PREM 19/147

32/37

SECRET

PART 1

MT

Confidential filing

Long term management and manpower policy. Sir Derek Rayner's recommendations for lasting reforms [Whitehall conventions]

CIVIL SERVICE

Part 1.
March 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
10-4-80 — ends —							

PREM 19/147

PART 1 ends:-

PM to S/S Trade M10/80 10.4.80

PART 2 begins:-

Draft TPL to CSD 10-4-80

CONFIDENTIAL

Subject

file

Govt Mach

HPO

B/F 24-4-80

Freddy

10 DOWNING STREET

THE PRIME MINISTER

Personal Minute

No. M 10/80.

SECRETARY OF STATE FOR TRADE

Thank you for your minute of 12 March about waste in Government.

I propose to hold a special meeting of the Cabinet on 25 April to discuss questions of efficiency and manpower policy in the Civil Service. Your minute raises a number of points which we should consider at that meeting, and I am sending copies of it, with copies of this minute, to all Cabinet colleagues.

On Cabinet Committees I agree that we must make the system work for us and not let it take us over. In principle I am in favour of keeping down the numbers both of Committees and of Committee meetings. I am told that in both respects we still compare well with previous Governments. But do not let us lose sight of what the system can do for us. Apart from the advantages you mention - the crystallisation of issues and the proper recording of decisions - it is one way of enabling senior Ministers to exercise a political influence on decisions going beyond their departmental interests; and it helps us to know, and so to be able to defend, what each other is proposing and doing. The system provides a convenient framework for that, and for enabling us to deal with issues in an orderly way and at the right time.

The fact that something has been discussed in a Cabinet Committee should not mean that every subsequent development must be reported back in correspondence copied to all members of the Committee.

CONFIDENTIAL

/There are times

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HER MAJESTY'S CHIEF OFFICERS OF STATE

THE CABINET

Prime Minister.....The Rt Hon Margaret Thatcher, MP
Secretary of State for the Home Department.....The Rt Hon William Whitelaw, CH, MC, MP
Lord Chancellor.....The Rt Hon Lord Hailsham of St Marylebone, PC, CH, FRS, DL
Secretary of State for Foreign and Commonwealth Affairs and Minister of Overseas Development The Rt Hon Lord Carrington, PC, KCMG, MC
Chancellor of the Exchequer.....The Rt Hon Sir Geoffrey Howe, QC, MP
Secretary of State for Industry.....The Rt Hon Sir Keith Joseph, Bt, MP
Secretary of State for Defence.....The Rt Hon Francis Pym, MC, MP
Lord President of the Council.....The Rt Hon Lord Soames, PC, GCMG, GCVO, CBE
Secretary of State for Employment..The Rt Hon James Prior, MP
Lord Privy Seal.....The Rt Hon Sir Ian Gilmour, Bt, MP
Minister of Agriculture, Fisheries and Food.....The Rt Hon Peter Walker, MBE, MP
Secretary of State for the Environment.....The Rt Hon Michael Heseltine, MP
Secretary of State for Scotland.....The Rt Hon George Younger, MP
Secretary of State for Wales.....The Rt Hon Nicholas Edwards, MP
Secretary of State for Northern Ireland .....The Rt Hon Humphrey Atkins, MP
Secretary of State for Social Services .....The Rt Hon Patrick Jenkin, MP
Chancellor of the Duchy of Lancaster.....The Rt Hon Norman St John-Stevas, MP
Secretary of State for Trade.....The Rt Hon John Nott, MP
Secretary of State for Energy.....The Rt Hon David Howell, MP
Secretary of State for Education and Science.....The Rt Hon Mark Carlisle, QC, MP
Chief Secretary, Treasury .....The Rt Hon John Biffen, MP
Paymaster General.....The Rt Hon Angus Maude, MP

There are times when an exchange of correspondence is a less wasteful way of exchanging information or agreeing decisions than a meeting would be. But the ease with which documents can be copied makes people thoughtless about proliferation of them, which is not only wasteful but bad for security. The only way of disciplining prodigality is for those whose duty it is to decide to whom documents are to be copied to confine them always and strictly to those with a positive need to know. Ministers and their Private Offices should set an example on this.

As to sponsorship, each industry has a primary relationship with Government in one particular Department. That does not mean that that Department needs to monitor all that industry's relations with Government. I agree with you that there are considerable savings to be won by cutting out departmental activities which consist simply of monitoring what other Departments are doing. I am glad that Paul Channon is going to put proposals to us on this.

As to delegated authorities, the problem is to make Ministers and their Departments cost-conscious. You mentioned the CSD control over purchase of vehicles for the Coastguards. I am told that, left to itself, the Department would have spent a great deal more than they needed to spend. I should like to see the central departments concentrate more on broad control of expenditure, setting general rules and standards and leaving detail to spending departments; but we shall have to find some way of making Ministers and their departments more cost and resource conscious than they seem to be. We need to look at the whole problem of control of expenditure. We must discuss this, amongst other things, on 25 April.

On public appointments, I should like to continue to be consulted in advance about the appointment of all chairmen of nationalised industries and public ~~appointments~~ boards, and about all appointments of members which have political significance or implications. I am content not to be consulted about appointments of Deputy Chairmen, except those which have political implications, but in deciding whether or not to consult me I would like colleagues to bear in mind that a Deputy Chairman can often be asked to stand in for, or even take over from, a Chairman.

/On attendance at

On attendance at Cabinet, I am prepared to waive the requirement of a personal minute seeking permission to be absent from a Cabinet meeting, where the absence is accounted for by an overseas visit which I have approved, on the understanding that the request for approval for the visit is copied to the Secretary of the Cabinet, who needs to know who is away when.

I am content not to be consulted about overseas visits by Ministers other than Cabinet Ministers, provided that such visits are approved by the Ministerial head of the department concerned, the Foreign and Commonwealth Secretary and the Chief Whip. I gather that at least one Department has introduced a cash limit on travel by Ministers; that is an example that others could well follow, to keep this expenditure in bounds. This change of procedure does not affect the requirement for my approval to be sought for official visits overseas by Ministers' spouses and by Parliamentary Private Secretaries (see paragraphs 54 and 55 of Questions of Procedure for Ministers (C(P)(79)1)).

I am sending a copy of this minute to the Secretary of the Cabinet, who will arrange for "Questions of Procedure for Ministers" to be revised to take account of paragraphs 7, 8 and 9.

Margaret Thatcher

10 April 1980

1) Paragraph 7 - copied to J. Porter.
2) Paragraph 8 - copied to Cabinet (Attendance) May 1979.
3) Paragraph 9 - copied Ministers' Absences Policy file.
4 copy of minute to Cabinet: Questions of Procedure ~~for~~ Ministers: May 1979
5) copy of minute to Cabinet: Committee Structure: May 1979.

COVERING PERSONAL AND CONFIDENTIAL

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-~~930 5122 ext~~ XXXXXXXX 233 8224

9 April 1980

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
London SW1

P
WH

Dear Chancellor,

THE EFFICIENCY OF CENTRAL GOVERNMENT

Thank you for copying your minute to the Prime Minister of 3 April to me.

In her minute to you of the same date, the Prime Minister said that she had asked me to send you a resume of my views on the matters contained in it. The simplest way of doing so is to let you have the enclosed copy of a minute I submitted to her last month under a "personal and confidential" cover; the reason for this was that I wanted to establish whether the points I thought important were indeed the ones which the Prime Minister regarded as significant.

The text consists of a summary and a main submission. It is slightly incomplete because I have deleted from the summary two recommendations which bear on the Prime Minister's personal prorogative and which she is considering separately, together with the relevant parts of the main submission.

I am of course content for you to circulate the submission on a restricted basis in the Treasury if you wish. (It has been made available to the Minister of State, CSD, Sir Ian Bancroft, Sir John Herbecq and a few senior officials in CSD and to Sir Robert Armstrong here.)

The Prime Minister has also asked me to get in touch with you about the points on which she has asked for my advice. I understand that officials, including Clive Priestley here, are working on a draft schedule which we should have before us when we meet with the Minister of State, CSD, next week to discuss the business of the special Cabinet meeting on 25 April. That will offer a first opportunity to go over the ground, but I should want to settle the precise details of a scheme of work with you later.

COVERING PERSONAL AND CONFIDENTIAL

I am copying this, minus the enclosure, to the Prime Minister, the Minister of State, CSD and Sir Robert Armstrong.

Derek Rayner

Enc: Copy of minute to Prime Minister

CONFIDENTIAL

Mr LANKESTER

Efficiency etc

1 I should be grateful for a word as early today as possible to follow up yesterday's meeting between the Prime Minister, Mr Channon, Sir D Rayner and us and also the earlier meeting between the PM, Mr Channon and you. (On the latter, Mr Channon said on the way back to London that I should check with you on the outcome, of which he did not seem entirely clear, as he is today drafting at home in Brentwood.)

2 As I understand it, the outcome of yesterday's meetings and earlier exchanges is that at the special Cabinet meeting on 25 April, there should be

a a main paper by Mr Channon on Civil Service numbers;

b a supplementary paper by Mr Heseltine "illustrating the techniques now applied" at DOE (cf Mr Whitmore's letter to Mr Edmonds of 10 March); and

c a discussion paper by Sir DR on lasting reforms, based on his personal and confidential minute to the PM of 26 March, but not seeking endorsement of decisions to commission work already taken by the PM and not including either his machinery of government or his Honours proposals (cf your letter to Mr Green of 1 April, p 4).

3 It was further agreed or noted that

a Mr Channon would let the PM have a draft of his paper.

b There should be a meeting between the PM, Home Secretary, Chancellor, Mr Channon and, I think, Sir DR on about 21 April to discuss the issues. (You may like to know that the Chancellor is to meet with Mr Channon and Sir DR on 16 April to consider the manpower points.)

c The PM would consider the Honours proposals, with which she herself agrees, with some senior Ministers, including the Foreign Secretary.

d There should be no grand slam announcement of the results of the 1979 "Rayner projects".

4 While it is clear that Ministers are to be given an opportunity to discuss experience so far - "one year in" (and that the PM might ask them what they are doing to exercise their personal responsibility for scrutinising the efficiency of their departments, eg in respect of running costs following Sir DR's advice on this in February) it is less clear what is the desired outcome of the Cabinet on numbers. At one point, the PM speculated on using her personal authority as Minister for the Civil Service to mount an exercise; at others, it seemed more likely that a collective decision of the Cabinet was being sought.

5 Should we assume for planning purposes that we are thinking of a collective decision rather than a personal decision by the PM qua Minister for the Civil Service?

6 Either way, we also need to establish what decisions are to be sought.

7 As I understand it, two decisions are in view, first, on the total size of the Civil Service and, secondly, on the length of the Civil Service hierarchy.

8 In both cases, there is plainly a primary need to bring home to the Cabinet the costs involved. May we confirm that, in its descriptive part, Mr Channon's paper should:

a show the total size and distribution of the Civil Service over time (say 1950, 1960, 1970 and 1980);

b present and estimated future costs; and

c the full costs of particular grades (ie including accommodation and services)?

9 As to decisions, may we confirm that Cabinet is being asked to agree that

a Despite the options exercises and the recent 2½% cut the Service is too big and must be further reduced.

b The way to get further reductions is two fold, first by taking such relatively arbitrary decisions as reducing

Hesitation – show how costs can be made
→ targets
→ Hussey to lead cutback exercise

the number of forms sent out by a drastic proportion

the numbers of and attendance at meetings

the amount of non-vocational training

the amount of travel.

statistics?

? Secondly, and much more important, time should be taken to examine and make practical plans on the propositions that

i existing functions should be achievable with fewer staff, especially in staff-intensive areas where administrative reform (eg computerisation) can produce more economical working methods;

sponsoring/ implication

ii some existing functions should cease altogether in recognition of the facts that (a) this is a non-interventionist Government and (b) that we are in a period of retrenchment and (c) that other public sector employers are bound to be more impressed by deeds than words in manpower matters; and

? iii the length of the hierarchy should be reduced.

c In order to get consistency of treatment across departments in exxmining and advising on these issues, there should be

+ Chairman initiative

i an intention to set a target for the progressive reduction of the size of the Civil Service in and from 1981-82, this target* to be set by, say, the beginning of the new Parliamentary session this autumn;

common analysis

ii the examination, which should include the length of the hierarchy as well as the "size" issue, should be devised and led centrally by a senior official appointed by and reporting to the Prime Minister (Sir John Herbecq?);

iii the central leader/co-ordinator should work with and through a senior official (Deputy Secretary) in each department, appointed by and reporting to his Secretary of State.

! * The PM spoke at one point of reducing "fundamental blocks of work" by $\frac{1}{3}$.

10 There are obvious dangers of non-compliance by Ministers, who are bound to be briefed hard against such work as that outlined above.

11 Alternative scenarios which may be worth considering just to test the potential strength of that in para 9 are these:

a Defer special meeting of Cabinet from 25 April until a later date so that the PM and the central Ministers can agree on a fully worked up scheme to put to their colleagues or to institute on the PM's personal authority.

b PM to announce that she herself has commissioned an across-the-board exercise like that in para 9 and to invite Ministerial colleagues to participate.

c PM to attempt neither a collective Cabinet decision nor a personal initiative of an across-the-board kind, but either

i a smaller meeting with the "big" Ministers (eg Chancellor, Home, Defence, Social Security); or

ii a series of bilaterals with these Ministers with the same intention, ie them to undertake exercises in their departments with central co-ordination.

12 I think that there is something to be said for postponement so that the strategy the PM wants can be worked up in detail. But, assuming that she does not want delay, I think that the full Cabinet route is the best course, provided that

a the cost of the Service and

b the political advantages/disadvantages in this area

are well attested in the presentation of the issues by Mr Channon (especially) and Mr Heseltine. But I do think that it might be worth considering whether the PM should include some of the "big" Ministers in the meeting intended for 21 April. Incidentally, I have a thought on MOD, the biggrst nut to crack, which I can discuss with you when we meet.

CP

C Priestley
10 April 1980

DRAFT NOTE: By Mr Channon

Mr Thomas

CIVIL SERVICE NUMBERS AND COSTS

Aims

The Government's basic policy is clear. It is:

a. to reduce the functions of central Government and so to reduce the number of staff required;

b. to see that the functions of Government are [ ] in as economical and efficient a way as possible;

and c. as a combination of these two aims, to give the taxpayer value for money for what is spent in the Civil Service.

Facts

Since the early 50s, Civil Service numbers have varied between 746,000 at their highest (1977) and 640,000 at their lowest (1961). There have been great changes in the proportion of non-industrial to industrial civil servants. At one point in 1954, there were 335,000 industrial civil servants, well over half the Service. This has been more than halved to 159,000 in 1980. The numbers of non-industrials were in 1959 as low as 374,000. They reached their peak in 1977 at 570,000, and now stand at 549,000. The greatest reduction of the Service took place when there was a real reduction of functions in the 50s - ie the end of rationing and food subsidies. It fell from 761,000 in 1952 to 640,000 in 1961 - 121,000 or a third. How can we repeat a similar reduction today?

Achievements

Last year in May the Civil Service was 732,000. It is now at 708,000, and by April 1981, will probably be about 696,000. (Incidentally, our predecessors planned for a Civil Service reaching 748,000 in April 1980.) So a sizeable reduction has taken place and the trend is clearly downwards. This has been done by:

i. an initial 2¾% squeeze on the cash limits for 1979-80;

ii. a further reduction of nearly 40,000 posts announced by the Lord President on 6 December 1979, with more to come from further studies. Most of this reduction will be achieved by April 1983;

iii. a further reduction as a result of the new 2¼% - 2½% cash limit squeeze for 1980-81.

But there have been considerable offsets of over 11,000 in 1980-81, mainly to provide additional prison officers and to handle unemployment. There are bids of [ ] in for later years, and I fear more must be expected.

If we can keep them to a minimum I still think that we can reduce staff numbers to nearly 670,000 by the end of the Parliament - a reduction of [ ] %.

This will of course be far the largest reduction since the 50s, but is it enough? I believe that our supporters in and outside the House believe that more could and should be done. I share that view.

Next Steps

There are only two ways of reducing Civil Service numbers further

a. by reducing functions;

b. by increasing efficiency.

There is no magic third way.

Functions

We attempted to reduce functions last year when Ministers put forward proposals showing what it would be like if we reduced the staff of their Departments by 10, 15 or 20%. Outside, this unfortunately came to be thought of as a target. In retrospect,

the figure of 40,000 saved (or just over 5%) was extremely disappointing. I do not therefore recommend a repeat exercise although I am certain that there are functions which can still be cut.

There seem to me to be only two possibilities:

a. for Cabinet to decide as a matter of principle that, over a period of time, the functions and therefore the staff of every Department must be reduced by say 10%. Ministers who wished to seek an exemption from this course would have to argue their case to Cabinet; or

b. I could put forward a paper for consideration stating how I propose a saving of say 10% could be found. I do not relish this course since my colleagues will know far better than I how their Departments work and what is important. But if it is thought that it could act as a catalyst, then I will take it on and produce proposals by the end of June.

In considering functions, we must remember that two-thirds of the Civil Service are engaged in (a) defence, (b) prisons, and (c) paying out social service benefits. I doubt that these functions can be dropped so we must not expect miracles from a functions exercise.

Do my colleagues think we should tackle functions again? If they do, would they prefer to take course (a) or (b), or some variant of them?

Efficiency

There are a great many improvements in this field about which I will want to put forward proposals to my colleagues before the Summer Recess. They include pay, promotion, retirement policies; and whether we can inculcate in the Service as a whole the incentive and the way of thinking that will encourage people to think small. Promotion to the highest grades of the Service

must be seen to go to those who are good at this. It must be a good mark to reduce one's empire [rather than building it up.]. Over the years I believe that we can create changes in this field which can be far-reaching. But I will put a separate paper on this to colleagues later.

I am also anxious to make the Civil Service feel that we are not getting at them. There is too much attention to the size of the bureaucracy, the amount of its salaries and pensions, and too little attention to the fact that we are among the very few countries of the world with a non-political, and incorruptable Civil Service with a high dedication to the tasks given it by the Government of the day. We often concentrate on the defects inevitable in any large organisation. We too rarely praise or draw attention to its merits.

Efficiency - Specific proposals

The experience of the last months makes me certain that we shall need a target as well as specific proposals. I propose that our target for reductions should be 2½% annually (as we are proposing to do this year) for the years 1981-82, 1982-83, 1983-84. Then we can review the situation again. There is a great deal of special pleading in all Departments [ ]. If reductions have to be made, they will be made. But more rational decisions will be taken if notice is given. If it is known now that there will be a 2½% efficiency deduction each year for the next few years, then planning can take place in plenty of time, and irrational decisions averted. Of course, some Departments will have new tasks and there will be off-setting growth. But then the 2½% rule can apply to that.

Efficiency - Detailed proposals

We must look at (i) the efficiency of the Service as a whole; and (ii) the efficiency of specific operations.

Service-wide Questions

Apart from the 2½% annual squeeze, we must look at grading.

This policy must apply from the highest to the lowest. Sir Dere Rayner has proposed the reduction of the length of the hiearchy by at least three grades. His preferred method is to abolish whole grades, eg Second Permanent Secretary, Deputy Secretary, Under Secretary, Senior Principal, Senior Executive Officer. I am not yet sure that the abolition of specific grades is the best answer. But I will consider it, and report to colleagues in my later paper.

The real problem is the way in which, in any specific case, the grading structure is used. Too many levels are commonly involved in the handling of a particular job, and work gets bogged down in the hierarchy, wasting both money and time. The answer should be sought by a combination of (i) taking grading levels out of particular working structures; and (ii) channelling the flow of work so that successive levels are skipped wherever possible, reserving their use for when it is necessary.

I propose that, as a first step, CSD should undertake a small number of initial studies of representatives areas of work. The objective would be to draw up criteria and guidlines for the more economical use of grading levels which can then be applied generally. When this had been done, Departments would be required to apply these criteria and guidelines, possibly with CSD help, and to report the outcome with target dates for implementation.

Staff Inspection

Staff Inspectors examine whether the work is essential and whether it is correctly graded and manned. There is a central cadre of 40 in the CSD and some 600 in Departments. In recent years, the direction, methods and standards of staff inspection have been much improved. The implementation of inspectors' recommendations in 1977-78 saved 3,560 posts (£17-£18m a year).

We feel sure, however, that more can be done. The savings quoted above represent little over 50% of the recommendations.

While we do not expect 100%, since the Inspectors will not always get it exactly right, a higher rate must be achieved. A new study of staff inspection in Departments is in hand, and measures for its improvement will be submitted to Ministers in the light of its results.

Cutting the Cost of Service-wide Activities

There is scope for expanding and speeding-up the work led by CSD in co-operation with departments to find improvements in efficiency and economies in the supporting services common to all departments - eg messengerial and typing services, transport, post, telecommunications, reprographics. Good results have been obtained from past studies in some of these fields; a current study of messengers has identified potential savings of between 30% and 50% of complement in the departments looked at so far, whic h if replicated across all departments would produce annual savings of £7-8m annually.

Hitherto, this programme has been undertaken on a small scale with modest resources, and each study has been prolonged while departments have been looked at in sequence. We believe that it should be possible to make a larger and faster impact:

(a) by increasing the resources devoted to this task so that more studies can be mounted simultaneously; and

(b) beginning with the messengerial study, by preparing guidelines on the basis of studies in three or four departments which other departments would then be asked to implement.

It should then be possible to complete studies and promulgate new standards in all the supporting services.

Mechanisation

2. There is also scope for the improvement of efficiency by the further computerisation of manual functions and, in particular, by the introduction of word processors and other small electronic machines. The attitude of the staff is very important here, since recent publicity about new technology has aroused fears of redundancy. We hope that current discussions with the unions will produce a greater spirit of co-operation, but it will in any case be necessary to press forward on this front.

Local Government Activities

Naming

Streamlining Networks

Charging

Specific Operations

We should aim to be able to do the work in-house that Sir Derek Rayner is doing so ably for us.

TO BE SIMPLIFIED

27. We recommend building upon two developments which Sir Derek Rayner has initiated, the review of the administrative costs of each department and the programme of scrutinies. The CSD, in the exercise of its supply control function, would require departments more systematically than before to break these costs down between their component units and activities and to provide an account of what was being produced by the expenditure in each case. We need to look at not only what we are spending, but what we are getting for the money. While there are difficult problems over measuring output in the public service, there is certainly scope for improving the information which is now available and thus, over a period of time, the basis on which Ministers take their decisions. The examination of these figures, in consultation with the Treasury where appropriate, would give rise to more pointed questions about variations in cost over time and between units and about the efficiency with which the work was done.

Grinding Detail

Other Economies

We are looking already at statistics and I have commissioned a study of training. I think we need to look at advertising and information. There are many other areas as well, but this is a start. We are already looking at the cost, and the management, of the Government Estate.

Ministerial Responsibility

All this is fine if we really mean to do it. But in an individual Department, it is only the Minister responsible who can get down into the detail and make the necessary changes. Sir Derek Rayner has already shown us that we need to take stock of the activities of our Departments, and is showing how Ministers must try to be managers as well as policy makers. In the bigger Departments, in particular, this will be a time-consuming job. It may be suitable for a Junior Minister in such

a Department to be made responsible to the Secretary of State for it. But each Minister will have to run his Department and deploy his Ministers in the way he thinks most appropriate.

Outside Probes

The new Select Committees, the PAC and, increasingly, the Exchequer and Audit Department will provide an excellent outside stimulous. The risk is of too many people outside distracting those inside from getting on with the job. But that cannot be helped. Individual Select Committees, if motivated sensibly, can use their resources to good effect in this field.

Conclusions

I invite my colleagues:

a. to consider whether there should be a continuing search for functions that might be dropped. If they think there should be, then (i) should there be a target of 10% further reduction from which Ministers should ask Cabinet to be specifically exempt, or (ii) should I prepare a paper to this effect with specific recommendations;

b. to note that I will report by the end of July on a range of other Civil Service issues such as pay, motivation, promotion, grading, etc;

c. to note I will come forward with further recommendations about other Service-wide functions such as (i) training.....;

d. that we should now agree that there should be an efficiency squeeze annually, throughout the Civil Service, of a further 2½% for the years 1981-82, 1982-83, 1983-84;

e. arrange measures to increase efficiency, concentrating on:

i. rigorous control of senior posts;

ii. an exercise to formulate tighter criteria for the use of grading levels;

iii. measures to make staff inspection more effective;

iv. increased action to cut the cost of Service-wide supporting services;

f. /Minister of State does not like/ agree that, in order to improve the efficiency of specific operations, we should (i) develop the supply control functions of the CSD further to examine costs and efficiency; and (ii) continue and build upon the dessimination of lessons from Rayner scrutinies;

g. I will report again about (i) local authority functions; (ii) overlapping and sponsorship; (iii) streamlining; (iv) .....

Notes for later drafts:

Privatisation
Dockyards, etc
Redundancy

Local Govt
NHS

passed to PPL on
19 April 1980.

10 DOWNING STREET

PRIME MINISTER

Attached for your signature is the final typed version of the minute on waste (which you have already approved).

TL

8 April 1980

GR - make sure this goes to all Cabinet + copy of John Watt minute.

Mr LANKESTER cc Sir Derek Rayner

CIVIL SERVICE NUMBERS

1 I have had only a few minutes to look at Mr Channon's tables on Civil Service numbers and I am writing these notes straight onto the typewriter, but you may nonetheless find them helpful.

2 The following points struck me:

a The absolute size of the Civil Service on 1 J anuary 1980 is 5,500 bigger than the absolute size 10 years ago.

b Within the total of 707,750, the relative balance between non-industrial and industrial has changed: whereas in 1970, there were 491,000 non-industrials and 210,700 industrials there are now:

548,500 non-industrials and 159,200 industrials

c While the number of Permanent Secretaries has remained pretty stable as between 1973 and 1980 (40 ;: 41), the numbers of both Deputy and Under Secreaties have increased:

Dep Sec:	154 :161
Under Sec:	595: 632

d The points at a - c must carry with them the question whether the nation is any better served and whether the highly qualified manpower employed by the Government could be more productively employed elsewhere.

e Within the Departmental data given in Table 1, it is noticeable that certain departments have undergone very substantial increases in size:

DHSS:	70,400 : 95,400
IR :	68,100 : 79,000
HO :	24,700 : 33,700
C & E :	17,900 : 27,400

f Equally, some departments have gone down in size (eg

MAFF and DNS).

g It might be interesting to ask Mr Channon how these changes are to be accounted for. The grade data in Table 2 show that increases have occured in the levels mainly below Principal. It is to be assumed that the decreases in MAFF and DNS have occurred at these ~~lelves~~ levels too, probably owing to computerisation in the latter case. Some increases have to be attributed to the state of the economy or to EEC membership (cf VAT) but if it is possible to decrease the "big battalions" in some areas, are there lessons to be learnt in others?

h In general, the data confirm the view that the Government needs a well thought out manpower policy, which learns from the past and which allows time in future for working out in practice: for example, can one free administration in some areas (eg social security) from political controversy and allow a stable period for administrative change? Another area is taxation, which has been bedevilled by changes in computerisation plans.

CP

C Priestley
8 April 1980

Top copy on
Govt Machinery Pt 5
Promotion of efficiency &
elimination of waste.

PRIME MINISTER

I attach for your discussion with Mr. Channon and Sir Derek Rayner tomorrow the following papers:

See Govt Mach - Rayner.

(i) A further note from Mr. Channon on the Rayner projects and possible further initiatives (Flag A) - you already have with you a folder with a progress report from Derek Rayner on the projects and a minute from Mr. Channon on their wider application.

(ii) Data on Civil Service numbers and grades in the big Departments (Flag B).

(iii) A note by Bernard Ingham, two minutes from the Paymaster-General on the COI and the future of the Information Services, and a note from Mr. Channon on COI advertising expenditure (Flag C).

You are seeing Paul Channon on his own for two hours in the morning. You might like to go over the Departmental numbers with him, and also ask him to explain the ideas on manpower policy which he intends to put to Cabinet on 25 April (I have tried to get an early draft of his paper, but to no avail). I suggest you defer discussion of the Rayner projects and their wider application, and the further initiatives proposed in Paul Channon's minute at Flag A until Derek Rayner arrives. Apart from discussing this, you will also want to continue the discussion on manpower policy generally - and also, perhaps, Derek Rayner's proposals for "lasting reforms". (I attach at Flag D Derek Rayner's paper on this latter subject, and your minute to the Chancellor following the meeting we had here last week).

As regards the material on the COI, you did say that you wanted to discuss this issue with Mr. Channon. However, I think he would prefer to discuss it first with Angus Maude and then report back to you.

/ The CSD

The CSD data on Civil Service staff does not include anything on the CSD itself. You may be interested to see the CSD organisation chart at Flag E, and compare it with the Treasury organisation chart for November 1967 (Flag F). In 1967 the Treasury had 15 Assistant Secretaries managing the Civil Service; CSD now seem to have 37 even excluding the people who run the Civil Service Catering Organisation, the Civil Service College and the Civil Service Commission (which was separate from the Treasury in the old days).

You might also be interested to read a personal note at Flag G by a former Treasury colleague of mine on Civil Service efficiency, which includes a number of very good points.

8 April 1980

WESTERN MAIL
Thomson House, Cardiff. Tel. 33022

8/4/80

Cuts among the mandarins

IN THE words of Mr Michael Heseltine, the Minister responsible for 50,000 employees at the Department of the Environment, "Bureaucracies are expert in presenting change in the most harrowing terms." Civil servants' particular expertise when change takes the form of cuts in their numbers has been amply demonstrated by the failure of most Ministers to reduce manpower in their own departments. Mr Heseltine has been more successful than most, and should achieve a 10 per cent cut by the target date of 1983 — but 10 per cent is the easiest of the three options for cuts presented by the Cabinet to the Civil Service Department last June. Besides, Mr Heseltine has more incentive than most Ministers to cut his Whitehall workers. He is also held responsible for persuading or coercing local authorities into shedding some of their three million staff. He knows that he will have little authority to do so in the eyes of local authority leaders unless he can prove himself capable of managing his own bureaucrats.

That, sadly, is what most Ministers seem incapable of doing. Britain currently has 708,000 civil servants, 548,000 of them non-industrial. Sir Geoffrey Howe has promised to reduce that to less than 700,000 by this time next year. Now Sir Derek Raynor, Mrs Thatcher's special adviser on Government efficiency, has come up with a neat suggestion enabling Sir Geoffrey to do just that at a stroke. Sir Derek, always critical of what he saw as too many layers in the Civil Service hierarchy, wants the Government to scrap 8,640 posts at under-secretary and senior executive officer grades. He reasons that there are people in grades just above and just below who could do — and perhaps already duplicate — the work of those he would make redundant. Mrs Thatcher is at present considering his report. She should have the courage to implement it.

A great danger faces the Government if they prove unable to take radical action to cut spending on their own doorstep, preferring to economise in areas out of sight of Westminster. Such failure would reinforce the popular image of Ministers as the unwilling and often unwitting puppet spokesmen of their permanent secretaries. That image, given fresh justification every time another ex-Minister publishes his or her memoirs, does no good to any British government. Why bother to vote if election promises, right-wing or left-wing, will be reduced to a centrist common denominator in practice by a bureaucracy inherently resistant to all change? But more specifically, failure could prove disastrous to this Government in particular because they have gambled their credibility on a pledge to cut not only state spending but state interference in all aspects of life.

That credibility will be forfeit if Government Ministers cannot control state spending as they promised to do — by cutting the fat, or administration, rather than services; and fairly, so that central government suffers alongside local government and workers in nationalised industry. Ministers might reflect that steelworkers, unlike £18,000 pa under-secretaries, do not have index-linked pensions to fall back on. They might also remember that if limited public money is all spent on avoiding redundancies, four million central and local government employees may soon find they have no more services to administer. Cuts would then indeed be harrowing, and unfair. The Government should have the courage to handle the decisions, and the presentation, themselves.

MS

M/S 8 ~~MAR~~ April 1980 I 7

MANAGEMENT IN CONFIDENCE

PS/Minister of State

cc - PS/Permanent Secretary
Mr Wilding
Mr Bamfield

MANPOWER: MEETING WITH PRIME MINISTER

When she sees the Minister of State tomorrow, the Prime Minister may revert to her belief that we have too many good staff who waste their time overseeing unnecessarily the manpower decisions of departments. If so, the following may offer some useful background. We have been looking at changes in the composition of the Civil Service since 1 January 1975, when it was last at around its present size. This is what we have found:

	1.1.75	1.1.80
Total Civil Service numbers	712,500	707,800 (-0.5%)
Open Structure	859	834 (-3.0%)
Assistant Secretary	1,216	1,140 (-6.2%)
Senior Principal	621	719 (+15.8%)
Principal	4,244	4,474 (+5.4%)

It is noteworthy that although the open structure has reduced only very marginally since last May, it is 3% smaller than it was 5 years ago. But the really interesting point is that Assistant Secretaries are down by over 6% whereas Senior Principals are up by almost 16%. What makes these figures particularly significant is that the Assistant Secretary is the most junior level at which departments have no delegated powers but have to come to the CSD for all the posts they need whereas Senior Principal is the most senior level that we have delegated to departments. I do not necessarily suggest that we should have had another 250 or so Assistant Secretaries by now had we been rash enough to delegate control over all posts below the open structure, as we have often been urged to do. But I am in little doubt that we should have had many more than the present total of 1,140, and I think that we may fairly claim that there is some solid evidence here that our oversight of departments has produced some solid and valuable results.

JBH

John Herbecq
8 April 1980

MANAGEMENT IN CONFIDENCE

PRIME MINISTER

CIVIL SERVICE NUMBERS

Some key points on the attached material:

(i) The Civil Service is 5,500 bigger now than it was 10 years ago;

(ii) the balance between non-industrial and industrial civil servants has changed considerably - the number of industrials has fallen by 50,000 with a slightly larger increase in non-industrials;

(iii) the number of Permanent Secretaries has remained pretty stable, but the numbers of both Deputy and Under Secretaries have increased - Deputy Secretaries from 154 to 161 since 1973, and Under Secretaries from 595 to 632;

(iv) some Departments have had large increases - DHSS, Inland Revenue, Home Office and the Customs and Excise. MAFF, Department of National Savings and MOD have had sizeable reductions;

(v) the grade data in table 2 show that staff increases have mainly occurred in the levels below Principal. It is not clear why this has happened.

8 April 1980

R.

SECRET

Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

5

Minister of State

Tim Lankester Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1

3 April 1980

Dear Tim

156

Thank you for your letter of 1 April about the meeting which the Prime Minister held on 31 March on waste in Government and the efficiency of central government and lasting reforms.

You asked to have, in advance of next Wednesday's meeting, some information about departmental numbers and grade populations, particularly for the larger departments. I attach some tables which I hope will be of interest.

Table 1 shows Civil Service numbers from 1970-1980, broken down by departments.

Table 2 contains Administration Group grade breakdown for the largest departments in 1973, 1976 and 1979, together with aggregate figures for Science and P&T Groups, and shows the split between non-industrials and industrials.

Table 3 shows non-industrial and industrial numbers from 1970-1980, broken down by departments.

Table 4 shows the open structure breakdown for 1973, 1976, 1979 and 1980.

Naturally, if you or the Prime Minister would like to have more information, we will do our best to provide it.

I think that this is the only information you wished specifically to have in advance of the meeting. The Minister of State does, however, hope to write to the Prime Minister on Tuesday (8 April), following up the discussion about the COI and its expenditure. This is most likely to be in the form of an interim report, but he will send it in case the Prime Minister would like to include this matter in the discussion on the following day.

SECRET

Also, you may like to know that the Minister of State has written today to the Prime Minister about three specific points (arising out of the Rayner projects) which he thought the Prime Minister might like to consider before next Wednesday's meeting.

Yours sincerely

G E T GREEN
Private Secretary

STAFF IN POST 1970-79 IN MAJOR DEPARTMENTS

Table 1

Departments 60	1.1.70	1.1.71	1.1.72	1.1.73	1.1.74	1.1.75	1.1.76	1.1.77	1.1.78	1.1.79	1.1.80
MOD/ROFS	261300	255700	279300 [1]	270200	267900 [2]	266500	268200	261200	253300	248500	241700
DHSS 51,809	70400	71800	74500	76500	80900	86700	91600	94500	96900	97600	95400
IR 55,547	68100	69600	72900	70800	69400	73500	79100	82500	85000	85000	79000
DEm Group 21,644	31200	32100	33100	34400	33800	37000 [3]	45500	51900	53000	53700	51400
DOE/PSA/Transport	70800 [4]	71800	70200	69900	69300	69700	73100	71400	69200	66500	62800
HO	24700	25700	27300	28500	28300	30300	32500	32300	33000	33500	33700
C&E 15,000	17900	17900	18300	22600	24800	27100	29300	29400	28800	28900	27400
MAFF 14,927	15900	16000	15700	15400	15000	15200	15600	15300	14800	14000	13600
DTI/PCP/Energy	17200 [5]	26600 [5]	26300 [1]	18800 [6]	18700	19100	19700	19300	18200	18400	17700
Technology	38000	–	–	–	–	–	–	–	–	–	–
Aviation Supply	–	28300 [1]	–	–	–	–	–	–	–	–	–
DNS	15300	15300	14800	13900	13400	13600	13700	12500	11200	10800	10300
Lord Chancellor	7400	7700	8900 [7]	9300	9300	9600	10000	9900	10100	10200	9900
Scottish Office	9200	9500	9500	9600	9700	9900	10700	10500	10300	10900	10700
Sub total	647,400	648,000	650,800	639,900	640,500	658,200	708,700	690,700	683,800	678,200	653,600
TOTAL	702,100	702,900	701,900	692,700	694,400	712,500 [3]	745,100	746,200	738,000	733,200	707,800

F.IS.
I.P.
C.A.A.

– 5,000 ADPS

Dept of Ed^n

SL

NOTES

1. In May 1971 the functions of the Ministry of Aviation Supply were transferred to the Ministry of Defence and the Department of Trade and Industry.

2. On 1 April 1973 responsibility for the Atomic Weapons Research Establishment (5,400 staff) was transferred from the United Kingdom Atomic Energy Authority to the Ministry of Defence.

3. Including the 18,600 staff of the Manpower Services Commission which, at 1 January 1975 were not classed as civil servants, and not therefore included in published civil service numbers in that year.

4. Prior to October 1970, the Ministry of Housing and Local Government, the Ministry of Public Buildings and Works and the Ministry of Transport.

5. In October 1970 the functions of the Ministry of Technology were transferred to the Ministry of Aviation Supply and the new Department of Trade and Industry (previously the Board of Trade).

6. On 1 April 1972 responsibility for civil aviation was transferred to the Civil Aviation Authority whose staff are not civil servants.

7. On 1 January 1972 the re-organised County Courts Service and the Supreme Court of Judicature became part of the Lord Chancellor's Department.

Table 2(i)

MINISTRY OF DEFENCE (including ROFs)

	1 4 73	1 4 76	1 4 79
Administration Group			
Assistant Secretary	161	173	159
Senior Principal	157	168	163
Principal	454	502	504
SEO	954	1102	1047
HEO	2832	3154	2986
EO	6284	6907	6361
CO	19386	21322	19255
CA	14629	13403	12126
Total	44926	46853	42715
Science Group etc	10161	11448	10565
Professional & Technology Group etc	23491	26252	25683
Total non-industrial	129,467	130,063	120,643
Total industrial	143,266	136,166	127,017
GRAND TOTAL	272,733	266,229	247,660

Table 2(ii)

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

	1 4 73	1 4 76	1 4 79
Administration Group			
Assistant Secretary	121	118	110
Senior Principal	82	99	104
Principal	656	733	736
SEO	1256	1460	1475
HEO	3550	4657	4968
EO (+LO1)	15863	18919	19686
CO (+LO2)	35197	41961	43904
CA	12461	13628	14725
Total	69243	81654	85800
Science Group etc	52	97	95
Professional & Technology Group etc	420	472	446
Total non-industrial	78,490	92,846	98,073
Total industrial	197	255	296
GRAND TOTAL	78,687	93,101	98,369

Table 2(iii)

INLAND REVENUE

	1 4 73	1 4 76	1 4 79
Administration Group			
Assistant Secretary	27	37	34
Senior Principal	18	23	24
Principal	95	115	143
SEO	173	234	269
HEO	756	807	661
EO	1090	928	1114
CO	1293	1112	1223
CA	14696	17913	19968
Total	18160	21253	23449
Science Group etc	-	-	-
Professional & Technology Group etc	-	-	-
Tax Inspectorate	31738	36220	37163
Total non-industrial	70679	80250	84615
Total industrial	34	29	30
GRAND TOTAL	70713	80279	84645

Table 2(iv)

CUSTOMS AND EXCISE

	1 4 73	1 4 76	1 4 79
Administration Group			
Assistant Secretary	78	79	74
Senior Principal	11	11	36
Principal	388	421	408
SEO	1300	1590	1554
HEO	5240	5312	5460
EO	6753	10357	9406
CO	4478	5716	5824
CA	1682	1912	2246
Total	19952	25443	25038
Science Group etc	-	-	-
Professional & Technology Group etc	-	-	-
Total non-industrial	23,464	29,390	28,771
Total industrial	-	-	-
GRAND TOTAL	23,464	29,390	28,771

Table 2(v)

DEPARTMENT OF THE ENVIRONMENT (including PSA)
AND DEPARTMENT OF TRANSPORT

	1 4 73	1 4 76	1 4 79
Administration Group			
Assistant Secretary	131	134	123
Senior Principal	50	66	63
Principal	417	467	447
SEO	515	612	535
HEO	1578	1724	1656
EO	3308	3818	3463
CO	7000	8257	7442
CA	3518	5059	5262
Total	16594	20298	19077
Science Group etc	1609	1517	1273
Professional & Technology Group etc	12499	13073	12604
Total non-industrial	40791	46187	42898
Total industrial	29234	26809	23463
GRAND TOTAL	70025	72996	66361

Table 2(vi)

DEPARTMENT OF EMPLOYMENT GROUP

	1 4 73	1 4 76	1 4 79
Administration Group*			
Assistant Secretary	41	60	70
Senior Principal	26	60	86
Principal	178	266	305
SEO	560	864	1082
HEO	1571	2443	2954
EO	5570	6946	9271
CO	13557	19633	21763
CA	5519	6232	5588
Total	27196	37440	41173
Science Group etc	-	305	356
Professional & Technology Group etc	-	-	135
Total non-industrial	33,453	45,835	51,473
Total industrial	1,970	1,872	2,132
GRAND TOTAL	34,932	47,707	53,605

* Including departmental administrative grades at 1 4 73 (subsequently amalgamated with Administration Group)

Total Numbers of Industrials and Non-Industrials

	Non-Industrials	Industrials	Total (All Departments)
1 1 70	491,341	210,715	702,056
1 1 71	499,690	203,163	702,853
1 1 72	504,445	197,451	701,896 (1)
1 1 73	504,141	188,515	692,656 (2)
1 1 74	511,326	183,058	694,384 (3)
1 1 75	534,116	178,405	712,521
1 1 76	564,836	180,284	745,120
1 1 77	569,852	176,309	746,161
1 1 78	567,015	170,969	737,984
1 1 79	566,059	167,117	733,176
1 1 80	548,553	159,199	707,752

1. Trustee Museums etc taken out (-5000); certain court staff, formerly local authority staff, brought in (+2000)

2. Civil Aviation Authority taken out (-7,300)

3. Addition of Atomic Weapons Research Establishment (+5,400).

OPEN STRUCTURE: HOME CIVIL SERVICE

	at 1 April			
	1973	1976	1979	1980
Permanent Secretary	40	44	41	41
Deputy Secretary	154	165	162	161
Under Secretary	595	663½	635	632
TOTAL	789	872½	838	834

MANAGEMENT IN CONFIDENCE

CF

Personal Note by M. Hall (Treasury) MA

CIVIL SERVICE EFFICIENCY, etc.

Several strands

- (a) Central control: how best organised?
- (b) Tackle restrictive practices and
- (c) Restore authority to local/central management
- (d) Break down rigidities

(a) Central control

CSD is weak: separation of manpower and financial controls unwieldy: therefore bring CSD and Treasury together, and shake them up quickly (ie don't allow a CSD rump to develop as empire within empire): points for consideration -

I strongly support this suggestion TL

(i) Don't separate manpower from p.e. control. Have division covering a given Department with manpower and non-manpower branches, thus:-

AS

Principal (Manpower) — Principal (Non-manpower)

(In the old days, the manpower division was quite separate from Supply Division) TL

(ii) Don't abandon detailed control. Could we fight p.e. battles relying on GE aggregates? Can you resist expenditure at the margin, or get in on the ground floor of new policies without expenditure division? In my view present effort about right. Must avoid niggling delegated authorities. (e.p. John Nott)

(iii) Consider French-style Inspecteurs (or Cour des Comptes not like E and AD;), or even Controlleurs des Finances (Treasury narks within Departments). Get central departments more into value for money game.

(iv) But maintain large-scale inward and outward secondments to and from central depts to permit osmosis (and combat folie de grandeur!)

(b) Restrictive practices

More prevalent than it seems, because not glaring. But big savings to be had eg.

(i) Less filing - investigate other methods of retrieval
(ii) better use of secretaries
(iii) mechanical security methods
(iv) more interchangeability of staff (eg clerks/ secretaries)

Only achievable by

(c) More authority to management by

(i) less than absolute job security
(ii) give individual Departments some financial ability to wield sticks and offer carrots (eg 10 per cent of wage bill?)

(d) Remove rigidities

1. Is Rayner's idea of abolishing grades right? Certainly abolish hierarchies: but need to move towards individual reward based on performance. Better therefore to blur grades, avoid the few big jumps (eg principal - As, AS - US - for most (successful) people only 2 promotions in 25 years!). Don't tie posts to grades, don't oblige everyone to go through all (of a larger number) of grades, don't give weight to seniority as such (as distinct from experience). Don't give automatic increments. A more flexible scheme would keep people motivated longer, and encourage them to work harder for financial incentives.

2. Committee arrangements, etc - Is John Nott right? I think

the Cabinet office system is efficient (A/NZ are no where!). Ministerial portfolios overlap, problems are complex and spread beyond individual Ministers. Collective decision - making unavoidable. Important differences from business, leading to more paper:-

(i) Precedent has to matter more (fairness to individuals)
(ii) Decisions have to be explained and justified - to parliament and the public (and, dare one say it, posterity

But
Ministers should delegate more: this implies less anonymity and more responsibility for civil servants.

3. Training, travel, etc: Rayner's pescription is for an introspective civil service. Our own training facilities are parsimonious and ineffective - we badly need more and better training, by and with outsiders. This costs money. Likewise Rayner disparages 'swanning'. So do I. But seeing how other people do things is imperative. We don't travel nearly enough.

4. Cross-fertilization - this has to be within the civil service and between the civil service and the outside world. Remove specific obstacles - eg

(i) pension arrangements
(ii) obligation to return to civil service at previous seniority.

Secondments of limited value: 5-10 years in private sector valuable to both sectors - why drive people away by excessive rigidity about re-entry?

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

WASTE IN GOVERNMENT

John Nott sent me a copy of his minute to you of 12 March, and I have seen the comments in Paul Channon's minute of 20 March. As John Nott recognises, this is only part of the wider problem of cutting back wasteful bureaucracy. But I am sure he is right to focus on methods of work at the centre as one area where we must look critically for economies, and not take existing practices for granted.

2. I believe Sir Derek Rayner's 'conventions' project will bear on this. A good deal will also turn on the way Ministers tackle the elimination of unnecessary activities in their own Departments. All of us should ask ourselves and our Departments whether we and they need to be consulted or informed about everything which now comes to us. But it is also worth asking some questions about the way we organise business centrally, on the lines John Nott suggests, and I hope we can discuss it at the Chequers meeting. Meanwhile I have one or two comments:

(i) I agree that we should aim to cut down the amount of formal consultation which seems to follow from collective responsibility and the Cabinet Committee system. But the Treasury does need to be consulted

/on issues

on issues which could lead to increased public spending, outside a Department's existing programme. I hope we now have a sustainable framework for public expenditure, but it will be under continuous pressure, and there is a real risk that public commitments will be made, implying an addition to the control totals, unless the Treasury is brought in early enough to check that room can be found in programmes or the contingency reserve.

(ii) John Nott makes a related point about the need for specific Treasury approval of individual projects - for tourism, projects costing £100,000 or more. Certainly these are not large individually, and for this reason the Treasury proposed doubling the limit, to its present level, in the middle of last year. As a result only a handful of cases now needs to come to the Treasury. At the time my officials considered whether approval of individual projects could be fully delegated to the Department, within an annual budget and an agreed set of guidelines. But they concluded that they needed to see a few cases from the Department of Trade, Scottish and Welsh Offices, to be in a position to form a view on future levels of expenditure and whether there was scope for reductions. An important part of the Treasury's job is to have enough knowledge of a Department's expenditure to advise Treasury Ministers and Cabinet on the marginal items which might be cut back if room has to be found. There is also the question of comparison with other programmes; thus subsidies for tourism projects have traditionally been justified as part of regional assistance, most of which is of course Keith Joseph's responsibility. But I agree very much that these "delegated authorities"

/must be kept

must be kept constantly under review, to avoid unnecessary duplication. I should always be willing to consider any sensible proposal to revise or revalue guidelines in this kind of case.

(iii) On PSA, I agree that there is a risk of specific needs being hampered by "standard PSA rules and specifications". But I doubt if there is much risk of complacency - not least because Sir Derek Rayner has started a full study of the question whether Departments should pay for their own accommodation. Again this is not as straightforward as it seems, because if we want a central agency to run the Government's office services and control the level of office building, its authority will be weakened if each Department has its own hands on the purse-strings - with some risk of duplication and more bureaucracy not less. But we shall be able to make up our minds about this when the Rayner study is complete.

3. Like Derek Rayner I suspect there is a need for a thorough and searching review of the way Government operates. His various exercises have been very useful, and the successive manpower reductions have trimmed away the fat, but the kind of review I have in mind would need to go much deeper. We can consider at Chequers just how such a review might be set up, but it would certainly need very strong centralised direction, by someone of sufficient calibre and with enough time to give it the necessary impetus.

4. I am sending copies of this minute to John Nott, Keith Joseph, Michael Heseltine, Paul Channon, Sir Robert Armstrong and Sir Derek Rayner.

(G.H.)

3 April 1980

SECRET

SUBJECT

FILE

4

Government Machine

10 DOWNING STREET

THE PRIME MINISTER

Personal Minute
No. M 9

CHANCELLOR OF THE EXCHEQUER

The Efficiency of Central Government

As you know, there will be a special meeting of the Cabinet on 25 April to discuss Civil Service manpower policy on the basis of papers by the Secretary of State for the Environment and the Minister of State, CSD. I am much encouraged that you are involving yourself in the preparatory work Paul Channon is undertaking for his paper in consultation with Sir Derek Rayner.

I have also asked Sir Derek Rayner to attend the Cabinet meeting and to circulate beforehand a paper containing his observations and further suggestions on efficiency generally. This should help our colleagues and us to consider what are the lessons of our first year's experience, now nearing completion.

The main purpose of this minute is, however, to ask for your help in work I have now commissioned from the Minister of State, CSD, the Head of the Civil Service, the Secretary of the Cabinet and Sir Derek Rayner with the aim of producing substantial and lasting reforms. Useful as the scrutiny programme and other efficiency exercises are, I believe that they do not reach down to the underlying causes of inefficiency.

My aims are therefore a strengthening of management by and under Ministers in their departments; a strengthening of resource management by Ministers in the central departments; and changes in the managerial culture of the Civil Service.

/The third

SECRET

DSG

The third of those aims is mainly for the Minister of State, CSD, to lead on in the first instance. I have asked him for advice on the following, which he will prepare in consultation with you as appropriate and with Sir Derek Rayner:

(a) Means of giving special recognition, through pay or personal promotion, for success in grade; the accelerated advancement of individuals; and whether the entitlement to automatic annual increments is still justified.

(b) A "model succession policy" for the Civil Service, so as to promote to management posts, especially the senior ones, individuals with the right track record.

(c) A possible requirement that heads of department should give a regular, personal account of what they have simplified, eliminated or saved and that departments should publish an annual statement of their achievement in this respect.

(d) A policy for enabling staff, especially those in staff-intensive departments, to give of their best.

(e) Whether it would be likely to provide useful information to ask a department on a pilot basis to keep a record of the cost of resources committed in support of its Parliamentary work.

On departmental management, and the financial framework within which it operates, I have asked Sir Derek Rayner for advice on the matters set out below. I should be grateful if you would give him your support and help; he will also consult the Minister of State, CSD, and the Head of the Government Accountancy Service in the Department of Industry as necessary:

/(a) How best

(a) How best to define the managerial authority of Ministers in charge of departments, so as plainly to establish their management function vis-a-vis that of their officials. This should include the good habits that Ministers need to practise as managers, for example the value of looking back at the reasons why resources were committed to particular policy objectives and of comparing performance with the results intended.

(b) Defining the responsibility and accountability of officials to Ministers, especially that of Accounting Officers and those who occupy key management posts. (Sir Derek Rayner would here, as elsewhere, hope to draw on work already going on in the Treasury.)

(c) Clarifying the responsibility and authority of and the qualifications needed by Principal Finance and Establishment Officers. I should like to see a steady progression towards the employment of those qualified in financial management and management accountancy.

(d) The strengthening of the financial framework, with particular reference to the structure of Public Expenditure Survey programmes; the relationship between these and the organisation of departments; and the presentation of information and departmental expenditure in the Supply Estimates.

I understand that there is already work going on in and between the Treasury and the CSD on the financial framework (6(d) above). I very much welcome this. I hope that, with Sir Derek Rayner's help, it can be brought together in the shape of proposals for endorsement by Ministers later this year.

In addition, I should be grateful if the need for and application of the "annuality rule" could be examined and also the possible need for greater cost-consciousness in the imposition and application

/of regulations

of regulations and standards. I am asking Sir Derek Rayner to get in touch with you about these and the other points listed above.

As far as the central Ministers are concerned, I see two main requirements.

First, as we face the public expenditure problems of this and succeeding Administrations, I am certain that it is necessary to consolidate recent experience (notably with Cash Limits) and to be specific about the aims and methods of central control and the balance between this and departmental control. I do not intend by this a change in the fundamental idea of partnership between spending departments and the centre, but that we should be absolutely clear about what must be left to Departmental Ministers and what must remain within the interest and responsibility of central Ministers - for example the development and monitoring of consistent, reliable and effective systems of planning and control in departments.

There is relevant work already in hand in the Treasury and CSD, for example on the Public Expenditure Survey, the current scrutiny of public expenditure monitoring in the Treasury and the scrutiny of expenditure control intended by the Treasury for the autumn. I should be grateful if you would consider with the Minister of State, CSD, as appropriate and with Sir Derek Rayner how this work can be expedited and brought to Ministers in the shape of recommendations later in the year.

Secondly, I can see a good case in principle for ending the separation of Treasury and CSD control and related functions. I should accordingly be grateful if Sir Douglas Wass, Sir Robert Armstrong and Sir Derek Rayner would assist the Head of the Civil Service in preparing advice for me in his capacity as my adviser on machinery of government on the following propositions:

/(a) that

(a) that the relevant parts of the CSD (e.g. manpower, personnel management) should be brought back within the framework of and re-formed with the relevant parts of the Treasury;

(b) that the office of Head of the Government Accountancy Service should be relocated in the Treasury;

(c) that parts of the CSD not relevant to the control and related functions (e.g. the Civil Service Catering Organisation) should be combined in a service agency under the re-formed Treasury;

(d) that the Property Services Agency should be relocated with this new agency; and

(e) that there might be a new office of "Inspector General of the Civil Service", reporting to me, perhaps from within the re-formed Treasury, but available to all Ministers on the efficiency and effectiveness of Civil Service operations - its role, were it created, would be mainly one of quality assurance rather than inquisition.

I have asked Sir Derek Rayner to let you have a resume of his views on all these matters. I should be glad to discuss them with you and him at some stage if that would be helpful. I quite accept that there are no perfect or ready-made solutions; for example, the re-formed Treasury/CSD could, without taking great care over the design and working arrangements, impose excessive burdens on its Ministers. But I am sure that on the basis of our experience so far, we must strengthen the foundations for resource management by reforms of a lasting nature.

I have asked for advice on the scheduling of the work I have commissioned, but I intend to press it to a conclusion at the earliest feasible date. Knowledge of the work affecting the machinery of government should be restricted to the Treasury and the Civil Service Department on a strictly "need to know" basis.

/I am

I am copying this to the Minister of State, CSD, Sir Ian Bancroft, Sir Robert Armstrong and Sir Derek Rayner.

Margaret Thatcher

3 April 1980

255

Govt Mach 3

PRIME MINISTER

I promised to let you have tonight a minute for you to send to the Chancellor about Derek Rayner's proposals on the efficiency of central government. Attached is a draft minute for you to sign, which has been prepared by Clive Priestley and which incorporates comments from Ian Bancroft and Robert Armstrong.

The machinery of government recommendation refers to the Head of the Government Accountancy Service (who it is proposed would be brought into the Treasury) and also to the PSA (which would be incorporated in a new "service agency" coming under the Treasury). These particular points will, at some stage, need to involve the Secretary of State for Industry (who at present has the Head of the Government Accountancy Service reporting to him) and the Secretary of State for the Environment. But I think it is best not to bring these two Ministers in until further work has been done.

T.

AT.

2 April 1980

COVERING SECRET

Mr LANKESTER

cc for information

Mr Laughrin
Mr Wright

EFFICIENCY OF CENTRAL GOVERNMENT

1 You asked for a draft minute for the Prime Minister to send to the Chancellor of the Exchequer; I attach a draft, on which I consulted Sir Ian Bancroft and Sir Robert Armstrong earlier today. It incorporates the results of their comments and suggestions.

2 I hope that the draft is self-explanatory, but I should be grateful if you would consider the following tactical points:

a The draft does not indicate that the work commissioned by the Prime Minister follows on a personal minute to her from Sir Derek Rayner. If it is thought necessary to do this, you might insert a sentence in para 3.

b Nor does the draft mention the meeting held on 31 March.

c The machinery of government questions will need to involve at some stage the Secretaries of State for Industry and the Environment (in respect of the Head of the Government Accountancy Service and the Property Services Agency respectively), but I have assumed in para 14 knowledge should be restricted to the Treasury and the CSD until a later stage.

d As the draft now mentions Sir Douglas Wass (para 12), you might think it courteous for him to be included in para 15 among the copy addressees.

CP

C Priestley
2 April 1980

ENC: Draft minute to the Chancellor

~~624-8691~~ 3B

~~DRAFT OF~~ 2 APRIL 1980

SECRET

SECRET

CHANCELLOR OF THE EXCHEQUER

THE EFFICIENCY OF CENTRAL GOVERNMENT

1 As you know, there will be a special meeting of the Cabinet on 25 April to discuss Civil Service manpower policy on the basis of papers by the Secretary of State for the Environment and the Minister of State, CSD. I am much encouraged that you are involving yourself in the preparatory work Paul ~~Mr~~ Channon is undertaking for his paper in consultation with Sir Derek Rayner.

2 I have also asked Sir Derek Rayner to attend the Cabinet meeting and to circulate beforehand a paper containing his observations and further suggestions on efficiency generally. This should help our colleagues and us to consider what are the lessons of our first year's experience, now nearing completion.

3 The main purpose of this minute is, however, to ask for your help in work I have now commissioned from the Minister of State, CSD, the Head of the Civil Service, the Secretary of the Cabinet and Sir Derek Rayner with the aim of producing substantial and lasting reforms. Useful as the scrutiny programme and other efficiency exercises are, I believe that they do not reach down to the underlying causes of inefficiency.

4 My aims are therefore a strengthening of management by and under Ministers in their departments; a strengthening of ~~Ministers in the central departments in their~~ leadership of resource management by ~~the Cabinet as a~~ Ministers in the central departments; ~~whole~~; and changes in the managerial culture of the Civil Service.

5 The third of those aims is mainly for the Minister of State, CSD, to lead on in the first instance. I have asked

him for advice on the following, which he will prepare in consultation with you as appropriate and with Sir Derek Rayner:

a Means of giving special recognition, through pay or personal promotion, for success in grade; the accelerated advancement of individuals; and whether the entitlement to automatic annual increments is still justified.

b A "model succession policy" for the Civil Service, so as to promote to management posts, especially the senior ones, individuals with the right track record.

c A possible requirement that heads of department should give a regular, personal account of what they have simplified, eliminated or saved and that departments should publish an annual statement of their achievement in this respect.

d A policy for enabling staff, especially those in staff-intensive departments, to give of their best.

e Whether it would be likely to provide useful information to ask a department on a pilot basis to keep a record of the cost of resources committed in support of its Parliamentary work.

6 On departmental management, and the financial framework within which it operates, I have asked Sir Derek Rayner for advice on the matters set out below. I should be grateful if you would give him your support and help; he will also consult the Minister of State, CSD, and the Head of the Government Accountancy Service in the Department of Industry as necessary:

a How best to define the managerial authority of Ministers in charge of departments, so as plainly to establish their management function vis-a-vis that of their officials. This should include the good habits that Ministers need to practise as managers, for example the value of looking back at the reasons why resources were committed to particular policy objectives and of comparing performance with the results intended.

b Defining the responsibility and accountability of officials to Ministers, especially that of Accounting Officers and those who occupy key management posts. (Sir Derek Rayner would here, as elsewhere, hope to draw on work already going on in the Treasury.)

c Clarifying the responsibility and authority of and the qualifications needed by Principal Finance and Establishment Officers. I should like to see a steady progression towards the employment of those qualified in financial management and management accountancy.

d The strengthening of the financial framework, with particular reference to the structure of Public Expenditure Survey programmes; the relationship between these and the organisation of departments; and the presentation of information and departmental expenditure in the Supply Estimates.

7 I understand that there is already work going on in and between the Treasury and the CSD on the financial framework (6 d above). I very much welcome this. I hope that, with Sir Derek Rayner's help, it can be brought together in the shape of proposals for endorsement by Ministers later this year.

8 In addition, ~~On supplementary matters~~, I should be grateful if the need for and application of the "annuality rule" could be examined and also the possible need for greater cost-consciousness in the imposition and application of regulations and standards. I am asking Sir Derek Rayner to get in touch with you about these and the other points listed above.

9 As far as the central Ministers are concerned, I see two main requirements.

10 First, as we face the public expenditure problems of this and succeeding Administrations, I am certain that it is necessary to consolidate recent experience (notably with Cash

Limits) and to be specific about the aims and methods of central control and the balance between this and departmental control. I do not intend by this a change in the fundamental idea of partnership between spending departments and the centre, but that we should be absolutely clear about what must be left to Departmental Ministers and what must remain within the interest and responsibility of central Ministers, for example the development and monitoring of consistent, reliable and effective systems of planning and control in departments.

11 There is relevant work already in hand in the Treasury and CSD, for example on the Public Expenditure Survey, the current scrutiny of public expenditure monitoring in the Treasury and the scrutiny of expenditure control intended by the Treasury for the autumn. I should be grateful if you would consider with the Minister of State, CSD, as appropriate and with Sir Derek Rayner how this work can be expedited and brought to Ministers in the shape of recommendations later in the year.

12 Secondly, I can see a good case in principle for ending the separation of Treasury and CSD control and related functions. I should accordingly be grateful if Sir Douglas Wass, Sir Robert Armstrong and Sir Derek Rayner would assist the Head of the Civil Service in preparing advice for me in his capacity as my adviser on machinery of government on these following propositions:

a that the relevant parts of the CSD (eg manpower, personnel management) should be brought back within the framework of and re-formed with the relevant parts of the Treasury;

b that the office of Head of the Government Accountancy Service should be relocated in the Treasury;

c that parts of the CSD not relevant to the control and

and related functions (eg the Civil Service Catering Organisation) should be combined in a service agency ~~subtended from~~ under the re-formed Treasury;

d that the Property Services Agency should be relocated with this new agency; and

e that there might be a new office of "Inspector-General of the Civil Service", reporting to me, perhaps from within the re-formed Treasury, but available to all Ministers on the efficiency and effectiveness of Civil Service operations - its role, were it created, would be mainly one of quality assurance rather than inquisition.

13 I have asked Sir Derek Rayner to let you have a resume of his views on all these matters. I should be glad to discuss them with you and him at some stage if that would be helpful. I quite accept that there are no perfect or ready-made solutions; for example, the re-formed Treasury/CSD could, without taking great care over the design and working arrangements, impose ~~over heavy~~ excessive burdens on its Ministers. But I am sure that on the basis of our experience so far, we must strengthen the foundations for resource management by reforms of a lasting nature.

14 I have asked for advice on the scheduling of the work I have commissioned, but I intend to press it to a conclusion at the earliest feasible date. ~~I shall not announce that part of it affecting~~ Knowledge of the work affecting the machinery of government, ~~knowledge of which~~ should be restricted to the Treasury and the Civil Service Department on a strictly "need to know" basis.

15 I am copying this to the Minister of State, CSD, Sir Ian Bancroft, Sir Robert Armstrong and Sir Derek Rayner.

Blind (advance) copy:

Mr Lankester

B.

COVERING SECRET

COPY TO EACH

Mr Laughrin
Mr Wright

Copy for information

Sir Derek Rayner

EFFICIENCY OF CENTRAL GOVERNMENT

1 I have been asked to let Mr Lankester have by this evening a draft minute for the Prime Minister to sent to the Chancellor of the Exchequer following her meeting with Mr Channon and others last Monday.

2 A draft is attached.

3 Will you please let me know by 5 pm this afternoon whether Sir Ian Bancroft or Sir Robert Armstrong have any comments on it?

CP

C Priestley
2 April 1980

233 8224

ENC: Draft minute to the Chancellor of the Exchequer

3A

DRAFT OF 2 APRIL 1980

SECRET

CHANCELLOR OF THE EXCHEQUER

THE EFFICIENCY OF CENTRAL GOVERNMENT

1 As you know, there will be a special meeting of the Cabinet on 25 April to discuss Civil Service manpower policy on the basis of papers by the Secretary of State for the Environment and the Minister of State, CSD. I am much encouraged that you are involving yourself in the preparatory work Mr Channon is undertaking for his paper in consultation with Sir Derek Rayner.

2 I have also asked Sir Derek Rayner to attend the Cabinet meeting and to circulate beforehand a paper containing his observations and further suggestions on efficiency generally. This should help our colleagues and us to consider what are the lessons of our first year's experience, now nearing completion.

3 The main purpose of this minute is, however, to ask for your help in work I have now commissioned from the Minister of State, CSD, the Head of the Civil Service, the Secretary of the Cabinet and Sir Derek Rayner with the aim of producing substantial and lasting reforms. Useful as the scrutiny programme and other efficiency exercises are, I believe that they do not reach down to the underlying causes of inefficiency.

4 My aims are therefore a strengthening of management by and under Ministers in their departments; a strengthening of the central Ministers (yourself, the Lord President and me) in our leadership of resource management by the Cabinet as a whole; and changes in the managerial culture of the Civil Service.

5 The third of those aims is mainly for the Minister of State, CSD, to lead on in the first instance. I have asked

him for advice on the following, which he will prepare in consultation with you as appropriate and with Sir Derek Rayner:

a Means of giving special recognition, through pay or personal promotion, for success in grade; the accelerated advancement of individuals; and the entitlement to automatic annual increments.

b A "model succession policy" for the Civil Service, so as to promote to management posts, especially the senior ones, individuals with the right track record.

c A possible requirement that heads of department should give a regular, personal account of what they have simplified, eliminated or saved and that departments should publish an annual statement of their achievement in this respect.

d A policy for enabling staff, especially those in staff-intensive departments, to give of their best.

6 On departmental management, and the financial framework within which it operates, I have asked Sir Derek Rayner for advice on the matters set out below. I should be grateful if you would give him your support and help; he will also consult the Minister of State, CSD, and the Head of the Government Accountancy Service in the Department of Industry as necessary:

a How best to define the managerial authority of Ministers in charge of departments, so as plainly to establish their management function vis-a-vis that of their officials. This should include the good habits that Ministers need to practise as managers, for example the value of looking back at the reasons why resources were committed to particular policy objectives and of comparing performance with the results intended.

b Defining the responsibility and accountability of officials to Ministers, especially that of Accounting Officers and those who occupy key management posts. (Sir Derek Rayner would here, as elsewhere, hope to draw on work already going on in the Treasury.)

c Clarifying the responsibility and authority of and the qualifications needed by Principal Finance and Establishment Officers. I should like to see a steady progression towards the employment of those qualified in financial management and management accountancy.

d The strengthening of the financial framework, with particular reference to the structure of Public Expenditure Survey programmes; the relationship between these and the organisation of departments; and the presentation of information and departmental expenditure in the Supply Estimates.

7 I understand that there is already work going on in and between the Treasury and the CSD on the financial framework (6 d above). I very much welcome this. I hope that, with Sir Derek Rayner's help, it can be brought together in the shape of proposals for endorsement by Ministers later this year.

8 As supplementary matters, I should be grateful if the need for and application of the annuality rule could be examined and also the possible need for greater cost-consciousness in the imposition and application of regulations and standards. I am asking Sir Derek Rayner to get in touch with you about these and the other points listed above.

9 As far as the central Ministers are concerned, I see two main requirements.

10 First, as we face the public expenditure problems of this and succeeding Administrations, I am certain that it is necessary to consolidate recent experience (notably with Cash

Limits) and to be specific about the aims and methods of central control and the balance between this and departmental control. I do not intend by this a change in the fundamental idea of partnership between spending departments and the centre, but that we should be absolutely clear about what must be left to Departmental Ministers and what must remain within the interest and responsibility of central Ministers, for example the development and monitoring of consistent, reliable and effective systems of planning and control in departments.

11 There is relevant work already in hand in the Treasury and CSD, for example on the Public Expenditure Survey, the current scrutiny of public expenditure monitoring in the Treasury and the scrutiny of expenditure control intended by the Treasury for the autumn. I should be grateful if you would consider with the Minister of State, CSD, as appropriate and with Sir Derek Rayner how this work can be expedited and brought to Ministers in the shape of recommendations later in the year; it may, for example, be necessary for the CSD to scrutinise its control functions in parallel with the Treasury scrutiny.

12 Secondly, I am very doubtful whether the continuing separation of Treasury and CSD control and related functions is desirable. I should accordingly be grateful if you, the Secretary of the Cabinet and Sir Derek Rayner would assist the Head of the Civil Service in preparing advice for me in his capacity as my adviser on machinery of government on these propositions:

a that the relevant parts of the Treasury and the CSD should be brought together within the framework of the Treasury within a year;

b that the office of Head of the Government Accountancy Service should be relocated in the Treasury;

c that parts of the CSD not relevant to the control and

and related functions (eg the Civil Service Commission) should be combined in a service agency subtended from the re-formed Treasury;

d that the Property Services Agency should be relocated with this new agency; and

e that there might be a new office of "Inspector-General of the Civil Service", reporting to me but available to all Ministers on the efficiency and effectiveness of Civil Service operations - its role, were it created, would be mainly one of quality assurance rather than inquisition.

13 I have asked Sir Derek Rayner to let you have a resume of his views on all these matters. I should be glad to discuss them with you and him at some stage if that would be helpful. I quite accept that there are no perfect or ready-made solutions; for example, the re-formed Treasury/CSD could, without taking great care over the design and working arrangements, impose over heavy burdens on its Ministers. But I am sure that on the basis of our experience so far, we must strengthen the foundations for resource management by reforms of a lasting nature.

14 I have asked for advice on the scheduling of the work I have commissioned, but I intend to press it to a conclusion at the earliest feasible date. I shall not announce that part of it affecting the machinery of government, knowledge of which should be restricted to the Treasury, CSD, Department of Industry and Department of the Environment on a strictly "need to know" basis.

15 I am copying this to the [Chief Secretary?], the Minister of State, CSD, Sir Ian Bancroft, Sir Robert Armstrong and Sir Derek Rayner.

Prime Minister

Are you content with this revised draft (which we have slightly amended in para 4)? The Chancellor has now invited you on this subject (Flag A), but I think you can still write as suggested.

TL 3/4

Ref. A01874

MR. LANKESTER

At the Prime Minister's meeting on 31st March I was asked to provide a revised draft of a minute for the Prime Minister to send to the Secretary of State for Trade, taking into account the points which had been made in the discussion.

2. I attach a revised draft herewith. You will see that I have suggested that both the Prime Minister's minute and the Secretary of State for Trade's minute should be circulated to all members of the Cabinet, with a view to the discussion on 25th April.

Agreed MT

RTA

Agreed MT.

(Robert Armstrong)

2nd April, 1980

DRAFT MINUTE FROM THE PRIME MINISTER

SECRETARY OF STATE FOR TRADE

Thank you for your minute of 12th March about waste in Government.

2. I propose to hold a special meeting of the Cabinet on 25th April to discuss questions of efficiency and manpower policy in the Civil Service. Your minute raises a number of points which we should consider at that meeting, and I am sending copies of it, with copies of this minute, to all Cabinet colleagues.

3. On Cabinet Committees I agree that we must make the system work for us and not let it take us over. In principle I am in favour of keeping down the numbers both of Committees and of Committee meetings. I am told that in both respects we still compare well with previous Governments. But do not let us lose sight of what the system can do for us. Apart from the advantages you mention - the crystallisation of issues and the proper recording of decisions - it is one way of enabling senior Ministers to exercise a political influence on decisions going beyond their departmental interests; and it helps us to know, and so to be able to defend, what each other is proposing and doing. The system provides a convenient framework for that, and for enabling us to deal with issues in an orderly way and at the right time.

4. The fact that something has been discussed in a Cabinet Committee should not mean that every subsequent development must be reported back in correspondence copied to all members of the Committee. There are times when an exchange of correspondence is

a less wasteful way of exchanging information or agreeing decisions than a meeting would be. But the ease with which documents can be copied makes people thoughtless about proliferation of them, which is not only wasteful but bad for security. The only way of disciplining prodigality is for those whose duty it is to decide to whom documents are to be copied to confine them always and strictly to those with a positive need to know. Ministers and their Private Offices should set an example on this.

5. As to sponsorship, each industry has a primary relationship with Government in one particular Department. That does not mean that that Department needs to monitor all that industry's relations with Government. I agree with you that there are considerable savings to be won by cutting out departmental activities which consist simply of monitoring what other Departments are doing. I am glad that Paul Channon is going to put proposals to us on this.

6. As to delegated authorities, the problem is to make Ministers and their Departments cost-conscious. You mentioned the CSD control over purchase of vehicles for the Coastguards. I am told that, left to itself, the Department would have spent a great deal more than they needed to spend. I should like to see the central departments concentrate more on broad control of expenditure, setting general rules and standards and leaving detail to spending departments; but we shall have to find some way of making Ministers and their departments more cost and resource conscious than they seem to be. We need to look at the whole problem of control of expenditure. We must discuss this, amongst other things, on 25th April.

7. On public appointments, I should like to continue to be consulted in advance about the appointment of all chairmen of nationalised industries and public appointments, and about all appointments of members which have political significance or implications. I am content not to be consulted about appointments of Deputy Chairmen, except those which have political implications, but in deciding whether or not to consult me I would like colleagues to bear in mind that a Deputy Chairman can often be asked to stand in for, or even take over from, a Chairman.

8. On attendance at Cabinet, I am prepared to waive the requirement of a personal minute seeking permission to be absent from a Cabinet meeting, where the absence is accounted for by an overseas visit which I have approved, on the understanding that the request for approval for the visit is copied to the Secretary of the Cabinet, who needs to know who is away when.

9. I am content not to be consulted about overseas visits by Ministers other than Cabinet Ministers, provided that such visits are approved by the Ministerial head of the department concerned, the Foreign and Commonwealth Secretary and the Chief Whip. I gather that at least one Department has introduced a cash limit on travel by Ministers; that is an example that others could well follow, to keep this expenditure in bounds.

This change of procedure does not affect the requirement for my approval to be sought for official visits overseas by Ministers' spouses and by Parliamentary Private Secretaries (see paragraphs 54 and 55 of Questions of Procedure for Ministers (C(P)(79)1)).

10. I am sending a copy of this minute to the Secretary of the Cabinet, who will arrange for "Questions of Procedure for Ministers" to be revised to take account of paragraphs 7, 8 and 9.

SECRET

10 DOWNING STREET

From the Private Secretary

1 April 1980

Dear Geoffrey,

The Prime Minister held a meeting yesterday afternoon to discuss the Secretary of State for Trade's minute of 12 March on waste in Government and Sir Derek Rayner's minute of 26 March on the efficiency of central government and lasting reforms. The following were present in addition to your Minister: Sir Ian Bancroft, Sir Robert Armstrong, Sir Derek Rayner and Mr. Priestley.

Waste in Government

The Prime Minister said that she had a good deal of sympathy for the points made in Mr. Nott's minute. In particular, she believed there was too much overlapping of functions between Departments. In some cases, staff in one Department seemed to be monitoring the work of other Departments quite unnecessarily; in other cases, for example as between ODA and FCO and as between the Departments of Industry and Trade, there seemed to be unnecessary duplication of work. She also agreed that the appointment of deputy chairmen of nationalised industries and public boards should not need to be cleared with her; nor should it be necessary for holidays and trips abroad by Junior Ministers to be cleared with No. 10. It would be right for Cabinet Ministers in future to be responsible for visits away from London by their Junior Ministers, though they would need to ensure that official visits were fully justified and that their Departments were always left with adequate Ministerial cover.

In discussion, Mr. Channon said that Mr. Nott's complaints about CSD control of his Department's expenditure were ill-founded. By monitoring expenditure on transport by Departments, the CSD were saving a great deal of money at little cost in terms of staff expenditure. The Prime Minister commented that the existence of central control of expenditure by the CSD and Treasury implied that Ministers were not sufficiently economy minded: it was a sad comment that such control appeared to be needed. None the less, she hoped that the Treasury and CSD would concentrate more on broad control of expenditure and on developing control parameters, leaving more of the detail to spending Departments.

/ Mr. Channon

SECRET

Mr. Channon said that he agreed with Mr. Nott that there was too much Departmental "sponsorship"; but the Department of Trade were in fact one of the biggest "sponsor" Departments, and they would need to drop some of their "sponsorship" activities. As regards Ministerial travel, Sir Ian Bancroft pointed out that the Scottish Office had introduced a specific cash limit on travel, and it would be worth considering extending this to other Departments.

Finally, the Prime Minister commented on what she regarded as much wasteful expenditure by the COI on paid publicity - for example on behalf of the Department of Energy. Sir Ian Bancroft said that there might be less waste in this area if Departments, rather than the COI, had responsibility for their own advertising budgets. Mr. Channon said that he would compile a report for the Prime Minister on COI advertising.

Summing up this part of the discussion, the Prime Minister asked Sir Robert Armstrong to provide a revised draft of a minute for her to send to Mr. Nott - taking into account the points which had been made.

The Efficiency of Central Government: Lasting Reforms

Introducing his paper, Sir Derek Rayner said that it was absolutely vital that Ministers in charge of Departments and their senior officials should be fully involved in the efforts to reduce Civil Service numbers and functions. The Rayner projects showed what in principle could be achieved, but if a major and lasting impact were to be made, Ministers and officials would have to take a much greater interest in bringing about a more efficient and streamlined Civil Service. There would need to be greater accountability for success or failure in meeting the Government's efficiency objectives. A whole new approach to Civil Service management was needed. At present, for example, whenever new problems had to be dealt with, Departments almost always asked for additional staff - instead of finding staff economies in other policy areas. Also, there were often ways of dealing with problems without a significant addition to staff numbers.

The meeting then discussed each of the paper's recommendations in turn.

(i) Recommendations 1-3: It was pointed out that in some very large Departments it would be difficult to combine the posts of Principal Finance and Establishment Officers because the combined job would simply be too big for one person. On the other hand, it was argued that the finance and manpower control functions in Departments

/ should

should be integrated as far as possible. The Prime Minister agreed that Sir Derek Rayner should take the lead on these recommendations with the help of the Treasury and the CSD and the Head of the Government Accountancy Service - with a view to reporting back later this year if possible.

(ii) Recommendation 4: It was agreed that the aims and practices of central control needed to be restated. The Treasury and the CSD, assisted by Sir Derek Rayner, should put forward recommendations.

(iii) Recommendation 5: Sir Derek Rayner said that the idea of an "Inspector General" was intended as a way of institutionalising the Rayner exercise on a continuing basis. The "Inspector General" would provide a continuing, independent source of advice on how the Civil Service might function better. The Prime Minister said that she was attracted by the idea, but it would require much further consideration before a decision could be taken. So too would the proposal to merge the CSD with the Treasury, although here again she could see a good case in principle. She would like Sir Ian Bancroft to examine further the idea of an "Inspector General" and the proposal for a merger between the Treasury and the CSD (and the other related changes proposed) in consultation with Sir Douglas Wass, Sir Robert Armstrong and Sir Derek Rayner. Sir Ian Bancroft said that the organisation of government at the centre was being looked at by the Select Committee on the Treasury and the Civil Service and officials giving evidence would need clearance from the Prime Minister on what they were to say. There was also the question of whether the merger study should be made public, given the Select Committee's interest in the subject. The Prime Minister said that, on balance, it would be better to keep it secret at this stage.

(iv) Recommendations 6 and 7: The Prime Minister said that she would consider these herself.

(v) Recommendations 8-11: It was agreed that the CSD should advise on these.

/ (vi)

(vi) Recommendation 12: It was agreed that it would be a good idea, in principle, to ask Departments to keep a record of the cost of resources committed in support of Parliamentary work. But further work was needed on how this might be done. The Prime Minister suggested that the CSD, in consultation with Sir Derek Rayner, should put forward recommendations with a view to action in one Department initially.

(vii) Recommendations 13-14: It was agreed that Sir Derek Rayner should take the lead on these recommendations drawing on the assistance of the CSD, the Treasury and the Head of the Government Accountancy Service.

(viii) Recommendation 15: This was agreed in principle; but it would be for the Treasury to take the lead.

Some of the recommendations which were agreed only affect your Department in the first instance; work on these can therefore begin immediately. A number of them, however, involve the Treasury. As regards these, the Prime Minister will shortly be writing to the Chancellor asking for his co-operation in carrying them forward. Clive Priestley has kindly agreed to provide a draft.

The Prime Minister has indicated that she hopes all of this work can go forward quickly and that Sir Derek Rayner can be involved as fully as possible. She would be grateful if your Minister would let her have a proposed timetable for carrying forward the various recommendations.

The Prime Minister does not want this work to be held up until the Cabinet discussion on manpower management in the Civil Service which has been planned for later this month. At that meeting, there will of course be papers by Mr. Channon and Mr. Heseltine and also a general paper by Sir Derek Rayner; but the Prime Minister does not wish to seek Cabinet's endorsement of the various recommendations mentioned above. Sir Derek's paper for Cabinet should not cover his machinery of government proposals, knowledge of which should be restricted to your Department and the Treasury on a strictly "need to know" basis; nor should Sir Derek's paper cover his honours proposals.

Finally, as you know, the Prime Minister has invited your Minister to Chequers next Wednesday to discuss Civil Service matters further. She has also asked Sir Derek Rayner to join them later in the day.

/ The Prime

3

The Prime Minister has it in mind to discuss with Mr. Channon the establishments of Departments, and it would be helpful if he could let the Prime Minister have in advance notes on departmental numbers which would enable her to see the data in a historical sequence. It would be helpful if this could also include information on the changes in staff numbers by grade, especially for big Departments such as DHSS, MOD, Inland Revenue and Customs and Excise.

The Prime Minister would hope to be able to obtain from this information and from her discussion with Mr. Channon a clearer idea of the issues facing Departments in the manpower field, and she would then like to go over with Mr. Channon the main ideas on manpower policy which he intends to put forward to the end-April Cabinet. The Prime Minister would like Sir Derek Rayner to join the discussion later in the day, partly to take stock of progress on the 1979 Rayner projects and partly to continue the discussion on manpower policy and lasting reforms.

I am sending copies of this letter to David Laughrin (Civil Service Department), David Wright (Cabinet Office) Sir Derek Rayner and Clive Priestley.

Yours ever,

Tim Lankester.

KRB

G. E. T. Green, Esq.,
Civil Service Department.

DRAFT LETTER TO G.E.T. GREEN, CIVIL SERVICE DEPARTMENT

The Prime Minister held a meeting yesterday afternoon to discuss the Secretary of State for Trade's minute of 12 March on waste in Government and Sir Derek Rayner's minute of 26 March on the efficiency of central government and lasting reforms. The following were present in addition to your Minister: Sir Ian Bancroft, Sir Robert Armstrong, Sir Derek Rayner and Mr. Priestley.

Waste in Government

The Prime Minister said that she had a good deal of sympathy for the points made in Mr. Nott's minute. In particular, she believed there was too much overlapping of functions between Departments. In some cases, staff in one Department seemed to be monitoring the work of other Departments quite unnecessarily; in other cases, for example as between ODA and FCO and as between the Departments of Industry and Trade, there seemed to be unnecessary duplication of work. She also agreed that the appointment of deputy chairmen of nationalised industries and public boards should not need to be cleared with her; nor should it be necessary for holidays and trips abroad by Junior Ministers to be cleared with No. 10. It would be right for Cabinet Ministers in future to be responsible for visits away from London by their Junior Ministers, though they would need to ensure that official visits were fully justified and that their Departments were always left with adequate Ministerial cover.

/In discussion,

In discussion, Mr. Channon said that Mr. Nott's complaints about CSD control of his Department's expenditure were ill-founded. By monitoring expenditure on transport by Departments, the CSD were saving a great deal of money at little cost in terms of staff expenditure. The Prime Minister commented that the existence of central control of expenditure by the CSD and Treasury implied that Ministers were not sufficiently economy minded: it was a sad comment that such control appeared to be needed. Nonetheless, she hoped that the Treasury and CSD would concentrate more on broad control of expenditure and on developing control parameters, leaving more of the detail to spending Departments.

Mr. Channon said that he agreed with Mr. Nott that there was too much Departmental "sponsorship"; but the Department of Trade were in fact one of the biggest "sponsor" Departments, and they would need to drop some of their "sponsorship" activities. As regards Ministerial travel, Sir Ian Bancroft pointed out that the Scottish Office had introduced a specific cash limit on travel, and it would be worth considering extending this to other Departments.

Finally, the Prime Minister commented on what she regarded as much wasteful expenditure by the COI on paid publicity - for example on behalf of the Department of Energy. Sir Ian Bancroft said that there might be less waste in this area if Departments, rather than the COI, had responsibility for their own advertising budgets. Mr. Channon

/said that he

said that he would compile a report for the Prime Minister on COI advertising.

Summing up this part of the discussion, the Prime Minister asked Sir Robert Armstrong to provide a revised draft of a minute for her to send to Mr. Nott - taking into account the points which had been made.

The Efficiency of Central Government: Lasting Reforms

Introducing his paper, Sir Derek Rayner said that it was absolutely vital that Ministers in charge of Departments and their senior officials should be fully involved in the efforts to reduce Civil Service numbers and functions. The Rayner projects showed what in principle could be achieved, but if a major and lasting impact were to be made, Ministers and officials would have to take a much greater interest in bringing about a more efficient and streamlined Civil Service. There would need to be greater accountability for success or failure in meeting the Government's efficiency objectives. A whole new approach to Civil Service management was needed. At present, for example, whenever new problems had to be dealt with, Departments almost always asked for additional staff - instead of finding staff economies in other policy areas. Also, there were often ways of dealing with problems without a significant addition to staff numbers.

The meeting then discussed each of the paper's recommendations in turn.

/(i)

(i) Recommendations 1-3: It was pointed out that in some very large Departments it would be difficult to combine the posts of Principal Finance and Establishment Officers because the combined job would simply be too big for one person. On the other hand, it was argued that the finance and manpower control functions in Departments should be integrated as far as possible. The Prime Minister agreed that Sir Derek Rayner should take the lead on these recommendations with the help of the Treasury and the CSD and the Head of the Government Accountancy Service - with a view to reporting back later this year if possible.

(ii) Recommendation 4: It was agreed that the aims and practices of central control needed to be restated. The Treasury and the CSD, assisted by Sir Derek Rayner, should put forward recommendations.

(iii) Recommendation 5: Sir Derek Rayner said that the idea of an 'Inspector General' was intended as a way of institutionalising the Rayner exercise on a continuing basis. The 'Inspector General' would provide a continuing, independent source of advice on how the Civil Service might function better. The Prime Minister said that she was attracted by the idea, but it would require much further consideration before a decision could be taken. So too would the proposal to merge the CSD with the Treasury, although here again she could see a good case in principle. She would like Sir Ian Bancroft to

/examine

examine further the idea of an 'Inspector General' and the proposal for a merger between the Treasury and the CSD (and the other related changes proposed) in consultation with Sir Douglas Wass, Sir Robert Armstrong and Sir Derek Rayner. Sir Ian Bancroft said that the organisation of government at the centre was being looked at by the Select Committee on the Treasury and the Civil Service and officials giving evidence would need clearance from the Prime Minister on what they were to say. There was also the question of whether the merger study should be made public, given the Select Committee's interest in the subject. The Prime Minister said that, on balance, it would be better to keep it secret at this stage.

(iv) Recommendations 6 and 7: The Prime Minister said that she would consider these herself.

(v) Recommendations 8-11: It was agreed that the CSD should advise on these.

(vi) Recommendation 12: It was agreed that it would be a good idea, in principle, to ask Departments to keep a record of the cost of resources committed in support of Parliamentary work. But further work was needed on how this might be done. The Prime Minister suggested that the C.S.D., in consultation with the Sir Derek Rayner, should put forward recommendations with a view to action in one Department initially.

/(vii)

(vii) Recommendations 13-14: It was agreed that Sir Derek Rayner should take the lead on these recommendations drawing on the assistance of the CSD, the Treasury and the Head of the Government Accountancy Service.

(viii) Recommendation 15: This was agreed in principle; but it would be for the Treasury to take the lead.

Some of the recommendations which were agreed only affect your Department in the first instance; work on these can therefore begin immediately. A number of them, however, involve the Treasury. As regards these, the Prime Minister will shortly be writing to the Chancellor asking for his co-operation in carrying them forward. ~~Mr~~ Clive Priestley has kindly agreed to provide a draft.

The Prime Minister has indicated that she hopes all of this work can go forward quickly and that Sir Derek Rayner can be involved as fully as possible. She would be grateful if your Minister would let her have a proposed timetable for carrying forward the various recommendations.

The Prime Minister does not want this work to be held up until the Cabinet discussion on manpower management in the Civil Service which has been planned for later this month. At that meeting, there will of course be papers by Mr Channon and Mr Heseltine and also a general paper by Sir Derek Rayner; but the Prime Minister does not wish to seek Cabinet's endorsement of the various recommendations mentioned above. Sir Derek's paper for Cabinet should not cover his machinery of government proposals, knowledge of which should be restricted to your Department and the Treasury on a strictly "need to know" basis; nor should Sir Derek's paper cover his honours proposals.

Finally, as you know, the Prime Minister has invited your Minister to Chequers next Wednesday to discuss Civil Service matters further. She has also asked Sir Derek Rayner to join them later in the day.

The Prime Minister has it in mind to discuss with Mr. Channon the establishments of Departments, and it would be helpful if he could let the Prime Minister have in advance notes on departmental numbers which would enable her to see the data in a historical sequence. It would be helpful if this could also include information on the ~~movement of~~ changes in staff numbers by grade, especially for big Departments such as DHSS, MOD, Inland Revenue and Customs and Excise.

The Prime Minister would hope to be able to obtain from this information and from her discussion with Mr. Channon a clearer idea of the issues facing Departments in the manpower field, and she would then like to go over with Mr. Channon the main ideas on manpower policy which he intends to put forward to the end-April Cabinet. The Prime Minister would like Sir Derek Rayner to join the discussion later in the day, partly to take stock of progress on the 1979 Rayner projects and partly to continue the discussion on manpower policy and lasting reforms.

I am sending copies of this letter to David Laughrin (Civil Service Department), David Wright (Cabinet Office), Sir Derek Rayner and Clive Priestley.

File Tour
Govt 1
Machinery

SECRET

10 DOWNING STREET

From the Private Secretary

MR. PRIESTLEY

Attached is a draft record of yesterday's meeting. I propose to put this to the Prime Minister tonight for her clearance. We do not normally do this, but since there was a good deal of uncertainty about the outcome of yesterday's meeting, and because I have included proposals for next Wednesday's session at Chequers, I propose to do so in this case. I have taken one or two liberties on the record to get it clear who is responsible for what: this is another reason for putting it to her.

If you have any points, could you telephone please?

T. P. LANKESTER

1 April 1980

SP

SECRET

CONFIDENTIAL

Mr LANKESTER

Efficiency etc

We spoke. I attach some notes on the meeting yesterday. Perhaps we may speak when you are ready.

I shall be glad to offer a draft letter/ minute to those concerned if that would help.

C Priestley
1 April 1980

DECISIONS ON Mr NOTT'S MINUTE OF 12 MARCH

Prime Minister said that she had a draft reply (from the Cabinet Office), but very much thought that she could not reply to Mr Nott ad hoc. There was some discussion of particular points in the minute (eg CSD control over the purchase of vehicles), on some of which notes were promised by CSD, but I think the outcome was that Mr Nott's minute should be regarded as one input to a Cabinet at Chequers. This would deal with:

Civil Service numbers and costs (papers by Mr Heseltine and Mr Channon)

Sir D Rayner's thoughts on "lasting reforms", presumably re-cast in the form of a paper for Cabinet discussion, either

a indicating what work the Prime Minister (in agreement with the Chancellor ?) had already commissioned from the Chancellor, Mr Channon, Sir Ian Bancroft and Sir Derek Rayner; <u>or</u>

b indicating what Sir DR thought the issues were, with an endorsement by the PM, but very much

i asking Ministers what they thought the issues were and

ii seeking their co-operation in further work by those named above.

2 On the whole, I would prefer the course at b above.

DECISIONS FOR MEETINGS AT CHEQUERS ON Wednesday 9 APRIL

3 Mr Channon to see PM mid-morning to discuss the establish-ments of Departments. I suggest that he should be asked to let the PM have notes on the numbers which enable her to see the data in an

historical sequence. Say 1970, 1974 and 1979. And also notes on the movement of staff numbers by grade; this should be particularly interesting in the case of the big departments (eg DHSS, IR and C&E).

4 The main thrust of this meeting, if I may suggest it, should be that the PM should look at some departments in order to get the issues into her mind and spend at least half of her time with Mr Channon going through his ideas on manpower policy for the later Chequers Cabinet.

5 Sir Derek Rayner and I could then join in and supplement over lunch and after if necessary.

6 Sir Derek Rayner and I are to join the PM (and presumably Mr Channon) for lunch, ostensibly to talk about progress on the 1979 "Rayner projects". (His and Mr Channon's recent minutes are relevant.) But - subject to the PM's views - I think that the time would best be spent on manpower policy and on lasting reforms. Sir Derek Rayner would be interested to know whether what he has put to the PM is actually addressed to the targets she is interested in.

7 On the logistics, perhaps you will let me know when Sir DR and I should arrive. You will need to know that he has a chauffeur who can no doubt be fed at Chequers and that his car is a grey Rolls Royce, registration number WYY 882G.

RAYNER OFFICIALS

8 The PM asked for a list of the Rayner officials and suggested that Mr Ponting (MOD) should have the next AS promotion there. Perhaps you will let me know what is wanted in respect of these points. (On Ponting, I have sent Mr Whitmore a copy of a personal letter from Sir DR to Sir Frank Cooper.)

DECISIONS ON Sir D RAYNER'S "LASTING REFORMS" RECOMMENDATIONS

Recommendation	Substance	Decision
1	Define/clarify managerial authority of Ministers	Agreed.
2	Define/clarify managerial authority of officials	Sir D Rayner to lead, with help of Tsy, CSD and head of Govt Accy Service.
3	Define/clarify authority, responsibility & qualifications of PFOs and PEOs.	Report this year if possible.
4	Restate aims and practice of central control	Lead not established. Suggest Sir Ian Bancroft should lead as agreed on Recn 5.
5	Examine Inspector-General idea; merge relevant parts of CSD and Tsy by 1/4/81; combine rest of CSD in an agency by the same date; consider whether PSA should be joined to that agency by, say, 1/4/82	Sir Ian Bancroft to lead, bringing in Tsy and Sir D Rayner. Suggest call for recommendations agree with Sir D Rayner by 1 October 1980.
6	Discontinue automatic honours at senior grades	Agreed, for action after the June 1980 Honours List
7	More honoursfor junior & middle-ranking officials	Held over.
8	Bring forward this year proposals for special recognition etc.	
9	CSD to prepare model succession policy	
10	Heads of department to give personal account of what they have simplified etc	

Recommendation	Substance	Decision
11	Policy to enable staff to give of their best	Recns 8 - 11 agreed. Action with Mr Channon. Suggest call for recommendations agreed with Sir D Rayner by end-1980.
12	Record in session 1980-81 cost of resources committed to Parliamentary work	Provisionally agreed. But not as important as other things.
13	Tsy and CSD work on financial framework should be brought together this year for Ministerial endorsement.	Agreed. Sir D Rayner to lead as for Recns 1 - 3.
14	Annuality rule should be examined	Suggest call for recommendations agreed with Chancellor and other Ministers by end-1980.
15	Promulgate lessons on costs & benefits of regulations on safety etc	Agreed. Action for Tsy.

PRIME MINISTER

cc:- Mr Whitmore

We arranged this meeting, at your request, for you to discuss Mr Nott's minute on Waste in Government - and how you might respond to it. Mr Nott's minute is at Flag A; the draft reply suggested by Sir Robert Armstrong is at Flag B. At Flag C is a note from Mr Channon - which argues against Mr Nott's point that we need less CSD control of manpower.

Sir Derek Rayner promised you a preliminary paper on "Lasting Reforms" in central government. This has now arrived, and is enclosed in this folder at Flag D. It is an extremely interesting document, and it covers some of the points in Mr Nott's minute - and a great deal more. I think it would help you to read the Rayner paper alongside Mr Nott's minute; and I suggest that you might take the opportunity of the Monday meeting to have a first discussion of the Rayner paper.

Sir Derek Rayner had envisaged discussing his paper with you privately, but I can see no objection to a discussion with Robert Armstrong, Ian Bancroft and Paul Channon present as well. In any case, Ian Bancroft (and through him, Paul Channon) and Robert have received copies of the Rayner report.

Assuming you would like to discuss the Rayner paper at the Monday meeting, would you like Sir Derek to bring Mr Priestley with him? He would like to, if possible. Yes please

/I am

I am putting into the box separately a progress report from Derek Rayner on the Rayner projects, and also a report from Paul Channon on their wider application. I have made some suggestions as to how you might respond to these reports, but this can be done in writing and I see no need for a discussion.

P.

28 March 1980

CONFIDENTIAL

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

27th March, 1980

M. Pattison, Esq.,
Private Secretary,
10, Downing Street

Dear Mike,

CIVIL SERVICE EFFICIENCY ETC.

The Chancellor has been following with interest the correspondence preparatory to the Chequers meeting on civil service numbers and costs, and related subjects. I am writing simply to say that he very much welcomes this discussion, and would like to play a full part in preparing for it. He will in fact be attending the preparatory meeting with Mr. Channon and Sir Derek Rayner, scheduled for 14th April.

I am copying this letter to Geoffrey Green and Sir Derek Rayner.

Yours ever,

MAH

M.A. HALL
Private Secretary

COVERING PERSONAL AND CONFIDENTIAL

CA

BWH

cc for information

Sir Derek Rayner o/r

Mr WHITMORE

A. SECRETARY OF STATE FOR TRADE'S MINUTE ON "WASTE IN GOVERNMENT"

B. Sir DEREK RAYNER'S MINUTE ON "LASTING REFORMS"

1. Thank you for sending me a copy of Mr Nott's minute of 12 March, I gather that the Prime Minister is to discuss it with him, Mr Channon, Sir Ian Bancroft and Sir Robert Armstrong on Monday afternoon, 31 March.

2. Sir Derek Rayner's secretary at M&S has sent him a telex in Canada at my request, conveying the Prime Minister's invitation to him to be present also. I will let Miss Stephens know the result as soon as I have it. (Sir Derek is back this weekend, but already had diary commitments for Monday afternoon.)

3. I am sending you herewith for the Prime Minister Sir Derek Rayner's submission (personal and confidential at this stage) onlasting reforms in Central Government. This is the product of his thinking so far on "Whitehall conventions" and follows on the meeting he had with you, Mr Wolfson, Mr Pattison, Mr Allen and me at his home on 25 February. It is relevant to Mr Nott's suggestion that "we should engage in a searching examination of the way we operate as a Government" (p.5).

4. As his covering note explains, this is intended for the Prime Minister only at this stage, to check whether the proposals he makes deal with the issues that concern her. He consulted CSD Permanent Secretaries on a personal basis about an earlier draft, but no-one else.

5. The covering minute and its attached summary of recommedations are intended to help the Prime Minister by bringing out the main points. (The summary of recommendations is also offered as the agenda for a meeting with the Prime Minister which Sir Derek Rayner seeks.)

6. It would be helpful for the Prime Minister to read Sir Derek's submission before the meeting on Monday, especially as Mr Nott suggests (on page 5 of his minute) that he (Rayner) might be invited "to look into some of the central controls I have mentioned and the efficiency of the Whitehall machine".

7. You might also like to include the following points in the Prime Minister's brief for Monday's meeting.

a. Collective responsibility (pp 1 and 2 of Mr Nott's minute)

8. One of the main planks in the Rayner "lasting reforms" platform is achieving the correct balance between strong management by and under Ministers in their departments and strong management by Cabinet in its collective capacity under the leadership of the Prime Minister, assisted by the Chancellor.

9. Sir Derek Rayner suggests some work to help achieve this, but I am sure that he would advise not awaiting its outcome to go ahead with action now to cut out needless activity or busy-ness of the kind Mr Nott describes and to promote informal contacts.

10. Sir Derek Rayner would be highly sympathetic with Mr Nott's reference to Committees. These, as you know, he regards as generally very wasteful.

b. "Sponsorship" (pp. 2 and 3)

11. Sir Derek Rayner would regard one Department's monitoring another in the interest of a client group as, in general, another example of needless activity.

12. It is that kind of wasteful use of talent that has led him to suggest, in recent minutes to the Prime Minister and Mr Channon on Civil Services numbers and costs, that the main aims of a well thought-out policy should include:

- reducing the activities of Government as a result of thorough examination; and

- reducing the length of the hierarchy.

13. The fundamental question is, obviously, "What value does a function or activity add to the common good and at what price?

c. Central control (pp. 3 and 4)

14. Sir Derek Rayner's submission argues that the aims and practice of and the machinery for central control should be brought up to date. He would sympathise with Mr Nott's view to the extent that a small Treasury/CSD should concentrate on such important Departmental matters as the quality and effectiveness of their resource control and management systems and on important spending programmes, not on the trivia.

14. As for the PSA, I think two points are relevant:

- the scrutiny of departmental running costs recommended to Ministers in Sir Derek's letter of 22 February, which will progressively increase Ministers' grasp of their costs; and

- the current study of repayment for PSA services, which is not known to Ministers generally.

CP

C PRIESTLEY
26 March 1980

Enc: Sir Derek Rayner's minute of today's date, plus attachments

COVERING PERSONAL AND CONFIDENTIAL

PRIME MINISTER

THE EFFICIENCY OF CENTRAL GOVERNMENT: LASTING REFORMS

1. You envisage a special Cabinet meeting to consider manpower management in the Civil Service and, perhaps, a paper from me on "conventions". This meeting would be after the pay settlement and associated manpower cuts have been decided.

2. I attach a submission containing my thoughts on "conventions" (or "lasting reforms"). It is introduced by a summary of the recommendations I make in it, together with comments on a possible programme of work. If you agree, this summary might provide the agenda for a discussion between us.

3. May I draw your attention to these points before you read my submission, please?

a. The minute is intended only for you at this stage. I would have it in mind to prepare another version for wider circulation, should you wish that; such a version would need to guard your prerogative in respect of machinery of government (Recommendations 4 and 5) and honours (Recommendations 6 and 7).

b. A principal purpose of the submission is to establish whether the points which I regard as important are indeed the most important to you and whether you have other questions in mind.

c. The main paper on manpower management should, I suggest, come from Mr Channon. But I should add that I regard a determined policy of reducing the functions of Government and the length of the Civil Service hierarchy as not only important in their own right but as very important to the morale of the nation (including the Service itself) and to other public sector employers.

d. My proposals aim at strengthening management by and under Ministers in their departments; at strengthening you and your "central" colleagues in your leadership of management by the Cabinet as a whole; and at beneficial changes in the managerial culture of the Service as a whole. Some proposals, eg the cessation of automatic honours for senior officials, are intended to have a galvanising effect.

e. Some of my proposals - eg for defining the managerial roles of Ministers and Civil Servants (Recommendations 1-3) or for regularising the financial framework (Recommendation 13) - may seem humdrum. But I firmly believe that such action is needed; that it would crown much useful work that has been going on slowly over the last 10 years or so; and that we cannot afford to continue with the ill definition of the nature and extent of responsibility for resources which is so marked in much of the Government Service.

f. Other proposals - for re-stating the aims and practices of central control, amalgamating parts of the CSD with the Treasury and providing the Prime Minister with an "Inspector-General of the Civil Service" (Recommendations 4 and 5) - may seem, by contrast, needlessly dramatic. I do not think they are. I believe that you, your colleagues and the nation are entitled to administrative practice and machinery which are robust enough to save you and your successors from the need for more "Rayners". To balance strong departmental management, the head of the Government, the Chancellor and Cabinet need strong central management. And I have proposed the idea of an "Inspector-General" to raise the question whether you want to institutionalise an independent "quality assurance" function near you after my return to Baker Street.

g. There are few perfect or ready-made solutions. For example, the merged Treasury/CSD could, without taking very great care over the design and working arrangements, impose too heavy new burdens on the Chancellor and Chief Secretary. It would therefore be necessary to spend time on some of the matters I raise in order to arrive at workable conclusions. If, after discussion, we find that we are in agreement, my next task would be to prepare a detailed programme of work and the paper for wider circulation. I should, if you agreed, consult Sir Geoffrey Howe, Mr Channon and senior officials in doing so.

4. I should be grateful if Mr Priestley and I might discuss the submission with you when you are ready.

Clive Priestley

Derek Rayner
26 March 1980

(Prepared by Sir Derek Rayner in Canada and signed in his absence with his permission)

SUMMARY OF RECOMMENDATIONS AND WORK PROGRAMME

1. My recommendations are in sum as follows. I have marked with an asterisk those I regard as of lesser importance for inclusion in any programme for which you wanted my help.

The scale of Government activity

You have a copy of my minute to Mr Channon of 13 March, offering some thoughts on the reduction of Government functions and the length of the hierarchy as a contribution towards his Cabinet paper on manpower management. No separate recommendations are made here (paras. 7 and 8).

The management of resources in departments

Recn 1 (para 10) The managerial authority of departmental Ministers should be defined and clarified.

Recn 2 (para 11) The managerial authority of officials should be codified, together with accountability for the use of resources.

Recn 3 (para 12) The authority, responsibility and qualifications of Principal Finance and Establishment Officers should be clarified as indicated, with a particular emphasis on the use of those qualified in financial management and management accountancy.

If you agree, I would take the lead on Recommendations 1 - 3 myself, drawing on the assistance of the Treasury, CSD and the Head of the Government Accountancy Service. I should aim to report later this year if possible, but would prefer not to commit myself to

an exact timetable until I have been able to plan the work in more detail.

The central departments

Recn 4 (para 14) The aims and practices of central control should be restated, with a particular emphasis on the respective responsibilities of the spending and the central departments and on the practicalities and logistics of the central control needed for the rest of the century.

If you agree, I would assist with this, drawing on existing work in the Treasury and CSD, e g on the Public Expenditure Survey; on the current scrutiny of the monitoring of public expenditure in the Treasury; and on the scrutiny of expenditure control intended by the Treasury for the autumn. It would also be necessary for the CSD to scrutinise its control functions in parallel with the second Treasury scrutiny. I think that it would be desirable to aim for recommendations by the end of the year.

Recn 5 (para 17 et seq) The Prime Minister should have reporting to her direct an Inspector-General of the Civil Service; the Supply and related divisions of the Treasury and CSD should be merged under Treasury Ministers; the Head of the Government Accountancy Service should be relocated in the reformed Treasury; and the services provided by the CSD agencies (e g the Civil Service Commission) and by the Property Services Agency should be brought together in a single agency ultimately reporting to Treasury Ministers.

As all this touches on your responsibility for the machinery of government, on your functions as Minister for the Civil Service and your working relationships with your colleagues, I should like to discuss it with you. If you agree, I propose that the aim should be:

i to examine the Inspector-General idea further and test its feasibility against my other suggestions, with advice to you later this year;

ii to plan to bring the relevant parts of the Treasury and CSD together by 1 April 1981;

iii to combine the remaining parts of the CSD in an agency by the same date; and

iv to examine the idea that the PSA should be joined to that agency and to prepare a plan for its implementation to take effect on, say, 1 April 1982.

I assume that it would be appropriate to look to the Head of the Civil Service to prepare a plan for you in his capacity as your adviser on the machinery of government, in consultation with appropriate Ministers and Permanent Secretaries. I should be glad to join in this work if you wished.

The prevailing culture

Recn 6 (para 24) Automatic honours for senior officials and officers of HM forces should be discontinued.

Recn 7 (para 26) More honours should however be given to outstanding junior and middle-ranking officials.

Recn 8 (para 28) Proposals should be brought forward later this year in respect of special recognition, through pay or personal promotion, for success in grade; of the accelerated advancement of individuals; and of the entitlement to automatic increments.

Recn 9 (para 32) As it is essential to promote individuals with the right track record to management posts, especially the senior ones, the Personnel Group of the CSD should prepare a model "succession policy" for the Service.

Recn 10 (para 36) Heads of departments should be required to give a regular and personal account of what they have simplified, eliminated or saved and departments should publish an annual statement of their achievement.

Recn 11 (para 42) A policy for enabling staff, especially those in the big battalions, to give of their best should be formulated for Ministers.

Recommendations 8 - 11 are for CSD Ministers to advise on. Perhaps they could do so by the end of this year. I would of course be glad to give them what support and assistance I could.

Recn 12* (para 44) In the next Parliamentary session departments should keep a record of the cost of resources committed in support of Ministers' and senior officials' Parliamentary work, the results of which should be published in a suitable form.

It would be for CSD to design and co-ordinate this exercise, in which also I should be glad to give what help I could.

The financial framework

Recn 13 (para 47) The work at present going on in and between the Treasury and CSD on the financial framework should be brought together in proposals for Ministerial endorsement later this year.

Recn 14 (para 48) As part of that work, the so-called "annuality rule" should be examined.

Recommendations 13 and 14 have an important relationship with Recommendations 1 - 3 above on the structure and mechanics of accountability within departments. If you agree, I would also take the lead on the same terms as indicated after Recommendation 3 above.

Recn 15 * (para 54) The lessons derived from the current Health and Safety Commission scrutiny of the costs and benefits of regulations and standards and from other experience should be promulgated by the central departments.

It would be for the Treasury to take the lead on this, but I suggest that the results should be promulgated later this year.

STAFFING

2. I have not yet attempted to settle in my mind the sort of staff support I would need in respect of the recommendations made above, should you agree with them. So far as possible, I should continue to depend on Mr Priestley

and my Economic Adviser, Mr Allen, but I should certainly need to draw on the services of the Treasury and CSD and, in the case of some of the more controversial proposals (e g Inspector-General), I think that there would be merit in drawing on the services of retired officials or officers of appropriate experience and temperament. May I at this stage simply register that I shall need to refer to you again on this point, please?

DEREK RAYNER
March 1980

PERSONAL & CONFIDENTIAL

PRIME MINISTER

THE EFFICIENCY OF CENTRAL GOVERNMENT: LASTING REFORMS

1. This minute proposes action on some basic problems as I see them. It is offered as the basis for a meeting with you to establish whether the issues are the ones you regard as important. I am not therefore copying it to anyone at this stage.

THE AIMS

2. I suggest four aims:

a To reduce the scale of Government activity by cutting out, or diminishing the effort put into, functions and activities and to consume less of the nation's qualified manpower.

b To strengthen the control and management of resources by and on behalf of Ministers in their departments.

c To strengthen the control and management of resources by Ministers collectively.

d To alter the culture of Whitehall so as:-

- to drive home the fact that managing activities efficiently is of equal merit to thinking through policies and analysing issues; and
- to produce both the necessary changes in attitudes and practices and the working conditions which will enable staff to work with loyalty, pride and commitment.

GENERAL

3. You told me last May that you wished me to help Ministers to become good managers. Since then you or Cabinet have authorised me to help with or undertake the following:

Reviews of functions and activities:

(1) 29 "Rayner projects" completed in 1979 and now being pursued to action.

(2) 36 "scrutinies" to be conducted this year.

(3) Review of the Government Statistical Service, to be completed this summer.

Helping Ministers to Manage

(4) Advice on the scrutiny of departmental running costs sent to Ministers on 22 February. (Trial run this year).

(5) Treasury and CSD to co-ordinate for Cabinet an annual statement of the cost of governing. (First submission this year).

(6) Review now beginning of the question of whether departments should pay for goods and services received from the Property Services Agency free of charge. Due for completion this autumn.

(7) Further work to be done later on the preparation of a "full departmental account" of assets as well as receipts and payments.

4. Some Ministers and many senior officials are by temperament, experience and training very good managers. There are in my experience some first class officials in the Treasury and CSD. But it would be all too easy for the Government's drive on efficiency to settle down into a series of minor irritants.

5. The Lord President's exercise of last year and the exercises with which my name is associated cannot by themselves produce a lasting effect on the way in which Ministers and the institutions and culture of Whitehall actually operate. Little shouting from the sidelines will reach Ministers through their private offices, departments and daily workload. A programme addressed to the main institutional and cultural barriers to effective management is therefore required, one which has a galvanising effect on all Ministers and departments.

6. The work I have in mind would need your backing, and some of it would require that of Cabinet and that of Ministers individually. Much of it would have to be done in departments, but some affects or can only be done at the centre. I would not expect Ministers or officials to be enthusiastic about all or perhaps any part of the programme. So it is essential to establish whether you agree that the results I think important are the ones which you want to see and that the programme I propose below is feasible.

THE SCALE OF GOVERNMENT ACTIVITY

7. I firmly believe that it should be possible to reduce the scale of Government activity by reducing or diminishing its functions and to reduce the length of the civil service hierarchy. I think it very important for the morale of the nation that the Government should adopt a determined but measured approach to these tasks, allowing time to think it through.

8. This is the subject of my minute to Mr Channon of 13 March, copied to the Chancellor and yourself, and is not further considered here. But I would see it as part and parcel of a complete programme of reform.

THE MANAGEMENT OF RESOURCES IN DEPARTMENTS

9. I believe that the Administration needs to work for excellence in two types of management, by Ministers in their departments and by Ministers collectively around the Cabinet table. There is a good deal of relevant work already going on in the Treasury, CSD and elsewhere; I should want to draw on this in the programme that I propose.

10. There are obviously limits to the extent to which Ministers can or should become managers of their departments and of the resources in their charge. Moreover, the responsibilities of Ministers differ according to the nature of their departments. Nevertheless, under the authority vested in them by the Prime Minister and by Parliament, it is indisputably they who have the ultimate power of management. Indisputably, too, the only power under which their officials act is delegated to them by their Minister. But there is in many minds a lack of clarity about the respective roles of Ministers and officials. This is not an area of our national life where I feel that we can afford to go on with a comfortable haziness of perception. I therefore recommend as follows:

Recn 1

a The managerial authority of the Minister should be defined so that his role is plainly established and understood vis-à-vis that of his officials.

b No less important, the good habits that the Minister needs to practise qua manager should be defined. Ministers have already made some progress here, on the scrutiny of particular functions and of Departmental running costs, but more is to be made (e g on the full departmental account). I would like to see the whole thing brought together in a simple code or handbook or, if you prefer, an instruction from yourself.

c One good habit that exemplifies the whole is the need to look back at the reasons why resources were committed to particular policy objectives and to compare performance achieved with target intended.

11. It follows from defining the Minister's role that one can and must define the managerial role of officials. From top to bottom, officials should know the nature and extent of their personal responsibility for resources. I recommend that the responsibility and accountability of officials should be codified in working instructions, somewhat as follows:

Recn 2

a The authority under which officials operate is that of Ministers. They have no external accountability of their own, notably to Parliament and its Select Committees where their task is to explain what has been done for and in the name of Ministers.

b The authority delegated by a Minister to his Permanent Secretary should be both general and specific: the expectations Ministers have of the official heads of their departments should be codified on an across-Whitehall basis in the interests of consistency and have added requirements special to particular departments.

c The codification should replace the existing letter of appointment* issued to a new Accounting Officer by the Permanent Secretary to the Treasury and should include specified duties on such items as the control of money and manpower; management of the personnel of the department; the control of operations and organisation; and control of the assets in the department's keeping, with a special emphasis on land, buildings and other property. For reasons explained below I attach particular importance to the Permanent Secretary's overall responsibility for the management and care of his Minister's most important asset, namely staff.

d Below the Permanent Secretary, the line of accountability for authority delegated by the Minister should continue in a clear line to the lowest levels of the department. Neither the Minister nor the Permanent Secretary can manage everything himself. It is essential to good management that specific managerial authority should be delegated to specific officers who should then be given the opportunity to put it to good use. Accordingly, I would propose a codification which inter alia

- specified the management responsibility of heads of units or blocks of work beneath the Permanent Secretary;
- nominated some of those heads as Assistant Accounting Officers so that the burden of explanation before the Public Accounts Committee was shared effectively;

* HM Treasury have some work on this in hand.

- in the annual procedures for reporting on staff placed a much heavier emphasis than at present on capacity to use resources effectively and economically; and
- enabled Ministers and senior officials to hold their subordinates consistently to account.

12. I now comment on the positions occupied by the Permanent Secretary's two right-hand men, the Principal Finance and Establishment Officers. In part, the results I should like to see span the divide between "spending" departments and the "central" departments (HM Treasury and the CSD), but it is nonetheless sensible to mention them here.

Recn 3 I recommend as follows:

a At present money is managed by the PFO and other resources by the PEO. The PFO looks to the Treasury; the PEO looks to the CSD. This can cause discontinuity in the management and control of resources. As a matter of general principle, it would be right to re-integrate the control of resources within departments, but it may not be practicable in all cases because of the scale and complexity of functions and resources. Nevertheless, I regard the maximum feasible re-integration possible as a result to be worked for.

b There is a question of huge importance about the nature of the skills which should be brought to bear on the management of resources, notably money. As part of recommendation 3, I recommend a planned and progressive movement towards these results:

- The PFO should be qualified in financial management or management accountancy.
- Until that can be achieved, no PFO should be appointed who has no familiarity with the contribution which can be made to his work by people with such qualifications.
- The PFO's subordinate staff should have either appropriate qualifications acquired outside the Service or appropriate training acquired inside the Service.
- Such qualified staff should be employed also in units reporting to the Permanent Secretary charged with the examination of operations and management systems and with the duty of probing in depth where the Minister or the Permanent Secretary think this necessary.
- Such staff should have an absolute right of entry to any part of the department; their programme of work should be decided by the Permanent Secretary in consultation with the Minister; and
- allowance made for the greater accountability I want to see (para 11d above) - it should not be open to line management to veto the application of their findings. (Similar arrangements should be in force in respect of audit staff working to the PEO, as he is now, namely staff inspectors, O & M and management services, whose functions and training should be examined in the course of the work here proposed).

THE CENTRAL DEPARTMENTS

13. As we face public expenditure over the next two decades it seems clear to me that the balance of power between the "spending" and "central" Ministers must be further redressed in favour of the centre and that Cash Limits, important as they are, cannot be allowed to carry the interest of central Ministers alone. I believe that there should be changes in both practice and institutional arrangements.

Recn 4 14. On practice, I recommend as follows:

a The aims and practices of central control should be re-stated to update the Plowden concept of partnership between the spending and central departments to take account of modern circumstances; to provide a clear postulation and understanding of the respective responsibilities of the spending and central departments; and to provide a basis on which the types, numbers and qualifications of the staff needed by the central departments can be stipulated.

b Particular attention should be paid in this restatement to:

i the tasks of the central departments in assisting the Cabinet to play its collective role in the allocation and control of resources, including the means by which the Cabinet can be assured by independent examination that systems and operations through which the need for resources is calculated and the resources themselves are managed or spent are well devised and economical;

ii the correct balance, in present circumstances, between controls over micro and macro volumes of expenditure; and

iii the regime for financial management by Ministers and officials (see below).

c The role and responsibilities of the central departments as promoters and surveyors of excellent systems of control within departments and of the efficient and effective use of resources should also be stated as matters of principle and practice.

15. On institutions, I have so far referred to the "central departments" to reflect the existing separation between the Treasury and the CSD. It is not a separation which I regard as justified in principle or by experience since 1968. Equally, however, I do not regard alternatives which are often spoken of - stitching the Treasury and CSD in their present forms back together again or rolling up the Supply and related functions of each to form a separate department on the pattern of the American "Bureau of Management and the Budget" - as necessarily the right solution. I doubt whether there is a perfect answer. And it is obviously necessary to consider your position as the head of Government and Minister for the Civil Service; that of central Ministers in terms of manageable functions and workloads; and what is (in my view) the rather odd position of the Head of the Government Accountancy Service (now located in the Department of Industry) and the Property Services Agency, now located in the Department of the Environment and reporting to Mr Heseltine.

16. I offer these observations in support of my view:

a The relationship between the Cabinet as a whole and individual Ministers must be one in which the former looks to the latter to take the responsibility for good management in their departments.

b But transitory Ministers have to rely upon the Civil Service to provide them with and to operate good systems of resource control and management. This obviously introduces the risk that, in terms of management, the Minister is merely a decorative element. The underlying structures and practices which outlast successive Ministers should therefore be of quality which convinces Ministers that they are standing on firm ground. It is, even so, unreasonable for Ministers to divest themselves of their constitutional responsibility for, and they need a means of, satisfying themselves that the systems are (i) of good design and (ii) effectively administered.

c The functions of the centre of any organisation must include the design and testing of systems of control and management in respect of money, manpower, personnel, assets and operations. In my business experience, it is a recipe for chaos or at least difficulty if the centre is so organised as to separate these functions. Central functions also include the provision of services, but these need not be regarded as an integral part of the central control and testing mechanisms.

Recn 5 17. I recommend that the control, testing and service mechanisms would be best provided by the following organisation:

a Reporting direct to the Prime Minister as head of the Government an Inspector-General of the Civil Service. This would be either a senior official or an outsider brought in on contract. He would be responsible for advising the Prime Minister, Chancellor, Cabinet and individual Ministers on the efficiency and effectiveness of Civil Service operations on the basis of inspections and special inquiries. He would have a small staff of his own, somewhat similar to the Central Policy Review Staff, but would have the right to call upon the staff of the Treasury, the CSD and other departments to assist him in his inquiries and to employ people from outside in these. It would be open to individual members of the public and of the Civil Service to put points to him and for him to take these up in agreement with the Prime Minister and Minister concerned. I do not regard the main characteristic of this official's work as punitive or inquisitorial but as one of quality assurance and development. His standing and responsibilities vis-à-vis those of the Official Head of the Home Civil Service would need careful definition.

b A merger of the relevant Supply and related divisions of the Treasury and the CSD, to operate under the ultimate supervision of the Chancellor of the Exchequer. The arrangements for Ministerial supervision and organisation would need working out with care, especially as I would not favour simply brigading the divisions concerned together without considering how central control was to work in future and what sort of officials were required to occupy the key posts.

18. It may be objected, fairly, that tinkering with the machinery of Government can of itself produce neither savings in public expenditure nor improved performance by spenders or controllers. Organisational change is not enough, I agree, unless it is accompanied by change in practice and unless it enables those now divided by the separateness of the CSD and the Treasury to be more effective. My view is that you and your "central" colleagues are entitled to look for a firm base from which to be briefed and supported in leading your other colleagues in managing the consumption of resources by Government. The mass of Ministers and departments must always be anti-centre. For the centre to divide itself in face of this seems to me like a self-inflicted wound; to my mind the shape of the centre should, by contrast, be formed by such imperatives as the need to work out and practise a rigorous policy for the control of expenditure on all items consumed by or through departments, covering both policy and administration. I do not believe that it can be sufficient or effective at this time to try and co-ordinate central control across the separation of two central departments.

19. Instead, I think that you and your "central" Ministers need the power base provided by a single department, bringing together in one organisation the theory, practice and knowledge needed to support them and to underpin the collective role of Ministers. The Groups that should, in my judgement, be combined in that department are these: (overleaf)

Recn 5
(cont'd)

HM Treasury	Civil Service Department
Specific Expenditure Divisions	Manpower Management and Organisation
General Expenditure Policy	Functions and Programmes
General Expenditure Analysis	Central Computer and Telecommunications Agency
Accounts and Purchasing	Pay
	Superannuation and Allowances
	Personnel Management

20. The Head of the Government Accountancy Service is at present in the Department of Industry, where he doubles as Accountancy Adviser to the Secretary of State. Although the latter function is important, I believe that this official's place in the machinery of government is incorrect and that he should be located with those parts of the Treasury and the CSD which are concerned with accounting and the financial framework of Government. I therefore suggest that he should become an official of the merged department.

Recn 5 (cont'd)

21. These arrangements leave out of account the services provided to Ministers by such central agencies as the Civil Service Commission, HM Stationery Office and the Property Services Agency. I suggest that these should be regrouped to form a single common service agency, with the possible exception of the Central Office of Information whose services are of a special and potentially controversial kind. A "single agency" would be a very large operation. It would need very carefully thinking through, but I regard the present organisational arrangements for the provision and control of common services as unsatisfactory because so large an element (accommodation and related services) is not at the centre.

Recn 5 (cont'd)

I regard as a model worth testing an agency under a chief executive, supported by directors (e g in charge of HM Stationery Office) reporting to a Minister in the new single central department envisaged above.

THE CULTURE OF WHITEHALL

22. I have a high regard for many senior officials, some of whom I have known for years and whom I regard as among the most dedicated, hard-working and effective people I know. Equally, the junior staff I have encountered on and through the "Rayner projects" convince me that the Government is the fortunate employer of a wealth of talent and enthusiasm for the public good.

23. However, there is no gainsaying the fact that permanence, privacy, a certain lack of definition of roles, the steady accretion of pay and rewards, excellent pension arrangements and the "easy come, easy go" attitude of the nation over the last 25 years or so cannot fail to make bureaucracy a comparatively comfortable place to be. I believe that galvanisation is needed, for the good of the Service itself and to show that the Government means what it says about reforming the administration.

Honours

Recn 6 24. As reform should affect everyone, I recommend that you should discontinue the system by which Permanent and Deputy Secretaries in the Home and Diplomatic Services receive honours automatically (unless they refuse them) after a period of service in the grade. These are the awards of Knight and Companion of the appropriate order respectively. In the interest of equity, the same should apply to equivalent ranks in HM forces.

25. It has been said to me that this is not an important issue because the number of officials concerned is small and because nobody cares anyway. On an absolute scale the numbers are indeed few, but I am sure that people do care that senior officials receive distinction at the hands of the Crown regardless of merit in the grade. I also believe that discontinuation would be a striking demonstration to the public that senior officials and officers are only to have distinction added to their pay and status if they have deserved it by outstanding performance in the grade. Some may ask, "Who is to judge merit if we take away the simple method of giving everyone the same?" It would be as just to honour no one at all at this high level in the public service as to honour everyone, regardless of his deserts.

Recn 7 26. I make the companion recommendation that more honours should be given to junior and middle-ranking officials for success and distinction in post, especially management posts.

Other rewards and penalties

27. It is a real conundrum in a hierarchical system of progression through grades and automatic, incremental progression through a pay scale until its peak is reached to reward equitably those who do very well and penalise those who are slack. In business, it is for higher management to decide who should be rewarded by special advancement or special payment, but the two sets of circumstances are so different as to rule out any easy read-across from one to the other.

Recn 8

28. However, I regard rewarding success and making the best use of talent early as so important that I recommend that, building on work already in hand, proposals should be brought forward to Ministers later this year in respect of these propositions:

a that success in post where no further hierarchical progression is possible should be rewarded by bonus payments or by personal promotion (as opposed to the upgrading of the post);

b that it should be made possible to advance individuals by two or more grades in recognition of their track-record, potential and the needs of the Service; and

c that individuals should no longer be entitled to automatic annual increments.

29. I attach much more importance to rewarding success and bringing talented people on early than to penalising the time-server, but I am certain that as part of the above means must be found of bringing home to the slack or the profligate the cost of their failures.

Management succession

30. Management skills are, I believe, underrated in many parts of the Civil Service where they are in fact essential to the efficiency, cost-consciousness and indeed effectiveness of Government. Government has increasingly taken on tasks which were unknown in Whitehall when many of the qualities which denote top officials were developed. Concurrently there has been a growth in the numbers of scientific and

professional staffs, many of whose skills are limited to their specialism. Such skills are often of a high order. Too often, in my view, the recognition of this fact has led to their appointment to management positions for which they have had no training nor indeed aptitude (this being the only way in which their excellence can be recognised).

31. I am conscious of many activities to improve awareness of management skills, both by internal and external courses and by secondment to industry, and of work through such devices as the Senior Appointments Selection Committee to bring on suitable people. Therefore, rightly or wrongly, I do not lay the blame for management incompetence where it occurs at the door of training or opportunity to learn from observing management in the private sector. Rather it springs primarily from the indifference of many Ministers to the quality of management in their departments, such indifference often arising from total lack of experience of running large organisations, and by their too-ready acceptance that the accountability for the way the department discharges its responsibility is through the Accounting Officer and his answerability to the Public Accounts Committee.

32. My recommendations for defining the respective responsibilities of Ministers and officials and the framework for accountability within departments (paras. 10 and 11 above) should, if successful, go part of the way towards producing reform. But I think it is also necessary that each department should have a clear plan of succession to its key management posts. Such a plan would affect both individuals and specific management

practices, e g length of time to be spent in posts acquiring experience and the training to be undertaken. The issues are of such importance that it would be unreasonable to expect departments to take them on on their own. so I recommend that the Personnel Group of the CSD should prepare a model "succession policy" for the Service as a whole, which can then be applied to themselves by departments with such central co-ordination as may be needed. This policy should be submitted to Ministers in draft this autumn.

Recn 9

Leadership

33. Since 1970 I have usually been seen off whenever I seek involvement of top people in cumbersome paperwork, forms, returns, oversized meetings, proliferation of committees and excessive consultation. It has been pointed out with logic that if the people and organisation are right all these things are brought under control. Yet I have failed to observe any substantial reduction in these symptoms of an oversize bureaucracy. Top people do not cut through their hierarchies by getting down to junior levels of management, where they would usually find people who are articulate and anxious to talk constructively to those who have the authority to bring about the desired changes. Many of the letters which I have received since my appointment have come from civil servants; in the main, they have made excellent suggestions for rendering their own area of work more efficient and increasing their satisfaction in a job worth doing and well done.

34. Yet the recognition of stifling and cumbersome systems and regulations is essential if substantial reductions in numbers are to be achieved. Some of the exercises under the project and scrutiny programme got to grips with part of this but fall short of the acceptance by all in authority that there is need for radical simplification in most areas of manpower intensive work.

35. My exercise in assembling the paperwork imposed by Government on the private sector is limited in scope, yet the data already collected is breathtaking in the apparent failure of its originators to count the cost in relation to the value added. In order to bring this exercise to completion soon I now have two M & S staff working to present it to you and your colleagues in an eye-catching demonstration. I know of no similar thorough examination conducted by departments who are supposed to be unable to make much contribution to manpower savings. When I have visited a local office to do a job of work without any officials, apart from the officer in charge of the project on scrutiny, I have noted without difficulty opportunities for substantial simplification or greater productivity, yet again I do not know of top people who have gone to local offices to do a job rather than pay a visit.

36. This attitude of mind, and the neglect of activities which must be a priority if senior people are to get to grips with the economic use of resources, cannot be allowed to persist. Senior officials must be required to give a regular and personal account of what they have simplified, eliminated or saved and Departments should publish an annual account of achievement. I so recommend.

Recn 10

37. Ministers usually have a close relationship with their Private, Permanent and Deputy Secretaries. Their relationships with their other staff are increasingly formal and remote according to grade and location. This is particularly important given that the big battalions in the Civil Service are not engaged in policy work in Whitehall, but on operational and functional work in the provinces, very often in direct contact with the public. Unless more time is set aside to gain a better knowledge of people at work, at all levels, and a consistent interest is shown in the views of staff on the difficulties they face and the suggestions they have to alleviate these, Ministers will not be actively supported in their drive to improve efficiency and reduce costs.

38. Too often staff and, I suspect, Ministers perceive Government's intended economy drives through overall cuts in numbers and rarely by the removal or simplification of functions. Government proposals often add to the tasks to be done. The traditional responses to inefficiency or malpractice seem invariably to lead to additional checking and monitoring while the responsibility for interpreting and implementing complex instructions (as in Social Security benefits) rests on the most junior staff. (In one DHSS office that I visited there were 50 volumes of rules and regulations, apparently accumulated since the mid 1940s. This does not seem to have attracted a sympathetic or positive response by successive Administrations. The most obvious sign of higher level interest was a report by the Exchequer and Audit Department rebuking the staff for not keeping amendments up to date. Against such a background it is not surprising that there is resistance to proposals to cut numbers).

39. The use of appropriate office equipment to offset labour intensive tasks seems to me too infrequent. The development of the use of computers has been uneven. Some departments have an overcapacity (e g Education and Science); others continue to do tasks in a manner appropriate to an earlier age (e g PAYE). Modern typewriters, printing equipment, desk calculators, word processing and mini-computers all have a part to play in upgrading the quality of life at clerical level. In my judgement there is room for more development in these fields, although I acknowledge that some advances have been blocked by Luddism.

40. Personnel policies have been centralised in the CSD since Fulton. The Pay Research Unit does a professional job in assessing pay comparability through detailed job comparisons and the present pension arrangements are generous. Even so, civil servants often feel they are a deprived class as their masters, the politicians, in general show scant attention to the quality of the working environment. Accommodation ranges from the very good to very poor and decor from gimmicky modern to shabby or even decrepit. Work services are slow to respond to problems of heating, broken windows and necessary maintenance while the provision of food and amenities can be very poor compared with large employers of similar staff.

41. Positive interest is needed by Ministers in the well-being of their staffs. Such leadership would improve the working environment, often at very little cost, and lead to an improvement in productivity through greater staff stability and reduced absenteeism. I should like to see a detailed analysis of staff turnover, particularly in the London area and the South, as the level that I have come across in my random visits is alarmingly high, in some cases 45 percent

per annum. Such staff are often engaged where the training period is 13 weeks long and during their early months, after training, they need to refer continually to supervisor grades for guidance. This frustrates the supervisors and does not prevent low standards of competence and productivity at clerical level.

42. It is very important that Ministers should promote the loyalty and commitment of staff. The National Staff Side and staff associations will object strenuously to much of the programme recommended in this minute, especially the reformation of the Treasury and the establishment of a firm manpower policy, and it would be easy to miss the opportunity to bring out its positive features and to emphasise that the reduction of Government activity and the length of the hierarchy will be carefully planned and brought in over time. I recommend therefore that

Recn 11

a a policy for enabling staff to give of their best should be formulated; and

b the Government should seize the psychological advantage in presenting it.

43. I would like to make a further recommendation here. The National Staff Side, in a paper they have put to me, have argued that the possibility of being called upon to explain to a Select Committee, perhaps several years after the event, every action and every decision severely inhibits effective management, makes for "alibi consciousness" and produces mountains of paper in order to record actions and justify decisions, purely in case of future need. They

have argued further that the establishment of "departmental" Select Committees will add to the burdens of explanation and justification. They do not complain about all this, but have suggested that the implications for Civil Service efficiency and resources should be appreciated by both Parliament and the Government.

44. I sympathise with this to the extent that as a nation we need to recognise the costs as well as the benefits of Parliamentary accountability. I therefore recommend that in the next session of Parliament departments should keep a record of the cost of resources committed in support of Ministers' and their senior officials' Parliamentary work and that the results should be published in a suitable form.

Recn 12

THE FINANCIAL FRAMEWORK

45. There is already much interesting work going on in Whitehall to reform and strengthen this. I regard the main points as being these, necessarily for the purposes of this minute expressed in a very summary form:

a The planning and control of public expenditure would be more effective if particular departments were responsible for particular Public Expenditure Survey programmes, rather than these being divided between departments as some at present are.

b The Votes for which a department is responsible should cover (i) its own operational and administrative costs, (ii) grants to bodies outside the department whose costs it meets wholly or partly and (iii) benefits, grants and payments for whose administration the department is responsible.

c The presentation of expenditures should be in a format covering the requirements of the Treasury and CSD, promoting better cost control, facilitating the development of management accounting systems and underpinning the delegation of financial authority to appropriate levels of management (which could then all the more readily be held accountable for that authority).

46. It is an important comment on the existing division of responsibilities between the Treasury and the CSD that there is no focal point for bringing the issues together and for investigating them in a co-ordinated and determined way.

Recn 13 47. I recommend that the work at present going on in and between the Treasury and CSD should be brought together for Ministerial endorsement with a view to the submission of proposals later this year covering:

- the structure of Public Expenditure Survey programmes
- the relationship between these and the organisation of departments
- the presentation of information on departmental expenditure in the Supply Estimates, taking account of the needs of Ministers and senior officials, line management, the central departments and Parliament
- the clarification of accountability for particular blocks of departmental expenditure.

48. I should like to make two subsidiary recommendations. First,
Recn 14 I recommend that the so-called annuality rule should be examined.

49. This is the rule under which money Voted for consumption in a particular year must be consumed in that year if the budget for the succeeding year is not to be reduced by a corresponding amount.

50. There are two broad arguments. On the one hand, it is claimed that allowing flexibility between financial years will promote better money management and avoid the incentive to an end-year spending spree. On the other, it is said that flexibility would lessen the pressure on departments to improve their financial control and the accuracy of their estimating techniques and give the impression that Ministers are relaxing their grip on public spending.

51. It is argued further against flexibility that it would tend to increase public expenditure. This is because at present departments "aim off" from their public expenditure programmes so as to avoid exceeding their cash limits. "Aiming Off" leads to a shortfall in expenditure of about £1 billion per annum. Under end-year flexibility that shortfall would be decreased, because the under-spend achieved by departments in year 1 would be carried forward into year 2 so that the department would "aim off" from a higher total; in year 2 therefore it would be likely to spend more than it otherwise would. (The fact that this argument can be made is an interesting comment on the existing state of central control, I think.)

52. These arguments need examination. My instinct is that existing "annuality" arrangements do much to encourage the "easy come, easy go" attitude to public money, but I am quite prepared to believe that I am mistaken about this.

53. My second additional recommendation is somewhat similar, in that it also relates to the way in which existing financial planning mechanisms operate to pick up and warn Ministers about costs which may be unseen at first. The Treasury, in consort with the Ministry of Defence, CSD and PSA, have argued to me that there is a need for greater cost-consciousness in the imposition and application of regulations and standards (e g housing, fire, health and safety). This is because compliance may be complex to operate and expensive for both central and local agencies to police and for the private and public sector to respond to. The aim would be to ensure that departments are conscious of the costs arising from new and existing regulations and standards and take steps to avoid unnecessary costs.

54. As part of the current round of scrutinies, the Health and Safety Commission is examining the costs and benefits of regulations in its field. I recommend that lessons derived from this exercise and from other experiences should be promulgated by the central departments.

Recn 15

DEREK RAYNER

March 1980

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B

Prime Minister.

Content with the draft reply to Mr NOTT?

Do you want to consider relaxing your present degree of control over foreign visits by non-Cabinet Ministers? If so, I will amend the last sentence of ~~[illegible]~~ paragraph 7 of the draft minute to say you are looking at this.

TPL 21/3

Ref: A01766

MR. WHITMORE

The Secretary of State for Trade sent me a copy of his minute of 12th March to the Prime Minister about waste in Government. I promised to suggest a draft minute for the Prime Minister to send him in reply. The draft takes account of Mr. Channon's minute of 20th March, as well as of comments from Sir Ian Bancroft and my own colleagues in the Cabinet Office (including Sir Kenneth Berrill).

Play 'A'.

2. The way which paragraph 6 deals with the question of consulting the Prime Minister on appointments at Deputy Chairman level is based on advice from Sir Ian Bancroft. I think that it is very much up to the Prime Minister how close a watch she wants to keep on the appointments her Ministers are making below Chairman level. I can only say that, when I was Permanent Under Secretary at the Home Office I accepted without question our duty to consult No. 10 on the appointments of Chairmen; of course all appointments to the broadcasting authorities had a strong political flavour and it was certainly right to consult No. 10; but I must say I used to chafe a bit when we were told we had to consult No. 10 about the appointments of Deputy Chairmen of bodies like the Gaming Board. If the Prime Minister agrees with the general line in the draft minute, I will try to find words for a revision of "Questions of Procedure for Ministers" which provide the sort of flexibility which would make sense.

RA

(Robert Armstrong)

21st March 1980

Robert, There was a lot of good sense in John Nott's minute and I hope we reply. I would really like to discuss it with you. Paul Channon. There is a lot more wind up to avoid application but it means a fundamental change of attitude. I.e. [illegible] overall. I think that Peter Thorneycroft is right. I can say I think it's wrong in principle but I think it's [illegible] Minister like [illegible] of [illegible]!

DRAFT MINUTE FROM THE PRIME MINISTER

SECRETARY OF STATE FOR TRADE

Thank you for your minute of 12th March about waste in Government.

2. On Cabinet Committees, I agree that we must use the system and not let the system take us over, and I am all for Ministers exchanging views with each other informally. In principle I am in favour of keeping down the number of Committees and of Committee meetings. But the system has certain advantages, apart from those you mention - the crystallisation of issues and the proper recording of decisions, which are themselves important for good Government - where there is an issue of policy which affects several Ministers, where it is important for collective responsibility to be engaged, or where a Minister wants to have the advice of his colleagues. It enables senior Ministers to exercise a political influence on decisions going beyond their departmental interests. And it helps us to know what each other is proposing and doing: something that is even more important in Government than in Opposition, because the consistency and coherence of our policies is under closer and more constant scrutiny. And, if you want your colleagues to defend what you are doing, there is a lot to be said for enabling them to know what you have in mind, and to comment on it if they want to do so, before you actually do it. Cabinet and its Committees provide an effective framework for achieving that, and a system for enabling us to deal with issues in an orderly way and at the right time.

3. I agree with you that discussion of something in a Cabinet Committee should not necessarily mean that every subsequent development must be reported back in correspondence to all the Ministers sitting on the Committee. On the other hand there

will be many occasions when Committee colleagues have an interest in seeing the outcome of their earlier discussions or when an exchange of correspondence is less expensive and less prodigal of Ministerial time and effort as a means of exchanging views, imparting information, or even agreeing a decision than summoning all those same Ministers to a meeting. The only way of disciplining the proliferation of copies is for those whose duty it is to decide - usually in Private Offices - to whom documents are to be copied to consider proposed distributions and confine them strictly to those with a positive need to know.

4. As to sponsorship, if it means no more than that any given industry will have its primary contact with Government in one particular Department, it is natural: many industrialists do not understand the finer points of the machinery of government, and have become used to having one Department to which they can turn whatever their problem, one man whom they can look to as something of a "friend at court", if only for a steer in the direction of another Department. But of course we ought to look critically at these activities, and I agree with you that there are considerable savings to be won by cutting out departmental activities which consist simply of monitoring what other Departments are doing. If, for instance, a company comes to the Department of Industry with a problem that is purely and simply for the Department of the Environment, then it should be directed to that Department, and there is no need for the Department of Industry to remain in the picture. I see from Paul Channon's minute of 20th March that he is going to put some proposals to us on this subject.

5. No doubt the Chief Secretary, the Minister of State, Civil Service Department, and the Secretary of State for the Environment will consider what you say about delegated authorities. There are public accountability issues to take into

account. But delegated authorities should clearly be kept under critical review, and revised - or eliminated - if they are needlessly restrictive. I think it is up to Departments to take the matter up with the Treasury - or whatever other Department is delegating authority - when they think something needs to be done.

6. On public appointments, I am in no doubt that the Prime Minister should be consulted in advance about the appointment of all Chairmen of nationalised industries and public boards, and about all appointments of members which have political significance or implications. The requirement to consult about appointments of Deputy Chairmen is of long-standing, and reflects the fact that a Deputy Chairman can often be asked to stand in for, or even take over from, a Chairman. I think that the requirement is right as a general rule, but the procedures should be sufficiently flexible to allow for the occasional exceptions where it is obviously inappropriate.

Ready to go this far?

7. On attendance at Cabinet, I am prepared to waive the requirement of a personal minute seeking permission to be absent from a Cabinet meeting, where the absence is accounted for by an overseas visit which I have approved; but on the understanding that the request for approval for the visit is copied to the Secretary of the Cabinet, who needs to know who is away when, for the purpose of drawing up the meeting arrangements. I do think it desirable that I should be personally involved for overseas visits by all Ministers, not just by Cabinet Ministers.

8. I am asking the Secretary of the Cabinet to consider how "Questions of Procedure for Ministers" should be revised to take account of the changes I have agreed to make in paragraphs 6 and 7 of this minute, which I am copying to the Chancellor of the Exchequer, the Secretaries of State for Industry and the Environment, and the Minister of State, Civil Service Department, as well as to Sir Robert Armstrong.

PRIME MINISTER

I have seen a copy of John Nott's minute to you of 12 March.

2. I quite agree with him about the cost of interdepartmental consultation. It is not just the amount of Ministerial correspondence to discuss but the large amount of cost involved in supporting work of officials. Perhaps Sir Robert Armstrong could advise as to how some of this could be cut down.

3. I also agree with his point about 'sponsorship'. As Minister for Housing and Construction I was once 'sponsor' for the construction industry. I am sure that these arrangements provide very little benefit to the industry concerned, at the same time costing a lot of money. I will be putting to you soon some ways we might guard against any increase in activities of this kind. It would be very helpful to know what changes John Nott will be making in those sections of his own Department responsible for sponsorship of various industries.

4. There is one point on CSD controls which John Nott mentions. We must work towards less detailed control, but unfortunately a great deal of control has been proved to save money. In the Transport field alone, in just over a year the CSD control has saved over £1 million. I am told that in fact the Coastguards' use of Land Rovers tends to be extravagant and there may well be further small savings there. Some central controls will remain necessary. My experience over the last few months, for example, makes me absolutely certain that if Departments were allowed to set their staff levels without any CSD control, we should certainly have an even larger Civil Service than we do.

5. I am copying this minute to the recipients of John Nott's minute.

PC

PAUL CHANNON

20 March 1980

Qf 099

cc. Sir Kenneth Berrill
Mr Franklin
Mr Le Cheminant
Mr Wade-Gery
Mr Whitmore ✓

SIR ROBERT ARMSTRONG

Waste in Government

I disagree with Michael Franklin about the second sentence of paragraph 3. A great deal of minor business is disposed of by exchange of letters which would otherwise come to H Committee. Much of the correspondence seeks approval to new policy developments, often related to current or impending legislation. Rarely do I feel that the Minister concerned should have gone ahead without letting his colleagues know what he proposed to do. But given the formalities of Cabinet Committees, it could easily take 15-20 minutes to dispose of some of these matters with extensive briefing of Ministers beforehand by all Departments.

2. On paragraph 4 of your draft, I would be inclined to leave out the phrase "except possibly by way of information when the problem is resolved". As you say, there is no need for the sponsoring Department to come into the picture if a company or an industrial association can deal directly with the Department concerned. I think sponsoring Departments have their uses when industries find that the subject Department is unresponsive to their complaints.

P.J.H.

P J HARROP

20 March 1980

2pps

QZ 01496

SIR ROBFRT ARMSTRONG

cc Sir Kenneth Berrill
Mr Le Cheminant
Mr Harrop
Mr Wade-Gery
Mr Whitmore

WASTE IN GOVERNMENT

I would generally support the line in your draft minute of 17 March although I am doubtful about the truth of the second sentence of paragraph 3. When you add up the time taken in preparing, studying and converting and the loose ends left by even the most exhaustive exchanges, I often think 5 minutes of Committee time would be more satisfactory.

M D M FRANKLIN

20 Marh 1980

Govt Mach.

P.0225

tW
19

SIR ROBERT ARMSTRONG

cc: Sir Kenneth Berrill
Mr Franklin
Mr Harrop
Mr Wade-Gery
Mr Whitmore

WASTE IN GOVERNMENT

17.3.80

You asked for comments on your draft minute for the Prime Minister to send to Mr Nott in response to his of 12 March.

2. My comments are confined to paragraph 2 where I think you let Mr Nott off lightly. I attach a re-draft which you might care to consider.

3. Other points, not for inclusion in the draft, which might be made are:-

(a) The figure of 400,000 copies of documents is suspect. It appears to imply that every copy of a Ministerial letter reaching a Department is itself further copied ten times! If this is Department of Trade practice Mr Nott has some useful savings immediately under his own control!

(b) It is significant that Mr Nott's colleagues apparently find it worth while writing him ten letters a week. Assuming that the letters are all on policy, this suggests that Mr Nott's colleagues think they have a higher degree of interest in his activities than he cares to admit. It also suggests (although without analysing the letters it is not possible to be certain) that a great deal of business does get done outside the committee system.

(c) One could re-write the burden of the second paragraph on the second page of Mr Nott's minute to read:

"If I can get at my colleagues when they haven't been briefed I can bounce them". Indeed the only real difference between an informal

meeting of Ministers and a formal one, is that Ministers are forewarned of what is coming and all Ministers who have a legitimate interest in the topic are brought into the act. Provided that the problem genuinely spills across Departmental boundaries a formal meeting is often a more efficient and speedier means of despatching the necessary business than the alternative. One doesn't have to go back to the origins of the Cabinet secretariat to illustrate this. The sorry story of Sir Keith Joseph's informal group of Ministers on nationalised industry policy - of which Mr Nott was a member - is warning enough.

(d) On Mr Nott's own formulation one might conclude that the lesson to be learned from Australian and New Zealand experience is not to do it their way!

(e) Finally - and although self-evident it may well lie at the root of Mr Nott's problems - the plain fact is that Mr Nott and his colleagues are not appointed to committees solely to represent an interest but as individuals who are thought to have something to contribute to the quality and coherence of the Government's decisions across a whole spectrum of policy. Certainly the Prime Minister has frequently sought to engage Mr Nott in particular issues on this basis. Of course it means more work but Ministers pay structure is meant to reflect the added responsibilities of Cabinet Ministers!

P Le CHEMINANT

19 March 1980

Alternative paragraph 2

2. On Cabinet committees, I agree that we must use the system and not let the system take us over, and I am all for Ministers exchanging views with each other informally. But the system has certain advantages. You mentioned two - the crystallisation of issues and the proper recording of decisions - which are very important for the effective functioning of Government. But there are others. For example the proper use of the committee system ensures that all colleagues with a legitimate interest in a subject (and in the modern world many issues spill across Departmental boundaries) are alerted to proposals of interest to them in reasonable time through a "fail-safe" mechanism. And the committee system enables senior Ministers, like yourself, to exercise a political influence on the Government's actions going well beyond their immediate Departmental interests.

2. A. Of course I agree with you that we should not interpret in too restrictive a fashion the dividing line between matters

which are the sole responsibility of a particular Minister and those on which he needs to consult his colleagues, either because of shared responsibility or because of their wider political implications. Equally I would agree with you that committees should not meet more often than necessary or to deal with business which can be expeditiously and effectively handled in other ways. At the same time it is even more important in Government than in Opposition - - - [continue as in present draft to the end]

Ref. A01716

SIR KENNETH BERRILL

cc Mr. Franklin
Mr. Le Cheminant
Mr. Harrop
Mr. Wade-Gery
Mr. Whitmore (No. 10)

We discussed briefly the Secretary of State for Trade's minute to the Prime Minister about waste in Government.

I attach herewith a copy of a draft minute for the Prime Minister to send to the Secretary of State for Trade in response. I have sent the draft to Sir Ian Bancroft for comments, and should also welcome your comments and the comments of those to whom I am copying this minute.

ROBERT ARMSTRONG

ROBERT ARMSTRONG

17th March, 1980

DRAFT MINUTE FROM THE PRIME MINISTER

SECRETARY OF STATE FOR TRADE

Thank you for your minute of 12th March about waste in Government.

2. On Cabinet Committees, I agree that we must use the system and not let the system take us over, and I am all for Ministers exchanging views with each other informally. But the system has certain advantages, apart from those you mention, where there is an issue of policy which affects several Ministers, where it is important for collective responsibility to be engaged, or where a Minister wants to have the advice of his colleagues. It is even more important in Government than in Opposition that we should know what each other is proposing and doing, because the consistency and coherence of our policies is under closer and more constant scrutiny. And, if you want your colleagues to defend what you are doing, there is a lot to be said for enabling them to know what you have in mind, and to comment on it if they want to do so, before you actually do it. Cabinet and its Committees provide an effective framework for achieving that, and a system for enabling us to deal with issues in an orderly way and at the right time.

3. I agree with you that discussion of something in a Cabinet Committee should not necessarily mean that every subsequent development must be reported back in correspondence to all the Ministers sitting on the Committee. On the other hand there can be

times when an exchange of correspondence is less expensive and less prodigal of Ministerial time and effort as a means of exchanging views, imparting information, or even agreeing a decision than summoning all those same Ministers to a meeting.

4. As to sponsorship, it is a concept that has persisted through Conservative as well as Labour Administrations. I think that you overestimate the understanding that industrialists have of the finer points of the machinery of government and underestimate the value that many of them attach to having one Department to which they can turn whatever their problem, one man whom they can look to as something of a "friend at court". Of course if a company has a problem that is purely and simply for the Department of the Environment, then it should be directed to that Department, and there is no need for another Department to come into the picture - except possibly by way of information when the problem is resolved; and I agree with you that there are considerable savings to be won by cutting out Departmental activities which consist simply of monitoring what other Departments are doing.

5. No doubt the Chief Secretary, the Minister of State, Civil Service Department, and the Secretary of State for the Environment will consider what you say about delegated authorities. They should clearly be kept under central review, and revised - or eliminated - if they are needlessly restrictive.

6. On public appointments, I wish to be consulted in advance about the appointment of all Chairmen of nationalised industries and public boards, and about all appointments of members which have political significance or implications. I don't think it is necessary for me to see in advance all proposals for appointment at Deputy Chairman level - my impression is that that is an innovation since we were last in office - though I should wish to see those which have any political flavour.

7. On attendance at Cabinet, I am prepared to waive the requirement of a personal minute seeking permission to be absent from a Cabinet meeting, where the absence is accounted for by an overseas visit which I have approved; but on the understanding that the request for approval for the visit is copied to the Secretary of the Cabinet, who needs to know who is away when. I do think it desirable that I should be personally involved for overseas visits by all Ministers, not just by Cabinet Ministers.

8. I am asking the Secretary of the Cabinet to revise "Questions of Procedure for Ministers" to take account of the changes I have agreed to make in paragraphs 6 and 7 of this minute, which I am copying to the Chancellor of the Exchequer, the Secretaries of State for Industry and the Environment, and the Minister of State, Civil Service Department, as well as to Sir Robert Armstrong.

1. MR. WHITMORE

2. PRIME MINISTER

This is a minute from Mr. Nott about the way in which Government works.

His argument is essentially that the Cabinet Committee structure, and the consequent Departmental co-ordination at all levels, is inflexible and cumbersome; and that Departmental Ministers should be left much more discretion as to how, when, and if to bring colleagues into their decisions.

He concludes with several other suggestions about cutting down the paper work carried out in your name. I think we can make some more improvements on these points.

On the main issue, I know that Sir Robert Armstrong is ready to offer advice if you wish. Would you like to invite him to comment to you, perhaps with a view to discussing Mr. Nott's thoughts at one of your Tuesday breakfasts to start with?

On the minor matters of paper work raised at the end of his minute I have a couple of comments. You have shown considerable interest in all senior appointments made on the Government's behalf. And one of the functions of your office has been to ensure/remind Ministers to bring the Chief Whip into his consultations early enough - Mr. Nott has from time to time omitted this source of suggestion. But it is certainly possible to allow Ministers greater discretion about second rank public appointments if you are willing to do so. The message would have to be that they should consult you if in doubt, and that they should carry the can if they made one of which you disapproved without giving you a chance to comment. We could certainly dispense with the requirement for a separate request to you to miss Cabinet for an overseas trip: this could (and in practice now usually is) be covered when we give permission for the visit.

14 March 1980

S. J. Pike

pp MAP

cc Sir D. Rayner

Taken from Part 5 Civil Service

PM

PRIME MINISTER

WASTE IN GOVERNMENT

On assuming Government we set ourselves the task of cutting down on bureaucracy, and I hope that you will not mind it if I make a few observations on this subject based on our first ten months in office.

After a good start I have the impression that Ministers are becoming more subject than in the first few months in office to a multiplicity of Cabinet Committees. There is always a danger in Whitehall that the tradition of collective responsibility is carried over into a debilitating collectivism.

I recognise that it is important that policy decisions taken by individual Ministers should be subject to consultation in appropriate cases with colleagues, but undue weight sometimes seems to be given to a narrow definition in "Questions of Procedure for Ministers" of Cabinet Committee business and too little to the sentence which says:

> "Matters wholly within the responsibility of a single Minister and which do not engage collective responsibility as defined above need not be brought to the Cabinet or to a Cabinet Committee unless the Minister wishes to have the advice of colleagues".

A main basis of the Whitehall paper chase seems to involve the belief that because a matter has once been discussed in E(EA) or OD(E) every subsequent development must be reported back to all the Ministers sitting on those Committees. This results in a steady flow of correspondence between Ministers with every letter being copied to 8 or more Departments. As an indication of the volume involved, in the three months October-December 1979

my office received 146 letters addressed to me by Ministerial colleagues and a further 1,203 copy letters. Given distribution around Whitehall and further copying within Departments, it seems likely that documents concerned with Cabinet Committee decisions were being circulated at an annual rate of 400,000 - that includes only documents on those subjects which it was thought appropriate that I should be consulted or informed (hopefully a minor part of the total).

I am aware of the argument in favour of the Cabinet Committee system, that it crystallises issues so that the point of disagreement or for decision is clearly set out. It also ensures that decisions are correctly recorded. But this process - far from facilitating resolution of problems - can result in the taking of inflexible Departmental positions which put Ministers in conflict. Often an informal group of Ministers can get something done whereas a formal Cabinet Committee frustrates and delays action. Meetings or telephone conversations between the Ministers directly concerned can lead to much quicker decisions.

In this context I recall my visits to Australia and New Zealand last Summer; in both countries Ministers have their offices in the Parliament building and are therefore constantly able to exchange views. I am told that the absence of proper recording of decisions and the distraction of the approaches from MPs makes for confusion in the processes of Government, but I feel we could learn something from the greater informality of the Australian and New Zealand system.

One of the causes of excessive correspondence is the concept of "sponsorship" - a peculiarly socialist notion. A good example arose at last month's meeting of NEDC when Sir John Methven referred to delays in planning permission and asked whether these could be looked into "by the Department of Industry". Why

the Department of Industry? Because there is a section there concerning itself with the "industrial implications of Government policy on environmental protection". The Department of Industry will no doubt have written to the Department of the Environment and the interdepartmental correspondence will have begun. Why should not the CBI deal direct on this matter with the Department of the Environment? Every colleague could name, I feel sure, numerous cases where one Department is monitoring, in some outside group's interest, what another Department is doing. If we could abolish the notion of "sponsorship" altogether - large swathes of Whitehall could be put to more productive work.

The Treasury occupies a special position since it has to control public finance, but here too I believe that devolution of responsibility to Departments should be carried further. I mention only a small point which has come to my attention. It concerns tourism projects involving assistance of £100,000 or more which at present need specific Treasury approval. It seems to me that once global totals for support for tourism have been decided, additional manpower resources in the Treasury are wasted on double-checking those of my Department who in turn are checking the English Tourist Board. I hope that we have sufficient talent in Departments outside the Treasury to take a suitably responsible role on the administration of public finance. Of course Departments make mistakes, but human error - even human frailty - is not unknown in Great George Street.

The CSD and PSA similarly exercise controls over the way in which individual Departments conduct their affairs. Whilst some controls over staffing are obviously appropriate to ensure consistency throughout the Civil Service, I do not see why it should be necessary to seek CSD approval every time we need to buy a motor vehicle over 1,000 cc for the Coastguards. I do not see why the

FCO posts should not be allowed to use their knowledge of overseas property markets to obtain suitable accommodation without depending on standard PSA rules and specifications. Many of our officials become numbed to the encumbrance of this kind of control, but this is no reason for complacency. Within the cash limits control on procurement could well rest under the authority of the individual Permanent Secretary in his role as Accounting Officer.

It is also proper, of course, that there should be consultation with you on matters of contention but I hope that all Ministers in charge of Departments have sufficient political instinct to recognise when you need to be informed and consulted about a particular subject. But at the present time there are many occasions which require us to consult Number 10 Downing Street on purely routine matters. I mention two: firstly, the "Questions of Procedures for Ministers" state that you should be consulted in advance about the appointment of all Chairmen and Deputy Chairmen of nationalised industry and public boards. Obviously the major appointments and the main direction of Board appointments are a matter of great political importance. But I have recently appointed a new Deputy Chairman to the Civil Aviation Authority, which is obviously a position requiring some-one with the necessary expertise and professional qualifications. Surely the rules should be operated flexibly enough so that your time, and even the time of your office, is not wasted on such a trivial matter. Secondly, when I make an overseas visit I am required to seek your approval and that of the Foreign Secretary and the Chief Whip in advance. This is absolutely proper. However, the "Questions on Procedures for Ministers" also requires that I should send a personal minute to you seeking permission to be absent from the relevant Cabinet meeting!

In this connection I am glad that it is no longer necessary to seek permission from Number 10 when my junior Ministers make short visits to Brussels, but is it necessary for you (quite apart from the Foreign Secretary and Chief Whip) to be personally involved when, for instance, Cecil Parkinson makes a 3 day trade visit to a foreign country?

My conclusion from these observations is that the attack on waste in Government should not be confined to particular areas of Departmental activity, but we should engage in a searching examination of the way we operate as a Government. Perhaps Sir Derek Rayner might be invited to look into some of the central controls I have mentioned and the efficiency of the Whitehall machine.

I am copying this minute to Keith Joseph, Geoffrey Howe, Michael Heseltine, Paul Channon and to Sir Robert Armstrong.

JN

Department of Trade
1 Victoria Street
London, SW1

12 March 1980

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

11 March 1980

Mr Pattison.

12 iii

Dear Clive

Thank you for your letter of 10 March. My Secretary of State would be very glad to put in a paper for the special meeting that the Prime Minister proposes on Civil Service staffing. He looks forward to hearing about the timing of the meeting.

I am copying this to John Wiggins (HM Treasury), Geoffrey Green (CSD), Sir Derek Rayner, Sir Ian Bancroft and Sir Robert Armstrong.

Yours ever

David Edmonds

D A EDMONDS
Private Secretary

Clive Whitmore Esq
10 Downing Street

Civil Service
File

10 DOWNING STREET

From the Principal Private Secretary

10 March 1980

At the beginning of the Prime Minister's visit to your Department last Friday, your Secretary of State gave a presentation on the staff management techniques which you are now employing in order to reduce manpower.

The Prime Minister mentioned that she intends to arrange a more detailed discussion of manpower management than has so far proved possible in Cabinet, and she would like your Secretary of State to contribute a paper.

You may find it helpful if I fill in the background to this. As the Prime Minister indicated on Friday, she believes that the ideas contained in the various proposals put forward by Sir Derek Rayner are simply not being followed through. In her view, this has been illustrated by every discussion in Cabinet on staffing. She therefore takes the view that further discussion in Cabinet on manpower with the subject taken as a routine item, will be inadequate, no matter how good the paper to be discussed. She has in mind a special meeting of the Cabinet, possibly at Chequers, which would be devoted wholly to the subject of Civil Service numbers and costs.

The present intention is that this meeting should take place in late April or early May. It seems sensible to wait until current pay negotiations are out of the way, and the manpower cuts which will accompany pay settlements have been completely tied up with Departmental Ministers.

The main paper for the meeting would be from Sir Derek Rayner, developing some ideas which he has already submitted and others on which he has been working at the Prime Minister's request. Mr. Channon has also been invited to submit a paper. The Prime Minister would like your Secretary of State to offer one illustrating the techniques now applied at the Department of the Environment.

Perhaps you could confirm that your Secretary of State would be content to do this. I will let you know what is settled about the timing of the meeting.

I am sending copies of this letter to John Wiggins (H.M. Treasury), Geoffrey Green (Civil Service Department), Sir Derek Rayner, Sir Ian Bancroft and Sir Robert Armstrong.

C. A. WHITMORE

D. A. Edmonds, Esq.,
Department of the Environment.