership and management skills throughout the organisation.
 - 2 To encourage and support our managers in continuously developing management skills and leadership qualities in themselves and in those with whom they work.
 - 3 To back this by providing a coherent framework for self development – within the context of our corporate goals – which is understood by those concerned and in which they play an active part.
 - 4 To ensure that the development of managerial expertise is a continuous process and will be integrated with the work flow of the organisation.
 - 5 To provide ready access to the relevant learning and development opportunities – internal and external – with requisite support and time released, appropriate to our organisation.
 - 6 To encourage and help managers to acquire recognised qualifications relevant both to their personal development and to our corporate goals.
 - 7 To participate actively in the appropriate networks of the Management Charter Initiative and thereby share information, ideas, experience, expertise and resources that will prove mutually beneficial to the participants and help us to further the aims of this Code.
 - 8 Directly and through networks, to strengthen our links with sources of management education to ensure that the training offered best complements our management development programmes, matching our corporate needs and future requirements.
 - 9 To contribute to closer links with local educational establishments to promote a clear understanding of the role of management, its challenge as a career and the excellent opportunities for young people to develop professionalism in its practice.
 - 10 To appoint a Director or equivalent to oversee the fulfilment of these undertakings; to review our progress annually and, after evaluating the contribution to our performance, set new targets for both individuals and the organisation; and to publicise highlights from the review and the new targets.
- Chief Executives should undertake to communicate and demonstrate to all managers their commitment to the above Code.

I agree with this advice; x the price down, 100, say for M. - cc: mtg.

FROM: C W KELLY

DATE: 20 October 1988

1. DAME ANNE MUELLER

2. CHANCELLOR

cc: Chief Secretary
Paymaster General
Sir Peter Middleton
Mr Anson
Mr Luce
Mr Chivers
Mr Strachan
Mr Bell

Ch/ To read if you wish to know the background now, or leave for weekend reading. We are fixing mtg for Monday.

IPCS NEGOTIATIONS

I reported in my minute of 28 September to the Paymaster General that the negotiations with the IPCS were in danger of breaking down.

2. I regret to say that I believe we have now just about reached that point. The IPCS' have put in a without prejudice claim which they describe as their absolute bottom line. We now need to consider whether we should take a limited step forward to meet them, or call it a day. The arguments in terms of pay policy are finely balanced; and in terms of running costs we are at the very limit of what might be acceptable. But we need to think very seriously about the implications of breaking off negotiations. If we did so, the IPCS would request arbitration, as they are entitled to under the agreement, and the option of refusing it is almost as unattractive as that of agreeing to it.

3. We shall have to resolve this one way or the other very shortly. We are way beyond the settlement date of 1 August. McCall's executive and his members are getting restive. So are departments. This submission summarises the background; describes the IPCS claim and our response to it; then at the pay policy and running cost arguments; and finally at the prospects if we do not succeed in reaching agreement. I am sorry it is so long.

Background

4. This is, of course, the first negotiation under one of our new long-term pay agreements. It is thus the first to be informed by a levels survey. In this transitional year it is not constrained by the inter-quartile range of the movements survey, but it is informed by it.

5. The main features of the background to the negotiations have been:

i. A movements survey, showing an inter-quartile range of between 5.0 and 7.6 per cent for basic pay.

ii. The increases which the IPCS grades have already received this year. The majority received a spine point worth on average 4½ per cent on 1 April as part of the phasing in of the 1987 agreement. Some received more as a result of the staging of the previous 1985 agreement. In total they have been given an average of 11.4 per cent in the twelve months to August 1988, 15.7 per cent over the sixteen month period back to April 1987.

These are substantial amounts by any standards. We have been arguing that we cannot ignore this history, and in particular that we have to take account of what was received on 1 April this year, even though we would have to discount it to some extent to allow for the fact that the 1 April and 1 August settlements combined have to cover a period of sixteen rather than twelve months. The IPCS have been arguing that nothing which happened before 1 August is relevant, since this is a new pay round; that a significant part of the previous increases were due to their P&T members under the 1985 agreement; and that the rest represented the price we paid for getting the 1987 agreement. They have also pointed out that some of their members (ex-administrative linked grades) have actually done rather worse over this period than their NUCPS equivalents without the benefit of any agreement. There is some truth in all of this (though we have not of course admitted it to them).

iii. The levels survey. We have been discussing the details for some considerable time. We have been arguing that it is

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only there to inform and not constrain the negotiations, and that in any event it suggests that only fairly modest increases are necessary to bring the pay of IPCS grades up to a reasonable level in relation to the lower quartile of outside pay. The IPCS have been arguing to the contrary that it shows very substantial increases are necessary. Neither of us have a monopoly of the good arguments.

Without the pay increase of the last twelve months the levels survey would have been that much more embarrassing even on our way of interpreting it.

iv. A mixed recruitment and retention position. Resignation rates are not enormous, 2.8 per cent on average, rather higher in London. But the overall figures mask some areas of much greater difficulty; and the number of vacancies, even discounting the figures to some extent to allow for the fact that departments generally do not have the money to pay for nominal complements, are very high - 10 per cent nationally and 18 per cent in London. In terms of recruitment, last year was good by recent standards for scientists, but much more difficult for P&Ts. The IPCS have come armed with large numbers of unhelpful quotes from the Civil Service Commission's report and with testimony from line managers in departments.

The IPCS claim

6. The current version of the IPCS claim, which McCall describes as absolutely his bottom line, is a considerable reduction on what he was originally asking. But it still adds up to 5.3 per cent in the first year (August 1988 - July 1989) with an additional carry-over into the second year amounting to 3.1 per cent because of staging. McCall has offered to score part - but not all of the carry-over against the inter-quartile range for next year's settlement.

7. The total cost of this (8.4 per cent), even allowing for charging of some of it against next year, is clearly well beyond what might be acceptable to us.

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8. The components include:

i. Across the board increases of 3 per cent from 1 August 1988.

ii. An additional point on the top of every scale from 1 April 1989.

iii. An additional scale point for the most senior grades (Span A) from 1 January 1989.

iv. An additional point on the top of the scale for scientists and ex-administrative related grades from 1 August 1989 to begin bringing them up to P&T pay, and commitment to further progress thereafter to complete the catching up process.

v. Removal of the 25 per cent quota on the first range point, from 1 January 1989.

vi. A package of flexibilities as proposed by us under the provisions of the agreement which allow staff in particularly short supply to be advanced up the spine.

vii. The next levels survey to be brought forward from 1992, preferably to 1990 but if not to 1991.

Our position

9. We have not yet made any formal offer. But, as I reported earlier, we have been talking in terms of a package costing around 4 per cent in a full year, including a substantial element of flexibility and not necessarily ruling out agreeing some things now which would impact on, and be charged against, next year's settlement. McCall has been assuming that this really means 4½ per cent and wondering whether we would go as high as 5 per cent. He has been prepared to lower his sights towards 5 per cent in the first year, but only at the expense of loading more into 1989-90.

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10. Taking the items in the claim one by one:

i. There could clearly have to be something across the board. 3 per cent by itself would not be unreasonable. The difficulty is that it comes bracketed with items(ii) and (iii).

ii. The proposal to add a point to the top of everybody's scale is preferable to simply giving everyone an additional spine point, because only those at the top of the scale would receive it. But it would still have a significant cost.

iii. A further point on the top of the scale for everyone in Span A would to some extent accord with the pattern of the levels survey, which showed staff at these levels to be most out of line. But again it would be costly.

Items (i) to (iii) taken together would have a total cost of around 5 3/4 per cent.

iv. We are not opposed in principle to the idea of some catching up for scientists with P&Ts if it can be combined with differentiation of the P&T pay scale. We had always envisaged something like this happening. The most we can afford, however, is to offer to make a move in this direction of one point on 1 August next year, scored against next year's settlement, with no commitment at this stage to move further in subsequent years. Even in this limited form, this concession ought to be a substantial point for McCall. It would be a first step towards an objective he has been pursuing for some time.

v. Removal of the quota on the first range point is also something which we could concede if it could be afforded within the overall cost. Its attraction to us would be that it could be presented as a response to the evidence of the levels survey, because it would have the effect of lengthening the normally attainable scale. But it would be much cheaper than simply adding another point to the spine.

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If we did concede it, we would still retain a (more credible) quota over the second and third points and the first point would still be performance-related even if unquota-ed (and therefore like the equivalent point in the 5 to 7 agreement).

vi. It is a sine qua non for us that any agreement should include a substantial element of flexibility. The package we are looking at (which McCall would agree within an otherwise acceptable deal) would cost $1\frac{1}{2}$ to $1\frac{1}{2}$ per cent in a full year. It involves an additional spine point for London (11,000 staff), and a further pay lead in London for valuers (important to the Inland Revenue) and estate surveyors, telecoms/electrical and electronics and computing and maths/OR staff, about 2,500 people. This would be less than departments would ideally have liked and could create some cliff-edge problems at the London boundary (for which reason we may need to bend it slightly). But it would still represent an important shift towards more differentiated pay. We are still sorting out the details.

vii. We cannot concede, for reasons of practicability as well as principle, levels surveys more frequently than every four years. This would be the first step on a slippery slope towards annual levels surveys, which would be tantamount to return to PRU.

11. Provided we have our flexibilities, the key to this is not any of the individual items but the overall cost. We now have to make a firm offer in response to McCall's bottom line. There is no possibility of a deal at 4 or $4\frac{1}{2}$ per cent. There might just be one if we were prepared to move to 5 per cent in the first year, and to accept some carry-over (perhaps up to $1\frac{1}{2}$ per cent) into the next twelve months to be charged against the August 1989 settlement. 5 per cent would just bring us within the inter-quartile range of movements. It would allow an offer consisting of an across the board increase of $3\frac{1}{2}$ per cent, possibly even $3\frac{3}{4}$ per cent, to replace all of items (i), (ii) and (iii) in the claim, plus items (iv), (v) and (vi).

Pay policy

12. A settlement of this kind would be more expensive than we had originally hoped, and would, of course, come after a period in which the IPCS grades generally have enjoyed some substantial increases.

13. But it would not be too difficult presentationally. An agreed settlement at 5 per cent level at this stage in the year could well be helpful in a general pay policy context, especially since it would be structured in such a way that three-quarters of those concerned would be receiving an increase of only around 3½ per cent, with the balance concentrated on areas of greatest recruitment and retention need.

14. We would also have shown that we can handle Megaw-type pay arrangements in a satisfactory way and would have completed, for a not insignificant group of staff, the most difficult stage of the transition to the full Megaw machinery - the first settlement informed by levels survey but not constrained by the inter-quartile range. Arguably, we would have come off relatively lightly. For the IPCS we do not have to face another levels survey until 1992, unless we concede otherwise, and all future negotiations will be constrained by the inter-quartile range.

15. We also need to consider the potential impact upon the expectations of other unions and departments about the likely cost of future settlements under other long-term pay deals, in particular the IRSF and Grades 5 to 7 who have levels surveys due next year.

16. Both unions and departments will certainly note that being in receipt of pay increases on 1 April in the run-up to the first negotiations under long-term agreements does not prevent further across the board increases in the year beginning 1 August. It is possible that this, particularly when seen in conjunction with the run of pay increases received by the IPCS over the previous period, could heighten expectations. But in practice:

- i. The expectations other unions have from levels surveys are considerably greater than this. 3½ per cent or so as a general increase could actually have a dampening effect.

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ii. They will note too that the settlement would incorporate a considerable proportion of pay flexibility. This will help to set the tone for subsequent discussions.

iii. They will also know that there are a number of special features about the IPCS, in particular the complication caused by the staging of the 1985 agreement and the very high vacancy rates and problems of recruitment for many of the relevant disciplines.

Impact on running costs

17. The impact on 1988-89 and 1989-90 financial years of the IPCS claim and of a counter offer of 5 per cent plus carry-over on top of 1 April 1988 rates would be broadly as follows:

<u>Cash in</u>	<u>IPCS claim</u>	<u>5 per cent plus 1½ per cent</u>
Full year	8.4	6.5
First settlement year (August 88 - July 89)	5.3	5.0
1988-89 FY	2.7	3.4
1989-90 FY	5.5	2.9
1990-91 FY	0.2	0.2

18. To the 1989-90 figure would have to be added 8/12ths of the cost of next year's settlement from 1 August. If, to give an example, next year's settlement came in at around 6 per cent (the median of this year's range) implying a further 4½ per cent after knocking off the carry-over, and was not staged, this would add a further 3 per cent to the figure in the penultimate line of the second column. Departments generally have provided 6 to 6½ per cent for pay increases next year.

19. The impact on individual departments would, of course, vary depending upon their mix of staff.

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20. We have kept the half dozen departments principally concerned (MOD, PSA, DTI, MAFF, DoE and the Home Office) in touch with our negotiations throughout. With one possible exception, they have confirmed that, though it would be pushing them to their limits, they ought to be able to accommodate a 5 per cent offer.

21. The potential exception is the PSA. They could find room in their survey settlement for next year. But they have problems with their 1988-89 running cost limit.

22. The fact is however, that PSA are already planning to bid for supplementary provision this year and would have had difficulty in accommodating virtually any settlement. They are also one of the departments most seriously hit by staff shortages in London. Although the expenditure division have not yet received PSA's bid, they expect to recommend at least the major part of it.

The alternative : arbitration?

23. If we are unable to reach agreement, the IPCS will put in a formal claim. This will undoubtedly be rather higher than that now on the table. They will allege that the levels survey should have given them 15 or 20 per cent and that we are trying to renege on the agreement because we are embarrassed by the result.

24. In practice, we would probably want to anticipate this and issue an open offer before their claim came in, backed up by a message to staff and some fairly careful briefing of management. We have already begun thinking what these might look like.

25. In either event, we will clearly reject the IPCS claim. When that happens they will ask for arbitration. Our choice, faced with a request for this, would be an unenviable one.

26. If we agreed, the probability must be that the arbitrator would give them more than we are prepared to offer, and more than running costs could stand. This would be the case even if the IPCS were, as seems likely, prepared to agree to constrain the outcome within the inter-quartile range of movements (5.0 to 7.6 per cent). If the arbitration were unconstrained we would be even more at risk. Nor is the problem just one of cost. The

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arbitrator's view on the merits of our respective cases could well have significant implications for how we can operate this and similar agreements in the future.

27. We have been giving some consideration as to whether we could not devise a way of constraining the arbitration so as to reduce the risks. It would improve our public posture if we were able to offer arbitration of this kind, even if the IPCS were unwilling to agree the conditions. But we have not yet come up with anything very satisfactory.

28. We are, of course, entitled to refuse to go to arbitration under the agreement. But we then have to write formally and openly to the IPCS setting out our reasons. These would have to be something like:

i. The negotiation this year is unconstrained, and it would be unreasonable to expect the Government to put pay policy at risk to such an extent. (The IPCS can counter this by agreeing to constrain it within the inter-quartile range).

ii. The argument this year is not just about money but about the principles underlying the Government's flexible pay policy. The Government cannot be expected to put that policy into commission.

29. It is not inconceivable that if these reasons were not thought good enough our decision could be challenged in the courts.

30. The consequences of failing to reach agreement, refusing to go to arbitration, imposing a settlement and facing the potential repudiation of the IPCS agreement would be substantial. We would probably not lose the IRSF and Grades 5 to 7 agreements, at least not immediately. Their members will not want to lose the chance of having better luck with their levels surveys next year. But we would probably forfeit any chance of agreement with the NUCPS and the CPSA.

31. This in itself would not be a disaster. We could live without agreements for these grades, particularly the CPSA. But the general climate of industrial relations would undoubtedly

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suffer a major setback. The Civil Service would feel, however unjustly, that the government was not prepared to honour its commitments and was not behaving fairly to its staff; and employing departments could well increase their pressure for across the board increases in pay. We would lose the opportunity to press ahead with the geographical and other flexibilities we are trying to introduce into the pay system by agreement, and morale generally would undoubtedly suffer. Nor, particularly if we drove the unions back together again, would we necessarily end up with levels of settlement that are any lower. They could well be higher. All in all, there is much to be said for a negotiated settlement if we can get one at a reasonable price.

McCall's position

32. There is no doubt that McCall finds himself in a difficult position. He has allowed exaggerated expectations in his executive about what they could hope to get out of the levels survey, and their interpretation of the actual survey results has done nothing to dampen this. As a result, they have got the bit between their teeth, encouraged by Bill Brett (their nomination for McCall's successor) who never wanted the agreement in the first place. At the same time McCall has underplayed the significance of what the IPCS signed up to in terms of the operation of the selectivity part of the agreement. He also has a number of quite important groups who could argue that without something substantial across the board now they are in danger of being worse off than if they had never signed the agreement in the first place.

33. On the other hand, he must know that we cannot agree to anything as expensive as his present claim and that we are bound to push for a substantial element of flexibility. He is probably also conscious that the consequences of failing to reach agreement are likely to be more serious for him than for us. While I have been careful not to rule it out altogether, I have made it pretty plain that in my view you were most unlikely to agree to go to arbitration. Mounting a formal claim is therefore quite likely to lead to imposition of a settlement which would potentially be smaller in total, contain a larger proportion of flexibilities and exclude some of the items on which he has set his heart. He must also know that his members are unlikely to take industrial action.

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He has a very strong personal investment in the long-term agreement and will be very reluctant to see it fall at the first hurdle. If necessary, I think he would be prepared to appeal to his members over the heads of his executive.

Conclusion

34. Against this background, it is possible that an offer to go to 5 per cent would just be enough to do the trick. I would not want to offer it formally unless there was some indication from him that it would. Nor would I want to go any further.

35. If such a sign were forthcoming, I believe that we should be prepared to make the offer. 5 per cent, especially if combined with some commitment to further cost in future years, would not be welcome to the expenditure side of the house, nor to us. But it is, in my view, better than any of the alternatives, consistent with the policies we have been developing and, PSA's problems this year apart, just about affordable for the main departments concerned. It would also have a number of positive features on which we could build in public presentation, notably the limited size of the across the board increase and the extent to which it shows us making use of geographical and other flexibilities.

36. McCall is expecting a response from us within the next few days. I hope you will agree that, if it seems likely to secure agreement, I should be able to go to 5 per cent in the first year with some carry-over into the second along the lines discussed above. It would also be helpful to know if you share our presumption against agreeing arbitration, in the event of this not being enough.

37. This submission has been discussed in draft with Sir Peter Middleton and Mr Anson.

CW

C W KELLY



~~BF 24/10~~ PPS (PEM → Ch
think)

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MP

PAYMASTER GENERAL

FROM: D F O BATTLE
DATE: 21 October 1988

cc PS/Chancellor
PS/Chief Secretary
PS/Financial Secretary
Economic Secretary
Mr Culpin
Mr Gilhooly

MANAGEMENT CHARTER INITIATIVE

You are to attend the Ministerial Group on Wednesday 25 October under Lord Young's Chairmanship to decide the Government's view of the Management Charter Initiative. You might like to be aware of Customs' intentions.

2. Our reservations about joining the Initiative as a founder member have centred upon our concern about the resources we might have to commit to it and the effect that this could have upon other departmental priorities. We were also reluctant to make a commitment to management development and training which might raise expectations in staff which we might not later be able to satisfy; much as we would like to put more emphasis on management training we are bound to have to give priority to vocational training in the drugs and VAT fields in the foreseeable future.

3. Nevertheless, we have from the outset strongly supported the thrust of the Initiative and are already devoting considerable effort to the kind of activity envisaged under the 10 point Code of Practice. Although our concerns remain, we now think that, on balance, we would be wiser to become a member now in order that we might influence the way in which the MCI develops.

4. You will be aware that OMCS is to form a working group to agree a line to be taken on future MCI developments. You might find it convenient to mention that Customs would welcome an opportunity to participate in this working group.

DFOB

D F O BATTLE
Personnel Division B

Internal circulation: CPS, Mrs Strachan, Mr Howard,
Mr Webb, Mr Eland, Mr Browne

chex.ps/mw/70

PERSONAL
AND
MANAGEMENT IN CONFIDENCE



FROM: MISS M P WALLACE

DATE: 21 October 1988

MP
BF 24/10

25/10

PS/PAYMASTER GENERAL

cc PS/Chief Secretary
Sir P Middleton
Mr Anson
Dame A Mueller
Mr Luce
Mr Kelly
Mr Chivers
Mr Strachan
Mr Bell

mp

IPCS NEGOTIATIONS

The Chancellor has seen Mr Kelly's minute of 20 October, for which he was most grateful.

2. He agrees with Mr Kelly's advice, and has noted in particular that he shares the presumption against agreeing arbitration if the proposed offer is not enough. If the Paymaster is also content with Mr Kelly's recommendation, then the Chancellor sees no need for a meeting.

Mpw.

MOIRA WALLACE



DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Richmond House, 79 Whitehall, London SW1A 2NS

Telephone 01-210 3000

MP

From the Secretary of State for ~~Social Services~~ Health

The Rt Hon Lord Young of Graffham
Secretary of State for Trade and Industry
Department of Trade and Industry
1-19 Victoria Street
LONDON SW1H 0ET

CH/EXCHEQUER	
REC.	26 OCT 1988
ACTION	PMG
COPIES TO	

24 October 1988

✓ 26/10

Dear David,

MANAGEMENT CHARTER INITIATIVE

You wrote to Kenneth Baker on 9 June encouraging Departments to join the Management Charter Initiative. In the meantime, John Banham (CBI) and Bob Reid (Shell) have written to Permanent Secretaries.

It will come as no surprise to you that I welcome the Initiative and endorse its objectives. I am happy to say that my Department will become a Founder Member and subscribe to the Code of Practice. The Initiative will give additional impetus to many of our existing plans for raising the profile of management development. I believe that for junior and middle managers especially the recognition of management skills by a practically-based qualification will be particularly welcome, and will help us to recruit and retain better managers.

I am sending copies of this letter to the Prime Minister, other members of the Cabinet, Richard Luce and Sir Robin Butler.

KENNETH CLARKE



Ch / IPCS PAY

Good news.

Chris Kelly tells
me he thinks we
have a deal on IPCS
within remit you
agreed.

Full note to follow
tomorrow.

[Handwritten signature]

[Handwritten signature]

MP



FROM: Ms K ELLIMAN
DATE: 24 October 1988

APS/CHANCELLOR

cc PS/Chief Secretary
Sir Peter Middleton
Mr Anson
Dame Anne Mueller
Mr Luce
Mr C W Kelly
Mr Chivers
Mr Strachan
Mr Bell

IPCS NEGOTIATIONS

The Paymaster General has seen Mr Kelly's submission of 20 October and your minute of 21 October.

2. He has commented he is content.

KIM ELLIMAN
Private Secretary

25.10.31

Handwritten notes:
The find in MP
possible x? and response
to write
if possible

FROM: F EASTON

DATE: 25 October 1988

PAYMASTER GENERAL

- cc PS/Chancellor
- PS/Chief Secretary
- Sir Peter Middleton
- Dame Anne Mueller
- Mr C Kelly
- Mr T Luce
- Mr C J A Chivers
- Ms D Seammen
- Mr J Graham
- Mr J de Berker
- Mr J Flitton

INDUSTRIAL CIVIL SERVICE : 1988 PAY REVIEW

We have today heard that the Industrial Trade Unions have accepted our offer for the 1988 Pay Review of increases which amount to 4.5% on the Pay Bill. (Earlier submissions of 9 June, 14 June and 6 September refer).

It has been a difficult negotiation - unusually so for the industrials - and the Trade Union Side has accepted the offer with considerable reluctance after twice balloting members.

We shall authorise Departments to implement the new rates as soon as possible. The effective date is 1 July 1988. I attach a draft press release based on an earlier version.

I should be grateful for your approval.

F EASTON

October 1988

1988 INDUSTRIAL PAY IN THE CIVIL SERVICE

The trade unions representing industrial civil servants have accepted a pay increase worth an average of 4.3 per cent on basic rates from 1 July. Together with other improvements, this represents an overall increase of 4.5 per cent on the industrial pay bill.

The Treasury and the unions have also agreed, without commitment on either side, to begin discussion on a long-term flexible pay agreement which would lead to a new approach to pay determination in accordance with the principles set out in the Megaw Report.

Press Office
HM Treasury
Parliament Street
LONDON
SW1P 3AG

Notes for Editors

This offer covers the Government's industrial workforce (some 75,000, down from 157,000 in 1980), principally employed in the Ministry of Defence and the Property Services Agency.

2. The cost of the proposed increase will be met from within running cost limits set.

3. Long-term flexible pay agreements have already been negotiated with the IPCS and the IRSF and unions representing staff at Grades 5-7.

4. Under a Megaw style agreement negotiations on pay would be conducted within the inter-quartile range of outside pay movements, and there would also be periodic surveys of outside pay levels to inform the negotiations. These arrangements would provide for a more differentiated pay structure better attuned to the needs of employing Departments.

PERSONAL AND MANAGEMENT IN CONFIDENCE

From : C W Kelly
Date : 25 October 1988

CHANCELLOR

*Thanks.
Many congratulations
on a difficult
job well done!*

cc

Chief Secretary
Paymaster General
Sir P Middleton
Mr Anson
Dame Anne Mueller
Mr Luce
Mr Chivers
Mr Strachan
Mr Bell

IPCS NEGOTIATIONS

I am pleased to say that I reached an agreement last night with Bill McCall within the parameters set out in my minute of 20 October. He believes it will be acceptable to his Executive Committee and I have said that, once they are committed to it, I am prepared to recommend it to you.

2. The cost is 5% in the first 12 months (August 1988 to July 1989) with a further 1½% in the following 12 months to be charged against next year's settlement.

3. In financial year terms, the cost falls 3.1% in 1988-89, 2.9% in 1989-90 and 0.2% in 1990-91.

4. The across the board element, which is one of the figures we will stress most in public presentation, is 3½%. We have obtained all the flexibilities we had proposed. But in addition, by a certain amount of shaving and squeezing, we have found room within the total to add a further point to the scale maximum for staff in Span A (the most senior grades) outside London. This costs relatively little and has the important presentational advantage that it shows us responding in part at least to the evidence of the levels survey.

5. We have also agreed two other points not covered in my minute of 20 October in order to secure agreement.

PERSONAL AND MANAGEMENT IN CONFIDENCE

6. First, we have agreed a form of words committing us to the principle of making further moves to bring the pay of scientists up to P & Ts in spans A and B, but with no commitment about dates and on the understanding that any costs in future years will have to be charged against that year's settlement and that this did not prevent us from differentiating between disciplines, as we have already begun to do. There is no equivalent commitment for spans C, D and E, nor for the ex-administrative linked grades other than to be prepared to consider the point again in the New Year.

7. Second, we have agreed to add a fourth performance point to the top of the pay range for spans A, B and C wherever the span maximum permits. This costs very little, since very few staff will ever get there. It could have implications for other agreements, but of a kind with which we think we can live.

8. Obviously with a deal of this kind there are some elements in it which go further than ideally I would have wished. But I remain of the view that it is a satisfactory agreement from our point of view, with a number of positive features on which we can build and preferable to any of the alternatives.

9. I will be discussing timing further with McCall today as well as tying up some of the loose ends. His Executive meet at 10.30 on Thursday. He is as confident as he can be that he will get the agreement through them, even though he is not as omnipotent as he used to be in this respect, having been turned over twice in the last 12 months. On the assumption that they do agree, we will make the press announcement and issue the usual message to staff at the beginning of next week.


C W KELLY

26.10.9

CONFIDENTIAL

FROM: C J A CHIVERS

DATE: 26th October 1988

- 1. MR KELLY ^{26.10.}
- 2. CHANCELLOR

- cc Chief Secretary
- Financial Secretary
- Paymaster General
- Sir Peter Middleton
- Mr Anson
- Dame Anne Mueller
- Mr Luce
- Mr Turnbull
- Mr Gieve
- Mr Bell
- Mr Enderby
- Mr Flitton

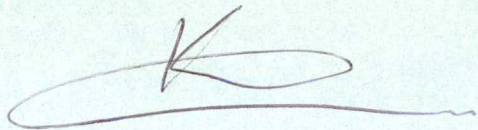
Ch
Content to minute,
Subject to X?

MPW.

IPCS 1988 PAY REVIEW

If the IPCS National Executive approves our pay offer on Thursday morning you will want to send a quick minute to the Prime Minister, copied to members of MISC (65) Committee, reporting the outcome. I attach a draft for this purpose. I shall let Miss Wallace know at lunchtime tomorrow whether the minute can issue.

We shall be arranging for a press release and messages to staff to go out on Monday 31 October.



C J A CHIVERS

pl type final for Ch

PRIME MINISTER

IPCS 1988 PAY REVIEW

you will be glad to know

I am pleased to report that we have brought to a successful conclusion the 1988 pay negotiations with the IPCS. These were the first set of annual pay negotiations under one of the new Flexible Pay agreements. Under the Agreement signed last year the settlement date for these grades was changed from 1 April to 1 August.

2. Although surveys of outside pay levels and pay movements were conducted, the negotiations in this first year were ^{not} constrained by ~~neither~~ ^{them}. The settlement we have reached will cost in aggregate 5 per cent in the first 12 months and a further 1½ per cent in the next 12 months, which will be counted against the cost of next year's settlement.

get only this.

3. The settlement involves only 3½ per cent ^{an} across the board ^{increase of} (for ^{only} about 70 per cent of staff), and we shall stress this figure in public presentation. The balance is concentrated on the other 30 per cent. All staff in London (where vacancy rates are almost double the national average) will receive more, and scientists and engineers working in London in scarce disciplines such as computing, mathematics, operational research, telecommunications, electronics, valuing and estates surveying ^{again} [in London] will receive more ^{again}. This represents an important advance in putting the money selectively where the problems are.

that

4. The settlement shows that the new Flexible Pay Agreements can be operated successfully, and that the Government is prepared to honour them and do deals with unions ~~who~~ are willing to negotiate sensibly. As such it is ~~an important~~ step towards establishing a more stable basis for pay and industrial relations in the Civil Service.

a significant

5. We plan to announce the settlement and issue messages to staff on 31 October. It should be treated as confidential until then.

6. I am sending copies of this minute to the members of MISC 65 and to Sir Robin Butler.

NIGEL LAWSON

mpw



FROM: MISS M P WALLACE

DATE: 27 October 1988

MR KELLY

cc Chief Secretary
Paymaster General
Sir P Middleton
Mr Anson
Dame A Mueller
Mr Luce
Mr Chivers
Mr Strachan
Mr Bell

IPCS NEGOTIATIONS

The Chancellor was grateful for your minute of 25 October. He comments: "Many congratulations on a difficult job well done."

mpw

MOIRA WALLACE

CC CST
 FST
 PMG
 SIR P MIDDLETON
 MR ANSON
 DAME A MUELLER
 MR LUCE
 MR TURNBULL
 MR GIEVE
 MR KELLY
 MR CHIVERS
 MR BELL
 MR ENDERBY
 MR FLITTON



pmg

Treasury Chambers, Parliament Street, SW1P 3AG
 PRIME MINISTER 01-270 3000

IPCS 1988 PAY REVIEW

You will be glad to know that we have brought to a successful conclusion the 1988 pay negotiations with the IPCS. These were the first set of annual pay negotiations under one of the new Flexible Pay agreements. Under the Agreement signed last year the settlement date for these grades was changed from 1 April to 1 August.

Although surveys of outside pay levels and pay movements were conducted, the negotiations in this first year were not constrained by them. The settlement we have reached will cost in aggregate 5 per cent in the first 12 months and a further 1½ per cent in the next 12 months, which will be counted against the cost of next year's settlement.

The settlement involves an across the board increase of 3½ per cent and about 70 per cent of staff get only this: we shall stress this figure in public presentation. The balance is concentrated on the other 30 per cent. All staff in London (where vacancy rates are almost double the national average) will receive more, and scientists and engineers working in London in scarce disciplines such as computing, mathematics, operational research, telecommunications, electronics, valuing and estates surveying will receive more still. This represents an important advance in putting the money selectively where the problems are.

The settlement shows that the new Flexible Pay Agreements can be operated successfully, and that the Government is prepared to honour them and do deals with unions that are willing to negotiate sensibly. As such it is a significant step towards establishing a



more stable basis for pay and industrial relations in the Civil Service.

We plan to announce the settlement and issue messages to staff on 31 October. It should be treated as confidential until then.

I am sending copies of this minute to the members of MISC 66 and to Sir Robin Butler.

A handwritten signature in black ink, appearing to be 'M.L.' with a horizontal line underneath.

[N.L.]



MP

SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
01 211 6402

CH/EXCHEQUER	
REC.	31 OCT 1988
ACTION	PMG
COPIES TO	

3/10

The Rt Hon Lord Young of Graffham MP
Secretary of State
Department of Trade and Industry
1-19 Victoria Street
LONDON
SW1H 0ET

31 October 1988

Dear David,

MANAGEMENT CHARTER INITIATIVE

I thought you would like to know that the Department of Energy has become a founder member of the Management Charter Initiative. I hope that we can tailor our own review of management development within this Department to build on the Management Charter Initiative proposals.

I am sending a copy of this letter to the Prime Minister, other members of the Cabinet, Richard Luce and Sir Robin Butler.

*Yours
Ever
kind*

CECIL PARKINSON

CONFIDENTIAL

CH/EXCHEQUER	
CC.	31 OCT 1988
ACTION	MR CHEVERS
COPIES TO	CST, FST, PMG
	SIR P MIDDLETON, MR ANSON
	MRS A MUELLER, IO DOWNING STREET
	MR KELLY, MR LUXE,
	MR TURNBULL, MR STEVE,
LONDON SW1A 2AA	
From the Private Secretary	
MR FLITTON	



v31/10

MP

31 October, 1988.

Dear Alex,

IPCS 1988 Pay Review

The Prime Minister was grateful for the Chancellor's recent minute, and welcomes the successful outcome of the negotiations with the IPCS.

I am sending copies of this letter to the Private Secretaries to the members of MISC 66 and to Sir Robin Butler.

Man,
pd

Paul Gray

Alex Allan, Esq.,
HM Treasury.

CONFIDENTIAL

cc Sir P Middleton



R Weston
Director Outfield

Board Room
H M Customs and Excise
New King's Beam House
22 Upper Ground
London SE1 9PJ
Telephone: 01-620 1313

The Rt Hon Margaret Thatcher MP
10 Downing Street
London
SW1A 2AL

Ch
If he has retired, he is
entitled to express his views
but not on Customs Board
paper. I gave FFERS
is coordinating reply

1 November 1988

1 Myra
1a Jonathan
2 Peps

Dear Prime Minister

Yesterday I retired from my job as Commissioner and Board Member Customs & Excise with management responsibilities for all the staff not employed in Headquarters, some 21,000, working throughout the United Kingdom and Northern Ireland, a post I have held for 6 years. I have been in the Department for nearly 37 years having entered at the basic grade of Officer of Customs & Excise and have worked in most areas of the Service. I have enjoyed the work at all levels, as have many colleagues, and my wish is that those now joining the Department will find similar job satisfaction.

I am writing to you to share a concern, not something I would do in the normal way of things, indeed, I have never written a letter of this type previously but I feel that you should be aware of certain changes which are occurring in the Civil Service which I believe could spoil, if not destroy, a very valuable part of it.

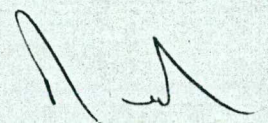
The deterioration in pay levels over the last few years is having a serious effect on morale. A Civil Servant can never expect to receive remuneration equivalent to that paid in parts of the private sector and provided the difference is not too great it will be accepted because the jobs have special satisfactions which compensate for the lower pay. Currently the pay is so low that many are leaving the Department in effect to make ends meet. Those leaving are in most cases top class staff who are well trained and very experienced. Even assuming their replacements are of a similar quality they will not be effective for several years and when trained could well leave for the extra salary and perks (company car, BUPA, private telephone etc) of private industry. Currently we have therefore many untrained and inexperienced staff in the Department.

I know from long experience that many staff in Customs & Excise willingly work many hours in excess of their conditioned hours. If the pay situation is not corrected this loyalty and dedication to the Department could cease which would be a tremendous loss to the country.

At the moment the Department is unable to fill over 400 vacancies at Higher Executive Officer (HEO) in London and the South East. Most of the vacancies are in VAT and the work is complex dealing with some of the largest VAT traders in the country. The revenue return if those posts were filled would be many times the cost and would also be very valuable in achieving trader compliance something which is vital if we are to have a law abiding community.

I am of the opinion that without a substantial rise in pay the Civil Service will deteriorate to a point of no return to the standards of performance achieved for decades. I also see no chance of this being accomplished without your personal initiative. My appeal is for your help in the long-term interests of the country.

Your sincerely



R WESTON

cc **Chancellor of the Exchequer**
Paymaster General
Economic Secretary Treasury
Sir Robin Butler
Chairman Board Customs & Excise.

CH/EXCHEQUER	
REC.	- 1 NOV 1988
ACTION	CST
COPIES TO	

✓ 1/11

C88/5313

PRIME MINISTER

1 November 1988

NEXT STEPS: THE GOVERNMENT'S RESPONSE TO THE EIGHTH REPORT OF THE TREASURY AND CIVIL SERVICE SELECT COMMITTEE

... The Treasury and Civil Service Select Committee published a report on Next Steps in July which was broadly in support of the initiative and the way in which it was being implemented. I propose that the Government should reply in the terms of the attached White Paper, which will be the first major statement of policy on the initiative since your announcement in February.

Like the TCSC's own report, this contains little new of substance. But I believe it is a valuable opportunity to reaffirm our commitment to Next Steps, as well as to clarify some of the issues. I should like to mention two points in particular. The White Paper announces an additional £1 million pounds for management training which will be used on a challenge funding basis to give a useful boost to the initiative. Secondly, although I have not had the views of the Public Accounts Committee in time to include this proposal in the White Paper, it is intended that Agency Chief Executives should be designated Agency Accounting Officers, able to account for their own resources within the departmental Accounting Officer framework.

I am sure that it would do much to underline the importance we attach to Next Steps if you would agree to join me in presenting this response to Parliament. We are making excellent progress, with two Agencies now launched and nearly 30 other candidates announced, covering over a quarter of the Civil Service. But we need to continue to signal a strong Government commitment if we are to make sure of making the best progress.

It is planned to publish this on 10 November and to announce publication through a written Parliamentary Answer and press release.

I am copying this minute to the Chancellor of the Exchequer and to Sir Robin Butler. Copies of the reply itself will go to other colleagues at the CFR stage in the normal way.

Richard Luce

RICHARD LUCE



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

mp

From the Minister

The Rt Hon Lord Young of Graffham
Secretary of State for Trade and Industry
Department of Trade & Industry
1-19 Victoria Street
LONDON SW1H 0ET

2 November 1988

Dear David,

MANAGEMENT CHARTER INITIATIVE

Since I wrote to you on 14 July I have been considering further whether this Department should join the Management Charter Initiative. Clarification of what is involved has also emerged from discussions at Permanent Secretary level.

I am now satisfied that membership will give further impetus to the development of management skills at all levels to which my Department is already committed and my officials are looking forward to helping to develop and put into effect the ideas underlying the Charter.

Copies of this letter go to the Prime Minister, other members of the Cabinet, Richard Luce and Sir Robin Butler.

Yours,
jl

JOHN MacGREGOR

CH/EXCHEQUER	
REC.	-2 NOV 1988
INITIALS	PMG ✓ 2/11
COPIES TO	

FROM: A J C EDWARDS
DATE: 2 NOVEMBER 1988

MR A C S ALLAN (personal)

cc Mr Sargent
Mr Anson
Mr Phillips
Mr Harris
Mr Gieve
Mr S N Wood
Mr Partridge

LAUNCHING HMSO AS AN EXECUTIVE AGENCY

In accordance with our short exchange last week, I attach a draft note on this subject which I hope will be self-explanatory. I should much appreciate your views on:

- (a) whether this is the kind of note which is needed;
- (b) whether the Chancellor could in principle manage a launch on 7 December on 11.30am;
- (c) when we would best put such a note to the Chancellor. Other things equal, I would be inclined to put it to him as soon as possible.

A J C EDWARDS

DRAFT

FROM: A J C EDWARDS
DATE: 2 NOVEMBER 1988

PRINCIPAL PRIVATE SECRETARY

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Sir P Middleton
Mr Anson
Sir A Wilson
Mr Phillips
Mr Harris
Mr Luce
Mr Gieve
Mr S N Wood
Mr Chivers
Mr Andren
Mr Partridge
Mr Call

LAUNCHING HMSO AS AN EXECUTIVE AGENCY

The Chancellor told the House of Commons in July that the government intended to launch HMSO as an executive agency in the Autumn. HMSO would like to make the launch something of a special occasion. They have therefore asked whether the Chancellor might be willing to take a press conference for this purpose in early December at HMSO's Nine Elms Publications Centre. They would, I know, appreciate it enormously if the Economic Secretary were able to be present as well. The team at the press conference would then consist of the Chancellor, the Economic Secretary, Mr Dole and Mr Dole's successor, Dr Freeman.

2. If the Chancellor and the Economic Secretary feel they can possibly spare the time, we would strongly support HMSO's suggestion. The launch may not be quite the stuff of history. But there are in our view two powerful considerations which argue for a full-dress Ministerial launch.

3. First, we see scope for positive and useful publicity for what the Government is doing in the area of executive agencies, and in particular for the Treasury and HMSO. Although the audience will be mainly civil service watchers, Ministers should

be able to take credit for the forward-looking and innovative approach set out in the Framework document, and this may help to counter some of the misguided earlier press criticisms of the Treasury's role. The innovations are likely to include the setting of profit targets, possible broadening of the customer and services base, the establishment of a Board with non-executive directors, and greater flexibility over pay, grading and staff complements in return for more challenging financial targets.

4. Second, we think that HMSO staff would greatly appreciate a personal launch by the Chancellor.

5. If the Chancellor and the Economic Secretary are content, we would like to plan provisionally for the launch to take place on Wednesday 7 December at 11.30am. [I understand that the Chancellor does not at present have other engagements which would conflict with this.] We have been working hard, as other pressures have permitted, on the agency framework document, and we plan to submit a draft to the Chancellor and the Economic Secretary on Friday 18 November or early in the following week. All being well, this should leave ample time for launch on 7 December.

6. In principle the previous week, beginning 28 November, would be an alternative launch possibility. However, the Speaker is due to inaugurate HMSO's new Parliamentary Press on 30 November in the presence of the Paymaster General and the Economic Secretary. HMSO would prefer to avoid another big occasion in that week.

7. It would be most helpful to know whether the Chancellor and the Economic Secretary would be content to plan provisionally for launch on 7 December at 11.30am, as suggested above, and to reserve diary space accordingly.

A J C EDWARDS



BF 4/11

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

2 November 1988

Dear Eleanor,

NEXT STEPS: THE GOVERNMENT'S RESPONSE TO THE EIGHTH REPORT OF THE TREASURY AND CIVIL SERVICE SELECT COMMITTEE

The Prime Minister has seen your Minister of State's minute of 1 November covering the Government's reply to the report of the TCSC.

The Prime Minister is content for the Committee's report to be answered in the terms of the draft White Paper attached to the minute. She assumes that the Treasury agree with the draft.

I am sending a copy of this letter to Alex Allan in the Chancellor of the Exchequer's office, and to Sir Robin Butler.

*Yours truly
Nigel Wicks*

CH/EXCHEQUER	
REC.	-2 NOV 1988
ACTION	CST
COPIES TO	

-2/11

N. L. WICKS

Miss E. M. Goodison,
Office of Arts and Libraries

(MP)

or find copy of attachment to X for tomorrow m.

FROM: L J HARRIS
DATE: 2 November 1988

1. MR PHILLIPS
2. MISS EVANS

I agree. The Prime Minister has said she is content, on the assumption that the Treasury is. It is ∴ worth having the correction in the records suggests on the record.

- cc
 PS/Chancellor - 2nd
 PS/FST
 PS/PMG
 PS/EST
 Sir Peter Middleton
 Dame Anne Mueller
 Mr Anson
 Mr Turnbull
 Mr Beastall
 Miss Peirson
 Mr Call

W/ content with response, and for EST to minute PM?

YES ✓
 HP.
 3/11 passed on

NEXT STEPS: GOVERNMENT'S RESPONSE TO TCSC REPORT

X/

The response to the eighth report of the TCSC circulated as a draft White Paper with Mr Luce's minute of 1 November to the Prime Minister has been extensively discussed with the Treasury at official level. As Mr Luce's minute records, the TCSC report contains little in the way of original ideas, and the proposed response is similarly low key; it calls for no further response by Treasury Ministers.

The Chairman of the Public Accounts Committee has now agreed with the Treasury's proposal that the Chief Executives of agencies financed in whole or in part from a departmental vote should be designated agency Accounting Officers, and should appear before the PAC with the departmental Accounting Officer to account for the use of their agencies resources. Mr Sheldon has also proposed that the Chief Executives of agencies who have their own Vote should be appointed full Accounting Officers; this presents no problem. The suggestion is that the understanding between the Treasury and the PAC should be announced by way of a written reply to an arranged question on the day of publication of the Government's response to the TCSC report, but the Treasury Officer of Accounts will be putting a separate submission on this to Ministers.

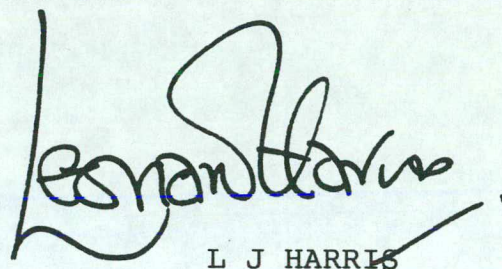
The second paragraph of Mr Luce's minute to the Prime Minister gives the impression that the additional £1 million which is being made available for management training will be devoted wholly to

the Next Steps initiative. The draft White Paper puts the position more accurately by saying "An additional £1 million in 1989-90 is now being made available to boost management development still further". To avoid later misunderstanding, the Chief Secretary may like to put the position straight by minuting the Prime Minister as follows:-

"The Minister of State (Privy Council Office) copied to the Chancellor his minute of 1 November with the draft Government response to the Eighth Report of the Treasury and Civil Service Select Committee, on the Next Steps Initiative.

The response to the TCSC has been extensively discussed with officials, and I am content with the terms of the draft White Paper. In case there is any misunderstanding, however, I should make it clear that the extra £1 million for management training referred to in the second paragraph of Richard Luce's minute is intended to improve the training of managers in the Civil Service generally, and not just for those involved in Next Steps.

I am copying this minute to the Minister of State (Privy Council Office) and to Sir Robin Butler."



L J HARRIS

MP

FROM: N M HANSFORD
DATE: 4 NOVEMBER 1988

PS/Chancellor - 2nd floor
cc: Mr Luce
Mr May
Mr Carpenter

PS/PAYMASTER GENERAL

LOCATION OF GOVERNMENT WORK: INGRAM LETTER TO THE PRIME MINISTER

The No.10 letter of 25 October requested a draft reply to Adam Ingram MP for the Prime Minister's signature by 8 November.

2. You kindly arranged for Mr Ingram's letter to be copied to the ODA, and the attached draft has been agreed with them. But I suggest your reply should also be copied to Mr Rifkind's Office in view of the fact that he has now agreed to meet Mr Ingram and supporters to discuss the general question of Civil Service relocation to Scotland.

^{sent}
MARTIN HANSFORD

Ch /

OK for reply at

X to ~~revert~~ go to No 10?

passed
on to
PS / PMG

mpw.

[Large handwritten signature/initials]

OK of *[unclear]*
a *[unclear]*

draft2

P A Bearpark Esq
Private Secretary to the Prime Minister
10 Downing Street
LONDON
SW1A 2AA

November 1988

LOCATION OF GOVERNMENT WORK

Thank you for your letter of 25 October to my predecessor, Simon Judge. I attach a draft reply to Mr Ingram, the terms of which have been agreed with ODA.

I understand that Mr Rifkind has agreed to the meeting referred to in Mr Ingram's letter, but that no date has yet been fixed. General question of relocation to Scotland will be discussed, but not specific ODA aspects. Mr Patten is content.

The Prime Minister may also be interested to learn that we have recently responded to contrasting letters about further relocation to Scotland from the ODA trade union sides in East Kilbride and London (copies attached).

I am copying to _____ (ODA) and _____ (Scottish Office).

KIM ELLIMAN
Private Secretary

DRAFT LETTER FROM THE PRIME MINISTER TO:

Adam Ingram JP MP Esq
House of Commons
LONDON
SW1 1AA

November 1988

LOCATION OF GOVERNMENT WORK

Your letter of 23 October referred to the positive benefits identified in Malcolm Rifkind's report on the ODA dispersal to your constituency, and asked what steps the Government is taking to relocate further civil service posts from London and the South East of England.

You refer to the Treasury guidelines and will be aware that, in the Adjournment Debate on the Government's relocation policy on 9 May, Peter Brooke explained that we are ^{now} ~~exploiting the tide of~~ individual departmental initiatives for relocation rather than setting new central targets. Accordingly, the onus is on departments to review the location of their work regularly and systematically, with a view to finding locations offering advantages in terms of recruitment and retention of staff and better value for money. No areas of the country have been identified specifically as target relocation venues but, where appropriate, departments will take account of the Government's regional and urban policy when selecting the most appropriate location to suit their particular requirements.

The scope for further relocation by ODA is, therefore, for Chris Patten to assess. I know that he has already considered this very carefully and that he sees no case at present for a further major relocation exercise, although he is looking at some particular

areas of work which might be moved. East Kilbride has, of course, the success of his department's earlier relocation to increase its attractiveness, and I suspect that this point will not escape the notice of other departments who consider moving work to your area.

M.T

ISTER IMMEDIATE

*Mr Duncan has the
PI home for use
go, not using
KE
28/10*

Mr Carpenter

cc: self

PM 523 OCT 1988



I have asked that CDA
be asked to contribute re their
plans for E. K. Trade, but can
you please draft on general policy.
PS letter to No 10 with draft
PM letter to Ingram (copied to
CDA & SO) seems called for
NH
27/10

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

25 October 1988

Dear Simon

I enclose a copy of a letter which the
Prime Minister has received from Adam
Ingram MP.

I should be grateful if you would let
me have a draft reply for the Prime
Minister's signature, to reach this office
by Tuesday 8 November.

GENERAL
2 OCT 1988
Mr Hansford
ama

23A/1
Z
for Urgent Advice Please
Andy

P. A. Bearpark

Simon Judge, Esq.,
Paymaster General's Office.

804
198



ADAM INGRAM JP, MP
House of Commons
London SW1A 0AA

London Office: 01-219 4093
East Kilbride Office: (03552) 35343
Constituency Advice Centre:
(03552) 28212
Telecom Gold No. 87:SQQ749

0073/AI/MI

October 23, 1988

The Rt Hon Margaret Thatcher MP
10 Downing Street
LONDON
SW1A 2AA

Dear Prime Minister

DISPERSAL OF CIVIL SERVICE POSTS

As you will no doubt be aware, considerable interest has been generated by the report published in June of this year by the Industry Department for Scotland on the positive benefits of the dispersal of ODA posts to East Kilbride. Further encouragement was given to those campaigning for the dispersal of Civil Service posts by the Treasury directive to all Government Departments earlier this year, to undertake in-depth cost/benefit analysis of job dispersal.

The keynote speech on the matter by the Secretary of State for Scotland, the Rt Hon Malcolm Rifkind, has added to the weight of argument in favour of extensive job dispersal. Indeed, his comment, that it is "habit, lack of imagination or indolence rather than the product of economic logic" which works against relocation of jobs away from the south-east, is a statement which cannot be satisfactorily refuted.

My reason for writing is to determine what steps your Government now proposes to take to implement a positive and early programme of the relocation of civil service posts from London and the south-east of England. As far as my own constituency is concerned, I would suggest that immediate action could be taken to transfer a significant number of the London-based ODA policy posts to the successful ODA establishment within East Kilbride.

I.../



I would advise you that I am in the process of arranging a meeting with the Secretary of State for Scotland, along with Alan Stewart MP and the ODA trade unions, to discuss the general question of job dispersal to Scotland arising from the ODA experience.

I look forward to receiving your comments on the above points.

Yours sincerely

ADAM INGRAM MP

c.c Mr Michael McCann, ODA Trade Union Side, East Kilbride
Alan Stewart MP
Donald Dewar MP

mf

*other recent pps
pr*

FROM: J S BEASTALL
DATE: 7 NOVEMBER 1988

FINANCIAL SECRETARY

✓

cc: Chancellor
Chief Secretary
Paymaster General
Economic Secretary
Sir P Middleton
Mr Anson
Dame Anne Mueller
Mr Phillips
Mr Harris
Mr Turnbull
Mr T R H Luce
Mr Gieve
Mr Call

NEXT STEPS: AGENCY ACCOUNTING OFFICERS

This submission recommends that the Government should agree with the substance of the TCSC's recommendation that the Chief Executive of an agency should be its Accounting Officer, and should announce this by a Written Answer - if possible on Thursday 10 November, so as to coincide with the publication of the response to the rest of the TCSC's report on "Next Steps".

Background

2. We have been reconsidering in the light of the TCSC report who should be designated Accounting Officer for an agency created under the Government's "Next Steps" initiative. Our original line, taken by officials in front of the TCSC Sub-committee, was that the Accounting Officer for the agency would normally be the Permanent Secretary of the Department, on the grounds that the Permanent Secretary was responsible, under his Minister, for the allocation of his Department's resources, and therefore for the amount of resources given to the agency, and for the degree of delegation of responsibilities to the agency Chief Executive set out in the framework document.

3. However the TCSC's conclusion on this point was as follows:-

If the Chief Executive of an agency is to be given responsibility for the efficient and effective use of the resources provided for within the policy framework, he or she should be held accountable as the Accounting Officer for the agency.

4. Where an agency remains part of a Department, accountability for the allocation of resources to it and for the content of the framework document inevitably remains with the Permanent Head of the Department. Nevertheless we do see merit in emphasising the key personal responsibility of the agency Chief Executive by making him Accounting Officer in his own right for the efficient and effective use of the resources given to him. There is an analogy with non-departmental public bodies (NDPBs), where under present rules it is open to the departmental Accounting Officer to appoint the head of an NDPB as Accounting Officer for expenditure out of the Department's grant to the body. We therefore concluded that while the departmental Accounting Officer should remain accountable for the Department's Votes as a whole, he should designate the agency Chief Executive as Agency Accounting Officer, thus formally making him accountable for the use of the agency's resources.

5. This approach was agreed by the NAO, who consulted the Public Accounts Committee. As a result Mr Sheldon wrote to the Treasury on 26 October saying that the PAC supported the TCSC's recommendation that the Chief Executive of an agency should be its accounting officer, with the proviso that if the agency's expenditure were only part of a Vote, or spread over several Votes, the Chief Executive should be formally appointed an accounting officer by the departmental Accounting Officer. He said that in these circumstances the Committee would probably wish to take evidence from both accounting officers. (As you will recall, Mr Sheldon referred to this matter in the PAC debate on 3 November.)

6. Thus we have two categories of case:-

a. If an agency is large enough to have its own Vote, or is a separate Department, we propose that the Treasury will appoint the Chief Executive as Accounting Officer. This is in line with existing practice. Some senior officials other than the Permanent Secretary of a Department are already Accounting Officers for particular Votes; for example Mr Levene is Accounting Officer for the Procurement Vote of the Ministry of Defence. Similarly, where an agency is a self-standing Department, such as HMSO, it is natural for its Permanent Head to remain Accounting Officer as he is at present; this will apply whether or not the department is financed from a Vote - it will include the case where a Department is a Trading Fund.

b. More normally, however, agencies will remain part of a Department and will not have their own Vote.. Here it will be for the departmental Accounting Officer to appoint the Chief Executive as Agency Accounting Officer, as described in paragraph 4 above. He should send him a letter of appointment defining his precise duties as Agency Accounting Officer in the light of the powers and responsibilities assigned to him in the agency framework document.

It should be noted that since it is for the Government to decide whether or not an agency has its own Vote, we retain the flexibility to choose between (a) and (b) above in each case.

Mechanics

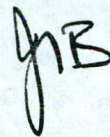
7. If you agree with this approach, we suggest that it should be announced by a Written Answer, of which I attach a draft. The text has been agreed with OMCS and with the NAO. The issue has been discussed with Departments generally and the text is currently being shown to them. Unless we receive any immediate objections, we propose that the PQ should be answered this Thursday, 10 November, to coincide with the publication of the Government's response to the rest of the TCSC's report on "Next Steps".

8. We propose a separate Written Answer on this point partly because the printing timetable would have made it difficult to include it in the general response and partly because this issue is very much in the PAC's field. Bearing in mind their sensitivities, it seems appropriate to make a separate announcement in response to their views. We suggest that as a matter of courtesy Mr Sheldon might be invited to put down the Question. It is proposed however that OMCS should issue a single Press Notice including this point along with all the others. OMCS will be consulting their Minister of State, who will probably wish to inform Mr Higgins, as Chairman of the TCSC, of the announcement on the Accounting Officer point in advance.

Recommendation

9. We recommend that:-

- a. You should announce the conclusion in paragraph 6 above by means of a Written Answer of which the text is attached.
- b. If there is no objection from departments this should be done on Thursday 10 November.
- c. Mr Sheldon should be invited to put down the Question.



J S BEASTALL



pl ce PS/EST (MP)
content with this?

CABINET OFFICE

70 Whitehall London SW1A 2AS

01-270 0101

mpw.

BF 10/10

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robin Butler KCB CVO

Ref. A088/3237

7 November 1988

0182

Dear Jonathan,

--- You mentioned this morning that you would like to show the Economic Secretary the draft of a Private Secretary reply which Sir Robin Butler proposes No 10 should send to a letter of 1 November to the Prime Minister (copied to the Chancellor of the Exchequer and the Economic Secretary) from Mr Weston, who has just retired from Customs and Excise. I attach the draft, which the Chairman of the Board of Customs and Excise has agreed. I would be grateful to know that you are content for such a reply to be sent.

Yours sincerely,

[Note: EST content
WLD APS/FERB] Philip Turner

(P H Turner)
Assistant Private Secretary

Jonathan Taylor Esq
PS/Chancellor of the Exchequer

DRAFT PRIVATE SECRETARY REPLY TO MR R WESTON

"The Prime Minister has asked me to thank you for your letter and to say that she has noted your comments.

Mrs Thatcher is aware of the difficult staffing problem for some Departments, particularly in London and the South East and recognises that you wrote as you did because of your concern about these problems,

She sends you her best wishes for your retirement."



MP

Foreign and Commonwealth Office

London SW1A 2AH

From The Minister of State

8 November 1988

CH/EXCNEQUER	
REC.	10 NOV 1988
ACTION	PMG
COPIES TO	

✓ 10/11

Dear David,

MANAGEMENT CHARTER INITIATIVE (MCI)

We followed with interest the debate within Government about the MCI - your letter of 9 June and subsequent views from Departments. I particularly welcomed the opportunity of hearing at your meeting last month how some of the larger Departments were making good use of the ideas produced by the MCI.

The whole thrust of the Initiative is very much in line with our own efforts to improve management throughout the FCO. We believe that membership of the MCI is likely to help us in this endeavour, and Chris Patten and I are agreed that the Foreign and Commonwealth Office should become a Founder Member and subscribe to the Code of Practice. Patrick Wright and John Caines are writing to Bob Reid in this sense.

As you know, we have had doubts, which you recognised, about the direct relevance to us of certain aspects of the Initiative, notably the ideas for a hierarchy of qualifications and associated institutional arrangements. And we shall have to keep a close eye on the potential resource implications. We look forward to participating in the discussions of these and other issues in the coming months.

I am sending copies of this letter to the Prime Minister, other Members of the Cabinet, Richard Luce and Sir Robin Butler.

*Yours ever
Glen*

THE LORD GLENARTHUR

The Rt Hon The Lord Young
of Graffham
Secretary of State for Trade and Industry
1 Victoria Street
LONDON SW1H 0ET



FROM: A M W BATTISHILL

THE BOARD ROOM
INLAND REVENUE
SOMERSET HOUSE

10 November 1988

Ch,
If you agree that
IR should join, would you like to
write to Lord Young, or leave to FST? ✓

26
10/11
(Tom P3/B3)
11/11

FINANCIAL SECRETARY

THE MANAGEMENT CHARTER INITIATIVE (MCI)

As you know, Departments have been considering whether to join as founder members of the Management Charter Initiative. This follows a letter from Lord Young to all Ministers in charge of Departments in June. I believe that the Revenue should now accept the invitation to join.

2. The Government is supporting the MCI, and you will already be aware of the background. Briefly the MCI is an industry-led initiative originating from work carried out by the Council for Management Education. The Government is providing some initial funding. The aim of the sponsors is to develop a ladder of recognised qualifications for managers possibly leading to a chartered status. A Code of Practice has been developed for member organisations. Those who join now are committed to this, but may have an opportunity to influence the further developments in recognised qualifications, and generally help to shape the way forward.

cc Chancellor of the Exchequer
Sir Peter Middleton

Mr Battishill
Mr Isaac
Mr Painter
Mr Rogers
Mr Fallows
Mr Beighton
Mr P B G Jones
Mr Tudor
PS/IR

3. We were approached to become founder members in July along with other Departments. Our initial response was cautious. In common with some of the other Chancellor's Departments we welcomed the initiative and its objectives and asked for a little longer to consider the question of membership. We were currently looking at a number of issues concerned with management training and development under the "Next Steps" umbrella. It seemed sensible, therefore, to consider this new initiative in the light of that review and of our existing plans and priorities.

4. A number of Departments have now indicated their intention to join the MCI, including the Treasury. We believe we should now join too. As a major network Department, with approaching 1,000 local offices, and a heavy reliance on delegated management, it is unthinkable that we should not participate in an initiative of this kind. If so, it seems right to join quickly. Having looked at our extensive programme of staff training and development we believe we can match up to the MCI Code of Practice in all important respects, particularly since we are expecting some reinforcement of management training to come out of our current review. (I attach a copy of the MCI Code of Practice with a short commentary on how we see ourselves matching up to it.)

5. That said, we do still retain some concern about the possible resource commitments which could arise under the MCI, particularly in the future, and about the risk of possible conflicts with our other training needs. With so many competing demands on resources priorities have to be watched all the time. More particularly, with a current turnover of some 7,000 staff a year we necessarily face a very substantial programme of vocational training to equip people (many in very junior grades) to do a pretty technical job and keep abreast of changes in the tax system. That must obviously continue to take priority in our training programme. And, as you know, we have just committed ourselves to significant extra spending to raise our profile

under the Government and Business Initiative. Nevertheless, I think it very likely that our current review will also show a need to increase the scope and scale of our management training in some areas along lines consistent with participation in the MCI.

6. In common with a number of other employers in both the public and the private sector, we would want to reserve judgment at this stage about the ideas for constructing a hierarchy of formal management qualifications. There may be worthwhile possibilities here. But it could be a regrettable diversion of effort and resources, if the initiative fell into the hands of educationists, rather than people responsible for practical management. However, this is not something on which we should, or can, take a view yet. It must be one of our objectives, having signed up to the MCI, to join with others in influencing it to develop in a constructive way.

7. If you agree, you or the Chancellor may wish to tell Lord Young that we intend to join, and I will write applying for membership on the Department's behalf. I attach a short draft.



(A M W BATTISHILL)

DRAFT LETTER

To: SECRETARY OF STATE FOR TRADE & INDUSTRY

From: FINANCIAL SECRETARY

MANAGEMENT CHARTER INITIATIVE

When Peter Brooke wrote to you on 17 August he said we should need to give further consideration to the Management Charter Initiative before making a commitment to join. Nigel Lawson told you on 20 October that the Treasury had considered the matter and decided to join. I am now pleased to tell you that the Inland Revenue have reached the same conclusion.

The Inland Revenue, like the Treasury, believe that membership will enhance its efforts to promote management development. Though it has some improvements in mind, having looked at its extensive programme of staff development and training, it believes that it matches up to the Code of Practice in all important respects.

I am copying this letter to the Prime Minister, other Members of the Cabinet, Richard Luce and to Sir Robin Butler.

THE MANAGEMENT CHARTER – A CODE OF PRACTICE

- 1 To improve leadership and management skills throughout the organisation.
- 2 To encourage and support our managers in continuously developing management skills and leadership qualities in themselves and in those with whom they work.
- 3 To back this by providing a coherent framework for self development – within the context of our corporate goals – which is understood by those concerned and in which they play an active part.
- 4 To ensure that the development of managerial expertise is a continuous process and will be integrated with the work flow of the organisation.
- 5 To provide ready access to the relevant learning and development opportunities – internal and external – with requisite support and time released, appropriate to our organisation.
- 6 To encourage and help managers to acquire recognised qualifications relevant both to their personal development and to our corporate goals.
- 7 To participate actively in the appropriate networks of the Management Charter Initiative and thereby share information, ideas, experience, expertise and resources that will prove mutually beneficial to the participants and help us to further the aims of this Code.
- 8 Directly and through networks, to strengthen our links with sources of management education to ensure that the training offered best complements our management development programmes, matching our corporate needs and future requirements.
- 9 To contribute to closer links with local educational establishments to promote a clear understanding of the role of management, its challenge as a career and the excellent opportunities for young people to develop professionalism in its practice.
- 10 To appoint a Director or equivalent to oversee the fulfilment of these undertakings; to review our progress annually and, after evaluating the contribution to our performance, set new targets for both individuals and the organisation; and to publicise highlights from the review and the new targets.

COMMENTARY ON MCI CODE OF PRACTICE IN RELATION TO INLAND REVENUE

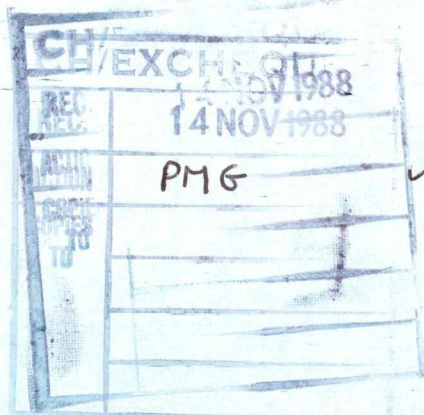
1. Points 1 to 5 inclusive embody principles which we are happy to accept as consistent with present policies. Current reviews of our practices in the areas concerned suggest that specific attention may have to be paid to certain aspects.

i. At Grades 7 and 6 levels covered by the Senior Management Development Programme (SMDP) we have made good progress towards meeting suggested training targets by increasing the Continuing Professional Education (CPE) programmes in the Department's mainstream networks and stepping up other in-house management and developmental training opportunities. We have however identified a need for additional management training specifically for senior managers at Grade 5 and Grade 4 levels; needs which will have to be addressed.

ii. For grades below SMDP level, we may also be faced with a need to assess current measures against the criterion of a "coherent framework for self-development". At these levels we deliver major vocational training programmes but the range of optional self-developmental opportunities is more limited. We shall have to continue to be reasonably selective in nominations for formal training but we shall certainly do what we can to encourage self-development initiatives and our new performance/appraisal systems will themselves provide motivation for this.

2. Points 6 to 10 are either expansions of what we are already doing or are acceptable innovations. We do, however, need to state the reservation that the commitments at point no.6 (recognised qualifications) and point no.10 (setting new targets) will need to be interpreted in such a way as to be consistent with the Department's essential operational needs. For example, the qualifications of a Fully Trained Inspector, achieved after

rigorous formal training and examination, is widely recognised, not only within the Department, but also - and indeed in present circumstances perhaps too enthusiastically - by competing employers in the accountancy and other professional worlds. We do not contemplate switching the direction of our training to (less relevant) external qualifications such as those for Chartered or Certified Accountancy. Where external qualifications are relevant, however, as for Internal Auditors, it is already our policy to provide such training - with very considerable success in the examinations.



MP

QUEEN ANNE'S GATE LONDON SW1H 9AT

14 November 1988

Dear David,

MANAGEMENT CHARTER INITIATIVE

When I wrote to you on 14 July, I said that the Home Office would be looking further at the implications of joining the Management Charter Initiative.

We have now done so, and I am glad to say that we have concluded that we should join. As I mentioned in my earlier letter, the Home Office is already putting a good deal of effort into improving management training and development, and membership of the Initiative will give an added impetus to this. It also ties in well with the training requirements of the Next Steps approach.

A letter conveying my decision is being sent to Bob Reid.

I am sending copies of this letter to the Prime Minister, the other members of the Cabinet, Richard Luce and Sir Robin Butler.

Yours,
Douglas

The Rt Hon Lord Young of Graffham
Secretary of State
Department of Trade and Industry

cc: Chancellor, 2

Sir P. Middleton
Mr A.M.W. Battishill-IR,
PS/IR.



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Lord Young of Graffham
Department of Trade and Industry
1-19 Victoria Street
LONDON
SW1H 0ET

Tarrant
14th November 1988

Wm David

MANAGEMENT CHARTER INITIATIVE

When Peter Brooke wrote to you on 17 August he said we should need to give further consideration to the Management Charter Initiative before making a commitment to join. Nigel Lawson told you on 20 October that the Treasury had considered the matter and decided to join. I am now pleased to tell you that the Inland Revenue have reached the same conclusion.

The Inland Revenue, like the Treasury, believe that membership will enhance its efforts to promote management development. Though it has some improvements in mind, having looked at its extensive programme of staff development and training, it believes that it matches up to the Code of Practice in all important respects.

I am copying this letter to the Prime Minister, other Members of the Cabinet, Richard Luce and to Sir Robin Butler.

NORMAN LAMONT



Jonathan
[Signature]
✓

Board Room
H M Customs and Excise
New King's Beam House
22 Upper Ground
London SE1 9PJ
Telephone: 01-620 1313

[Signature]

Economic Secretary

14 November 1988

MANAGEMENT CHARTER INITIATIVE (MCI)

You will be familiar with the Management Charter Initiative which is being promoted by Bob Reid, Chairman of Shell UK Limited and John Banham, Director General of the CBI.

2. On 9 June Lord Young wrote to members of the Cabinet supporting the Initiative and encouraging Departments to join. DTI is to provide funding which will be regarded as a corporate subscription for participating Government Departments.

3. The informal Ministerial Group which met on 25 October welcomed the progress made by the Initiative and was told that 19 Departments, including the Treasury, had already decided to become 'Founder Members'.

4. Hitherto I have been reluctant to commit us to MCI membership on the grounds that, although we support the general thrust of the Initiative, there could be considerable resource demands which might conflict with other departmental priorities. We are already devoting considerable effort to the kind of activity envisaged by the MCI Code of Practice and would like to put more emphasis on management training; but we shall always have to give first call on our resources to vocational training in the drugs and VAT fields.

cc PS/Chancellor
PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
Mr Culpin
Mr Gilhooly

Mrs Strachan
Mr Jefferson Smith
Mr Howard
Mr Russell

Mr Battle
Mr Webb
Mr Eland
Mr Browne

5. Although my concerns remain, I have now decided that it would be wiser to join the MCI while it is still being developed and there is an opportunity to influence the sponsors' thinking. I think it would in any case be very difficult for a single Department to hold out when the rest appear to be joining. I am therefore writing to Messrs Reid and Banham accepting their offer to instal Customs and Excise as a 'Founder Member'.

6. The response to the Initiative from the Chancellor's Departments has been coordinated by the Paymaster General, whom we notified of our intentions in our brief for the Ministerial meeting, but you may now wish, personally, to respond to Lord Young's letter which encouraged membership.

7. I attach a suggested draft.



J B UNWIN

DRAFT

Rt Hon Lord Young of Graffham PC
Secretary of State for
Trade and Industry
Department of Trade and Industry
1-19 Victoria Street
London SW1H 0ET

MANAGEMENT CHARTER INITIATIVE

Peter Brooke wrote to you on 17 August about the MCI and the need to investigate the benefits and costs before making a commitment to join.

2. I am pleased to tell you that, although concerned about the resource commitment which may be required, HM Customs and Excise have decided to become a "Founder Member" of the Initiative. The Department already expend considerable effort on the kind of activity envisaged under the MCI Code of Practice and will aim to contribute fully to the development of further proposals.

3. I am copying this letter to the Prime Minister, other members of the Cabinet and to Sir Robin Butler.

CH/EXCHEQUER	
REC.	15 NOV 1988
ADVICE	
COPIES TO	PS/CST
	PS/SIR P MIDDLETON

✓ 18/11



mp

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

15 November 1988

The Prime Minister has asked me to thank you for your letter of 1 November and to say that she has noted your comments.

The Prime Minister is aware of the difficult staffing position for some Departments, particularly in London and the South East, and recognises that you wrote as you did because of your concern about these problems.

She sends you her best wishes for your retirement.

(PAUL GRAY)

R. Weston, Esq.