

PREM 19/148

32/38

PART 2

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.
Part 2 April 1980
March 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
16.4.1980							
17.4.80							
23.4.80.							
- ENDS -							

PREM 19/11/8

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PART 2 ends:-

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PART 3 begins:-

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Cin 10/2.



PRIME MINISTER

PERSONAL

For information

PRIME MINISTER

MH

MAD 24/4

Following our talk yesterday evening, and your view that it might be better if I did not put in a separate paper on manpower for next week's Cabinet, I have had a brief word with Paul Channon. I think the essence of the points I wanted to make could be conveyed by some quite small amendments to Paul's latest draft. I enclose a copy of some possible amendments, which I am sending to him today.

with

MH

23 April 1980



22 JAN 1980



PERSONAL

CONFIDENTIAL

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

23 April 1980

De Paul

We had a word earlier today about the discussion I had with the Prime Minister yesterday evening on civil service manpower. As I explained to you, for a number of reasons, I no longer propose to put to Cabinet my own paper. However, I believe that the essence of my ideas could be imported into your paper by some quite small amendments, which I have set out on the attached sheet. If you see problems, perhaps we could have a further word?

I am copying this - and the annex - to the Prime Minister.

yes
Michael Heseltine

MICHAEL HESELTINE

Paul Channon Esq MP

DRAFT PARAGRAPH FOR PAUL CHANNON'S PAPER

Delete the reference to the Secretary of State for the Environment's paper in paragraph 11.

Insert new paragraphs after existing paragraph 23:

23A. A target should only be a start: the minimum level we should be seeking to achieve. We need to ensure that the experience built up in individual departments, and that resulting from the Rayner exercises, is effectively transmitted to all departments. If Cabinet so agrees CSD should be given the specific task of working with each Department to ensure this. We need to establish three objectives. First, that Ministers have available full information about what is happening in their Departments. Second, that improvements introduced by individual Ministers do not automatically end when they move on. Third, that means exist to ensure that each of us knows of the best practice being applied elsewhere. CSD is already monitoring departmental manpower returns and we can take on responsibility for helping Ministers introduce the necessary systems to achieve these objectives. We will report regularly to the Prime Minister and colleagues on the implementation of these objectives, the manpower reductions being achieved and generally.

23B. For timing, the objective would be to report back to Cabinet on the outcome of these initiatives by the summer Recess by which time we should have agreed a programme of work Department by

Department that will ensure that Ministers will receive all the information necessary to enable them to take informed decisions about the management of their departments.

on paragraph 25: delete the reference to this being "the final instalment." That will remove the pressures on those Departments which could do better.

on paragraph 28 (C) amend to read:

"that a programme of work should be undertaken by the strengthened CSD capability as set out in paragraphs 15, 23A, 23B and Annex D;"



FROM THE SECRETARY OF STATE

Paul Channon Esq MP
 Minister of State
 Civil Service Department
 WHITEHALL
 London
 SW1A 2AZ

Mr. Pattison

ELIZABETH HOUSE,
 YORK ROAD,
 LONDON SE1 7PH
 01-928 9222

You should see

this in the light of

(a) the 2 May letter

and (b) the despatch letter to Mr. Green.

23 April 1980

CP

23.IV.80

Dear Paul,

LESSONS FROM RAYNER PROJECTS

I am writing in response to your letter of 20 March to Michael Heseltine and to your further letter to me of 3 April.

You ask me to scale down my Department's apparatus for exercising oversight and influence over local authorities so as to bring it into line with parallel reductions being contemplated in other local government departments. I take your request very seriously. But on reflection it seems to me to be based on a fallacious line of argument.

First, I think it is wrong to assume that, when we took office, each government department suffered from the same degree of over-manning as a result of our predecessors' policies. How far there is overmanning and how the staff position relates to our own policies can surely be judged properly only by the responsible Departmental Minister. When I came to the DES I found a Department, which, by Whitehall standards, is small and where, after examining its various activities, I could see only limited scope for reduction. This may well have something to do with the fact that between 1 January 1974 and April 1979 the DES staffing complement declined from 3095 to 2736, whereas other departments grew considerably over the same period. (Between 1974-5 and 1978-9 the cost of running the DES fell by 15% in real terms.) Even so, the reductions I have undertaken to make, which will bring my staffing level down to about 2428 by April 1982, are as large relatively as those being made in the Civil Service generally. Second, not all local government departments do the same job in relation to local authorities. The service with which I am concerned is, by statute, a national one for which I have a national responsibility: it is its administration which is the responsibility of local authorities. Under the Education Act of 1944 it is my duty "to secure the effective execution by local authorities, under my control and direction, of the national policy for providing a varied and comprehensive education service in every area". One consequence is that there are major areas of education where I,

and not the local authorities, have the statutory responsibilities eg for the supply of teachers. Since we took office my specific statutory powers in relation to local authorities have been reviewed collectively by Ministers and certain changes reflecting our own policies have now been embodied in the Education Acts of 1979 and 1980. All these changes require extra staff effort to bring about and some of them embody major relaxations in my control over local authorities; others work in the opposite direction and require additional staff for their implementation.

Third, there is no automatic correlation between what local authorities spend on education and the number of DES staff. The falling expenditure which we are planning for education is partly the result of falling pupil numbers which create new national problems of policy and resource management, and partly the result of a deliberate financial squeeze which adds to these problems.

It is a central aim of Government policy to maintain and improve the quality of education. This means that I have to exercise my statutory responsibility in a positive fashion, and to devise new policy initiatives eg on the curriculum and on the quality and composition of the teacher force, which call for an increased policy effort at the DES. Far from interfering too much in the local authorities' own business, my Department is not applying enough effort to those aspects of education which are national and where policy initiatives can only come from the Department, and we are constantly criticised for this. Apart from the administration of the teachers' pension scheme, (which has already been scrutinised in a Rayner report) my Department has no major executive function. When the substantial further staff reductions to which I have agreed have been achieved, staff that are engaged on, or in support of, policy work on the local government sector of education will number about 2100. This total includes HM Inspectorate which our Manifesto commits us to strengthen. I do not believe that this number is unreasonable for what my functions are in relation to a service spending £6 billion a year, administered by 97 local authorities employing one million people, and concerned with nearly ten million pupils, their parents and their prospective employers. I have satisfied myself (indeed I know from experience) that the resultant staffing is tight in relation to the demands that I am obliged to make on the Department.

I turn now to the control of educational building. Now that the Education Act 1980 has become law, we are immediately introducing simplified procedures and a letter giving details has been sent to all local education authorities. Consequential staff savings are being made immediately and, as I said in my letter of 19 March, we shall be keeping the size of Architects and Building Branch under review in the light of experience of the operation of the new procedures. I believe that there is still some misunderstanding about what we are doing and it might help to clear this up if my officials were to discuss the details with yours.

I am copying this letter to the recipients of your letter of 20 March to Michael Heseltine.

James Carr

Mark

MARK CARLISLE

Make

*We considered last week
with a paper from Sir DR
now in a form
see*

cc for information

✓ Mr Pattison

Mr WRIGHT

*see
30th*

*See the draft note: useful to
bring things together, & promote a
clear cut discussion. But would
inevitably leak Sir DR's Channon's
own papers) MA 23/4.*

Efficiency etc: 1 May Cabinet

1. Following Mr Pattison's letter of yesterday, copied to you, I shall be letting you have as soon as possible the final text of Sir Derek Rayner's minute to the Prime Minister of 18 April for circulation to the Cabinet later this week.
2. We had a word yesterday about the part Sir DR will be expected to play at the Cabinet meeting, eg whether he will be invited to make a statement or join in discussion. I think that a statement plus participation would be better, as Sir DR would like the opportunity to say, inter alia, that he is not the sole friend of efficiency. You will brief me on this when you can.
3. Will you also arrange for Sir DR to have a copy of Mr Heseltine's paper when it comes round? Depending on its content, Sir DR may want to write or talk to Sir Robert Armstrong, as he has reservations about the outcome of the "Rayner project" in DOE on management information for Ministers.
4. We also spoke yesterday about the one page aide-memoire and two page note. To help matters on I have had a go at drafting the latter (attached). If the former was required, it could be extracted from the draft.

Sp

C PRIESTLEY
23 April 1980

Enc: Draft note

DRAFT OF 23 APRIL 1980

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THE SIZE AND EFFICIENCY OF CENTRAL GOVERNMENT

Note by the Prime Minister

1. In our Manifesto we committed ourselves to the reduction of waste, bureaucracy and over-government. We have made some progress in our first year. We ^{should}/~~now~~ take stock and decide what more should be done.

2. To help us, I have invited the Minister of State, CSD, to circulate a paper on Civil Service numbers and costs. I have also invited the Secretary of State for the Environment and Sir Derek Rayner to circulate background papers containing ideas based on their experience.

3. It is clear to me from the rising cost of government, the disappointed expectations of our supporters and our experience so far that there are both a need and the scope for further reform. This is not a matter of attacking the Civil Service, but the size and the method of the jobs we give them to do. I believe that we should now decide as follows:
 - a. We should adopt a manpower plan for the rest of this Parliament. Its main aim should be less government, using fewer staff better, ie substantial reduction in the scale and cost of

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government by cutting out or curtailing functions and increasing efficiency.

b. The overall target should be a 12% reduction in the size of the Civil Service, bringing numbers down to at least 630,000 in 1984.

c. The target for each department should be 2½% per annum over the 3-year period beginning 1981-82.

d. These targets should be achieved by a drive in each department to reduce functions and increase efficiency, with appropriate co-ordination and help from the centre.

e. Subsidiary aims should be the reductions of staff numbers at the highest levels in departments (Under Secretary and above) by 10% in 1982 and of the length of the Civil Service hierarchy.

4. Ministers would want to give this policy powerful leadership. The papers by the Secretary of State for the Environment, the Minister of State, CSD and Sir Derek Rayner suggest some useful ways of getting down to brass tacks.

5. I have invited Sir Derek Rayner to contribute to Cabinet discussion on 1 May. In addition to reporting on the work with which he is associated and

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complementing the Minister of State, CSD's note on numbers and costs, his paper outlines proposals he has made to me for the lasting improvement of our management and managers. I have commissioned work on these; it will be done in consultation with Ministers and their departments as appropriate.

MHT

map has seen.



3

12

24/4

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

23rd April, 1980

T. Lankester, Esq.,
Private Secretary,
10, Downing Street

Dear Tim,

EFFICIENCY OF CENTRAL GOVERNMENT

Mr. Channon's minute to the Prime Minister of 21st April says that the Treasury are considering how we can speed up the examination of the expenditure control function which was planned for later this year.

The Chancellor has asked me to let you know that, because of the link with the machinery of government question, we agree that a report should be produced for Ministers to consider on the same end-June timescale. We plan to make proposals on the terms of reference for this enquiry within the next week or so.

I am sending copies of this letter to Geoffrey Green, Sir Robert Armstrong and Sir Derek Rayner.

Yours ever,

MA

M.A. HALL
Private Secretary

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Civil
Service

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File

10 DOWNING STREET

From the Private Secretary

23 April 1980

The Prime Minister has seen Mr. Channon's minute of 21 April, about the timetable for carrying forward the various recommendations submitted by Sir Derek Rayner.

She is content with the proposed timing for submission of further work on the various matters in question.

I am sending copies of this letter to Martin Hall (HM Treasury), Clive Priestley (Sir Derek Rayner's Office) and David Wright (Cabinet Office).

M. A. PATTISON

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

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file

DSC

23 April 1980

The Prime Minister was grateful for Mr. Channon's minute of 22 April, reporting staff in post figures for 1 April 1980.

M. A. PATTISON

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

DSC



10 DOWNING STREET

Cliff M.M.

You might like to
see Reference figures
in Mr Channon's ^{22.4.80}
note - an overall
decrease of 2,200,
including(?) a 200
increase in ROT.

M.F.
23/4.



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~XXXXXX~~ 218 2111/3

MO 2/2/6

21st April 1980

N&PM

AMJ.

Dear Clive,

I understand that there was a brief informal discussion of MOD numbers after the Prime Minister's meeting last Monday. My Secretary of State thought that you might like to have for background information the attached table setting out our view of how numbers have moved over the last fifteen years.

As you will see, the bare figures show a reduction for the MOD of some 137,300 between 1964 and 1979, and of 33,500 between 1974 and 1979. But these figures have to be adjusted for transfers in and out: it would, for example, not be fair to count the setting up of a separate ROF organisation in 1973/4 as a saving. Making these adjustments for what amounted to a net import of 12,300 between 1964 and 1979 (Aviation Supply and AWRE Aldermaston more than balanced the ROFs) and 1,950 people between 1974 and 1979, the figures became 150,000 and 35,000 (the 40,000 figure between 1974 and 1979 - which is so often quoted - was reached as it was always intended to be by adding on savings in PSA from those involved on defence work).

Another element when looking at the breakdown within the UK-based category is that during the 15 year period several thousand people have transferred from the industrial category to the non-industrial largely as a result of agreements with the unions.

Our own rundown has of course included a big cut in the number of locally engaged civilians (LECs) as one would expect since the period saw a massive withdrawal from overseas bases. Nonetheless, the raw figures show

C A Whitmore Esq



reductions of 61,000 in UK based civil servants between 1964 and 1979 and of 24,000 between 1974 and 1979; adjusted these figures became 73,750 and 23,350.

Since 1.4.79 numbers have continued to fall. UK based numbers dropped by 6,700 in 1979/80 - a 3% cutback (if we include the ROFs, which are now free-standing, and the LECs, by 9,500). Moreover, the MOD UK based figures will reduce by at least as much again during 1980/81 in order to make the 2½% cash saving on wages and salaries and this is on top of the 7,500 reductions promised by 1 April 1982 as a result of the studies into contract/cleaning, Quality Assurance and bill paying.

*Yours and
B M Norbury*

(B M NORBURY)

MOD

ROF

1st APRIL	UK BASED	LEC	TOTAL	UK BASED	TOTAL MOD INCL ROFS
1964	285,916	114,269	400,185		400,185
1974	248,876	47,530	296,406	18,200	314,606
1979	224,697	38,204	262,901	22,963	285,864
1980	218,026	36,575 (1 March 1980 Strength)	254,601	21,754	276,355 (1 March 1980 LEC Strength)

23 April 1980

Thank you for your letter of 21 April about the numbers of civil servants in the Ministry of Defence.

This is useful background information, and the Prime Minister is grateful for it.

E. A. WHITMORE

B.M. Norbury, Esq.,
Ministry of Defence.



10 DOWNING STREET

Clive

This seems to be
the result of
an aside from
last week's

Mike

Yes

hw

detached meeting.
Does it now belong
with manpower
policy papers, or is
there a separate
purpose to this
enquiry?

MA 22/4

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BK



File

cc CAW

10 DOWNING STREET

From the Private Secretary

22 April 1980

30.4.80
BF for Cabinet

The Prime Minister held a discussion this morning about proposals on Civil Service management and manpower policy to be considered at Cabinet on 1 May. The meeting considered draft papers for Cabinet prepared by your Minister of State and Sir Derek Rayner. The Chancellor of the Exchequer, the Home Secretary and Sir Robert Armstrong were also present.

As a result of the discussion, the Prime Minister concluded that she would like to seek Cabinet endorsement for a 12 per cent target for further reductions in the size of the Civil Service. In order to achieve this, a target per department of 2½ per cent per annum over the three year period beginning 1981/82 would be required. There would need to be some recognition of the variations in the requirements of departments whose work load was determined by factors outside the Government's control. To achieve these cut-backs, there would need to be a drive in each department for greater efficiency and cost-effectiveness, coupled with a drive to reduce functions and thereby staff numbers. There would also have to be an examination of the chain of command within Government departments.

In discussion of responsibility for co-ordinating this work, the Prime Minister concluded that she would prefer not to pursue suggestions of the creation of a new high level post for this purpose. It should be possible to locate the responsibility within the existing Civil Service Department structure, with Sir Derek Rayner providing external advice in the drive to increase efficiency and cost-effectiveness and to reduce functions.

The Prime Minister concluded that she should herself discuss Ministers' decisions on these matters with the Permanent Secretaries as quickly as possible after the 1 May Cabinet.

The Prime Minister asked that the papers by Mr. Channon and Sir Derek Rayner should be circulated to colleagues on Friday. She was informed that Mr. Heseltine's complementary paper would be available early next week. Your Minister of State undertook to

/ incorporate the

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- 2 -

incorporate the targets set out above in the final version of his paper and to withdraw from it the proposal for a new post to co-ordinate this work.

I am sending copies of this letter to John Chilcot (Home Office), Martin Hall (HM Treasury), Clive Priestley (Sir Derek Rayner's office) and David Wright (Cabinet Office).

M. A. PATTISON

Geoffrey Green, Esq.,
Minister of State's Office,
Civil Service Department

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OUTCOME OF MEETING ON 22 APRIL 1980

1. Agreed on the need for a plan for reducing Civil Service functions, numbers and costs, comprising
 - a. an overall target of 12% (allowing a "contingency margin" so as to achieve 10%) - size of Civil Service reduced to at least 630,000 in 1984-85;
 - b. a target per department of 2½% per annum (cumulative) in and from 1981-82 (allowing for some variation between departments);
 - c. a drive in each department for greater efficiency/cost-effectiveness alongside drive to reduce functions/numbers; and
 - d. an examination of the chain of command (or length of the Civil Service hierarchy).
2. Co-ordination of work to implement plan to be provided from an existing CSD Permanent Secretary post [without prejudice to thinking for the longer term on Tsy/CSD merger and possible "Inspector-General" function].
3. Therefore write down or out the "special adviser" bit of Mr Channon's paper. *Mr. Channon to circulate his paper by weekend.*
4. PM to consult Cabinet (on 24 April?) on how she and Ministers can best motivate Permanent Secretaries.
5. PM needs for Cabinet on 1 May a one-sheet aide-memoire on the decisions required.

PRIME MINISTER

PRIME MINISTER

M.S. In the right direction, at least. MAP 22/4

CIVIL SERVICE NUMBERS

We have now received reports from all departments of their numbers of permanent staff in post at 1 April 1980. The total is 705,100. This is 2,700 less than at 1 January and 27,200 below the 1 April 1979 figure.

The major reductions in the last quarter have been in:

Defence	2,200
PSA (incl. Supplies Division)	800
Employment Group	700
Inland Revenue	700
Customs and Excise	200

The most significant increases were in:

DHSS	+ 800	Mainly recruitment of fraud investigation staff
Home Office	+ 400	Mainly prison staff
Royal Ordnance Factories	+ 200	Industrial staff to meet production requirements

Most departments have continued or reimposed restrictions on recruitment in anticipation of the additional reductions in manpower costs to be achieved in 1980-81.

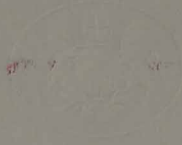
The reduction of 27,000 is the largest in real terms (ie excluding the effect of machinery of government changes) made in any year since the late 1950s.

I propose to quote the figure tomorrow, Wednesday, in reply to Oral Questions and I am having an appropriate press release prepared.

I am copying this to Angus Maude.

P.C.

PAUL CHANNON
22 April 1980



22 APR 1961



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SECRET



Enc. with PM

2

MAH 24/4

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

22 April 1980

G Green Esq
Private Secretary to the
Minister of State
Civil Service Department

Der Gifford

THE EFFICIENCY OF CENTRAL GOVERNMENT: ACCOUNTANCY QUALIFICATIONS

The Chancellor thought colleagues concerned would be interested to see the enclosed minute by Lord Cockfield.

I apologise for the classification: this is simply because of reference to the Prime Minister's personal minute.

I am copying this letter to Tim Lankester and to Sir Derek Rayner.

Yours,

MAH

M A HALL
Private Secretary



A comment from Lord
Cockfield about financial
management in government
departments.

CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary
Sir D Wass
Sir A Rawlinson
Mr Bailey
Mr Littler
Mr France
Mr F E R Butler
Mr Ridley

*How do you
measure them?
Or find it in large
work nos?*

MAP 24/4

THE EFFICIENCY OF CENTRAL GOVERNMENT

The Prime Minister's Personal Minute No 9; page 3 recommendation (c)

"I should like to see a steady progression towards the employment of those qualified in financial management and management accountancy."

Expressed like this, this looks fine: but a word of caution is necessary. The post of "Finance Director" in industry started as a revolt against Accountants: to quote only two examples neither Paul Chambers nor myself were qualified accountants. Accountancy tends, unfortunately, to be narrow in its outlook with a great capacity for seeing the trees rather than the wood. As time has gone on, the Accountants have infiltrated more and more into the field of industrial financial management and this is reflected in Sir Derek Rayner's recommendation. Obviously it is absurd to draft a man into financial management who can't add, has no financial sense and can't read a balance sheet or profit and loss account. But the number of disasters springing from financial mismanagement which have overtaken companies with directors, staff and auditors with the most impeccable professional qualifications is legion. The best of the financial managers

in the Civil Service, qualified or not, are a great deal better than the general run of financial managers in industry. We need to be a little cautious in assuming that a paper qualification is superior to flair and insight in the field concerned.

A.E.

LORD COCKFIELD

21 April 1980

PRIME MINISTER

Meeting on Management of the Civil Service

Over the weekend, you may have glanced at the draft papers for the 1 May Cabinet prepared by Mr. Channon (Flag C) and Sir Derek Rayner (Flag D).

I have now added to these:

Flag B a note from Sir Derek suggesting what you might aim to get out of Cabinet; and

Flag A a brief from Sir Robert Armstrong leading you through this collection of paper.

returned to DW { I also enclose a personal note from David Wolfson in the envelope pinned to this minute.

Tomorrow, you might like to see how the Chancellor and the Home Secretary react to the two draft papers. If they do not find them sufficiently innovative and concise to prompt a worthwhile discussion on 1 May, there is still time to ask their authors to revise them. You might, indeed, want to consider the possibility of asking for a single shorter joint paper to replace them.

MAD

21 April 1980

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Ref. A01978

PRIME MINISTER

Civil Service Manpower

Cabinet will discuss Civil Service manpower on 1st May on the basis of three papers: one by Mr. Channon on Civil Service numbers and costs; one by Mr. Heseltine drawing conclusions from his experience in the Department of the Environment; and one from Sir Derek Rayner setting out his recommendations for improving the efficiency of central Government. You have drafts of the first and third of these papers. Mr. Heseltine's paper will not be available until the end of the week or early next week.

2. The purpose of your meeting tomorrow - with the Home Secretary, the Chancellor of the Exchequer, the Minister of State, CSD, and Sir Derek Rayner - is to have a preliminary run over the ground, in preparation for the Cabinet meeting.

3. The subject is large and complicated. It is also a subject where Ministers will be swift to accept the general objective of reducing bureaucracy but, in many cases, slow to sign on for the additional (and often unfamiliar) work, or for the politically difficult decisions, which will be required to reach the goal. Political experience does not qualify men for management of large organisations. Many Ministers see their function as being simply that of policy and political direction, and management of the Department as being somebody else's function. Many believe that they cannot expect to be in one Department for long enough to make immersion in management worth while. Some will be unsure of their own ability to deliver, nervous of the degree to which, if they do deliver, they will expose themselves to criticism about the public performance of their Departments, and reluctant to accept overt managerial as opposed to political responsibility for the activities of their Departments.

4. The key to success in the present operation will be the willingness of your colleagues to engage in a great deal of hard work whose benefits will be generalised and longer-term but whose dis-benefits to them, personally, can be

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immediate and painful. They are going to have to accept new responsibility in an area which for some of them will be uncharted territory; and they are going to have to be ready to say "no" to and be publicly attacked by the many pressure groups and interests who will feel threatened by change - not just inside the bureaucracy, as the Sub-Postmasters are showing.

5. Perhaps the best way to focus discussion at tomorrow's meeting is to concentrate on the specific recommendations in paragraph 28 of Mr. Channon's paper, and those sidelined in Sir Derek Rayner's paper. I attach detailed notes on these.

6. But I wonder very much whether there is too much paper insufficiently focused to make for a good and well-directed discussion in the Cabinet. If at the end of tomorrow's meeting you thought it useful, I should be very ready to take on, in consultation with Sir Derek Rayner, the preparation of a short paper to be circulated by you, focusing and crystallising the issues for discussion and the proposals for decision. We could have a draft ready for your weekend box.

RA

ROBERT ARMSTRONG

21st April, 1980

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Recommendations in Mr. Channon's and Sir Derek Rayner's Papers

Mr. Channon's paper

Paragraphs 28(a), (f) and (g) hang together. In sum, they say that the Government should, "with an eye to cost as well as numbers", aim at 10 per cent net reduction from present staffing levels by the end of this Parliament, and commit Departments to saving 2, 2½ or 3 per cent in staff numbers each year from 1981-82 onwards "in addition to the savings that have already been agreed". The main questions which arise are:-

- (i) Are targets the right approach, or should reductions in manpower follow from decisions on policies and functions? The second would be more logical, but it may be that it will not happen without some other stimulus, and that targets are the only way of actually setting things moving.
- (ii) If targets are acceptable, what should they be? The alternatives in (g) do not appear to be compatible with the single objective in (f) (they overshoot the mark); but perhaps they are to give Ministers collectively some scope for choice.
- (iii) What should be said in public?

U 2. Paragraph 28(b) and (c) also hang together. Appoint a senior official as special adviser and institute a programme of related work in each Department. The appointment is a matter for you. There is in my view a lot to be said for finding a suitable man inside the Civil Service, and getting him to do the job, rather than bringing someone in from outside: he would start with greater knowledge of Whitehall, and will command greater acceptability. But he should not be called a special adviser. He should be an additional Permanent Secretary in the Civil Service Department or the Treasury. His appointment need not and should not be limited to two years. He should be appointed by and have the right of access to you. It should be clear to him that success will be suitably rewarded. He will need your unwavering support, and the respect (and as much good will as possible) of your colleagues.

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3. Paragraph 28(d). Reduce the number of the most senior staff by 10 per cent by 1st April 1982. The main questions are:-

- (i) How feasible is it to pick out particular grades for a specially sharp reduction?
- (ii) Are colleagues prepared to live with the consequences (including, presumably, less attention to Parliament)?

4. Paragraph 28(e). Improve Departmental control systems.
Mr. Heseltine's paper will be relevant here. There is no good reason for colleagues to object.

5. Paragraph 28(h). Assurances to staff; a final instalment for this Parliament; minimise compulsory redundancy; and undertake to consult staff "to the fullest extent possible". These proposals will help staff acceptance, and colleagues are unlikely to object.

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Sir Derek Rayner's minute

Sir Derek's main minute makes three general recommendations - side-lined in the text and summarised in paragraph 37 - and the Appendix makes a further 11.

2. Main paper, recommendation 1 (paragraph 14). The aims for the programme of reform are admirable.
3. Main paper, recommendation 2 (paragraph 20(a)). Reduce the number of "basic command units" by 25 per cent. This is described as a "test question". Is it also a feasible objective? It would be a pity to devalue the exercise by setting objectives which will be felt to be demonstrably unrealistic. Why not 10 per cent - the same figure as in Mr. Channon's proposed reduction of manpower?
4. Main paper (paragraph 20(b)). Reduce the Civil Service hierarchy by at least three grades. Mr. Channon (Annex E to his paper) is "not sure that the abolition of specific grades is the best answer". Nor am I; but I am sure that the numbers at the top can be reduced by much more flexible operating systems. Perhaps, however, this conclusion would follow best from the review of Sir Derek Rayner's suggestion which Mr. Channon proposes to undertake.
5. Main paper, recommendation 3 (paragraph 23). A senior official in each Department to prepare the issues for Ministers. Probably right; but will add to the difficulty of reducing the numbers of the higher Civil Service by 10 per cent by April 1982.
6. Appendix recommendations 1 and 2 (paragraphs 4 and 5). Define the managerial authority of Ministers, as well as the responsibility and accountability of officials. This is a critical and far-reaching recommendation. Under present arrangements Ministers can, if they choose, to a degree hide behind their Accounting Officer when things go wrong. New definitions which make it clear that the ultimate authority is the Minister will increase Ministerial vulnerability to Parliament and to Select Committees. But clarity of responsibility is the basis of accountability. Colleagues won't like it, but may find it hard to object.

7. Appendix recommendation 3 (paragraph 6). Maximum integration of the functions of the Principal Finance Officer and the Principal Establishment Officer in Departments with greater powers of internal investigation. I believe this to be desirable (particularly if control of money and perhaps manpower are more closely concentrated at the centre); but colleagues will need to listen to the wishes of the central Departments and from present practitioners in the field.
8. Appendix recommendation 4 (paragraph 8). Greater clarity in the relationship between the centre and spending Departments. Ministers should lay down principles; the Treasury and Civil Service Department should be charged with working out how to put them into effect.
9. Appendix recommendation 5 (paragraph 11). PESC and related issues. Work is already going on between the Treasury and CSD and should be available later in the year.
10. Appendix recommendation 6 (paragraph 12). The "annuality rule" should be examined. This is a very good point, but with large implications for Parliamentary control of expenditure. A task for the Treasury in consultation with the main spending Departments.
11. Appendix recommendation 7 (paragraph 18). Identifying the longer-term cost implications of new regulations and standards. The HSE is conducting a fact-finding operation. Results available later. The Home Office is also involved, in fire precaution standards where the same problems arise.
12. Appendix recommendation 8 (paragraph 22). Rewards, penalties for good/bad work and loss of entitlement to automatic annual increments. Work is going on in the CSD, and should be pressed forward.
13. Appendix recommendation 9 (paragraph 26). The promotion of managerial skills. The suggestion is that the CSD should prepare a model "succession policy" for the Service as a whole. Mr. Channon can say what is being done.
14. Appendix recommendation 10 (paragraph 32). Staff morale. An important subject too readily overlooked. I am sure Sir Derek Rayner is right that care here can reap substantial dividends.

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15. Appendix recommendation 11 (paragraph 34). The costs of Parliamentary accountability. There is no doubt that many of Whitehall's practices stem from accountability to Parliament, the cost of which can be very high (e.g. in excessive record-keeping). The problem is to strike the right balance. There is for example a correlation between the cost of Government and the willingness to say "I don't know" in response to Parliamentary Questions. The proposal that an attempt should be made to cost work done for Parliament seems a sensible first step.

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12 APR 1949



PRIME MINISTER

THE EFFICIENCY OF CENTRAL GOVERNMENT

1. You asked for a note on the preferred result of the Cabinet discussion on 1 May. I suggest that it should be as follows.

COST CONSCIOUSNESS

2. A necessary preliminary is consciousness of the cost of the Civil Service. This can be achieved more strikingly than in para. 4 of Mr Channon's paper of 18 April.

3. The paragraph already indicates a 24% increase in cost:

<u>h</u>	1979 - 80	£3.7m -
	1980 - 81	£4.6m

4. But some idea of future cost movement is also necessary. You might ask Mr Channon tomorrow for a calculation of the cost of the Civil Service in 1983-84, both if left alone or if reduced to 630,000.

5. The cost figures plainly indicate a need for

- a firm manpower policy
- a firm policy for reforming management practices and procedures.

A MANPOWER PLAN

6. The Government's aim should be a manpower plan aimed at a substantial

- a. reduction in cost by
 - i. eliminating and curtailing functions -
 - ii. reducing the length of the hierarchy* -

- b. improvement in efficiency by
 - i. simplification, eg of complex regulations
 - ii. mechanisation

- c. short-term cost benefit in terms of minor housekeeping eg
 - meetings
 - official travel
 - non-vocational training.

7. * I do not like Annex E of Mr Channon's paper. I agree that the use of the grading structure is a problem, but the original or real problem is the length of the hierarchy. I suggest therefore that the plan should include a specific examination of its reduction, in addition to the idea of looking at reducing the size of the Under Secretary + population (para. 16) and that you give a firm lead on this.

8. On preparing the plan, I suggest a certain tightening of Mr Channon's document:

a. I agree that there should be a senior official at the centre. But let him not be designated as a "special adviser", but as under instruction to bring back to Cabinet by a set date the overall plan for such endorsement as may be necessary and to assist Ministers before and after doing so.

b. He must be authorised to go into departments at the highest levels.

c. Let a timetable be incorporated: departmental and overall plans prepared by X (end-October?), Cabinet endorsement by Y (end-November?) and implementation begun by Z (end-1980?).

9. On targets (paras. 19 - 23 of Mr Channon's paper), I suggest

a. The real needs are to decide how much the country can afford to spend on central government and how much governing the Government want to do;

b. If the Cabinet can decide on a cost and a figure by X (end-October?), Ministers might then approach it cumulatively, say 2% in 1981-82, 3% in 1982-83 and so on.

c. The final target should not be tied to the end of this Parliament.

10. In so far as my paper deals with manpower, it can be taken together with Mr Channon's, but I suggest that you should bring across from it very firmly the ideas of

- thinking the "unthinkable" (ie BE RADICAL) about the need for and scale of departmental activity
- unremitting attention to the cost of administration
- getting down to detail with the help of a "seeing eye".

RAYNER ON LASTING REFORMS

11. The first part of my paper (Existing work, paras. 2 - 12) is mainly reporting but I suggest that you might

a. stress the importance of a good result on DHSS social security payments

b. emphasise that Ministers should take the new scrutiny programme and the scrutiny of costs very seriously, since these provide ways of reaching down into their departments.

12. The right managerial framework (paras. 25-36) affects formalities (or procedures) and people.

13. Here you are inviting comments rather than Cabinet approval, as you have commissioned the work, but it will be a good opportunity to get Ministers to say what they think the needs are.

14. The right framework of management by and under departmental Ministers and in support of Cabinet is important for the long term, because it should provide for better on-going management.

15. By clarifying what Ministers and officials should do to manage and how, it will free you from having to put Civil Service management onto crash regimens every so often. Without it, cost-consciousness and management must always be second order subjects.

16. I suggest that you emphasise that whilst the work to improve management and the motivation of officials may appear somewhat intangible in its effects, you are looking for substantial benefits from it.

PEOPLE

17. The above work is intended to stimulate officialdom.

18. You may wish to consider whether, in the light of experience so far, you want to say or do anything to mark

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the importance you attach to management by both Ministers and officials.

19. I am copying this to Sir Robert Armstrong.



Derek Rayner
21 April 1980

SECRET

PRIME MINISTER

Mr Channon's timing proposals for decisions on Sir D Rayner's "Last Refams".

Agree A-O?

Yes

MAD 21/4

PRIME MINISTER

THE EFFICIENCY OF CENTRAL GOVERNMENT: LASTING REFORMS

Mr Lankester's letter of 1 April asked me to let you have a proposed timetable for carrying forward the various recommendations which Sir Derek Rayner has submitted to you.

Further details are in the Annex to this minute. In general, however, I propose that:

a. I should report to you on changes in the managerial culture (Schedule 1) before the Summer Recess. Subject to your approval, I would aim to put a paper to Cabinet in July. There may be a few items on which only an interim report will be possible, but the general approach will be clear;

b. Sir Derek Rayner should let you have an interim report on departmental management and the financial framework (Schedule 2) by October 1980; we can then take stock and see what further work will be most cost-effective; *If we can. I suspect this will be very difficult*

c. the Chancellor of the Exchequer's consideration of central control (Schedule 3) will obviously be closely linked with the machinery of Government question (Schedule 4). Present plans provide for an examination of the Treasury's functions in expenditure control to be linked with a parallel study of the CSD's. This would be completed by about the end of the year. I understand that Treasury are considering how this might be speeded up;

d. I do not know how soon you will want to reach a decision on the machinery of Government (Schedule 4). But particularly in view of press speculation I am sure you will want to be in a position quickly to decide on

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the Treasury/CSD question. The precise form of agency arrangements for the common services could if necessary take a little longer. I therefore propose that Sir Ian Bancroft should report to you at the end of June on the main issue.

Speed up

I am sending copies of this minute to the Chancellor of the Exchequer, Sir Derek Rayner and Sir Robert Armstrong.

P.C.

PAUL CHANNON
21 April 1980

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SCHEDULE 1

CHANGES IN THE MANAGERIAL CULTURE
OF THE CIVIL SERVICE

Action by: Minister of State, CSD in consultation as appropriate with the Chancellor of the Exchequer and 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) Possible requirement that heads of departments should give a regular, personal account of what they have simplified, diminished 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; includes such issues as causes of absenteeism, high turnover and working environment.
- (e) Whether it would be likely to provide useful information to as a department on a pilot basis to keep a record of the cost of resources committed in support of its Parliamentary work.

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Timing and handling

I will report on (a) to (d) in July 1980, though further work will be needed.

Treasury officials and Sir Derek Rayner's office will be consulted in the course of the work; and other departments as necessary. I will consult the Chancellor and Sir Derek over my draft report.

As to item (e), the Chancellor of the Duchy has been asked, in consultation with me, to study the direct and indirect costs of Parliament. You will recall that this was mentioned at Cabinet on April 17th.

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DEPARTMENTAL MANAGEMENT AND THE FINANCIAL FRAMEWORK

Action by: Sir Derek Rayner in consultation as appropriate with Chancellor of the Exchequer, Minister of State, CSD and Head of the Government Accountancy Service.

(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.)

(b) Defining the responsibility and accountability of officials to Ministers, especially that of Accounting Officers and those who occupy key management posts (including clarification of accountability for particular blocks of departmental expenditure).

(c) Clarifying the responsibility and authority of and the qualifications needed by Principal Finance and Establishment Officers. Steady progression towards the employment of those qualified in financial management and management accountancy.

(d) Strengthening the financial framework, with particular reference to

- the structure of PES 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, the central departments and Parliament).

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- (e) Examine need for and application of the "annuality rule".
- (f) Examine case for greater cost-consciousness in the imposition and application of regulations and standards.

Timing and handling

Sir Derek Rayner has agreed that we should approach items (a) to (c) in two stages, as suggested in my covering minute. Officials will devise a scheme of work for his approval, aimed at enabling him to report on the first stage within six months. Firm proposals on the greater use of staff with financial qualifications (second part of (c)) should await the definition of the job to be done (first part), but preparatory work will be pressed ahead meanwhile.

On (d), the Interdepartmental Group on the Survey System, led by the Treasury, will produce guidance during the summer on the structure of PES programmes, including the treatment of common services. We can then go on to the second part of this item.

On (e), the "annuality rule" is under discussion with the Public Accounts Committee. Sir Derek Rayner will consider with the Treasury what further work is necessary.

We propose deferring (f) until the results of the present "Rayner scrutiny" in the Health and Safety Executive are available (before the Summer Recess).

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Sir Derek Rayner will submit a report by October, 1980.

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SCHEDULE 3

CENTRAL CONTROL

Action by: Chancellor of the Exchequer in consultation as appropriate with Minister of State, CSD and Sir Derek Rayner.

Restate aims and methods of central control and the balance between this and departmental control. Expedite relevant work, eg on

- the Public Expenditure Survey
- current scrutiny of Public Expenditure monitoring
- intended scrutiny of Treasury expenditure control

(Also necessary for CSD to scrutinise its control functions in parallel with the second Treasury scrutiny.)

Timing and handling

See my covering minute.

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MACHINERY OF GOVERNMENT QUESTIONS

Action by: Sir Ian Bancroft in consultation with Sir Douglas Wass, Sir Robert Armstrong and Sir Derek Rayner.

(a) The relevant parts* of the CSD should be brought back within the framework of and reformed with the relevant parts of the Treasury.

*See para 19 of Sir DR's minute:

<u>Tsy Divisions</u>	<u>CSD Groups</u>
Specific Expenditure	Manpower
General Expenditure Policy	Management & Organisation
General Expenditure Analysis	Functions & Programmes
Accounts & Purchasing	CCTA
	Pay
	Superannuation & Allowances
	Personnel Management

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

(c) Parts of the CSD not relevant to the control and related functions should be combined in a service agency under the reformed Treasury.

(d) The PSA should be relocated with this new agency.

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(e) There might be a new office of "Inspector General of the Civil Service", reporting to the PM, perhaps from within the reformed Treasury, but available to all Ministers on the efficiency and effectiveness of Civil Service operations.

Timing and handling

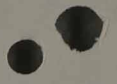
Sir Ian Bancroft will submit a report, in consultation with Sir Douglas Wass, Sir Robert Armstrong and Sir Derek Rayner, by the end of June.

If the Cabinet decides on 1 May to accept the recommendation for a special adviser on manpower, item (e) can be taken out of the study. The question whether there should be a permanent arrangement on these lines can best be considered at the end of the experimental period.

Knowledge of this study will, on the Prime Minister's instructions, be confined to a very small group.

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MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~337002~~ 218 2111/3

MO 2/2/6

21st April 1980

NBPM

AMJ.

Dear Alvin,

I understand that there was a brief informal discussion of MOD numbers after the Prime Minister's meeting last Monday. My Secretary of State thought that you might like to have for background information the attached table setting out our view of how numbers have moved over the last fifteen years.

As you will see, the bare figures show a reduction for the MOD of some 137,300 between 1964 and 1979, and of 33,500 between 1974 and 1979. But these figures have to be adjusted for transfers in and out: it would, for example, not be fair to count the setting up of a separate ROF organisation in 1973/4 as a saving. Making these adjustments for what amounted to a net import of 12,300 between 1964 and 1979 (Aviation Supply and AWRE Aldermaston more than balanced the ROFs) and 1,950 people between 1974 and 1979, the figures became 150,000 and 35,000 (the 40,000 figure between 1974 and 1979 - which is so often quoted - was reached as it was always intended to be by adding on savings in PSA from those involved on defence work).

Another element when looking at the breakdown within the UK-based category is that during the 15 year period several thousand people have transferred from the industrial category to the non-industrial largely as a result of agreements with the unions.

Our own rundown has of course included a big cut in the number of locally engaged civilians (LECs) as one would expect since the period saw a massive withdrawal from overseas bases. Nonetheless, the raw figures show

C A Whitmore Esq



reductions of 61,000 in UK based civil servants between 1964 and 1979 and of 24,000 between 1974 and 1979; adjusted these figures became 73,750 and 23,350.

Since 1.4.79 numbers have continued to fall. UK based numbers dropped by 6,700 in 1979/80 - a 3% cutback (if we include the ROFs, which are now free-standing, and the LECs, by 9,500). Moreover, the MOD UK based figures will reduce by at least as much again during 1980/81 in order to make the 2½% cash saving on wages and salaries and this is on top of the 7,500 reductions promised by 1 April 1982 as a result of the studies into contract/cleaning, Quality Assurance and bill paying.

*Yours and
B M Norbury*

(B M NORBURY)

MOD

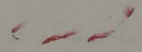
ROF

1st APRIL	UK BASED	LEC	TOTAL	UK BASED	TOTAL MOD INCL ROFS
1964	285,916	114,269	400,185		400,185
1974	248,876	47,530	296,406	18,200	314,606
1979	224,697	38,204	262,901	22,963	285,864
1980	218,026	36,575	254,601	21,754	276,355
		(† March 1980 Strength)			(1 March 1980 LEC Strength)



1 2 3 4 5 6 7 8 9 10 11 12

22 APR 1980



PRIME MINISTER

Attached to this minute are:

- (i) Mr. Channon's draft paper for the 1 May Cabinet on Civil Service manpower and efficiency: you have already approved in principle an earlier draft of this;
- (ii) In the green folder, Sir Derek Rayner's draft paper for that meeting. This follows the lines of action which you discussed with him in your recent meetings.

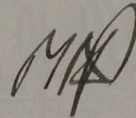
You are having a discussion in preparation for that Cabinet on Tuesday next: you will not have much chance to look at papers on Monday evening, so you might like to read through these if you get the Birmingham speech out of the way over the weekend.

The cartoon at the front of Sir Derek's submission seems to me to sum up admirably the purpose of the 1 May Cabinet. You want to ensure that Ministers are personally committed to a lasting drive for a new style of efficiency and management in the Civil Service. If they do not become personally engaged, the bureaucracy will simply absorb the pressures and do little. The purpose of the 1 May discussion is to restate your personal commitment, make it clear that you expect Ministers to be personally committed in deed as well as word, and to show that Sir Derek, Mr. Heseltine and Mr. Channon between them can offer specific ideas to help Ministers to become managers. But Ministers must take away the message that even the best advice will only work if they themselves take a direct personal grip on their Departments.

/ On Tuesday,

On Tuesday, you will perhaps want to see whether the Chancellor and the Home Secretary find these draft papers sufficiently encouraging to enable them to feel that they can tackle the management problems in their own Departments. If they do, then there is a fair chance of getting most of your colleagues on board. But if these two find that the draft papers are not sufficiently precise, then you will want to ask Mr. Channon and Sir Derek to refine their papers further so that Cabinet does have enough in the way of concise and specific proposals.

'Sir Derek will submit on Monday a minute suggesting specific points you might get agreed in Cabinet.



18 April 1980

PRIME MINISTER

THE EFFICIENCY OF CENTRAL GOVERNMENT: LASTING REFORMS

1. You asked for a brief account of the work with which I am associated and for my thoughts in connection with the Cabinet meeting of 1 May.

EXISTING WORK

2. The 29 "Rayner projects" which you commissioned last June were all completed by the year end. In the main, the work was done by officials of first class quality. Some Ministers provided enthusiastic leadership.

3. The project officials' reports recommended potential annual savings of £80 million and once-for-all savings of £50 million.

4. I have been impressed with the quality of most of the "proposed action" documents sent me by Ministers and have agreed them in respect of 22 projects. The extent to which Ministers have been able to accept the recommendations in principle and the pace at which, subject to consultation, they plan to implement them are heartening. The greatest boldness has been in respect of recommendations which affect activities inside government and the greatest hesitancy in respect of those which bear upon client groups.

5. The possible savings associated with the 22 projects on which there are now agreed action documents amount to £18 million per annum and £8.12 million once-for-all. But it will not be possible to go firm on these savings until consultations are concluded. In some cases, savings will be ascertainable only when further work is completed.

6. The most important projects awaiting decision are those in the Department of Health and Social Security (arrangements for paying social security benefits, £50 million per annum) and the Manpower

Services Commission (£8 million pa and £41.5 million once-for-all). Officials will report to Ministers shortly on the former after examining the proposals' implications for Post Office counter-services. The MSC is to decide on the latter on 22 April.

7. You have asked Mr Channon to take responsibility for following up the wider implications of the projects. He is in touch with several Ministers on such matters as organisational stream-lining; "nannying" of local authorities; excessive administration; and modernisation. Success here is perhaps even more important than a successful conclusion to the projects themselves.

8. I am involved in two pieces of work stemming directly from the projects, on which I shall report to you in the autumn:

- Statistics: Following the project on the statistical services of Departments of Industry and Trade, I am co-ordinating a review of the Government's statistical services, consisting of an exercise on the Central Statistical Office and of a series of exercises conducted, on "scrutiny" lines, for Ministers in their own departments.
- Repayment: The disadvantages of the allied service system were highlighted more than once. I am supervising a study by officials of the Treasury, CSD and Property Services Agency of the case for supplying PSA goods and services more completely on a repayment basis.

9. Cabinet decided last autumn to embody the "project" approach in a new programme of "scutinies", beginning this year. A list has been circulated to Ministers. It contains 37 scrutinies. I am taking a close interest in 16 of these on your behalf, but am in touch with all of them. I have also been asked by Treasury Ministers to interest myself in two additional reviews, of the United Kingdom Treasury and Supply Delegation in the USA and of the Rating of Government Property Department. The scrutiny programme contains excellent subject matter and examining officers of comparable quality to last year's "projects".

10. The general lessons I would draw out so far as these:

- a. While a scrutiny may produce excellent results in the field examined and help the Minister to tighten his grasp of it, its main value lies in enabling him to become a stronger manager generally by pointing up for him telling questions which he can apply elsewhere. (The review of maintenance economy in the Bath District of the PSA by DOE Ministers, now involving MOD Ministers, is a good example of this.)
- b. The scrutiny technique is widely useful. It can be used well beyond the "scrutiny programme".
- c. Its most important features are persistence during the analysis and determination in seeing the results through to the completion of action documents.
- d. Determined Ministers will best succeed if they make a specific official responsible for and themselves monitor progress to implementation.

11. Finally, Cabinet agreed last October that it should have an annual statement on the cost of governing and that Ministers should scrutinise the running costs of their own departments. I offered advice on this in my letter to the Home Secretary of 22 February. This is a promising and important exercise because it enables Ministers to reach down into their departments and establish and question the cost of activities. I look forward to knowing how it works in practice.

LASTING REFORMS

12. Some Ministers and officials are by temperament, training and experience very good managers. But I doubt whether the Lord President's exercises of last year, the ongoing efficiency work of departments and the exercises in which I am associated can by themselves produce the lasting effects on the way in which the institutions and culture of Whitehall actually operate which your Administration wants.

Recn 1 13. I recommend that, building on and extending its experience so far, Government should decide on a programme with two aims:

- i. Less Government, using fewer staff better.
- ii. A more robust and reliable managerial framework, including
 - Better control and management of resources by Ministers in their Departments.
 - Better collective control and management of resources by Cabinet.
 - Updated priorities for Whitehall.

LESS GOVERNMENT, USING FEWER STAFF BETTER

14. What follows complements Mr Channon's paper on Civil Service manpower.

15. Mr Channon's paper shows what the Civil Service costs. These figures are very large indeed. It helps me to get them into perspective to remind myself that even my small unit* costs the taxpayer £6,500 a month.

16. The route to reduce cost is "less Government using fewer staff better". I suggest that this means looking at what causes staff numbers and thinking the unthinkable.

17. The "unthinkable" occurs in two sorts of question: "How much work should government do?" (For example, a Minister might ask, "What does this activity add to the common good? Would it matter if I stopped doing it?"). The second question is, "How should it be done?". (For example, a Minister might ask, "Could I do this with half the staff? Do the working methods used give me and the taxpayer value for money?")

18. But I believe very firmly that the "unthinkable" needs setting in the context of a well thought-out manpower policy. Such a policy might have as its aims:

- reducing the scale and scope of government activity by ceasing or reducing functions

* One US, one Economic Adviser, one Executive Officer, one Personal Secretary.

- taking in no more qualified manpower than can be justified
- using this manpower to provide services to Ministers and to the public which are of good quality, cost-effective and satisfying for staff.

19. There are both Service-wide and departmental issues here.

Recn 2

In the former case, I recommend that in order to get the radical reform it wants, your Administration should address itself to some stringent test questions, eg

- a. Can we reduce the number of functions and activities identified with basic command units (in some cases Assistant Secretary, in others at higher or lower grade levels) by 25 per cent?
- b. Can we reduce the length of the Civil Service hierarchy by at least three grades, so taking fewer people in and making more elbow room available for the talent we do consume? Prima facie candidates for examination are those of Second, Deputy and Under Secretary, Senior Principal and one point in the Executive ladder, but others will be able to advise better than I which six or so grades might be looked at.

20. On departmental issues, I am struck by the force of two recent remarks by Ministers. Mr Jenkin referred in the Budget debate to the need for unremitting pressure by Ministers on the cost of administration. I agree that leadership by Ministers in getting down to brass tacks is of great importance.

21. Another Minister has told me that he needs the "seeing eye" of someone who is "managerially motivated" to help him.

22. Ministers plainly need someone to prepare the issues for them.

Recn 3

I recommend that it should be that of a senior official of proven aptitude for action. He should work up for his Minister and Permanent Secretary ways of saving and simplifying.

23. These thoughts may be helpful:

a. The official should draw on knowledge where it resides. This will often be well down at the CA/CO - HEO/SEO levels, especially in executive or administrative operations.

b. Things to be reviewed might include:

- Activities and functions that consume large staff and other resources.
- Complexity of rules and regulations and its relationship with staff numbers.
- Areas of work with high staff turnover or absenteeism.
- Scope for mechanisation.
- Need for, cost and intelligibility of administrative forms sent out by the department.
- Cost of meetings, official travel, non-vocational training.

A MORE ROBUST AND RELIABLE MANAGERIAL FRAMEWORK

24. A Minister recently told me that his management problem was a practical one, a combination of the lack of "managerially motivated" officials, ignorance of the right questions to ask and a feeling that he could not make things happen differently. He thought that a few simple pointers to good management would help.

25. I understand that view. I have already suggested in my advice to Ministers on departmental running costs questions about their department as a whole and about its component parts. The scrutiny programme also provides for detailed questioning of work. I am very ready to talk to Ministers about their experience so far and to offer them further suggestions. (I would in any case like to talk to Ministers in the course of the work mentioned below) But I am convinced that the issues demand something more than simple pointers.

26. I attach an Appendix containing extracts from my recent submission on "conventions" (which I now call "lasting reforms"). You have commissioned work on these but it may be helpful to set out here the main aims as I see them.

27. All my experience of business and Whitehall convinces me that your Administration is right to work for excellence in two types of management, by Ministers in their departments and by Ministers collectively around the Cabinet table.

28. That is easier said than done. My recommendations try to help by dealing with both formalities and people.

29. The formalities may seem humdrum and un-British. But they involve something that I regard as of crucial importance to good management anywhere, especially in government with its responsibility for huge assets, namely identifying and fixing accountability for managing resources.

30. In brief, I am recommending defining or clarifying:

- the managerial role of the Minister, from whom authority descends (recognising that management is but one of his duties)
- the responsibility and the accountability of officials under him, especially that of Accounting Officers and key managers
- the financial framework within which management takes place
- the aims and methods of central control and the desirable balance between this and departmental control.

31. I do not intend this work to be elaborate or protocolaire. I shall be at pains to include in it practical advice, for example on looking back at policies which have captured resources and on establishing whether implementation of agreed policies has brought the looked-for benefits.

32. I have also included two suggestions aimed at testing the way central control works in practice and in relation to departmental control, ie the operation of the annuality rule and the cost effects of regulations and standards, eg in the health and safety field.

33. I firmly believe that such work is necessary and that it would crown much useful thinking that had been going on slowly over the last 10 years or so.

34. My recommendations on people are of extreme importance, in my view. Definition and systems, however clear and excellent, are no good unless those who have responsibility care about and work for value for money, are encouraged to do so and are rewarded for achievement.

35. In brief, I am recommending the examination of changes which would update the priorities of Whitehall and bring on "managerially motivated" men and women, by

- a steady progression towards the employment in posts responsible for finance and resources of those qualified in financial management and management accountancy
- revising the rewards and promotion system, so as to encourage good managers
- devising a "succession policy" so as to fill management posts, especially senior ones, with individuals with the right track record.
- providing good leadership and good working conditions for staff, especially those well down the line and those representing the Government to its clients and customers.

SUMMARY

36. My recommendations are

Recn 1
(para 13)

A plan of lasting reform, embodying two aims - less government, using fewer staff better, and operating within a more robust and reliable management framework.

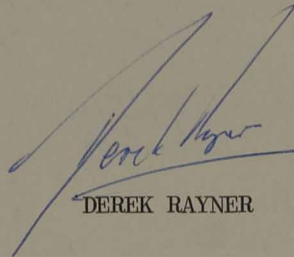
Recn 2
(para 19)

As part of the first aim the Government should ask stringent questions about the numbers of functions needed and of grades in the Civil Service hierarchy.

Recn 3
(para 22)

Also a senior official of proven aptitude for action should be responsible for the preparation of savings and simplification in each department.

37. I am making no formal recommendation in respect of the second aim, since the work outlined in the Appendix to this minute has already been commissioned.



DEREK RAYNER

18 April 1980

APPENDIX

THE EFFICIENCY OF CENTRAL GOVERNMENT: LASTING REFORMS

[Note: The following edited extracts relate to the four aims for a programme of lasting reforms outlined in paragraph 13 of my minute of 18 April and to the programme of work which you have authorised.]

THE SCALE OF GOVERNMENT ACTIVITY

1. I firmly believe that it should be possible to reduce the scale of Government activity by 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.
2. Civil Service manpower policy is the subject of Mr Channon's paper and is not further considered here. But I see it as part and parcel of a complete programme of reform.

THE MANAGEMENT OF RESOURCES IN DEPARTMENTS

3. Your Administration is working for excellence in two types of management, by Ministers in their departments and by Ministers collectively around the Cabinet table.
4. 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. I therefore recommend that
 - a. The managerial authority of the Minister should be defined so that his role is plainly established and understood vis-a-vis that of his officials.

Recn 1

b. No less important, the good habits that Ministers practise Qua manager can be defined for succeeding generations of Ministers. 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.

5. It follows from defining the Minister's role that one 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 clarified 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 defined on an across-Whitehall basis in the interests of consistency and have added requirements special to particular departments.

c. This 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 definition 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;
- 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 and fairly to account.

6. The Permanent Secretary has 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. I recommend as follows -

Recn 3

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 - 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~~ examined.)

THE MANAGEMENT OF RESOURCES AT THE CENTRE

7. As we face public expenditure over the next two decades it seems clear that the best possible balance between the collective responsibility of Cabinet and the several responsibilities of departmental Ministers is needed.

8. I recommend that -Recn 4

- a. The aims and practices of central control should be restated 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 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 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 in relation to systems of control within departments and to the efficiency and effective use of resources should also be stated as matters of principle and practice.

9. I make that recommendation because, in my view, 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. 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 of good design and effectively administered.

The financial framework

10. There is already much interesting work going on in Whitehall to reform and strengthen this. I would regard the main points as 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 management needs of the Minister in charge, those of the Treasury and Civil Service Department. It should promote better cost control, facilitate the development of management accounting systems and underpin the delegation of financial authority to appropriate levels of management (which could then all the more readily be held accountable for that authority).

Recn 5

11. I recommend that the work at present going on in and between the Treasury and Civil Service Department should be brought together with a view to the submission of proposals to Ministers 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.

Recn 6

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

13. 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. There are two broad arguments. 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 hand, 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.

14. 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.)

15. 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.

16. 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 (eg 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.

17. 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 7

THE CULTURE OF WHITEHALL

18. I have a high regard of long standing for many senior officials, whom I regard as among the most dedicated, hard-working and effective people I know. Equally, the junior staff I have encountered this time round convince me that the Government is the fortunate employer of a wealth of talent and enthusiasm for the public good.

19. However, permanence; privacy; a certain lack of definition of roles; the steady accretion of pay and rewards; excellent pension arrangements; the "easy come, easy go" attitude of the nation over the last 25 years or so have made a government a comparatively comfortable place to be.

Rewards and penalties

20. It is a real conundrum in a system of hierarchical progression through grades and automatic, incremental progression through pay scales to reward equitably those who do very well and penalise those who are slack. In business, higher management decides 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.

21. 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 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.

22. 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 the cost home to the slack or the profligate.

Management succession

23. Management skills are, I believe, still underrated 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).

24. 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 political leadership over the years to the quality of management in their departments, such indifference often arising from total lack of experience of running large organisations, and from 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.

25. My recommendations for defining the respective responsibilities of Ministers and officials and the framework for accountability within departments 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, eg 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 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 might be submitted to Ministers in draft later this year.

Recn 9

Staff morale

26. 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 enough 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 I doubt whether Ministers will be actively supported in their drive to improve efficiency and reduce costs.

27. Too often staff 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 mal-practice 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.

28. 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 over-capacity; others continue to do tasks in a manner appropriate to an earlier age. 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 judgment there is room for more development in these fields, although I acknowledge that some advances have been blocked by the staff associations.

29. 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 in my view. 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 can be 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.

30. I believe that Ministers who show positive interest in the well-being of their staffs can reap large benefits in terms of loyalty but that they and their senior officials have to work hard to keep leadership in their own hands. 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 an 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 per cent 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.)

Recn 10

31. I recommend therefore that -

- 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.

32. 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.

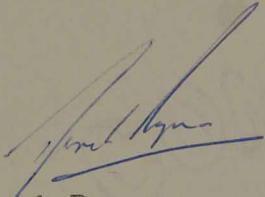
33. I sympathise with this to the extent that as a nation we need to recognise the costs as well as the benefits of Parliamentary accountability. I therefore recommend an experiment whereby in the next session of Parliament a department should keep a record of the cost of resources committed in support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

CONFIDENTIAL

PRIME MINISTER

THE EFFICIENCY OF CENTRAL GOVERNMENT: LASTING REFORMS

1. I attach a draft minute as my contribution to discussion at your meeting on 22 April.
2. It is a draft, because it may not be exactly what you want for Cabinet. If not, I shall be glad to amend it.
3. I have seen a draft of Mr Channon's paper but, at the point of signing this, have not seen the latest version. Nor has he seen the attached text. Mr Heseltine's paper is yet to arrive.
4. I am copying this to the Home Secretary, Chancellor of the Exchequer, Minister of State, CSD, and Sir Robert Armstrong.


Derek Rayner
18 April 1980

Enc: Draft minute

PS If you have not seen the attached cartoon from The Washington Star, you may like to do so now.

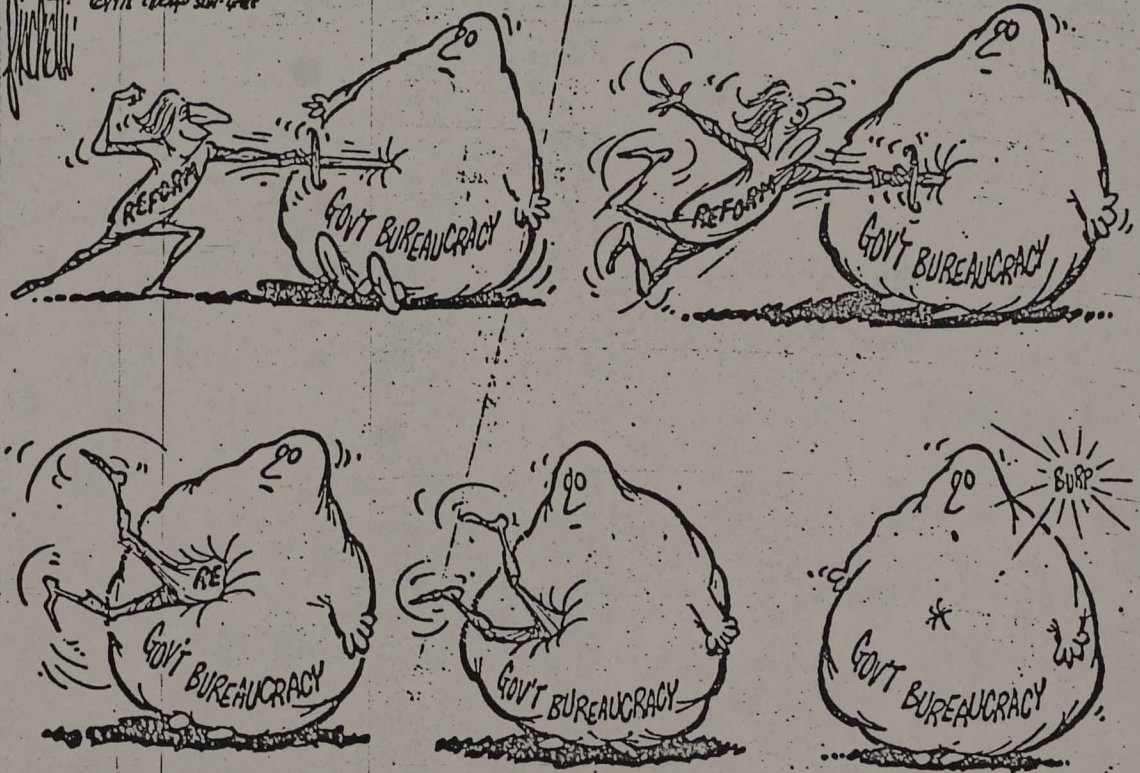
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DRAFT OF 18 APRIL 1980

PRIME MINISTER

THE EFFICIENCY OF CENTRAL GOVERNMENT: LASTING REFORMS

1. You asked for a brief account of the work with which I am associated and for my thoughts in connection with the Cabinet meeting of 1 May.

EXISTING WORK

2. The 29 "Rayner projects" which you commissioned last June were all completed by the year end. In the main, the work was done by officials of first^{class}/quality. Some Ministers provided enthusiastic leadership.

3. The project officials' reports recommended potential annual savings of £80m and once-for-all savings of £50m.

4. I have on the whole been impressed with the quality of the "proposed action" documents I have received from Ministers and have agreed them in respect of 22 projects. I am heartened by the extent to which Ministers have been able to accept the recommendations in principle and the pace at which, subject to consultation, they plan to implement them, although it is noticeable that the greatest boldness has been in respect of recommendations which affect activities inside government and the greatest hesitancy in respect of those

which bear upon client groups. It will not be possible to go firm on the savings from those 22 projects until consultations are concluded. In some cases, savings will not be ascertainable until further work is completed.

5. The possible savings associated with the 22 projects on which there are now agreed action documents amount £18 m pa and ~~£8-12~~m once-for-all.

6. The most important projects awaiting completion are those in the DHSS (arrangements for paying social security benefits, £50m pa) and the Manpower Services Commission (£8m pa and £41.5m once-for-all). Officials will report to Ministers shortly on the former after examining ^{the} proposals' implications for Post Office counter-services. The MSC is to decide on the latter on 22 April.

7. You have asked Mr Channon to take responsibility for following up the wider implications of the projects. He is in touch with several Ministers on such matters as organisational stream-lining; excessive "nanny-ing" of local authorities; excessive administration; and modernisation. Success here is as important as a successful conclusion to the projects themselves, as it is also that departments should apply the lessons from their projects elsewhere in their own operations.

8. I myself am involved in two pieces of work stemming directly from the projects:

- Statistics: Following the project on the statistical services of Departments of Industry and Trade, I am co-ordinating a review of ^{the} Government's Statistical Service, consisting of an exercise of the Central Statistical Office and of a series of exercises conducted, on "scrutiny" lines, for Ministers in their own departments.
- Repayment: The disadvantages of the allied service system were highlighted more than once. I am supervising a study by officials of the Treasury, CSD and Property Services Agency of the case for supplying PSA goods and services more completely on a repayment basis.

9. I shall report to you on the studies of Statistics and Repayment in the autumn.

10. Cabinet decided last autumn to embody the "project" approach in a new programme of "scrutinies", beginning this year. The list has been circulated to Ministers. It contains 37 scrutinies. I am taking a close interest in 16 of these on your behalf, but am in touch with all of them. I have also been asked by Treasury Ministers to interest myself in two additional reviews, of the UK Treasury ^{and} Supply Delegation in the USA and of the Rating of Government Property Department. The scrutiny programme again contains excellent subject matter and examining officers of comparable quality to "Rayner projects".

11. The general lessons I would draw out for Ministers so far are these:

a. While a scrutiny may produce excellent results in the field examined and help^{the} Minister to tighten his grasp of it, its main value lies in enabling him to become a stronger manager generally by pointing up for him telling questions which he can apply elsewhere. (The review of maintenance economy in the Bath District of the PSA by DOE Ministers, now involving MOD Ministers, is a good example of this.)

b. The scrutiny technique is widely useful. It should not be confined within and limited to the "scrutiny programme".

c. Its most important features are persistence during the analysis and determination in seeing the result through to the completion of action documents. (Some Ministers have done admirably well here.)

d. Determined Ministers will best succeed if they make a specific official responsible for and themselves monitor progress to implementation.

12. Finally, Cabinet agreed last October that it should have an annual statement on the cost of governing and that Ministers should scrutinise the running costs of their

own departments. I offered advice on this in my letter to the Home Secretary of 22 February. This is a promising and important exercise because it enables Ministers to reach down into their departments and establish and question the cost of activities. I look forward to knowing how it works in practice.

LASTING REFORMS

13. Some Ministers and officials^{are} by temperament, training and experience very good managers. But I doubt whether the Lord President's exercises of last year, the ongoing efficiency work of departments and the exercises of which I am associated can by themselves produce the lasting effects on the way in which^{the} institutions and culture of Whitehall actually operate which your Administration wants.

Recn 1

14. I recommend that, building on and extending its experience so far, Government should decide on a programme addressed to the main institutional and cultural barriers to reform. This should in my view have two aims:

- (1) Less Government, using fewer staff better.
- (2) A more robust and reliable managerial framework, including
 - Better control and management of resources by Ministers in their departments.
 - Better collective control and management of resources by Cabinet.
 - Updated priorities for Whitehall.

LESS GOVERNMENT, USING FEWER STAFF BETTER

15. Mr Heseltine and Mr Channon have written papers on Civil Service manpower. What follows complements them.

16. Mr Channon's paper shows what the Civil Service costs. These figures are very large indeed. It helps me to get them into perspective to remind myself that even my small unit* costs the taxpayer £6,500 a month.

17. The route to fewer staff is "less Government using fewer staff better". This means looking at what causes staff numbers and thinking the unthinkable.

18. In my view, the "unthinkable" arises on two sorts of question: "How much work should government do?" (For example, a Minister might ask, "What does this activity add to the good common? Would it matter if I stopped doing it?"). The second question is, "How should it be done?". (For example, a Minister might ask, "Could I do this with half the staff? Do the working methods used give me and the taxpayer value for money?".)

19. But I believe very firmly that the "unthinkable" needs setting in the context of a well thought-out manpower policy. Very recently, I was in an office where staff are being added, whereas the clear view of the manager

* One US, one Economic Adviser, one Executive Officer, one Personal Secretary

and his people was that what was actually needed was the re-deployment of the existing staff available and improved working methods. Such a policy might have as its aims:

- reducing the scale and scope of government activity by ceasing or reducing functions
- taking in no more qualified manpower than can be justified
- using this manpower to provide services to Ministers and to the public which are of good quality, cost-effective and satisfying for staff.

and

20. There are both Service-wide/departmental issues.

Recn 2

In the former case, I recommend that in order to get the radical reform it wants, your Administration should address itself to some stringent test questions, eg

- a. Can we reduce the number of functions and activities identified with basic command units (in some cases Assistant Secretary, in others at higher or lower grade levels) by 25%?
- b. Can we reduce the length of the Civil Service hierarchy by at least three grades, so taking fewer people in and making more elbow room available for the talent we do consume? Prima facie candidates for examination are those of Second, Deputy and Under Secretary, Senior Principal and one point in the Executive ladder, but others will be able to

advise better than I which six or so grades might be looked at.

21. On departmental issues, I am struck by the force of two recent remarks by Ministers. Mr Jenkin referred in the Budget debate to the need for unremitting attention to the cost of administration. I agree with him that leadership by Ministers in getting down to brass tacks is of great importance.

22. Another Minister has told me that he needs the "seeing eye" of someone who is "managerially motivated" to help him.

Recn 3
23. I agree that a "seeing eye" is needed to prepare the issues for Ministers. I recommend that it should be that of a senior official, suitably motivated by the knowledge that his advancement depends upon it. He should work up for his Ministers ways of saving and simplifying.

24. Some thoughts on the senior official and the things he should assist his Minister look for may be helpful:

a. He should be a person of proven aptitude for action. He should draw on knowledge where it resides. This will often be well down at the CA/CO - HEO/SEO levels, especially in executive or administrative operations.

- b. Things to be reviewed might include:
- Activities and functions that consume large staff and other resources.
 - Complexity of rules and regulations and its relationship with staff numbers.
 - Areas of work with high staff turnover or absenteeism.
 - Scope for mechanisation.
 - Need for, cost and intelligibility of administrative forms sent out by the department.
 - Cost of meetings, official travel, non-vocational training.

A MORE ROBUST AND RELIABLE MANAGERIAL FRAMEWORK

25. A Minister recently told me that his management problem was a practical one, a combination of the lack of "managerially motivated" officials, ignorance of the right questions to ask and a feeling that he could not make things happen differently. He thought that a few simple pointers to good management would help.

26. I understand that view. I have already suggested in my advice to Ministers on departmental running costs questions about their department as a whole and about its component parts. The scrutiny programmes also provides

for detailed questioning of work. I am very ready to talk to Ministers about their experience so far and to offer them further suggestions. (I would in any case like to talk to Ministers in the course of the work mentioned below.) But I am convinced that the issues demand something more than simple pointers.

27. I attach an Appendix containing extracts from my recent submission on "conventions" (which I now call "lasting reforms"). You have commissioned work on these but it may be helpful to set out here the main aims as I see them.

28. All my experience of business and Whitehall convinces me that your Administration is right to work for excellence in two types of management, by Ministers in their departments and by Ministers collectively around the Cabinet table.

29. That is easier said than done. My recommendations try to help by dealing with both formalities and people.

30. The formalities may seem humdrum and un-British. But they involve something that I regard as of crucial importance to good management anywhere, especially in government with its responsibility for huge assets, namely identifying and fixing accountability for managing resources.

31. In brief, I am recommending defining or clarifying:

- the managerial role of the Minister, from whom authority descends (recognising that management is ^{but} one of his duties)
- the responsibility and the accountability of officials under him, especially that of Accounting Officers and key managers
- the financial framework within which management takes place
- the aims and methods of central control and the desirable balance between this and departmental control.

32. I do not intend this work to be over elaborate, dry as dust or protocolaire. That is not my way. I shall be at pains to include in it practical advice, for example on looking back at policies which have captured resources and on establishing whether implementation of agreed policies has brought the looked-for benefits. I have also included two suggestions aimed at testing the way central control works in practice and in relation to departmental control, ie the operation of ^{the} annuality rule and the cost effects of regulations and standards, eg in the health and safety field.

33. I firmly believe that such work is necessary; that it would crown much useful thinking that had been going on slowly over the last 10 years or so; and that we cannot afford to continue the ill-definition of the nature and extent of responsibility for resources which occurs in so much of the Government service.

34. My recommendations on people are of extreme importance, in my view. Definition and systems, however clear and excellent, are no good unless those have responsibility care about and work for value for money, are encouraged to do so and are rewarded for achievement.

35. In brief, I am recommending the examination of changes which would update the priorities of Whitehall and bring on "managerially motivated" men and women, by

- a steady progression towards the employment in posts responsible for finance and resources of those qualified in financial management and management accountancy
- revising the rewards and promotion system, so as to encourage good managers
- devising a "succession policy" so as to fill management posts especially senior ones, with individuals with the right track record
- providing good leadership and good working conditions for staff, especially those well down the line and those representing the Government to its clients and customers.

36. If I were asked why I make such recommendations, and whether they will make any difference, I should respond with another question: "Why am I here? It must be because Ministers lack confidence in the systems and procedures which exist to help them. I claim neither that I am right nor that I am the only person who cares about efficiency, but I do believe that you, your colleagues and the nation are entitled to systems and to people in which and in whom you can have confidence. If I may say so, you are also entitled to freedom from the need for more "Rayners".

SUMMARY

37. My recommendations are

Recn 1
(para. 14)

A plan of lasting reform, embodying two aims - less government, using fewer staff better, and operating within a more robust and reliable management framework.

Recn 2
(para. 20)

As part of the first aim the Government should ask stringent questions about the numbers of functions needed and of grades in the Civil Service hierarchy.

Recn 3
(para. 23)

Also a senior official should be responsible for the preparation of savings and simplification in each department, with his advancement dependent on it.

38. I am making no formal recommendation in respect of the second aim, since the work outlined in the Appendix to this minute has already been commissioned.

Derek Rayner
18 April 1980

APPENDIX

EXTRACTS FROM SIR DEREK RAYNER'S SUBMISSION OF 26 MARCH

THE EFFICIENCY OF CENTRAL GOVERNMENT: LASTING REFORMS

[Note: The following edited extracts relate to the four aims for a programme of lasting reforms outlined in para. 14 of my minute of 18 April and to the programme of work which you have authorised.]

THE SCALE OF GOVERNMENT ACTIVITY

1. I firmly believe that it should be possible to reduce the scale of Government activity by 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.

2. Civil Service manpower policy is the subject of Mr Channon's paper and is not further considered here. But I see it as part and parcel of a complete programme of reform.

THE MANAGEMENT OF RESOURCES IN DEPARTMENTS

3. Your Administration is working for excellence in two types of management, by Ministers in their departments and by Ministers collectively around the Cabinet table.

4. 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 an area of our national life where I feel that the experience of the present Administration enables us to do away with the old, comfortable haziness of perception. I therefore recommend that

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 Ministers practise qua manager can and should be defined for succeeding generations of Ministers. 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.

5. 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 clarified 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 This 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;
-
- 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.

6. The Permanent Secretary has 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. I recommend as follows:

Recn 3

- 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 - 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.)

THE MANAGEMENT OF RESOURCES AT THE CENTRE

7. As we face public expenditure over the next two decades it seems clear to me that the best possible balance between the collective responsibility of Cabinet and the several responsibilities of departmental Ministers is needed.

Recn 4

8. I recommend that:

- 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 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 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 in relation to systems of control within departments and to the efficiency and effective use of resources should also be stated as matters of principle and practice.
9. I make that recommendation because, in my view, 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 of good design and effectively administered.

The financial framework

10. There is already much interesting work going on in Whitehall to reform and strengthen this. I would regard the main points as 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 management needs of the Minister in charge, those of the Treasury and CSD. It should promote better cost control, facilitate the development of management accounting systems and underpin the delegation of financial authority to appropriate levels of management (which could then all the more readily be held accountable for that authority).

- Recn 5 11. I recommend that the work at present going on in and between the Treasury and CSD should be brought together for with a view to the submission of proposals to Ministers 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.

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

13. 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.

There are two broad arguments. 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 ^{hand,} 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.

15. 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.)

16. 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.

17. 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.

18. 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 7

THE CULTURE OF WHITEHALL

19. I have a high regard of long standing for many senior officials, whom I regard as among the most dedicated, hard-working and effective people I know. Equally, the junior staff I have encountered this time round convince me that the Government is the fortunate employer of a wealth of talent and enthusiasm for the public good.

20. However, permanence; privacy; a certain lack of definition of roles; the steady accretion of pay and rewards; excellent pension arrangements; the "easy come, easy go" attitude of the nation over the last

25 years or so have made bureaucracy a comparatively comfortable place to be. Galvanisation is needed, for the good of the Service itself and to show further that the Government means business in its approach to reform.

Rewards and penalties

21. It is a real conundrum in a system of hierarchical progression through grades and automatic, incremental progression through pay scales to reward equitably those who do very well and penalise those who are slack. In business, higher management decides 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.

22. 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 in respect of these propositions:

- Recn 8
- 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.

23. 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 ^{the cost} home to the slack or the profligate.

Management succession

24. Management skills are, I believe, still underrated 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).
25. 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 ^{the years to the} political leadership over quality of management in their departments, such indifference often arising from total lack of experience of running large organisations, and from 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.

26. My recommendations for defining the respective responsibilities of Ministers and officials and the framework for accountability within departments 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, eg 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 might be submitted to Ministers in draft later this year.

Recn 9

Staff morale

27. 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 ^{enough} 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, ^{I doubt whether} Ministers will be actively supported in their drive to improve efficiency and reduce costs.

28. Too often staff 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 mal-practice 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.

29. 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; others continue to do tasks in a manner appropriate to an earlier age. 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 the staff associations.

30. 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, ^{in my view.} 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 ^{can be} 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.

31. I believe that Ministers who show positive interest in the well-being of their staffs can reap large benefits in terms of loyalty but that they and their senior officials have to work hard to keep leadership in their own hands. 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 an 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.))

Recn 10

32. I recommend therefore that

- 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.

33. 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.

34. 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 ^{an experiment whereby} that in the next session of Parliament ^a department 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 11

PRIME MINISTER

CIVIL SERVICE NUMBERS AND COSTS

1. I was grateful for your approval in general terms to the draft paper I sent to you on 14 April. The amendments you suggested have been made.
2. I have now discussed this issue with the Chancellor of the Exchequer and Sir Derek Rayner. Here is a revised version of the paper.
3. There are some changes in the order of our draft conclusions and the argumentation that leads up to them. The Chancellor thinks it important, and I agree, to avoid giving colleagues the impression that we are going for a target which is arbitrary and which some may think is unrealistically high. I think that neither attack is true but have redrafted the paper in an attempt to minimise these charges.
4. I have also talked to Michael Heseltine. He will prepare a paper on the lines you discussed with me. I have also asked him for views on my draft paper.
5. I am sending copies of this minute to the Home Secretary, the Chancellor of the Exchequer, the Secretary of State for the Environment, Sir Robert Armstrong and Sir Derek Rayner.

Pc

PAUL CHANNON

18 April 1980

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CIVIL SERVICE NUMBERS AND COSTS

Policy

The Government's 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 remaining functions are performed as economically and efficiently as possible;
- and c. as a result, to give the taxpayer value for the money spent on the Civil Service.

Facts

2. The Civil Service expanded greatly during the last war and remained at a high level in the early post-war years. In 1952 it stood at 762,000. There was then a considerable reduction in the 1950s with the end of rationing and food subsidies. By 1961, it reached its lowest post-war point so far at 640,000 - a reduction of about 1/6 over 9 years. Then it climbed again and reached a second high point of 746,000 in 1976-7. Today it stands at about 705,000.

3. Annex A spells out the history in more detail by departments. From 1960 to 1980 there has been a total increase of 66,400 (nearly 10.5%). The main changes upwards have been as follows:

<u>Department</u>	<u>Staff in post</u>		<u>Increase between</u>	
	<u>1960</u>	<u>1980</u>	<u>1960 and 1980</u>	
DHSS	51,900	95,400	43,500	84%
D Employment	22,100	51,400	29,300	133%
Inland Revenue	55,600	79,000	23,400	42%
DOE/PSA/Transport	34,200	62,800	28,600	84%
Home Office	15,200	33,700	18,500	122%
Customs & Excise	15,300	27,400	12,100	79%

During the same period there has of course been a great increase in the work (see Notes to Annex A). The largest decrease has been in

MOD/Royal Ordnance Factories which have come down from 322,000 to 241,700, a reduction of 80,300 or 25% (though over the same period the Armed Forces have reduced from 526,000 to 312,000, a fall of 40%).

Costs

4. The revised Estimates provision for Civil Service pay costs in 1979-80 was about £3,700 million. In 1980-81 the provision will be about £4,600 million after allowing for the cost of this year's pay settlements. The full cost of employing an Assistant Secretary is £24,600. Costs by grade are set out more fully in Annex B.

Achievement so far

5. In May last year the total size of the Civil Service was 732,000. It is now about 705,000 and by April 1981 will probably be around 695,000. So we have made a sizeable reduction and the trend is clearly downwards. This has been done by:

- i. an initial $2\frac{3}{4}\%$ 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 $2\frac{1}{4}$ - $2\frac{1}{2}\%$ cash limit squeeze for 1980-81.

But there has been a big offset of over 11,000 in 1980-81 (which will continue in later years) mainly to provide additional prison officers and to handle rising unemployment. I am advised that the new unemployment forecasts and other unavoidable demands for 1981-82 point to a further 7,000 from that year. More bids for extra staff must be expected.

6. If we can keep these bids to a minimum, I still think that on present plans we can reduce staff numbers to not much above 670,000 by the end of this Parliament - a net reduction of over 8% from when we took office. All Ministers have worked very hard to achieve this result. It will be much the largest reduction since the 1950s. But is it enough?

7. I do not think that 8% will satisfy my colleagues, our supporters or the public. We have all made big efforts already. But I believe that we must do more. I also believe that more is possible. During the next 3 years, wastage from the Civil Service (see Annex C) will be around 240,000. This will help enormously.

What should be our approach?

8. We should make a plan now for the rest of this Parliament and stick to it. We have between 3 and 4 years. A planned approach will do more than a series of lurches. We ought to give departments time to work out sensible changes and implement them in an orderly way.

9. We should continue to look for whole functions that can be dropped, or done more cheaply or efficiently in the private sector. But I believe that our main attack must be on simplifying work and doing it more efficiently, not least in the demand-led areas which otherwise exert an inexorable upward pressure on manpower. More than $\frac{2}{3}$ of the Civil Service are employed in defence, taxation, social security and the prisons. Further savings in these and similar areas must mainly be achieved by carrying out essential functions more economically.

10. Parliament and the public generally are mainly interested in the numbers of staff and not in the wider costs of administration. That is inevitable. But we must not forget costs or do things which are plainly silly simply in order to reduce the head-count. We must always balance reductions in manpower against value to the taxpayer.

Ministerial responsibility

11. The main drive for getting results within each department must come from the responsible Minister; we shall have to get down into the detail and make the necessary changes. Sir Derek Rayner has already pointed the way in which Ministers, no longer simply policy-makers but managers as well, should pull together the costs and take stock of the activities of their departments. The parallel paper by the Secretary of State for the Environment illustrates very clearly

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one good way of doing this. Styles will vary, and the great size of some departments means that their Ministers will simply have to delegate. One way or another, however, each of us will have to tackle the job systematically and spend time on it. Sir Derek Rayner has given us some good ideas to build on.

Top-level support

12. We shall, however, need help - and a continuing stimulus. There is a major role for the officials of each department and for the CSD (see paragraphs 15-17 below and Annex D). But I suggest we need something more - a means of combining experience of the Service with an independent eye and bringing them into direct support of each Minister in the pursuit of greater economy. Several Ministers have suggested to me that they would welcome this kind of help.

13. I suggest, therefore, that the Prime Minister might appoint for an experimental period of 2 years a senior official at Permanent Secretary level as special adviser on manpower in the Civil Service. He would be located in the Civil Service Department and draw upon its staff resources, but would have direct access to the Prime Minister and to all Ministers in charge of departments. His task would be to discuss and agree with each Minister a plan for the reduction of his numbers and costs; to conduct inquiries with the agreement of the Minister and the help of his staff into major departmental activities; to make proposals for simplifying and streamlining, drawing upon experience across the Service as a whole; and to report to the Prime Minister as appropriate. His primary role would not be to act as an inquisitor but as an assistant to each Departmental Minister in reaching the aims collectively agreed.

14.

14. This is a novel proposal, and its details would need to be worked out. I suggest, for example, that each Minister should nominate a senior official in his department to work closely with the special adviser. This relationship, and those with the Permanent Secretaries and line managers, would need to be carefully handled. But I believe that a senior and experienced adviser devoted to this sole task for 2 years, and backed by energetic and

knowledgeable staff in each department, could improve the thrust and impetus of our policy and provide much-needed support.

Efficiency - detailed proposals

15. We shall need to look at (i) the efficiency of the Service as a whole; and (ii) the efficiency of specific operations. I put forward suggestions for particular studies and exercises, involving close collaboration between the Civil Service Department and other departments, at Annex D. In addition, the special adviser should discuss with each Minister and his officials specific ways of simplifying and streamlining the main manpower-intensive activities of his department.

16. I believe that we must make a particular effort to reduce senior grades. These have not yet started to come down in step with the rest - a reduction of no more than 4 (0.5%) over the last 12 months. They must do so if our policy is to look credible both inside the Service and more widely. In my limited experience, I have noticed examples of work which in our last period of office would be done by, say, an Assistant Secretary but which are now done at least a grade higher. I suspect this is true in many departments. I propose therefore that each department should reduce its posts at Under Secretary and above, taking the number on 1 April 1979 as the baseline, by at least 10% by 1 April 1982. Retirements from these grades should run at about 8% a year over the next 3 years, so we have a first-class opportunity.

Value for money

17. We must develop better arrangements in each department to examine what it is costing to carry out major activities and what we are getting for the money. The review of administrative costs launched by Sir Derek Rayner this year will help us to pull all our costs together. The next step should be to break them down between the various activities, so that we can see what is cost-effective and what is not. Some departments, including Environment, are making fast progress in this. The Treasury and CSD should discuss with all departments the improvement of their information systems, and call on the results when they scrutinise departmental expenditure.

Changing the culture

18. The most important thing of all is to motivate the Civil Service in the right direction. Sir Derek Rayner has rightly paid tribute to the skills of individual civil servants. We need to ensure that the Civil Service as a whole sees it as a main aim to use small resources to the best advantage. I will put a paper to my colleagues before the Summer Recess on pay, promotion and retirement policies and other matters which may contribute to this. I will also provide a separate paper later about the use of the grading structure - see Annex E.

Setting a target

19. When we embarked on the Lord President's exercise we decided not to set a target. I think that was right; we could not realistically assess in advance what functions it would be feasible to drop. There were wide differences between departments as a result. But a further programme aimed mainly at improving efficiency is another matter. I believe that we must have something to aim at and that we should try to improve the efficiency of all the work that is being done. I think therefore that we should now set ourselves a common target, and use the various measures set out in this paper and the work of the special adviser on manpower to help us achieve it.

20. I propose that we should aim at a Civil Service which is smaller by the end of this Parliament than it has been since the war - a target figure of 630,000. This means a reduction of around 10% from the present level, and of more than 100,000 since we came into office. It would be a respectable result which we could point to as a positive achievement.

21. Is it achievable? It may look a tall order. But the cut we are already making in 1980-81, together with the remaining firm savings from the Lord President's exercise, will produce a reduction of some 6% below the present level of 705,000. (I come to the problem of offsetting growth below.) There are further savings to come from the further options and studies we have already decided to pursue. The size of the additional task is therefore less formidable than appears at first sight.

22. Of course, circumstances will change and complete stability is a pipe-dream. Unemployment figures, for example, will vary (see paragraph 5 above). It may therefore be wise to set our sights somewhat higher - at, say, 12% below the present level of 705,000, thus creating a small contingency margin of about 14,000 against unavoidable growth. The Civil Service Department would administer the use of this margin, giving priority to those claims which were forced upon us by rising unemployment or any other factors outside the Government's control, and taking into the common pool any resources released by change in the reverse direction.

23. Surely it is not impossible to find a further reduction of around 6% from simplification and increased efficiency in any department, given 3 years in which to plan and carry it out. My proposal therefore is that each department should adopt as its target, in addition to the savings already firmly agreed, a progressive reduction of 3% in each of the years 1981-82 and 1982-83 [~~or 2½%~~ or 2%] in each of the years 1981-82, 1982-83 and 1983-84; and that the special adviser should draw up with each Minister a plan for action in his department.

Presenting the policy

24. If the proposals in this paper are accepted, we shall need to announce them publicly, and shall probably be called on to explain them in some detail to the Select Committee on the Treasury and Civil Service.

25. Presentation to the staff and unions will be especially important. I suggest that the main points should be three assurances:

- a. that, subject always to a crisis which we cannot now foresee, these proposals are our final instalment for the present Parliament. We ought to end uncertainty;
- b. that we are not seeking compulsory redundancy and will aim to keep it to the minimum (the existing terms are generous but I have put proposals separately to colleagues on easing the path for voluntary early retirement);

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c. that all departments will consult their staff sides to the fullest extent possible about the methods of reaching their target savings.

26. We should also ensure that Civil Service managers are fully informed of what is going on, understand it and have the opportunity to contribute. In our efforts to inform and consult the unions, we sometimes overlook the hard-pressed manager. But he will have to do a great deal of the work.

27. More generally, we must as far as possible avoid making the Civil Service feel that we are getting at them. There is too much attention to the size of the Service, its salaries and pensions; too little to its loyalty, integrity and dedication. We must pay serious regard to morale when we consider the future of the pay system. Meanwhile, I would ask colleagues to take every opportunity they can to show that we value the job they are doing for us and the country.

28. I invite my colleagues to agree:

- a. that we should make a plan for the next 3 years and stick to it, with the main emphasis on simplifying work and making it more efficient, and with an eye to cost as well as numbers;
- b. that we should consider the appointment of a senior official as special adviser on manpower for an experimental period of 2 years;
- c. that a programme of work should be undertaken with the help of the special adviser as set out in paragraph 15 and Annex D;
- d. that we should reduce the numbers of the most senior staff (Under Secretary and above) by 10% by 1 April 1982;
- e. that the improvement of departmental systems should be pursued as in paragraph 17;
- f. that we should aim at a Civil Service no larger than 630,000 by the end of this Parliament: a net reduction of 10%

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from the present level - equal to 4% over and above the savings that have already been agreed;

g. that in order to reach this target, with a margin for contingencies and offsetting growth, each department should aim to save 3% in each of the years 1981-82 and 1982-83 [~~or 2½%~~ [~~or 2%~~] in each of the years 1981-82, 1982-83 and 1983-84], in addition to the savings that have already been agreed;

h. that assurances should be given to the staff and unions on the lines of paragraph 25.

29. I also invite colleagues to note:

a. that I shall submit further papers on pay, promotion and retirement policies and on grading;

b. the importance of balancing these measures with open appreciation of good service by our staff.

STAFF IN POST IN MAJOR DEPARTMENTS

At 1 January 1960-1970

Full time equivalents*

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
MOD ¹²	322,000	326,300	326,100	329,900	284,900	279,400	276,000	275,100	275,200	267,400	261,300
TRADE/INDUSTRY	8,600	8,800	9,000	9,200	9,400	7,600	9,700	10,600	18,300	18,900	17,200
TECHNOLOGY	-	-	-	-	-	9,400	7,100	7,700	37,400	36,500	38,000
AVIATION/ AVIATION SUPPLY	45,600	36,900	38,200	37,500	38,400	38,800	38,400	37,200	-	-	-
DHSS	51,900	53,700	54,400	55,800	57,700	59,400	60,100	63,900	67,900	69,600	70,400
INLAND REVENUE	55,600	57,000	58,000	58,300	59,100	56,500	59,000	60,900	63,000	65,000	68,100
EMPLOYMENT GROUP	22,100	20,800	20,600	21,900	22,100	21,200	22,400	26,600	29,800	30,300	31,200
DOE/PSA/TRANSPORT	34,200	33,800	33,000	32,800	71,600	71,300	69,900	69,700	72,100	72,100	70,800
HOME OFFICE	15,200	15,500	16,400	17,400	18,700	19,100	19,700	21,000	22,400	23,500	24,700
CUSTOMS & EXCISE	15,300	15,500	15,700	15,700	15,800	15,900	16,600	17,300	17,900	17,800	17,900
MAFF	15,500	15,500	15,400	15,400	15,200	15,200	15,200	15,700	16,200	16,100	15,900
DEPT NAT SAVINGS	-	-	-	-	-	-	-	-	-	-	15,300
FCO/DIP SERVICE/ COL OFFICE	8,800	9,000	9,500	9,900	10,300	10,800	11,300	11,200	11,200	10,800	10,600
LORD CHANCELLOR	5,300	5,700	6,300	6,700	6,900	7,000	7,100	7,300	7,400	7,400	7,400
SCOTTISH OFFICE	6,600	6,800	7,000	7,100	7,600	7,800	8,300	8,600	8,900	8,900	9,200
TREASURY AND CS COMMISSION	2,000	1,950	2,050	2,150	2,200	2,200	2,350	2,450	2,550	950	1,050
CSD/CS COMMISSION	-	-	-	-	-	-	-	-	-	1,650	2,100
WELSH OFFICE	400	400	400	400	400	400	600	700	700	700	800
✓SUB TOTAL	609,100	607,700	612,100	620,200	620,300	622,000	623,800	636,000	651,000	647,600	662,000
TOTAL	641,400	640,200	647,900	656,800	658,100	668,000	659,400	674,600	691,200	687,700	702,100

*rounded to nearest 100

*part-timers counted as half units

STAFF IN POST IN MAJOR DEPARTMENTS

At 1 January 1970-80

Full time equivalent

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
MOD ¹²	261,300	255,700	279,300 ⁴	270,200	267,900 ³	266,500	268,200	261,200	253,500	248,500	241,700 ¹²
TRADE/INDUSTRY	17,200 ⁸	26,600	26,300 ⁴	18,800 ⁹	18,700	17,900 ³	18,300	18,000	16,900	17,100	16,400
TECHNOLOGY	38,000	-	-	-	-	-	-	-	-	-	-
AVIATION/ AVIATION SUPPLY	-	28,300 ⁴	-	-	-	-	-	-	-	-	-
ENERGY	-	-	-	-	-	1,200 ³	1,400	1,300	1,300	1,300 ¹³	1,300
DHSS	70,400	71,800	74,500	76,500	80,900	86,700	91,600	94,500	96,900 ⁴	97,600	95,400
INLAND REVENUE	68,100	69,600	72,900	70,800	69,400	73,500 ⁶	79,100	82,500 ¹⁶	85,000	85,000 ⁷	79,000
EMPLOYMENT GROUP	31,200	32,100	33,100	34,400	33,800	37,000	45,500 ¹⁸	51,900	53,000	53,700	51,400
DOE/PSA TRANSPORT	70,800 ⁷	71,800	70,200	69,900	69,300	69,700	73,100	71,400	69,200	66,500	62,800 ¹⁹
HOME OFFICE	24,700	25,700	27,300	28,500	28,300 ⁶	30,300	32,500	32,300 ²⁰	33,000	33,500	33,700
CUSTOMS & EXCISE	17,900	17,900	18,300	22,600	24,800	27,100	29,300	29,400	28,800	28,900	27,400
MAFF	15,900	16,000	15,700	15,400	15,000	15,200	15,600	15,300	14,800	14,000	13,600 ²¹
DEPT NAT SAVINGS	15,300	15,300	14,800	13,900	13,400	13,600	13,700	12,500	11,200	10,800	10,300
FCO/DIP SERVICE/ COL OFFICE	10,600	10,600	10,500	10,400	10,200	10,300	10,200 ²²	10,100	9,800	9,700	9,500
LORD CHANCELLOR	7,400	7,700	8,900 ¹⁰	9,300	9,300	9,600	10,000	9,900	10,100	10,200	9,900
SCOTTISH OFFICE	9,200	9,500	9,500	9,600	9,700	9,900	10,700	10,500	10,300	10,900	10,700
TREASURY AND CS COMMISSION	1,050	1,050	1,100	1,050	1,000	1,050	1,150	1,150	1,050	1,050	1,050
CSD/CS COMMISSION	2,100	2,400	2,350	3,250 ¹¹	3,250	3,500	3,700	3,400	3,150	3,250	3,250
WELSH OFFICE	800	900	900	1,000	1,100	1,300	1,500	1,600	1,500	2,600	2,500
SUB TOTAL	662,000	663,000	665,700	655,600	656,000	674,200	705,600	707,000	699,500	694,600	669,900
TOTAL	702,100	702,900	701,900	692,700	694,400	712,500 ⁶	745,100	746,200	738,000	733,200	707,800

rounded to nearest 100
* part-timers counted as half units

NOTES ON ANNEX A

1. In 1967 the functions of the Ministry of Aviation were transferred to the Ministry of Technology and the Board of Trade.
2. In November 1968 the new Civil Service Department took over part of the functions of the Treasury and those of the Civil Service Commission.
Department of Scientific and Industrial Research
3. The functions of A . . were transferred in 1965 to Ministries of Technology, Transport and DES. The Department of Energy was created in 1974 and took over certain functions of the Department of Trade and Industry.
4. 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.
5. 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.
6. 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.
7. Prior to October 1970, the Ministry of Housing and Local Government, the Ministry of Public Buildings and Works and the Ministry of Transport.
8. 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).
9. On 1 April 1972 responsibility for civil aviation was transferred to the Civil Aviation Authority whose staff are not civil servants.
10. On 1 January 1972 the Crown Courts were created from Quarter Sessions and the Assizes (previously staffed by local government) and, together with the County Courts Service and the Supreme Court of Judicature, became the Lord Chancellor's Department.
11. Formation of Central Computer Agency (now Central Computer and Telecommunications Agency), 460 additional staff, and take-over of Chessington Computer Centre (340 staff) on 1 April 1972.

12. Throughout most of the period 1965-80 there have been reductions in MOD arising from Defence Reviews and rationalisation of tasks. The size of the Armed Forces has also declined over the period:

1960	526,000
1980	312,000

13. Steady increase in size of DHSS to 1979 due to increased number and greater complexity of benefits.

	<u>Number of types of benefit</u>	<u>Number of recipients</u>
1960	23	13. 6 million
1978	33	23. 5 million

14. Increase in size of IR over period 1960-1978 due to increased number of taxpayers (caused particularly by inflation and less than full revalorisation of tax thresholds) increasing complexity of work and new legislation.

Number of income tax payers in 1960/61:	21.0 million
" " " " " 1979/80:	26.0 million

(earning wives counted separately)

15. Increase in Ministry of Labour numbers between 1966 and 1968 due to:

(i) increase in numbers of unemployed (from about 300,000 in 1966 to nearly 600,000 in 1968)

(ii) introduction of Earnings Related Supplement.

16. Creation of MSC was accompanied by expansion of work to provide improved training and employment services. This led to rapid staff increases in 1975-77. (The Training Services Division of MSC achieved 94,200 Training Opportunities Scheme completions in 1977 as against 15,500 achieved by DE in 1971).

17. The level of unemployment has increased markedly over the period:

1960 average:	360,000
1979 average:	1,390,000

18. Build up of centralised driver and vehicle licensing.

Vehicles with licences current in 1960:	9,440,000
" " " " " 1978:	17,817,000

19. Increase in size of Home Office mainly due to increase in prison service, reflecting larger prison population.

Average daily prison population in 1965: 30,421
" " " " " 1979: 42,220

(England and Wales only; includes borstals and detention centres)

20. Increase in C&E in 1973-77 due to introduction of VAT and effects of joining EEC. Under former purchase tax scheme some 2,000 staff dealt with 75,000 registered traders; under VAT some 10,000 staff deal with 1,300,000 registered traders at the present time.
21. Decrease in DNS reflects decline in number of transactions (107 million in 1970; 84 million in 1979) and increased mechanisation.
22. Increase in number and duration of cases in Crown Courts. The County Courts gained jurisdiction for divorce, causing an increase in workload, in 1972.

ANNEX B

FULL COSTS* OF PARTICULAR GRADES

GRADE	STAFF IN POST 1.1.80	BASIC STAFF COST PLUS ACCOMMODATION [†] £ per head a year	TOTAL COST £ million a year
Under Secretary	593	25,611	15.2
Assistant Secretary	1,140	24,593	28.0
Senior Principal	719	21,834	15.7
Principal	4,474	17,390	77.8
Senior Executive Off	8,080	14,174	114.5
Higher Executive Off	22,760	11,535	262.5
Executive Officer	46,668	8,770	409.3
Clerical Officer	84,608	6,531	552.6
Clerical Assistant	70,142	4,750	333.2
TYPISTS	21,400	4,414	94.5
MESSENGERS	11,162	4,590	51.2
Prin Scientific Off	2,458	17,090	41.9
Higher Scient Officer	4,236	10,521	44.6
Scientific Officer	2,867	8,325	23.9
Statistician	302	16,501	5.0
Photoprinter	2,667	4,815	12.8
Duplicator Operator	1,040	4,483	4.7

Notes

* Figures shown are in all cases based on national rates of pay. Costs in Inner and Outer London are higher.

[†] As defined in the Ready Reckoner for staff costs, and covers the following:

- Average salary
- 19% for superannuation
- Employers' national insurance
- Allowance for stationery, telephones, postage, small office machines
- Accommodation costs

Salaries at 1.1.80

RUN-OUT FROM THE CIVIL SERVICE OVER THE NEXT THREE YEARS
(1980-81 to 1982-83)

The two main components of wastage from the Civil Service are:

- (a) normal age retirements
- (b) voluntary resignations

Normal Age Retirements

About 70,000 non-industrial civil servants now in post will be 60 or over in the next 3 years. On current retirement patterns about 50,000 of these will retire in the period. This represents about 9% of the present number of non-industrial staff.

In some senior grades, retirements will reach a peak during the period. The following table shows the extent of estimated retirements from the Administration Group:

ESTIMATES (NORMAL AGE) RETIREMENTS 1980-81 to 1982-83

<u>Grade</u>	<u>Number</u>	<u>As percentage of current staff</u>
AS	320	25
SP	340	45
Prin	940	20
SEO	1580	20
HEO	2840	12
EO	4630	7

Voluntary Resignations

About 48,000 non-industrial staff resigned in both 1978 and 1979. There may be some fall in this number in future years because the slow-down in recruitment will tend to reduce the numbers of young junior staff who are normally more likely to resign. Changes in the economic climate will also be a factor and the best guess that can be made is that voluntary wastage of non-industrial staff will average about 40,000 a year, ie a total of 120,000 over the 3 year period.

Industrial civil servants

There is no centrally held data about the wastage of industrial civil servants but assuming loss rates similar to those for the junior grades of non-industrial civil servants, the estimated loss each year is put at about 23,000, a total of about 70,000 over the period.

Total losses

Including losses from other causes, amounting to about 2,000 a year, estimated losses in each of the years are put at about 80,000 giving a total loss of about 240,000 over the 3 year period (some 34% of the present size of the civil service).

PROPOSED PROGRAMME OF WORK

(i) Staff Inspection

1. 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 the two years 1977 and 1978 saved 3560 posts (£17-£18m a year).

2. 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 shortly be submitted to Ministers.

(ii) Cutting the cost of Service-wide activities

3. We should expand and speed up the work led by CSD in areas where central expertise can most fruitfully be brought to bear, and especially improving the efficiency and economy of the supporting services common to all departments. Examples are 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, which if

repeated across all departments would produce annual savings of £7-8m annually.

4. 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.

5. There is also scope for economy in other Service-wide activities. We are already looking at statistics. Training, advertising and information are possible candidates for later studies.

(iii) Mechanisation

6. 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 we shall in any case have to press forward on this front, taking unilateral action where it is necessary and right to do so.

(iv) Specific questions

7. We should certainly continue to build on the results of Sir Derek Rayner's scrutiny programme and other initiatives by seeing how its lessons can be applied more widely. Here too there is scope for the central role of my department in disseminating experience and ensuring a reasonable consistency of approach. Examples are:-

(a) Supervision of local government activity. Some 5000 staff are involved. We need to generalise the good work already started in some departments, and I shall be proposing to the Ministers concerned that we should aim at a reduction of one-third across the board.

(b) Industrial sponsorship. I propose that we should follow up the Secretary of State for Trade's recent initiative with a general review, and will put forward specific proposals shortly.

(c) Networks of Regional and Local Offices. Several useful studies have been set in hand. We should press ahead to conclusions and consider the scope for further work.

THE USE OF THE GRADING STRUCTURE

1. Apart from the specific reduction in senior grades proposed in para 11, we must look at the use of the grading structure. Sir Derek Rayner has proposed the reduction of the length of the hierarchy 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 sure that the abolition of specific grades is the best answer. But I will consider it, and report to colleagues in the later paper I have promised.
2. 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.
3. I propose that, as a first step, CSD should undertake a small number of initial studies of representative areas of work. The objective would be to draw up criteria and guidelines 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.

020

2.

Copy to Mr Ingham.

MINISTER OF STATE

CIVIL SERVICE MANPOWER

In view of the publicity in the Guardian, and of the fact that we shall be seeing the Staff Side next Tuesday, I thought I should show you the attached letter of 17 April (received today) from Mr Kendall. I thought it right to send him a quick, short reply. I attach a copy of this too.

I am sending copies of this minute and enclosures, for information, to Sir Derek Rayner and Mr Whitmore.

AB

IAN BANCROFT
18 April 1980

Prime Minister.

There is a little interesting background to Kendall's letter.

He told his Staff Side colleagues that he was going to write a sharp letter to Sir Ian Bancroft about the first loss reports of Government plans to make further and substantial cuts in Civil Service manpower; but he then failed to do anything. When the Guardian piece appeared yesterday, however, it said that Kendall had sent a stiff protest to Sir Ian Bancroft, and he therefore felt obliged to write the attached letter. He has cheerfully recounted all this to the CSD. A case of largely synthetic indignation manufactured for the consumption of the Press and his membership.

JW
18/4

CIVIL SERVICE NATIONAL WHITLEY COUNCIL

STAFF SIDE

280.01

19, ROCHESTER ROW · LONDON SW1P 1LB · Tel: 01-828 2727-9

Secretary General:
W. L. KENDALL

Secretary:
P. D. JONES

Assistant Secretaries:
B. G. SUTHERLAND HELEN E. HUGHES

17 April 1980

Sir Ian Bancroft GCB
Civil Service Department
Whitehall
London SW1A 2AZ

K. S. [unclear]

ACTION	<i>Mr Wilding</i>
FOR INF	<i>IPB</i>
	<i>Mr Bohan</i>
	<i>Mr Barrett</i>
	<i>Mr Allan</i>

19/4/80

Mr Sloman
Mr Pugh
Mr Bannister
Mr Wilson
Mr Powell

CIVIL SERVICE MANPOWER

I am writing to express the National Staff Side's extreme concern and anger at recent (informed) press speculation about proposals for future manpower cuts and the activities of Sir Derek Rayner.

First, there was the "Economist" report, followed up in a number of newspapers, that Rayner had recommended to the Prime Minister the abolition of the Under Secretary and SEO grades. Second, there was the recent report in the "Sunday Telegraph" - and repeated in other newspapers - that the Government is determined to reduce the Civil Service to an arbitrary total of 600,000 and that the ubiquitous Sir Derek will orchestrate this exercise too. Our subsequent enquiries have shown that some of the reports are authentic. What the Staff Side wish to know, please, is what on earth is going on? Are these merely public relations exercises designed to placate the Government's wilder supporters? Or, is there a real possibility that the Civil Service will be subjected to still further butchery, of the kind exemplified?

I have to make it absolutely clear that the Staff Side deeply resent hearing about possible developments of a serious and radical nature in this way. The matters in question are crucial to established channels of joint consultation in the Civil Service and the Staff Side are not prepared to be bypassed whilst issues of this importance are in the air. We have a right to put a point of view and to ensure that there is a balanced debate about what are, as they currently stand, one-sided and ill-considered "proposals"

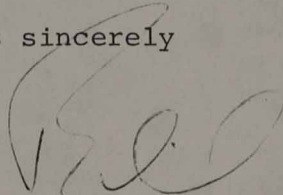
Cont'd/...

I should be grateful, therefore, for your views as to the credibility and standing of the reports, and for an assurance that there will be full, frank and early consultation with us about any proposals of this kind. It would also seem necessary to seek scope for a Staff Side input at this stage in order to ensure that ill-conceived suggestions do not achieve any degree of credence.

Finally, I cannot let this occasion pass without once again drawing your attention, as Head of the Civil Service, to the appalling effects that reports of this kind have on Civil Service morale and, inter alia, efficiency. I would not have thought it possible that morale - particularly amongst senior and middle-level civil servants - could have deteriorated any further, but reports reaching the Staff Side reveal that morale has indeed sunk even lower as a result of these recent reports. Does nobody ever inform ministers, including the Prime Minister, of this? Is there no appreciation of the insidious effects of continual ill-informed and undeserved criticism upon the morale and efficiency of individual civil servants? I would hope that you, as Head of the Service, will make it clear that, if the current trend continues there is a real danger of the Civil Service ceasing to be the effective and invaluable public service that it undoubtedly is?

I have requested an early meeting with the Minister of State but I believe it right that we should inform you of our concern.

Yours sincerely



W L KENDALL
Secretary General



CIVIL SERVICE DEPARTMENT

WHITEHALL LONDON SW1A 2AZ

Telephone 01 273 5400

Sir Ian Bancroft G.C.B.
Head of the Home Civil Service

W L Kendall Esq
Civil Service Whitley Council
National Staff Side
19 Rochester Row
LONDON WC2

18 April 1980

Dear Kendall,

CIVIL SERVICE MANPOWER

Thank you for your letter of 17 April.

As you say, the Staff Side has requested a meeting with the Minister of State, and this is now to take place on 22 April. But I should like to comment on one or two points in your letter straight away.

The Official Side deplores the recent spate of rumour and speculation in the press every bit as much as the Staff Side. Much of it has been wild and inaccurate, even in what purport to be factual statements about the present size of the Service (about which Richard Wilding wrote to you on 16 April). This sort of thing is bad for morale and unhelpful in every way, and I take every opportunity to make clear that this is my view.

Unfortunately, the rumour-mongering has become a common practice lately, and I suppose that we have to get used to it. The Staff Side would, however, be making a grave mistake if they supposed that the normal way of handling Civil Service manpower questions is not being followed. Your remark about "the ubiquitous Sir Derek" in this context is particularly uncalled for. As the Minister of State will make clear to the Staff Side on 22 April, he, the Minister is considering policy in this field and expects shortly to consult his colleagues. He has not yet put any definite proposals to them, and wants to hear the Staff Side's views before he does so. The established methods of consultation, at both national and departmental level, will be used to the full over whatever may follow.

M sincerely,
Ian Bancroft

IAN BANCROFT

C.F. / AB 2/4
Please mention this
to Cabinet Office

MR. PATTISON

MA 2/4

I think there is a misprint in line 3 of
the last paragraph on page 2 of this minute.
As I have indicated, I think "appointments"
should read "boards".

I expect the Cabinet Office will pick
this up when they come to revise "Questions
of Procedure for Ministers", so you may think
it unnecessary to do anything positive about
it.



17 April 1980

CONFIDENTIAL

Civil Service

DRAFT OF 17 APRIL 1980

PRIME MINISTER

THE EFFICIENCY OF CENTRAL GOVERNMENT: LASTING REFORMS

1. You asked for my thoughts for the Cabinet meeting on 1 May.

Recn 1

2. I suggest that, building on and extending its experience so far, the Government should decide on a plan of lasting reform. This should in my view have two aims:

(1) Less Government, using fewer staff better.

(2) A more robust and reliable managerial framework, including

- Better control and management of resources by Ministers in their departments.
- Better collective control and management of resources by Cabinet.
- Updated priorities for Whitehall.

LESS GOVERNMENT, USING FEWER STAFF BETTER

3. Mr Heseltine and Mr Channon have written papers on Civil Service manpower. What follows complements them.

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4. Mr Channon's paper shows what the Civil Service costs. These figures are very large indeed. It helps me to get them into perspective to remind myself that even my small unit* costs the taxpayer £6,500 a month.

5. Mr Jenkin referred in the Budget Debate to the need for unremitting attention to the cost of administration. I believe that leadership by Ministers in getting down to the brass tacks is of immense importance.

Recn 2

6. Each Minister can achieve "less Government, using fewer staff better" by taking time, with the right help, to draw up a manpower plan for his department. Staff costs can be reduced and staff better used by dropping or trimming functions and by making the way they are done more efficient and effective. This means looking at what causes staff numbers. It may mean thinking the unthinkable: "Would it matter if I stopped doing this?", "Could I do that with half the staff?", "Do my working methods belong to the 20th century?".

7. Ministers may say that they do not have the time, aptitude, or instinct for this. One Minister has recently told me that he needs the seeing eye

* One US, one Economic Adviser, one Executive Officer, one Personal Secretary.

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of someone who is "managerially motivated" to help him. How can Ministerial leadership be achieved?

8. The keys are time, preparation and action.

9. Ministers cannot and need not devote more than a fraction of their time to management. But some time must be planned into the diary, at least a day a month. Ministers may already have found the scrutiny of their departmental running costs helpful in deciding where to look and what to do. Practice will ~~make~~ looking and doing perfect.

10. The crucial point, however, is to make sure that the time Ministers do commit is used to good effect.

11. I think that the "seeing eye" is needed to prepare the issues for Ministers. It should be that of a senior official, suitably motivated by the knowledge that his advancement depends on it. He should work up for his Minister/^amanpower plan consisting of ways of saving and simplifying. The plan would contribute in part to the Government's overall manpower policy, but it would also be about working methods in the department.

12. Some thoughts on the senior official and the things he should help his Minister look for may be helpful:

Recn 3

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a. He should be a person of proven aptitude for action. He should draw on knowledge where it resides. This will often be well down at the CA/CO - HEO/SEO levels, especially in executive or administrative operations.

b. Things to be reviewed might include:

- Activities and functions that consume large staff and other resources.
- Complexity of rules and regulations and its relationship with staff numbers.
- Areas of work with high staff turnover or absenteeism.
- Scope for mechanisation.
- Need for, cost and intelligibility of administrative forms sent out by the department.
- Cost of meetings, official travel, non-vocational training.

13. Recommendations are useless unless they lead to action, of course. That is for Ministers, not advisers.

14. I firmly believe, too, that the length of the Civil Service hierarchy both consumes and cramps

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too much talent. Including the grades of Administration Trainee and Higher Executive Officer (A), there are fourteen grades between Clerical Assistant and Permanent Secretary; in the higher Civil Service (Assistant to Permanent Secretary) there are five. I am convinced that this needs a hard look.

Recn 4

A MORE ROBUST AND RELIABLE MANAGERIAL FRAMEWORK

15. The quality of Ministerial leadership and of the officials who bear the main burden of management on their behalf is very important. Although systems have to be good too, the foundation of management in government must be that Ministers and officials care about and work for value for money and economy.

16. The underlying issue is whether Ministers have confidence in their ability to manage and in the systems and procedures which exist to help them. This is of long standing and could remain unabated.

17. A Minister recently told me that he thought the best contribution I could make to his practical problem - which was a combination of the lack of "managerially motivated" officials, his own ignorance of the right questions to ask and his feeling that he could not make things happen differently - would

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be a "child's guide" to management.

18. I understand that view. I have already provided in my advice to Ministers on departmental running costs questions which might be asked about their department as a whole and about its component parts. I am very ready to talk to Ministers about their experience so far and to offer them further suggestions. Indeed, I would in any case like to talk to Ministers in the course of work outlined below and in the Appendix.

19. However, all my experience of business and Whitehall convinces me of three things. First, government is not child's play. Ministers will delude themselves if they so approach their management task. Secondly, it is necessary to clarify in working terms the management functions of Ministers, severally and collectively, and of officials and to clarify the financial framework within which they are played. Thirdly, it is necessary to develop very strongly the importance of management in the culture and motivation of Whitehall. I believe that the Government can and must look for benefits here which build on past experience and current work.

20. The detail of my proposals is contained in my recent submission to you, which we discussed last month and work on which you have now commissioned.

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For convenience, I attach a summary.

21. The proposals are ^{intended}~~tended~~ to help Ministers and officials in the practical tasks of management, eg by

- Making it clear who is responsible for what to whom within departments.
- Consolidating for Ministers in charge of departments practical pointers, eg drawing on projects and scrutinies so far, to duplication between their department's work and that of others; whether they are in resource terms the prisoners of old policies; whether all the activity for which they are responsible adds to the common good; whether they preside over excessive checking, control, supervision and information gathering.
- As we face public expenditure over the next two decades, achieving the best possible balance between the collective responsibility of Cabinet and the several responsibilities of departmental Ministers.
- Pushing ahead with the employment of men and women qualified in financial management and management accountancy.

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- Driving it home in Whitehall that managing operations is as important as policy work and producing the attitudes, practices and working environment to enable staff to work with loyalty, pride and commitment.

22. I do not believe in the "Geddes Axe" approach. Instead I would like to see the formidable talents of the Civil Service mobilised to produce positive reform. It would help if it were seen that those with aptitude for management and action and that those who sought out and applied the lessons of projects and scrutinies got early promotion or promotion in post.

SUMMARY

23. My recommendations are

Recn 1
(para.2)

A plan of lasting reform, embodying two aims - less government, using fewer staff better, and operating within a ^{more}robust and reliable management framework.

Recn 2
(paras.
6 & 7)

The first aim should be achieved by preparation of a manpower plan by each department, under the leadership of its Minister.

Recn 3
(para. 11)

A senior official should be responsible for the preparation of the plan in each department.

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Recn 4
(para. 14)

The length of the Civil Service hierarchy needs examination.

24. I am making no formal recommendation in respect of the second aim, since you have already commissioned the work outlined in the Appendix to this minute.

Derek Rayner
April 1980

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APPENDIX

THE EFFICIENCY OF CENTRAL GOVERNMENT: LASTING REFORMS

My proposals, on which work is now in hand, covered changes in the managerial culture of the Civil Service; departmental management and the financial framework in which it takes place; and central control. They are in sum for the examination of and the later submission of recommendations on the following.

- (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) Possible requirement that heads of departments should give a regular, personal account of what they have simplified, diminished 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; includes such issues as causes of absenteeism, high turnover and working environment.
- (d) Whether it would be likely to provide useful information to as a department on a pilot basis to keep a record of the cost of resources committed in support of its Parliamentary work.

DEPARTMENTAL MANAGEMENT AND THE FINANCIAL FRAMEWORK

- (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.)
- (b) Defining the responsibility and accountability of officials to Ministers, especially that of Accounting Officers and those who occupy key management posts (including clarification of accountability for particular blocks of departmental expenditure).
- (c) Clarifying the responsibility and authority of and the qualifications needed by Principal Finance and Establishment Officers. Steady progression towards the employment of those qualified in financial management and management accountancy.
- (d) Strengthening the financial framework, with particular reference to
- the structure of PES 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, the central departments and Parliament).
- (e) Examine need for and application of the "annuality rule".
- (f) Examine case for greater cost-consciousness in the imposition and application of regulations and standards.

CENTRAL CONTROL

Restate aims and methods of central control and the balance between this and departmental control. Expedite relevant work, eg on

- the Public Expenditure Survey
- current scrutiny of Public Expenditure monitoring
- intended scrutiny of Treasury expenditure control

(Also necessary for CSD to scrutinise its control functions in parallel with the second Treasury scrutiny.)

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

G Green Esq
Private Secretary to the
Minister of State
Civil Service Department
Whitehall
London SW1A 2AZ

17 April 1980

Dear Geoffrey,

CIVIL SERVICE: CONTROL AND EFFICIENCY

The Chancellor of the Exchequer agreed at yesterday's meeting with your Minister and with Sir Derek Rayner to set out in more detail his views on various issues now under consideration in this context, and particularly on the material to be considered by Cabinet (now, I understand on 1 May).

On the papers themselves, the Chancellor thinks your Minister's "action programme" and the CSD memorandum on Civil Service numbers and costs form an adequate basis for discussion as they stand, though - subject to the paragraphs which follow - he would not at this stage want specifically to endorse the content of either.

He thinks the advocacy of Sir Derek Rayner's paper - annexed in draft to his letter of 15 April - would be even more powerful if it were briefer and more pointed towards what Ministers themselves might do within their Departments to promote effective management. He is, on the whole, sceptical about the possibility of Ministers becoming good managers. He sees them more as Chairmen than as Managing Directors, though he would not want to strain too far the analogy with business. He nevertheless sees 'improving the management culture' as the central issue in Sir Derek Rayner's paper. This objective is the starting point for the various options of control which have been canvassed in the present preparatory work. He is attracted by Sir Derek's idea of a "special official", to act as the Minister-in-charge's assistant on management matters, though he has not reached firm conclusions about what kind of official this should be, or where he should fit into the management structure.



structure. Under present arrangements, promotion of effective management practices is the responsibility of establishment officers and PFOs, working closely with the Permanent Secretary. There are risks of inefficiency and crossing of wires if a wholly different official assumed these duties, though the Chancellor would by no means wish at this stage to reject the idea. He would however like to see other possibilities exposed. In his own Departments, for example, a junior Minister, Lord Cockfield, advises him on wide range of management matters, and one of his Private Secretaries has specific responsibilities in this area. It might be possible for the Establishment Officer to report directly to the Minister in charge on certain defined management responsibilities, with further junior Minister/Private Office support to the Minister in charge. The circumstances of Departments do of course vary widely, and uniform arrangements may not be appropriate.

The other main approach lies in striking the right balance between Departmental and central control. The Chancellor has not formed a firm view at this early stage; this lies very much in the Prime Minister's personal province. But he would like, not necessarily in time for Cabinet, the French systems of both permanent (through financial controllers) and ad hoc (through the Cour des Comptes and the Inspecteurs des Finances) control/inspection to be thoroughly explored for any relevance it may have, *mutatis mutandis*, to our own system.

Two further specific points on the Cabinet documentation. The Chancellor doubts whether there is much mileage in the idea of elaborate codification of responsibilities and functions; and he doubts the practicability of a general requirement on senior officials to give a regular and personal account of the simplifications and savings they have achieved - in many areas there is simply no scope for this. On the possible appointment of a Special Commissioner or Inspector General the Chancellor is open minded at this stage. He thinks a very strong case would have to be made out for this new post, no doubt with supporting staff, unless it took the place of some existing unit/branch within the Civil Service.

Your Minister and Sir Derek Rayner may also find it useful to have the following indication of the Chancellor's views on specific related issues.

First three general points:-

- i. The Chancellor very much agrees with Sir

/Derek

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Derek Rayner that Civil Service hierarchies should be made much more flexible, and that individual officials should be given a much keener sense of their own responsibility. He accepts that this would lead to greater explicit delegation by Ministers to Civil Servants, and to less anonymity for Civil Servants. He strongly favours basing rewards to individuals more on their performance, and would give much less weight to seniority (as opposed to relevant experience). Automatic increments would go, as would the present rigid grade structure. The Chancellor does not have firm views as yet on how this might be achieved. Abolition of grades is certainly a possible approach; another might be the "blurring" of the grade structure, so that there was a continuous spectrum of levels of reward, and a loosening of the tie between "grade" and specific posts.

ii. The Chancellor would like to see much greater cross-fertilisation between the public and private sectors. In practice this would mean greater flexibility over pension arrangements, and over the level at which returning Civil Servants should re-enter the system. This latter point would of course be looked after by a loosening of the hierarchy.

iii. As he said yesterday, the Chancellor believes that controls should be over both numbers and costs, but with priority for costs where the two conflict.

Now a few specific points:

i. The Chancellor thinks the target for percentage reductions of activities for which Assistant Secretaries are responsible is a potentially useful approach.

ii. It is important that Departments which cut services should be obliged to make corresponding cuts in administrative expenditure. He cites as examples the ending of the controls over pay, prices, dividends and foreign exchange.

/iii. He thinks

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iii. He thinks there will have to be both redundancies and improved terms for premature retirement. In general, he agrees with Sir Derek Rayner that the Civil Service has become an excessively secure and comfortable place.

iv. The Chancellor attaches great importance to bringing to bear adequate skills to the management of resources, notably money.

v. He endorses the need for greater cost-consciousness in the imposition and application of regulations and standards (eg in relation to accommodation, fire, health and safety) - whilst not dissenting from Sir Derek Rayner's paragraphs on morale in the Civil Service.

vi. The Chancellor has read with great interest Mr Nott's minute of 12 March, and thinks there is something to be said for all his suggestions; he doubts however whether they could readily be put into practice.

vii. The elimination of at least one regional/local tier of administration is well worth examining.

viii. He strongly favours simplification of filing, and greater use of office machinery, including word processors.

ix. In your Ministers minute listing lessons to be learnt from the Rayner projects, the Chancellor specifically endorses the need to streamline office networks; the avoidance of 'nannying'; the need to improve the use of the defence estate; and the proposed further look for productivity improvements in local VAT offices.

x. The Chancellor agrees with the general comments on the wider applicability of lessons from existing Rayner projects in Sir Derek Rayner's personal report to the Prime Minister of 26 March.

As a postscript, the Chancellor is most concerned that the issue should be presented as clearly and concisely as possible to colleagues. We thought your Minister might like to see the enclosed internal checklist which shows all too clearly how convoluted the discussions are becoming.

I am copying this letter to Sir Derek Rayner.

Yours ever,
ME
M AHALL

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CIVIL SERVICE : CHECKLIST OF ISSUES

A. POLICY

1. Control

(a) Are control totals set clearly enough? - CSD set totals in Survey and Estimates, but should a forward programme be approved by Ministers and published?

(b) Should control be in terms of numbers or costs, or both? - numbers are important but ignore grading - costs may include a range of "staff-related" expenditure of diminishing relevance - CSD favour using both, but giving priority to costs where the two conflict (we agree).

(c) Are control figures properly monitored? - by CSD already, but should this be by Ministers collectively (with a "contingency reserve" , cf. public expenditure)?

2. Cuts Target

Rayner (2,7-8) has suggested setting, for each Department, a target "percentage reduction of the activities for which Assistant Secretaries are responsible", of perhaps 25 per cent (Rayner 1,8b) to be brought to Ministers for decision within the next year. Since this would be yet a further basis for control, CSD may suggest an alternative target percentage cut in staff costs (additional to the 25,000, 40,000 and 2½ per cent cuts).

3. Link with Cuts in Services

Are Departments which make cuts in services required to make corresponding cuts in administrative expenditure (Rayner 2,13)? - examples might be aid, housing.

4. Recruitment

Should there be a selective restriction on recruitment to certain grades, e.g. Administration Trainee (Rayner 1,16)?

5. Retirement/Redundancy

Must there be "redundancies ... at all levels" (Rayner, 1,18)? - or should there be "improved terms for premature retirement" (Cabinet, 6 March)?

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6. Other Policy Initiatives

"Privatisation", "contracting out", "untying" of services - under study.

B. EFFICIENCY

1. Hierarchy

Rayner (2,4b) has suggested reducing the length of the hierarchy by at least three grades. CSD are likely to say this would be costly, and propose selective action in specific areas to cut out posts, promote grade-skipping etc.

2. Consultation/Co-ordination

Mr Nott's minute of 12 March makes a number of suggestions:

- (a) Fewer formal Ministerial committees, settle questions informally instead.
- (b) Fewer follow-up letters copied to all committee members.
- (c) Less "sponsorship", which leads to interdepartmental consultation around Whitehall (being followed up by CSD-Channon ?25 March, Annex 1).
- (d) Less project authorisation by Treasury and CSD (draft reply).
- (e) Procurement by Departments instead of PSA (repayment under Rayner study).
- (f) Less need to clear minor matters with No 10.

The Rayner proposal to "halve the number of and attendance at meetings" (1,19c) also belongs under this heading.

3. Complementing

Complement for average rather than peak periods of work, and supplement by part-timers where necessary/possible (Rayner 1,19d).

4. Inspection/Audit

The CSD believe more could be done by better staff inspection - and external "value for money" audit brings in the review of E & AD.

5. Regions

Can at least one layer of regional/area/local organisation be shed?

6. Clerical/Secretarial

Can filing be less elaborate and manpower-intensive (cf. first Treasury

scrutiny)? - Can word-processors and office machinery be used more effectively?

7. Other Efficiency Lessons

(i) A number of lessons from Rayner projects are listed in Mr Channon's minute of 25 March. The ones of relevance to the Chancellor's Departments are:

(a) Streamlining networks of Government offices and establishments, e.g.

- extend lessons of project on London Collections of Customs and Excise (to be reduced from 5 to 3) to rest of country;

- projected look at Valuation Office of Inland Revenue.

(For Chancellor's information, this is not a current Rayner project but something we said that we would bear in mind for the third round of Rayner scrutinies, at the Prime Minister's request, given that there is already under way an internal review (with CSD involvement) of the Valuation Office of the Inland Revenue).

(b) Too much nannying. This links with the question of "sponsorship" by Departments raised by Mr Nott.

(c) Charging for Government services.

(d) Too much administration.

(e) Modern methods. The Secretary of State for Agriculture's minute to Mr Channon on word processors may be relevant here; and Rayner has mentioned in discussion the computerisation of PAYE

Other points:

(f) Improved use of properties on Defence Estate.

(g) Proposed joint CSD/Customs & Excise look at improvements of productivity in local VAT offices. This may provide wider lessons for measuring and improving performance at local level and for increasing delegation of authority down the line.

(For Chancellor's information, this is not a current Rayner project (and indeed does not stem from a previous Rayner project) but is a continuation of existing studies within Customs of improving performance in VAT collection).

(h) Handling of correspondence with public. Departments such as Inland Revenue have been asked to consider methods for improving efficiency of handling large flows of correspondence identified in the DNS Rayner project.

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(ii) Sir Derek Rayner's personal report to the Prime Minister dated 26 March on the existing round of Rayner projects touched on some other issues which he thought could be of general application. He

- (a) Identified boldness in reducing activities internal to Government e.g., the Customs & Excise project to reduce the number of London Collections, plus the proposed simplification of the P46 procedure by the Inland Revenue.
- (b) Contrasted this with hesitancy in reducing governmental activity for "client" groups or in contemplating charging for services.
- (c) Noted the importance of achieving success on the DHSS project to reduce the frequency of benefit payments at some cost to the viability of rural post offices.
- (d) Stressed that results from Rayner projects by way of improved efficiency and staff savings should "gradually emerge".
- (e) Looked forward to the outcome of Government-wide review of statistics including statistics in each of the Chancellor's Departments.

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ANNEX

Papers for Cabinet:

- (a) Sir Derek Rayner's minute to the Prime Minister of 26 February ("Rayner 1").
- (b) Sir Derek Rayner's minute to the Minister of State CSD of 13 March ("Rayner 2").
- (c) A paper by the Minister of State CSD responding to Sir Derek Rayner's main proposals.
- (d) Sir Derek Rayner's separate paper on "conventions" (contents unknown, but expected to cover Departmental Ministers' responsibilities, needs for information, role of central departments - perhaps also "accountable management", Accounting Officers, "annuality" of cash accounting etc.). In the light of this we may want to propose a Treasury/CSD commentary paper.
- (e) Probably a paper by Mr Heseltine on a Departmental Minister's role in controlling and managing his Department.

Other Current Exercises:

- (a) Annual scrutiny of Departmental running costs (Sir Derek Rayner's letter of 22 February).
- (b) Study of PSA repayment (links with (a)).
- (c) Progress report on Rayner projects (Sir Derek Rayner to Prime Minister, 26 March).
- (d) Wider application of lessons from Rayner projects (Mr Channon's minute of 25 March to the Prime Minister).
- (e) Rayner report on efficiency of management reviews (letters of 20 December).

Fue

Civil Service

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16 April 1980

The Prime Minister has seen Mr. Channon's minute of 14 April enclosing a draft of his paper for Cabinet on 1 May.

The Prime Minister is broadly content with the draft paper.

She is content that figures for the Civil Service should start with 1960. She would like to delete the bracketed third sentence in paragraph 6.

Subject to these two small points, the Prime Minister is content for Mr. Channon to proceed with his discussions on the basis of the current draft. There will, of course, be time between the Prime Minister's meeting on this subject, scheduled for 22 April, and Cabinet on 1 May, for any points arising from the first meeting to be incorporated in the final text of the paper.

M. A. PATTISON

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

KRB



Minister of State

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Prime Minister
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MAD

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15 April 1980

Dear Mike

You asked me on the telephone this morning to let you have a breakdown by grade in the Civil Service.

... I attach copies of draft tables, prepared for the printer, which will appear in the 1980 version of "Civil Service Statistics". These show, as at 1 January 1980, the number of men and women in the various grades of the non-industrial Home Civil Service. I hope that they provide the information you need.

"Civil Service Statistics" for 1980 has not yet been published; the tables have not yet in fact been cleared within CSD. May I therefore ask you to ensure that no public use is made of this material?

Yours sincerely

G E T Green

G E T GREEN
Private Secretary

4 Non-Industrial Home Civil Service
 Staff in post^{1,2}
 Main groups, classes and grades

Group, Class or Grade	1 January 1978			1 January 1979		
	All Staff ^{3,4}			All Staff ^{3,4}		
	Men	Women	Total	Men	Women	Total
Open Structure (excluding Parliamentary Counsel)						
Permanent Secretary	39	-	39	387	-	387
Deputy Secretary ⁵	148	4	152	1487	4	1581
Under Secretary ⁵	565	22	588	50059	223	583
Executive Directing Grades						
Middle Band	67	2	69	618	2	6970
Lower Band	47	2	49	4750	2	4952
	20	-	20	2018	-	2018
General Category						
Administration Group	112 310	137 743	250 053	0296 112 810	9 502 137 743	49 798 250 053
Assistant Secretary	1 091	54	1 145	1 0916	549	1 14655
Senior Principal	631	21	652	63192	2118	652 710
Principal	4 070	347	4 417	4 070 114	3472	4 417 56
Senior Executive Officer	7 356	612	7 968	7 356 442	6128	7 968 8060
Higher Executive Officer (A)	205	67	272	205 78	67109	272 87
Higher Executive Officer	18 545	3 380	21 925	18 545 773	3 380 609	21 925 2382
Administration Trainee	417	167	584	417 343	16745	584 488
Executive Officer	30 708	16 610	47 318	30 708 036	16 610 7359	47 318 45
Clerical Officer	33 325	56 229	89 554	33 325 1734	56 229 7702	89 554 436
Clerical Assistant	15 902	60 236	76 138	15 902 788	60 236 59 541	76 138 5329
Economist Group	341	40	381	341 51	40 2	381 93
Senior Economic Adviser	55	3	58	55 62	3	58 65
Economic Adviser	167	19	186	167 81	19	186 200
Senior Economic Assistant	69	10	79	69 1	10	79 1
Economic Assistant	50	8	58	50 47	8 10	58 7
Information Officer Group	991	358	1 349	991 51	358 24	1 349 275
Chief Information Officer (A)	16	3	19	16 7	3	19 20
Chief Information Officer (B)	41	2	43	41 38	2	43 0
Principal Information Officer	103	19	122	103 6	19 8	122 4
Senior Information Officer	278	67	345	278 3	67 56	345 29
Information Officer	431	157	588	431 11	157 3	588 64
Assistant Information Officer	122	110	232	122 06	110 92	232 198
Librarian Group	145	225	370	145 56	225 36	370 92
Senior Principal Librarian	3	-	3	3	-	3
Principal Librarian	5	1	6	5 4	1	6 5
Senior Librarian	36	14	50	36	14 6	50 2
Librarian	53	66	119	53 7	66 9	119 26
Assistant Librarian	48	144	192	48 56	144 50	192 20
Statistician Group	428	104	532	428 19	104 18	532 7
Chief Statistician	70	7	77	70 68	7	77 5
Statistician	257	42	299	257 61	42 7	299 308
Senior Assistant Statistician	67	18	85	67 56	18 218	85 4
Assistant Statistician	34	37	71	34	37 6	71 0
Secretarial Category/Group						
Superintendent and Controller	3	1 832	1 835	3 85	28 460 533	28 463 718
Senior Personal Secretary and Personal Secretary	47	4 521	4 568	4 4	1 854 932	1 854 936
Specialist and other typists	143	22 107	22 250	143 37	22 107 21	22 250 8

Footnotes are on page 26

Full-time equivalents³ (All Staff): Numbers

1 January 1978/80

All Staff ^a			Whole-Time			Part-Time			Group, Class or Grade
Men	Women	Total	Men	Women	Total	Men	Women	Total	
36	-	36	36	-	36	-	-	-	Open Structure (excluding Parliamentary Counsel) Permanent Secretary Deputy Secretary ⁵ Under Secretary ⁵
150	4	154	150	4	154	-	-	-	
565	27	593	565	27	592	1	1	2	
68	1	69	68	1	69	-	-	-	Executive Directing Grades Middle Band Lower Band
50	1	51	50	1	51	-	-	-	
18	-	18	18	-	18	-	-	-	
104940	134442	239382	104887	132128	237015	107	4628	4735	General Category
1075	65	1140	1074	65	1139	2	1	3	Administration Group
701	18	719	701	18	719	-	-	-	Assistant Secretary
4124	350	4474	4122	344	4466	5	12	17	Senior Principal
7472	607	8079	7471	607	8078	3	-	3	Principal
275	112	387	275	112	387	-	-	-	Senior Executive Officer
18998	3761	22759	18996	3757	22753	4	9	13	Higher Executive Officer (A)
267	136	403	267	137	403	-	-	-	Higher Executive Officer
29128	17539	46667	29121	17516	46637	14	47	61	Administration Trainee
28867	55741	84608	28842	54689	83531	50	2105	2155	Executive Officer
14032	56110	70142	14018	54883	68901	29	2454	2483	Clerical Officer
									Clerical Assistant
355	44	399	355	42	397	-	4	4	Economist Group
62	4	66	62	4	66	-	-	-	Senior Economic Adviser
184	17	201	184	15	199	-	4	4	Economic Adviser
71	11	82	71	11	82	-	-	-	Senior Economic Assistant
38	12	50	38	12	50	-	-	-	Economic Assistant
941	293	1234	941	292	1233	-	3	3	Information Officer Group
19	2	21	19	2	21	-	-	-	Chief Information Officer (A)
35	2	37	35	2	37	-	-	-	Chief Information Officer (B)
105	18	123	105	18	123	-	-	-	Principal Information Officer
277	51	328	277	51	328	-	1	1	Senior Information Officer
407	145	552	407	144	551	-	2	2	Information Officer
98	75	173	98	75	173	-	-	-	Assistant Information Officer
148	240	388	148	236	384	-	8	8	Librarian Group
3	-	3	3	-	3	-	-	-	Senior Principal Librarian
4	1	5	4	1	5	-	-	-	Principal Librarian
32	19	51	32	19	51	-	-	-	Senior Librarian
55	63	118	55	63	118	-	-	-	Librarian
54	157	211	54	153	207	-	8	8	Assistant Librarian
406	108	514	406	106	512	1	4	5	Statistician Group
72	8	80	72	8	80	-	-	-	Chief Statistician
255	44	299	255	42	297	1	4	5	Statistician
55	30	85	55	30	85	-	-	-	Senior Assistant Statistician
24	26	50	24	26	50	-	-	-	Assistant Statistician
171	27386	27557	165	24630	24795	13	5512	5525	Secretarial Category/Group
4	1955	1959	4	1946	1950	-	18	18	Superintendent and Controller
38	4318	4356	38	4276	4314	1	84	85	Senior Personal Secretary and Personal Secretary
129	21113	21242	123	18408	18531	12	5410	5422	Specialist and other typists

Non-Industrial Home Civil Service

Staff in post^{1,2}

Main groups, classes and grades

Group, Class or Grade	1 January 1978			1 January 1978		
	All Staff ^{3,4}			All Staff ^{3,4}		
	Men	Women	Total	Men	Women	Total
Science Category/Group	14 585	2 074	16 659	14 585 301	2 074 129	16 659 430
Principal Scientific Officer	2 405	56	2 461	2 405 389	56 2	2 461 41
Senior Scientific Officer	3 570	130	3 700	3 570 459	130 40	3 700 599
Higher Scientific Officer	3 975	379	4 354	3 975 885	379 5	4 354 261
Scientific Officer	2 446	550	2 996	2 446 378	550 95	2 996 73
Assistant Scientific Officer	2 189	959	3 148	2 189	959 67	3 148 56
Related Scientific Grades	950	10	960	950 77	10 1	960 88
Chief Scientific Officer (B)	28	-	28	28 9	-	28 9
Deputy Chief Scientific Officer	219	1	220	219 7	1	220 18
Senior Principal Scientific Officer	703	9	712	703 31	9 10	712 41
Professional and Technology Category						
Professional and Technology Group	39 741	227	39 968	39 741 677	227 51	39 968 28
Principal P & T Officer	2 367	14	2 381	2 367 434	14 7	2 381 456
P & T Officer I	5 553	48	5 601	5 553 609	48 7	5 601 56
P & T Officer II	8 345	50	8 395	8 345 98	50 43	8 395 441
P & T Officer III	11 884	55	11 939	11 884 784	55 62	11 939 846
P & T Officer IV	11 592	62	11 654	11 592 447	62 81	11 654 528
Graphics Officer Group	438	54	492	438 19	54 6	492 75
Marine Services Group	568	-	568	568 79	-	568 79
Related Professional and Technology Grades	1 749	27	1 776	1 749	27 32	1 776 13
Directing Grades A & B	172	1	173	172 9	1	173 30
Superintending Grade	687	4	691	687 78	4 6	691 84
Technical Officer B	142	-	142	142 20	-	142 20
Trainees (All Categories)	748	22	770	748 04	22 5	770 29
Social Security Category/Group	16 059	30 602	46 661	16 059 34	30 602 190 7	46 661 79 41
Local Officer 1	7 689	6 910	14 599	7 689 44	6 910 70 78	14 599 72 2
Local Officer 2	8 370	23 692	32 062	8 370 90	23 692 48 29	32 062 32 19
Data Processing Category/Group	1 146	7 436	8 582	1 146 82	7 436 541	8 582 723
Training Category Instructional Officer Group	5 754	51	5 805	5 754 869	51 4	5 805 923
Legal Category	708	162	870	708 12	162	870 4
Police Category/Group	4 321	75	4 396	4 321 092	75 96	4 396 188
Research Officer Category	283	160	443	283 74	160 58	443 32
General Service Classes						
Accountants (Professional)	357	1	358	357 69	1	358 70
Actuaries	29	2	31	29 8	2 3	31
Cartographic and Recording Draughtsmen	3 517	587	4 104	3 517 306	587 5	4 104 381
Cleaners	362	2 950	3 312	362 27	2 950 32 37	3 312 564
Medical Officers	517	76	593	517 77	76 90	593 677
Messengers, Office Keepers and Paper Keepers	6 665	5 347	12 012	6 665 109	5 347 634	12 012 1 743
Photographers	642	34	676	642 26	34	676 60
Photoprinters (including former Duplicator Operators)	892	833	1 725	892 902	833 2 888	1 725 3 790
Process and General Supervisory	1 928	93	2 021	1 928 85	93 100	2 021 85
Psychologists	184	58	242	184 93	58 62	242 55
Stores Officers	2 272	36	2 308	2 272 183	36 44	2 308 227
Telecommunications Technical Officers	1 044	-	1 044	1 044 24	-	1 044 24
Telephonists	541	1 600	2 141	541 476	1 600 34	2 141 10
Teleprinter Operators	362	293	655	362 6	293 8	655 64

Full-time equivalents³ (All Staff): Numbers

1 January 1979/80

All Staff ³			Whole-Time			Part-Time			Group, Class or Grade
Men	Women	Total	Men	Women	Total	Men	Women	Total	
14 092	2 157	16 249	14 081	2 108	16 189	22	99	121	Science Category/Group
2404	54	2458	2402	53	2455	4	2	6	Principal Scientific Officer
3433	145	3578	3431	140	3571	5	10	15	Senior Scientific Officer
3837	399	4236	3834	391	4225	6	16	22	Higher Scientific Officer
2263	603	2867	2261	588	2849	5	31	36	Scientific Officer
2154	956	3110	2153	936	3089	2	40	42	Assistant Scientific Officer
967	11	978	966	11	977	3	-	3	Related Scientific Grades
30	-	30	30	-	30	-	-	-	Chief Scientific Officer (B)
204	2	206	204	2	206	1	-	1	Deputy Chief Scientific Officer
733	9	742	732	9	741	2	-	2	Senior Principal Scientific Officer
39 347	259	39 606	39 341	254	39 595	12	10	22	Professional and Technology Category
2499	13	2512	2499	13	2512	-	1	1	Professional and Technology Group
5691	41	5732	5689	39	5728	5	5	10	Principal P & T Officer
8545	52	8597	8544	51	8595	2	2	4	P & T Officer I
11693	59	11752	11692	59	11751	3	-	3	P & T Officer II
10918	93	11011	10917	92	11009	2	2	4	P & T Officer III
									P & T Officer IV
401	56	457	401	56	457	-	1	1	Graphics Officer Group
579	-	579	579	-	579	-	-	-	Marine Services Group
1505	38	1543	1504	38	1542	2	-	2	Related Professional and Technology Grades
174	1	175	174	1	175	-	-	-	Directing Grades A & B
682	5	687	681	5	686	2	-	2	Superintending Grade
96	-	96	96	-	96	-	-	-	Technical Officer B
553	32	585	553	32	585	-	-	-	Trainees (All Categories)
15 353	31 126	46 480	15 353	31 098	46 451	1	57	58	Social Security Category/Group
7637	7235	14 872	7637	7231	14 868	-	8	8	Local Officer 1
7716	23891	31 608	7716	23867	31 583	1	49	50	Local Officer 2
1235	7358	8593	1235	7148	8383	-	421	421	Data Processing Category/Group
5918	66	5984	5918	66	5984	1	-	1	Training Category Instructional Officer Group
726	168	894	722	165	887	9	6	15	Legal Category
3977	128	4105	3977	128	4105	-	-	-	Police Category/Group
292	158	450	292	155	447	-	5	5	Research Officer Category
355	5	360	354	5	359	2	-	2	General Service Classes
25	4	29	25	4	29	-	-	-	Accountants (Professional)
3150	557	3708	3143	549	3692	15	17	32	Actuaries
244	3181	3425	177	622	799	135	5118	5253	Cartographic and Recording Draughtsmen
582	95	678	570	95	665	22	1	23	Cleaners
5555	5635	11190	5531	5605	11136	48	61	109	Medical Officers
625	33	658	625	33	658	-	1	1	Messengers, Office Keepers and Paper Keepers
870	2807	3677	869	2756	3625	2	102	104	Photographers
1950	101	2051	1950	101	2051	-	1	1	Photoprinters (including former Duplicator Operators)
194	70	264	194	69	263	-	2	2	Process and General Supervisory
2119	51	2170	2119	51	2170	-	-	-	Psychologists
1035	-	1035	1035	-	1035	-	-	-	Stores Officers
435	1641	2076	434	1595	2029	2	93	95	Telecommunications Technical Officers
362	300	662	362	295	657	-	10	10	Telephonists
									Teleprinter Operators

Non-Industrial Home Civil Service

Staff in post^{1,2}

Main groups, classes and grades

Group, Class or Grade	1 January 1978			1 January 1979		
	All Staff ^{3,4}			All Staff ^{3,4}		
	Men	Women	Total	Men	Women	Total
Departmental Classes						
Customs and Excise Grades						
Customs and Excise Officers	2 277	7	2 284	2 271 06	7	2 278 113
Home Office Grades						
Immigration Service	1 227	126	1 353	1 227 30	126 42	1 353 72
Prison Governors	529	36	565	529 30	36 40	565 70
Prison Officers	13 933	660	14 593	13 933	660 66	14 593 721
Inland Revenue Grades						
Estate Duty Examiners	340	84	424	340 00	84 73	424 373
Collection Service						
Assistant Collector of Taxes	4 155	4 639	8 794	4 155 0	4 639 860	8 794 9010
Other Grades	2 125	3 797	5 922	2 125 066	3 797 967	5 922 6033
Chief Inspector's Branch						
Inspectorate	2 030	842	2 872	2 030 84	842 93	2 872 977
Tax Officer (Higher Grade)	19 808	17 755	37 563	19 808	17 755 8057	37 562 25
Tax Officer	6 877	595	7 472	6 877 468	595 641	7 472 616
Valuation Service						
Valuers (Professional)	7 613	4 033	11 646	7 613 390	4 033 123	11 646 513
Valuation Clerks	6 318	13 127	19 445	6 318 103	13 127 193	19 445 396
Trainees	4 765	1 492	6 257	4 765	1 492 648	6 257 300
Other Grades	2 208	56	2 264	2 208 131	56 5	2 264 186
Bailiffs (Courts Service)	2 110	1 383	3 493	2 110 42	1 382 542	3 492 684
Driving and Traffic Examiners (Transport)	398	53	451	398 30	53 0	451 380
Health and Safety Executive Grades						
Factory Inspectorate	49	-	49	49	1	50
Mines and Quarries Inspectorate	1 379	5	1 384	1 379 38	5	1 384 43
H/A Inspectorate of Schools	1 643	18	1 661	1 643 579	18 21	1 661 00
Health and Safety Executive Grades						
Factory Inspectorate	472	103	575	472 8	103 97	575
Mines and Quarries Inspectorate	804	73	877	804 26	73 84	877 910
	116	1	116	116 06	1	116 07
All Non-Industrial Grades	305 346	252 841	558 187	303 112	254 236	557 348

1. The figures for the latest year are subject to revision. Care should be taken when the PRISM-based data of this table are compared with the data published in earlier editions of Civil Service Statistics which were obtained from the now obsolete Central Staff Record (CSR) (see page 12 of Civil Service Statistics 1971).

2. This table shows staff in their substantive grade.

3. Part-time staff are counted as half-units and numbers rounded to whole units.

4. A more detailed breakdown of the 1 January 1978 and 1 January 1979 figures between whole-time and part-time time^{staff} is available in the corresponding tables in Civil Service Statistics 1978 and 1979. However, because of the inclusion of hitherto unallocated records the totals now given may differ slightly from those previously published.

5. For the purposes of this table the figures for Deputy Secretary include those paid at rates between Permanent Secretary and Deputy Secretary (3 men in 1978, 1979 and 2 men in 1980) and the figures for Under Secretary include those paid at rates between Deputy Secretary and Under Secretary (31 men in 1978 and 28 men in 1979, 1980).

6. The Security Category was formed on ~~1 January 1980~~ by the merging of the former Security Officer Class and the former Security Guard Class. For comparison purposes ~~1978 and 1979~~ figures are given on the same basis for 1978 and 1979.

7. The Duplicator Officer Class was merged within the photocopier Class with effect from ~~1 January 1980~~ 1 January 1980. For comparison purposes ~~1978 and 1979~~ figures are given on the same basis for 1978 and 1979.

8. Information for individual groups, classes and grades is drawn from PRISM and the totals for all grades is derived from the Quarterly Staff Returns. The sum of the individual figures is lower than the all grades totals because the grade coverage of the table is not comprehensive and there are timing differences between the two sources.

Full-time equivalents³ (All Staff) : Numbers

1 January 1978/80

All Staff ³			Whole-Time			Part-Time			Group, Class or Grade
Men	Women	Total	Men	Women	Total	Men	Women	Total	
1983	7	1990	1983	7	1990	-	-	-	Departmental Classes
									Customs and Excise Grades
									Customs and Excise Officers
									Home Office Grades
1213	158	1371	1213	158	1371	-	-	-	Immigration Service
525	43	568	525	43	568	-	-	-	Prison Governors
14327	713	15040	14327	689	15016	-	48	48	Prison Officers
									Inland Revenue Grades
									Estate Duty Examiners
281	66	348	277	66	343	9	1	10	Collection Service
3954	4622	8576	3954	4616	8570	-	13	13	Assistant Collector of Taxes
1898	3761	5659	1898	3755	5653	-	13	13	Other Grades
2056	861	2917	2056	861	2917	-	-	-	Chief Inspector's Branch
18315	16499	34814	18240	16462	34702	50	75	125	Inspectorate
6030	648	6678	6006	643	6649	48	11	59	Tax Officer (Higher Grade)
7057	3965	11022	7056	3958	11014	2	14	16	Tax Officer
5228	11886	17114	5228	11861	17089	-	50	50	Valuation Service
4425	1594	6019	4423	1593	6016	4	2	6	Valuers (Professional)
2113	75	2188	2112	75	2187	3	-	3	Valuation Clerks
1976	1470	3446	1976	1469	3445	1	2	3	Trainees
286	48	334	286	48	334	-	-	-	Other Grades
49	1	50	49	1	50	-	-	-	Bailiffs (Courts Service)
1216	4	1220	1212	4	1216	8	-	8	Driving and Traffic Examiners (Transport)
1742	26	1768	1742	26	1768	-	-	-	HM Inspectorate of Schools
499	104	603	498	103	601	3	2	5	Health and Safety Executive Grades
861	105	967	861	104	965	1	3	4	Factory Inspectorate
104	1	105	104	1	105	-	-	-	Mines and Quarries Inspectorate
293164	248613	541777	292780	240031	532811	768	17164	17932	All ⁿ ⁱ Non-Industrial ^s grades

Sources: PRISM, 1
Quarterly Staff Returns

PRIME MINISTER

Here is Paul Channon's draft of his paper for Cabinet on 1 May, covering the Civil Service management and manpower issues which you have been discussing with him and Sir Derek Rayner.

He invites any comments of substance on the paper at this stage. His recommendations are summarised in paragraph 25 (Flag A). You may want to comment on the 10% target for reduction: this is not necessarily consistent with the Rayner proposals for pursuing a 25% reduction in Assistant Secretary commands, coupled with some grade abolitions. But I suggest that you might leave further discussion of target figures to the pre-Cabinet meeting which will be attended by Mr. Channon, Sir Derek Rayner, Sir Robert Armstrong, the Chancellor of the Exchequer and the Home Secretary. This will now be on 22 April, and Mr. Channon can finalise the text of his paper after that.

Shall I tell Mr. Channon that you do not wish to comment at this stage, but that he should not finalise his Cabinet paper until after the meeting on 22 April?

MAD

Three papers out

Prob - (51) hard reduced at all

for 1979-80. We shall hardly

be able to cut it other in view of the record!

15 April 1980

CONFIDENTIAL

PRIME MINISTER

I enclose a rough draft paper after our discussion at Chequers and in the light of Mr Lankester's letter.

2. The Chancellor, Sir Derek Rayner and I are due to meet on Wednesday and I am to see Michael Heseltine the next day. I will then put a revised version to you in advance of our later meeting.
3. If you have comments on the substance of the paper I would be very grateful to have them so that I can omit any ideas that do not appeal to you. Could I in particular draw your attention to the summary of conclusions in paragraph 25? The most important are the target, and the idea of the Special Commissioner.
4. There are three points I would specifically mention:
 - a. I am reluctant to put figures in for 1950 as the Civil Service then was larger than it is now owing to the aftermath of the war;
 - b. I believe we must have a firm target agreed by Cabinet otherwise there will be endless special pleading and nothing will happen;
 - c. the Special Commissioner and the official in each department would work together to help Departmental Ministers achieve the required target. I see the suggestion as complementary to the target, not as an alternative to it. I think both are necessary.
5. I would welcome your views.

1960

P.C.

PAUL CHANNON
14 April 1980

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14 APR 1960



CIVIL SERVICE NUMBERS AND COSTS

Policy

The Government's 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 remaining functions are performed as economically and efficiently as possible;

and (c) as a result, to give the taxpayer value for the money spent on the Civil Service.

Facts

2. The Civil Service expanded greatly during the last war and remained at a high level in the early post-war years. In 1952 it stood at 762,000. There was then a considerable reduction in the 1950s with the end of rationing and food subsidies. By 1961, it reached its lowest post-war point so far at 640,000 - a reduction of about 1/6 over 9 years. Then it climbed again and reached a second high point of 746,000 in 1976-7. Today it stands at about 706,000.

3. Annex A spells out the history in more detail by departments. From 1960 to 1980 there has been a total increase of 66,400 (nearly 10.5%). The main changes upwards have been as follows.

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<u>Department</u>	<u>Staff in post</u>		<u>Change between</u>	
	<u>1960</u>	<u>1980</u>	<u>1960 and</u>	<u>1980</u>
			<u>No.</u>	<u>%</u>
DHSS	51900	95400	43500	+84
DEmployment	22100	51400	29300	+133
Inland Revenue	55600	79000	23400	+42
DOE/PSA/Transport	34200	62800	28600	+84
Home Office	15200	33700	18500	+122
Customs & Excise	15300	27400	12100	+79

During the same period there has of course been a great increase in the work (see Notes to Annex A). The largest decrease has been in MOD/Royal Ordnance Factories which have come down from 322000 to 241700, a reduction of 80300 or 25%; but over the same period the Armed Forces have reduced from 526000 to 312000, a fall of 60%.

Costs

4. The revised Estimates provision for Civil Service pay costs in 1979-80 was about £3700 million. In 1980-81 the provision will be about £4600 million after allowing for the cost of this year's pay settlements. The full cost of employing an Assistant Secretary is £24600. I explain this more fully in Annex B.

Achievement so far

5. We have been left an enormous task to reduce this figure. All Ministers have done their best to reduce the size of their departments during the 12 months we have been in office, and

have made plans for the future. Now we must see how collectively what more we can do.

6. In May last year the total was 732000. It is now about 706000 and by April 1981 will probably be around 695000.

~~(Incidentally, our predecessors planned for 748000 in April, 1980).~~ So a sizeable reduction has taken place and the trend is clearly downwards. This has been done by:-

- (i) an initial $2\frac{3}{4}\%$ squeeze on the cash limits for 1979-80;
- (ii) a further reduction of nearly 40000 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 $2\frac{1}{4}-2\frac{1}{2}\%$ cash limit squeeze for 1980-81.

But there has been a big offset of over 11000 in 1980-81 (which will continue in later years) mainly to provide additional prison officers and to handle rising unemployment. I am advised that the new unemployment forecasts for 1981-82 point to a further 7000 from that year. More bids for extra staff must be expected.

7. If we can keep these bids to a minimum, I still think that on present plans we can reduce staff numbers to not much above 670000 by the end of this Parliament - a net reduction of over 8%. This will be much the largest reduction since the 1950s. But is it enough?

What should be our aim?

8. I do not think that 8% will satisfy my colleagues, our supporters or the public. We have all made big efforts already. The task is admittedly difficult. But I believe that we must do more. I also believe that more is possible. During the next 3 years, wastage from the Civil Service (see Annex C) will be around 250000 which will ease the achievement of staff reductions.

9. I propose that we should set our aim at a Civil Service which is smaller by the end of this Parliament than it has been since the war - a target figure of 630000. This means a reduction of around 10% from the present level, and of more than 100000 since we came into office. Present plans will already take us about half way to that target. How can we get the rest?

10. We must look for a combination of a further reduction in functions and a systematic drive for improved efficiency. If we adopt the overall target of a staffing level 10% below the present, we have, say, 3 years in which to

- (a) achieve the rest of the firm savings already announced on 6 December last;
- (b) realise the maximum savings from the further options and studies which we then decided to pursue;
- (c) find further functions and activities which can be dropped;
- (d) plan and secure significant savings from simplification and improved efficiency.

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The last point is especially important. It is difficult to improve efficiency in response to a squeeze on the resources available for the financial year which is about to start. The scope should be considerably enlarged if departments can work out a plan which covers the next 3 years and remains stable.

11. Circumstances will change and complete stability is a pipe-dream. Unemployment figures, for example, will vary. It may therefore be wise to set our sights somewhat higher - at, say, 12%, thus creating a small contingency margin against unavoidable growth. The Civil Service Department would administer the use of the margin thus created, giving priority to those claims which were forced upon us by rising unemployment or any other factors outside the Government's control, and taking into the common pool any resources released by change in the reverse direction.

12. The allocation of targets to each department always presents difficulty. But I do not believe that any activity can be exempted from the search for greater efficiency. The firm plans we have already made should produce a further reduction of 6% (gross) from the present level of 706000. I propose that each department should additionally adopt as its target a progressive reduction of 3% in each of the years 1981-82 and 1982-83 [or of $2\frac{1}{2}\%$ in each of the years 1981-82, 1982-83 and 1983-84 with a small resulting increase in the contingency margin]. That would get us home; and I find it hard to believe that it is beyond our reach.

13. I am also much concerned about the numbers of staff in senior grades which have not yet started to come down in step with the rest. They must do so if our policy is to look credible both inside the Service and more widely. In my limited experience, I have noticed that work which in our last period of office would be done by, for example, an Assistant Secretary is now done at least a grade higher. I suspect this is true in many departments. I propose therefore that as part of our overall target, each department should reduce its posts at Under Secretary level and above, taking the number on 1 April 1979 as the baseline, by at least 10% by 1 April 1982. Retirements from these grades should run at about 8% a year over the next 3 years, so we have a first-class opportunity.

Ministerial Responsibility

14. The primary responsibility for reaching this target within his own department will rest upon each Minister; we shall have to get down into the detail and make the necessary changes. Sir Derek Rayner has already pointed the way in which Ministers, no longer simply policy-makers but managers as well, should pull together the costs and take stock of the activities of their departments. The parallel paper by the Secretary of State for the Environment illustrates very clearly one good way of doing this. Styles will vary, and the great size of some departments entails much delegation. One way or another, however, each of us will have to tackle the job systematically and spend time on it. Sir Derek Rayner has given us some good ideas to build on.

Top-level support

15. We shall, however, need help - and a continuing stimulus. There is a major role for the officials of each department and for the CSD (see paragraph 18 below and Annex B). But I suggest we need something more - a means of combining experience of the Service with an independent eye and bringing them into direct support of each Minister in the pursuit of his target.

16. I suggest therefore that the Prime Minister might appoint a senior official [at Permanent Secretary level] as Special Commissioner for the Civil Service for an experimental period of two years. He would be located in the Civil Service Department and draw upon its staff resources, but would have direct access to the Prime Minister and to all Ministers in charge of departments. His task would be to discuss and agree with each Minister a plan for the achievement of his target; to conduct inquiries with the agreement of the Minister and the help of his staff into major departmental activities; to make proposals for simplification and streamlining, drawing upon experience across the Service as a whole; and to report to the Prime Minister as appropriate. His primary role would not be that of inquisitor but of assistant to each Departmental Minister and to the Cabinet as a whole.

17. This is a novel proposal, and its details would need to be worked out. For example, it would probably be desirable for each Minister to nominate a senior official in his department to work closely with the Special Commissioner and to report

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jointly to the Commissioner and to himself. These relationships and those with the Permanent Secretaries and line managers would need to be carefully handled. But it is arguable that a senior and experienced Commissioner devoted to this sole task for 2 years could improve the thrust and impetus of our policy and provide much-needed support.

Efficiency - detailed proposals

18. Among other methods of reaching the target I have proposed, we shall need to look at (i) the efficiency of the Service as a whole; and (ii) the efficiency of specific operations. I put forward proposals for a detailed programme of work, involving close collaboration between the Civil Service Department and the other departments, at Annex D. It should make a useful contribution towards achieving the target I have proposed.

Departmental systems

19. The review of the administrative costs of each department which Sir Derek Rayner has initiated should be pursued further. Its greatest value will lie in the next stage: breaking these costs down between different units and activities, and examining what value is being obtained for the expenditure. Developing this approach will take time and tax scarce skills. But it is essential to putting the control of resources on to a sound footing for the future, both from the point of view of the Minister who has to choose how best to deploy limited money and manpower, and from the point of view of the central departments who have to satisfy themselves that those resources are being properly claimed and used. I propose that the Treasury

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and CSD should discuss with departments the improvement of their management information systems, and increasingly call upon their results in the examination of the Public Expenditure Survey and Estimates.

Outside Probes

20. The PAC and the Exchequer and Audit Department will increasingly be turning their own spotlight on these matters. So probably will the new Select Committees. There is a risk of too many people outside an operating department distracting those inside from getting on with their job. But that cannot be helped. The efficiency of the public service is now - and rightly - an object of public concern. The more successful we are in reducing numbers and improving efficiency, the less we have to fear from external scrutiny.

Changing the culture

21. But outside probes, however well-aimed and necessary, are in the long run no substitute for the right motivation of the staff themselves. We need to turn things round so that civil servants see it as one of their main aims to use small resources to the best advantage. This may be the hardest task of all. Sir Derek Rayner's parallel paper is highly relevant here. As he recommends, I will put a paper to my colleagues before the summer recess on pay, promotion and retirement policies and other matters which may contribute to this aim. I will also provide a separate paper later about the use of the grading structure - see Annex E.

Presenting the policy

22. If the proposals in this paper are accepted, we shall need to announce them publicly, and shall probably be called on to explain them in some detail to the Select Committee on the Treasury and Civil Service. I will consult colleagues on the terms of an announcement.

23. Presentation to the staff and unions will be especially important. I suggest that the main points should be three assurances:-

(a) that, subject always to a crisis which we cannot now foresee, these proposals are our final instalment for the present Parliament. We ought to end uncertainty;

(b) that we are not seeking compulsory redundancy and will aim to keep it to the minimum (the existing terms are generous but I am putting proposals separately to colleagues on easing the path for voluntary early retirement);

(c) that all departments will consult their staff sides to the fullest extent possible about the methods of reaching their target savings.

24. So far as possible, we must avoid making the Civil Service feel that we are getting at them. There is too much attention to the size of the Service, its salaries and pensions; too little to its loyalty, integrity and dedication. We must pay serious regard to morale when we consider the future of the pay system. Meanwhile, I would ask colleagues to take every opportunity they can to show that we value the job they are doing for us and the country.

A

Conclusions

25. I invite my colleagues to agree
- (a) that we should aim at a Civil Service no larger than 630000 by the end of this Parliament - a reduction of 10% from the present level;
 - (b) that in order to reach this target, with a margin for contingencies and offsetting growth, each department should aim to save 3% in each of the years 1981-82 and 1982-83 [or 2½% in each of the years 1981-82, 1982-83 and 1983-84] in addition to the savings that have already been agreed;
 - (c) that the savings should include a reduction by 1 April 1982 of 10% in the numbers of the most senior staff (Under Secretaries and above);
 - (d) that we should consider the appointment of a senior official as Special Commissioner for two years in the first instance to help us reach the proposed target;
 - (e) that, as a contribution to achieving the target, a detailed programme of work should be undertaken as set out at Annex C;
 - (f) that the improvement of departmental systems should be pursued as proposed in paragraph 17;
 - (g) that assurances should be given to the staff and unions on the lines of paragraph 21.
26. I also invite colleagues to note
- (a) that I shall submit further papers on pay, promotion and retirement policies and on grading;
 - (b) the importance of balancing these measures with open appreciation of good service by our staff.

STAFF IN POST IN MAJOR DEPARTMENTS

At 1 January 1960-1970

Full time equivalents*

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
MOD/ROFS	322,000	326,300	326,100	329,900	284,900	279,400	276,000	275,100	275,200	267,400	261,300
DTI/PCP/ENERGY	8,600	8,800	9,000	9,200	9,400	7,600	9,700	10,600	18,300	18,900	17,200
TECHNOLOGY	-	-	-	-	-	9,400	7,100	7,700	37,400	36,500	38,000
AVIATION/ AVIATION SUPPLY	45,600	36,900	38,200	37,500	38,400	38,800	38,400	37,200 ¹	-	-	-
DHSS	51,900	53,700	54,400	55,800	57,700	59,400	60,100	63,900	67,900	69,600	70,400
IR	55,600	57,000	58,000	58,300	59,100	56,500	59,000	60,900	63,000	65,000	68,100
DEM GROUP	22,100	20,800	20,600	21,900	22,100	21,200	22,400	26,600	29,800 ^d	30,300	31,200
DOE/PSA/TRANSPORT	34,200	33,800	33,000	32,800	71,600	71,300	69,900	69,700	72,100	72,100	70,800
HOME OFFICE	15,200	15,500	16,400	17,400	18,700	19,100	19,700	21,000	22,400	23,500	24,700
C & E	15,300	15,500	15,700	15,700	15,800	15,900	16,600	17,300	17,900	17,800	17,900
MAFF	15,500	15,500	15,400	15,400	15,200	15,200	15,200	15,700	16,200	16,100	15,900
DNS	-	-	-	-	-	-	-	-	-	-	15,300
FCO/DIP SERVICE/ COL OFFICE	8,800	9,000	9,500	9,900	10,300	10,800	11,300	11,200	11,200	10,800	10,600
LORD CHANCELLOR	5,300	5,700	6,300	6,700	6,900	7,000	7,100	7,300	7,400	7,400	7,400
SCOTTISH OFFICE	6,600	6,800	7,000	7,100	7,600	7,800	8,300	8,600	8,900	8,900	9,200
TREASURY AND CS COMMISSION	2,000	1,950	2,050	2,150	2,200	2,200	2,350	2,450	2,550	950 ²	1,050
CSD/CS COMMISSION	-	-	-	-	-	-	-	-	-	1,650	2,100
WELSH OFFICE	400	400	400	400	400	400	600	700	700	700	800
✓SUB TOTAL	609,100	607,800	612,100	620,100	620,200	622,600	624,600	636,400	651,300	648,100	662,000
TOTAL	641,400	640,200	647,900	656,800	658,100	668,000	659,400	674,600	691,200	687,700	702,100

✓rounded to nearest 100

*part-timers counted as half units

STAFF IN POST IN MAJOR DEPARTMENTS

At 1 January 1970-80

Full time equivalent

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
MOD/ROFS	261,300	255,700 ⁸	279,300 ⁴	270,200	267,900 ⁵	266,500	268,200	261,200	253,500	248,500	241,700 ^a
DTI/PCP/ENERGY	17,200 ⁸	26,600	26,300	18,800 ⁹	18,700	17,900 ³	18,300	18,000	16,900	17,100	16,400
TECHNOLOGY	38,000	-	-	-	-	-	-	-	-	-	-
AVIATION/ AVIATION SUPPLY	-	28,300 ⁴	-	-	-	-	-	-	-	-	-
ENERGY	-	-	-	-	-	1,200 ³	1,400	1,300	1,300	1,300 ^b	1,300
DHSS	70,400	71,800	74,500	76,500	80,900	86,700	91,600	94,500	96,900 ^c	97,600	95,400
IR	68,100	69,600	72,900	70,800	69,400	73,500	79,100	82,500	85,000	85,000	79,000
DEM GROUP	31,200 ⁷	32,100	33,100	34,400	33,800	37,000 ⁶	45,500 ^e	51,900	53,000	53,700	51,400 ^f
DOE/PSA TRANSPORT	70,800	71,800	70,200	69,900	69,300	69,700	73,100	71,400	69,200	66,500	62,800 ^h
HOME OFFICE	24,700	25,700	27,300	28,500	28,300 ^j	30,300	32,500	32,300	33,000	33,500	33,700
C & E	17,900	17,900	18,300	22,600	24,800	27,100	29,300	29,400	28,800	28,900	27,400
MAFF	15,900	16,000	15,700	15,400	15,000	15,200	15,600	15,300	14,800	14,000	13,600 ^k
DNS	15,300	15,300	14,800	13,900	13,400	13,600	13,700	12,500	11,200	10,800	10,300
FCO/DIP SERVICE/ COL OFFICE	10,600	10,600	10,500	10,400	10,200	10,300	10,200	10,100	9,800	9,700	9,500
LORD CHANCELLOR	7,400	7,700	8,900	9,300	9,300	9,600	10,000 ²	9,900	10,100	10,200	9,900
SCOTTISH OFFICE	9,200	9,500	9,500	9,600	9,700	9,900	10,700	10,500	10,300	10,900	10,700
TREASURY AND CS COMMISSION	1,050	1,050	1,100	1,050	1,000	1,050	1,150	1,150	1,050	1,050	1,000
CSD/CS COMMISSION	2,100	2,400	2,350	3,250 ¹¹	3,250	3,500	3,700	3,400	3,150	3,250	3,250
WELSH OFFICE	800	900	900	1,000	1,100	1,300	1,500	1,600	1,500	2,600	2,500
✓ SUB TOTAL	662,000	662,800	665,700	655,500	656,000	674,200	705,600	707,000	699,200	694,500	669,800
TOTAL	702,100	702,900	701,900	692,700	694,400	712,500 ⁶	745,100	746,200	738,000	733,200	707,800

✓ rounded to nearest 100

* part-timers counted as half units

NOTES ON ANNEX A ON MACHINERY OF GOVERNMENT CHANGES (1965-80)

1. In 1967 the functions of the Ministry of Aviation were transferred to the Ministry of Technology and the Board of Trade.
2. In November 1968 the new Civil Service Department took over part of the functions of the Treasury and those of the Civil Service Commission.
3. The functions of DSIR were transferred in 1965 to Ministries of Technology, Transport and DES. The Department of Energy was created in 1974 and took over certain functions of the Department of Trade and Industry.
4. 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.
5. 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.
6. 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.
7. Prior to October 1970, the Ministry of Housing and Local Government, the Ministry of Public Buildings and Works and the Ministry of Transport.
8. 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).
9. On 1 April 1972 responsibility for civil aviation was transferred to the Civil Aviation Authority whose staff are not civil servants.
10. On 1 January 1972 the re-organised County Courts Service and the Supreme Court of Judicature become part of the Lord Chancellor's Department.
11. Formation of CCTA.

NOTES ON ANNEX A (OTHER THAN MACHINERY OF GOVERNMENT CHANGES)

- a. Throughout most of the period 1965-80 there have been reductions in MOD arising from Defence Reviews and rationalisation of tasks. The size of the Armed Forces has also declined over the period:

1960	526,000
1980	312,000

- b. Steady increase in size of DHSS to 1979 due to increased number and greater complexity of benefits.

	<u>Number of types of benefit</u>	<u>Number of recipients</u>
1960	23	13.6 million
1978	33	23.5 million

- c. Increase in size of IR over period 1960-1978 due to increased number of taxpayers (caused particularly by inflation and less than full revalorisation of tax thresholds) increasing complexity of work and new legislation.

Number of income tax payers in 1960/61:	21.0 million
" " " " " 1979/80:	26.0 million

(earning wives counted separately)

- d. Increase in Ministry of Labour numbers between 1966 and 1968 due to:

(i) increase in numbers of unemployed (from about 300,000 in 1966 to nearly 600,000 in 1968)

(ii) introduction of Earnings Related Supplement.

- e. Creation of MSC was accompanied by expansion of work to provide improved training and employment services. This led to rapid staff increases in 1975-77. (The Training Services Division of MSC achieved 94,200 Training Opportunities Scheme completions in 1977 as against 15,500 achieved by DE in 1971).

- f. The level of unemployment has increased markedly over the period:

1960 average:	360,000
1979 average:	1,390,000

- g. Build up of centralised driver and vehicle licensing.

Vehicles with licences current in 1960:	9,440,000
" " " " " 1978:	17,817,000

- h. Increase in size of Home Office mainly due to increase in prison service, reflecting larger prison population.

Average daily prison population in 1965:	30,421
" " " " " 1979:	42,220

(England and Wales only; includes borstals and detention centres)

- ij. Increase in C&E in 1973-77 due to introduction of VAT and effects of joining EEC. Under former purchase tax scheme some 2,000 staff dealt with 75,000 registered traders; under VAT some 10,000 staff deal with 1,300,000 registered traders at the present time.
- k. Decrease in DNS reflects decline in number of transactions (107 million in 1970; 84 million in 1979) and increased mechanisation.
- l. Increase in number and duration of cases in Crown Courts. The County Courts gained jurisdiction for divorce, causing an increase in workload, in 1972.

FULL COSTS* OF PARTICULAR GRADES

GRADE	STAFF IN POST 1.1.80	BASIC STAFF COST PLUS ACCOMMODATION [†]	TOTAL COST
		£ per head a year	£ million a year
Under Secretary	593	25611	15.2
Assistant Secretary	1,140	24593	28.0
S/Principal	719	21834	15.7
Principal	4,474	17390	77.8
SEO	8,080	14174	114.5
HEO	22,760	11535	262.5
EO	46,668	8770	409.3
CO	84,608	6531	552.6
CA	70,142	4750	333.2
TYPISTS	21,400	4414	94.5
MESSENGERS	11,162	4590	51.2
PSO	2,458	17040	41.9
HSO	4,236	10521	44.6
Scientific Officer	2,867	8325	23.9
Statistician	302	16501	5.0
Photoprinter	2,667	4815	12.8
Duplicator Operator	1,040	4483	4.7

Notes

* Figures shown are in all cases based on national rates of pay. Costs in Inner and Outer London are higher.

[†] As defined in the Ready Reckoner for staff costs, and covers the following:

- Average salary
- 19% for superannuation
- Employers' national insurance
- Allowance for stationery, telephones, postage, small office machines
- Accommodation costs

Salaries (except for Under Secretary) at 1.1.80.

RUN-OUT FROM THE CIVIL SERVICE OVER THE NEXT THREE YEARS
(1980-81 to 1982-83)

The two main components of wastage from the Civil Service are:

- (a) normal age retirements
- (b) voluntary resignations

Normal Age Retirements

About 70,000 non-industrial civil servants now in post will be 60 or over in the next 3 years. On current retirement patterns about 50,000 of these will retire in the period. This represents about 9% of the present number of non-industrial staff.

In some senior grades, retirements will reach a peak during the period. The following table shows the extent of estimated retirements from the Administration Group:

ESTIMATES (NORMAL AGE) RETIREMENTS 1980-81 to 1982-83

<u>Grade</u>	<u>Number</u>	<u>As percentage of current staff</u>
AS	320	25
SP	340	45
Prin	940	20
SEO	1580	20
HEO	2840	12
EO	4630	7

Voluntary Resignations

About 48,000 non-industrial staff resigned in both 1978 and 1979. There may be some fall in this number in future years because the slow-down in recruitment will tend to reduce the numbers of young junior staff who are normally more likely to resign. Changes in the economic climate will also be a factor and the best guess that can be made is that voluntary wastage of non-industrial staff will average about 40,000 a year, ie a total of 120,000 over the 3 year period.

Industrial civil servants

There is no centrally held data about the wastage of industrial civil servants but assuming loss rates similar to those for the junior grades of non-industrial civil servants, the estimated loss each year is put at about 23,000, a total of about 70,000 over the period.

Total losses

Including losses from other causes, amounting to about 2,000 a year, estimated losses in each of the years are put at about 80,000 giving a total loss of about 240,000 over the 3 year period (some 34% of the present size of the civil service).

PROPOSED PROGRAMME OF WORK

(i) Staff Inspection

1. 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 the two years 1977 and 1978 saved 3560 posts (£17-£18m a year).

2. 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 shortly be submitted to Ministers.

(ii) Cutting the cost of Service-wide activities

3. We should expand and speed up the work led by CSD in areas where central expertise can most fruitfully be brought to bear, and especially improving the efficiency and economy of the supporting services common to all departments. Examples are 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, which if

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repeated across all departments would produce annual savings of £7-8m annually.

4. 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.

5. There is also scope for economy in other Service-wide activities. We are already looking at statistics. Training, advertising and information are possible candidates for later studies.

(v) Mechanisation

6. 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 we shall in any case have to press forward on this front, taking unilateral action where it is necessary and right to do so.

Specific questions

7. We should certainly continue to build on the results of Sir Derek Rayner's scrutiny programme and other initiatives by seeing how its lessons can be applied more widely. Here too there is scope for the central role of my department in disseminating experience and ensuring a reasonable consistency of approach. Examples are:-

(a) Supervision of local government activity. Some 5000 staff are involved. We need to generalise the good work already started in some departments, and I shall be proposing to the Ministers concerned that we should aim at a reduction of one-third across the board.

(b) Industrial sponsorship. I propose that we should follow up the Secretary of State for Trade's recent initiative with a general review, and will put forward specific proposals shortly.

(c) Networks of Regional and Local Offices. Several useful studies have been set in hand. We should press ahead to conclusions and consider the scope for further work.

THE USE OF THE GRADING STRUCTURE

1. Apart from the specific reduction in senior grades proposed in para 11, we must look at the use of the grading structure. Sir Derek Rayner has proposed the reduction of the length of the hierarchy 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 sure that the abolition of specific grades is the best answer. But I will consider it, and report to colleagues in the later paper I have promised.

2. 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.

3. I propose that, as a first step, CSD should undertake a small number of initial studies of representative areas of work. The objective would be to draw up criteria and guidelines 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.

file

Civil Service

SIR ROBERT ARMSTRONG

The Prime Minister has seen your minute AO1915 of 11 April 1980 and agrees that there is no alternative but to have the Cabinet discussion of Civil Service manpower policy at the ordinary meeting of the Cabinet on Thursday, 1 May.

CAW

14 April 1980



10 DOWNING STREET

Minda

You will see there has been much, interesting action on this subject while you have been away. The ~~two~~ three main things are:

(1) PM agreed all Rayner's proposals on 'lasting reforms' and has written to the Chancellor, (except for honours proposals which she will consider, but which she instinctively agrees with)

(2) PM has written to Mr Holt, copied to Cabinet, on waste.

(3) The ideas for the special Cabinet - now probably postponed to May 1 - are

emerging. The attached draft
by Mr Channon is partly the
result of a meeting at Chequers
on Wednesday - though it would
be too much to say that
the PM explicitly agreed the
line that Channon is
proposing. However, I think it
is more or less in line
with his thinking. (I wouldn't
put this draft to him).

Pls. ring me (in
Norfolk) if you want to
discuss.

Th.
11/4

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CIVIL SERVICE DEPARTMENT

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C Priestley Esq
Room 301
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pages 4 and 7
missing

11 April 1980

Dear Clive

I enclose a draft of our paper on manpower. We are to discuss it with the Minister of State on Monday morning. Thereafter a version which will surely be different will be circulated to the Chancellor and Derek Rayner for the meeting on the 16th. But you may find it helpful to have this preview.

A copy goes similarly to Alan Bailey.

Yours etc
Richard

Personnel

Mr. Langheller

cc Sir D Rayner

R W L Wilding

As promised, here is a copy

of the CSD post-Chancellor paper, just received and not absorbed. The reference to the

"Special Commission" in para. 14 and 15 is

fascinating, given recent history, and is probably right, but

- a. it should be without prejudice to the "Inspector-General" idea being considered by Sir Ian Barrow in the wake of the 31 March meeting; and
- b. the paper should not put the PM's authority to appoint such a person into commission.

Please give this to Mr. Pattison and I will discuss with him as appropriate.

Sp

11. iv. 80

PS/MINISTER OF STATE

cc PS/Lord President
PS/Permanent Secretary
PS/2nd Permanent Secretary
Mr Burrett
Mr Moseley
Mr Bamfield
Mr Russell
Mr Pearce o.r.
Mr Watson
Mr R W Williams
Mr Wollen
Mr Traynor
Mr Morris

CIVIL SERVICE NUMBERS AND COSTS

Following the discussion which Sir John Herbecq and I had with the Minister of State on 10 April, I now attach a revised draft of the paper for Cabinet.

2. The plan is:

- (a) to discuss it on the morning of Monday 14 April;
- (b) to send it, amended as necessary, to the Chancellor and Sir D Rayner on Monday evening for the meeting with them on 16 April; at the same time to send an advance copy to the Prime Minister;
- (c) after the meeting on 16 April, to revise the paper as necessary for circulation to the Prime Minister, Chancellor and Home Secretary for their pre-meeting on 21 April.

3. The draft is in a fairly rough state. I should be grateful if Mr Bamfield could consider and check the figures in the text on which I have not had time to consult him. He has provided Annex A. And comments from other recipients will be gratefully received.

4. The Minister of State will in particular wish to consider

- (a) the formulation of the target (paras 6-11)
- (b) the passage on the "Inspector General" (paras 13-16).

5. And the general balance and presentation of the paper. I am very conscious that it is long. I have tried to mitigate^{it} by a wholesale relegation of detailed proposals to an Annex. We may also be able to cut out some verbiage. But as the paper is presently conceived, I do not think it can be reduced to normal Cabinet length; and hope that a longer paper will be thought acceptable for a special occasion.

Rw

R W L WILDING
11 April 1980

CIVIL SERVICE NUMBERS AND COSTS

Policy

The Government's 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 remaining functions are performed as economically and efficiently as possible;

and (c) as a result, to give the taxpayer value for the money spent on the Civil Service.

Facts

2. The Civil Service expanded greatly during the last war and remained at a high level in the early post-war years. In 1952 it stood at 761,000. There was then a considerable reduction in the 1950s with the end of rationing and food subsidies. By 1961, it reached its lowest post-war point so far at 640,000 - a reduction of about 1/6 over 9 years. Then it climbed again and reached a second high point of 746,000 in 1977. Today it stands at about 706,000.

Throughout the period there has been a change in the balance between industrial and non-industrial staff. Industrials have been more than halved from 335,000 in 1954 to 159,000 in 1980. Non-industrials, who were down to 374,000 in 1959 reached their peak in 1977 at 570,000 and now stand at 549,000.

3. Annex A spells out the history in more detail by departments. The main factors in the rise of non-industrial staff have been increases in the numbers of taxpayers, the unemployed and people in receipt of other benefits; and the elaboration of the legislation governing their treatment (the introduction of VAT, measures to improve employment opportunities and so on). This combination of demographic and economic factors with the creation of higher expectations by successive Governments produced a powerful tendency to expand. It is still there.

Achievement so far

4. In May last year the total was 732,000. It is now about 706,000 and by April 1981 will probably be around 695,000. (Incidentally, our predecessors planned for 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 $2\frac{3}{4}\%$ 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 $2\frac{1}{4}\%$ - $2\frac{1}{2}\%$ cash limit squeeze for 1980-81.

But there has been a big offset of over 11,000 in 1980-81 (which will continue in later years) mainly to provide

additional prison officers and to handle rising unemployment. And provision has now been made for a further 7,000 from 1981-82 to cope with the new unemployment forecasts for that year. More bids for extra staff must be expected.

5. If we can keep them to a minimum, I still think that on present plans we can reduce staff numbers to not much above 670,000 by the end of this Parliament - a net reduction of over 8%. This will be much the largest reduction since the 1950s. But is it enough?

What should be our aim?

6. I do not think that 8% will satisfy my colleagues, our supporters or the public. We have all made big efforts already. The task is admittedly difficult. But I believe that we must do more - and that more is possible.

7. I propose that we should set our aim at a Civil Service which is smaller by the end of this Parliament than it has been since the war - a target figure of 630,000. This means a reduction of around 10% from the present level. Present plans will already take us about half way to that target. How can we get the rest?

8. By a combination of a further reduction in functions and a systematic drive for improved efficiency. If we adopt the overall target of a staffing level 10% below the present, we have 3 years or more in which to

(a) achieve the rest of the firm savings already

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adopt as its target a progressive reduction of 2% in each of the years 1981-82, 1982-83 and 1983-84. That would get us home; and I find it hard to believe that it is beyond our reach.

11. I also propose that this target should include, for each department, a reduction by 1 April 1982 of 10% in the number of its senior posts (Under Secretary and above), taking the number on 1 April 1979 as the baseline. Senior staff are, and will continue to be, hard pressed and I recognise that this proposal will cause difficulty. But, as the Prime Minister's minute of 31 March made clear, the top structure is not coming down in line with the rest. I think it most important that it should do so if our policy is to look credible both inside the Service and more widely. And it is also desirable in the interests of economy and morale alike to push work down the hierarchy and improve the quality of the work, especially at Assistant Secretary and Principal level.

Ministerial Responsibility

12. The primary responsibility for reaching this target within his own department will rest upon each Minister; we shall have to get down into the detail and make the necessary changes. Sir Derek Rayner has already pointed the way in which Ministers, no longer simply policy-makers but managers as well, should pull together the costs and take stock of the activities of their departments. The parallel paper by the Secretary of State for the Environment illustrates

very clearly one good way of doing this. Styles will vary, and the great size of some departments entails much delegation. One way or another, however, each of us will have to tackle the job systematically and spend time on it.

Top-level support

13. We shall, however, need help - and a continuing stimulus. There is a major role for the officials of each department and for the CSD (see paragraph 16 below and Annex B). But I suggest we need something more - a means of combining experience of the Service with an independent eye and ^abringing them into direct support of each Minister in the pursuit of his target.

14. I suggest therefore that the Prime Minister might appoint a very senior official [at full Permanent Secretary level] as Inspector-General [Special Commissioner] for the Civil Service for an experimental period of two years. He would be located in the Civil Service Department and draw upon its staff resources, but would have direct access to the Prime Minister and to all Ministers in charge of departments. His task would be to discuss and agree with each Minister a plan for the achievement of his target; to conduct inquiries with the agreement of the Minister and the help of his staff into major departmental activities; to make proposals for simplification and streamlining, drawing upon experience across the Service as a whole; and to report to the Prime Minister as appropriate. His primary role would not be that of inquisitor but of assistant to each Departmental Minister and to the Cabinet as a whole.

for the expenditure. Developing this approach will take time and tax scarce skills. But it is essential to putting the control of resources on to a sound footing for the future, both from the point of view of the Minister who has to choose how best to deploy limited money and manpower, and from the point of view of the central departments who have to satisfy themselves that those resources are being properly claimed and used. I propose that the Treasury and CSD should discuss with departments the improvement of their management information systems, and increasingly call upon their results in the examination of the Public Expenditure Survey and Estimates.

Outside Probes

18. The PAC and the Exchequer and Audit Department will increasingly be turning their own spotlight on these matters. So probably will the new Select Committees. There is a risk of too many people outside an operating department distracting those inside from getting on with their job. But that cannot be helped. The efficiency of the public service is now - and rightly - an object of public concern. We must make all the use we can of this stimulus.

Changing the culture

19. But outside probes, however well-aimed and necessary, are in the long run no substitute for the right motivation of the staff themselves. We need to turn things round so

that civil servants see their own advantage not in empire building or elaborate and expensive systems to guard against mistakes but in using small resources to the best advantage. This may be the hardest task of all.

Sir Derek Rayner's parallel paper is highly relevant here. As he recommends, I will put a paper to my colleagues before the summer recess on pay, promotion and retirement policies and other matters which may contribute to this aim.

Presenting the policy

20. If the proposals in this paper are accepted, we shall need to announce them publicly, and shall probably be called on to explain them in some detail to the Select Committee on the Treasury and Civil Service. I will consult colleagues on the terms of an announcement.

21. Presentation to the staff and unions will be especially important. I suggest that the main points should be three assurances:-

(a) that, subject always to a crisis which we cannot now foresee, these proposals are our final instalment for the present Parliament; we ought to end uncertainty;

(b) that we shall continue to seek savings as far as possible by retirement and natural wastage and to minimise redundancy (the large number of prospective retirements over the next 3 years illustrated at Annex C will be helpful here);

(c) that all departments will consult their staff sides to the fullest extent possible about the methods of reaching their target savings.

22. So far as possible, we must avoid making the Civil Service feel that we are getting at them. There is too much attention to the size of the Service, its salaries and pensions; too little to its loyalty, integrity and dedication. We must pay serious regard to morale when we consider the future of the pay system. Meanwhile, I would ask colleagues to take every opportunity they can to show that we value the job they are doing for us and the country.

Conclusions

23. I invite my colleagues to agree

(a) that we should aim at a Civil Service no larger than 630,000 by the end of this Parliament - a reduction of 10% from the present level;

(b) that in order to reach this target, with a margin for contingencies and offsetting growth, each department should aim to save 2% a year cumulatively over the period from 1 April 1981 to 1 April 1984 in addition to the savings that have already been agreed;

(c) that the savings should include a reduction by 1 April 1982 of 10% in the numbers of the most senior staff (Under Secretaries and above);

(d) that a senior official should be appointed as Inspector General [Special Commissioner] for two

years in the first instance to help us reach the proposed target;

(e) that, as a contribution to achieving the target, a detailed programme of work should be undertaken as set out at Annex B.

(f) ^{the} the improvement of departmental systems should be pursued as proposed in paragraph 17;

(g) that assurances should be given to the staff and unions on the lines of paragraph 21.

24. I also invite colleagues to note

(a) that I shall submit a further paper on steps to improve motivation before the summer recess;

(b) the importance of balancing these measures with open appreciation of good service by our staff.

PROPOSED PROGRAMME OF WORK

Service-wide questions(i) Grading

1. Apart from the specific reduction in senior grades proposed in para 11, we must look at the use of the grading structure.

Sir Derek Rayner has proposed the reduction of the length of the hierarchy 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 sure that the abolition of specific grades is the best answer. But I will consider it, and report to colleagues in a later paper.

2. 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.

3. I propose that, as a first step, CSD should undertake a small number of initial studies of representative areas of work. The objective would be to draw up criteria and guidelines 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.

(ii) Staff Inspection

4. 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 the two years 1977 and 1978 saved 3,560 posts (£17-£18m a year).

5. 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 shortly be submitted to Ministers.

(iii) Cutting the cost of Service-wide activities

6. We should expand and speed up the work led by CSD in areas where central expertise can most fruitfully be brought to bear, and especially improving the efficiency and economy of the supporting services common to all departments. Examples are 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 look^d at so far, which if replicated across all departments would produce annual savings of £7-8m annually.

7. 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.

8. There is also scope for economy in other Service-wide activities. We are already looking at statistics. I propose to commission a study of training. Other promising areas include advertising and information.

(iv) Mechanisation

9. 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.

Specific questions

10. We should certainly continue to build on the results of Sir Derek Rayner's scrutiny programme and other initiatives by seeing how its lessons can be applied more widely. Here too there is scope for the central role of my department in disseminating experience and ensuring a reasonable consistency of approach. Examples are:-

(a) Supervision of local government activity. Some 5000 staff are involved. We need to generalise the good work already started in some departments, and I shall be proposing to the Ministers concerned that we should aim at a reduction of one-third across the board.

(b) Industrial sponsorship. I propose that we should follow up the Secretary of State for Trade's recent initiative with a general review, and will put forward specific proposals shortly.

(c) Networks of Regional and Local Offices. Several useful studies have been set in hand. We should press ahead to conclusions and consider the scope for further work.

(d) Charging for services. Where Government provides services of which companies or individuals may choose whether to take advantage, charging the cost of the service is often the best way of determining the extent of the genuine need for it. I believe there is scope for more of this and will pursue it with the Ministers concerned.

Ref. A01915

PRIME MINISTER

1
Doris Muntz
It is a pity we
have to postpone this
meeting to 1 May, but
I think we have no
other option. Agree?

Yes not

We have been hoping to have a special meeting of the Cabinet on 25th April to consider Civil Service manpower policy.

12¹¹/₄

2. I am afraid that we have run into some problems of absenteeism. The Home Secretary's movements are uncertain, and he may not be available that morning. Perhaps more important, the Chancellor of the Exchequer will be in Germany for an international financial meeting, and the Secretary of State for Defence - the largest employer - will be abroad on a long-planned visit.

3. I am loath to suggest postponing the meeting, but I wonder whether it is worth going ahead with it without those two key people.

4. I had wondered whether to suggest that the meeting be brought forward to the morning of Thursday, 24th April; but the Chancellor of the Exchequer and the Secretary of State for Defence will be away that day too.

5. I am inclined therefore to suggest that we should concentrate on the manpower policy issues at the ordinary meeting of the Cabinet on Thursday, 1st May. At present we have no other business than the routine items. If we started Cabinet at 9.30 am, and we could get Parliamentary Affairs, Foreign Affairs and Community Affairs out of the way in half an hour or so, then the rest of the morning could be clear to discuss manpower policy. The only absentee that morning will be the Foreign Secretary, who will be accompanying The Queen on a State Visit to Switzerland. It is a pity not to have him there for the discussion; but he is not one of the large employers.

6. That meeting will be the first ordinary meeting of the Cabinet after the meeting of the European Council on 27th and 28th April, but I suggest that that need not affect this proposal: though you will wish to report on the meeting of the European Council to the Cabinet, you will have already made a statement in the House of Commons, and any immediate decisions that are required after the Council will have had to be taken earlier in the week. If we start the Cabinet at 9.30, therefore, there should be plenty of time for a discussion of manpower policy.

RA

(Robert Armstrong)

11th April, 1980



PRIME MINISTER

11 APR 1950

11 APR 1950

We have been happy to have a special meeting of the Cabinet on 7th April to consider Civil Defence manpower policy.

I am afraid that we have run into some problems of space-claiming. The Home Secretary's proposals are unworkable, and he may not be available this morning. Perhaps more important, the Chancellor of the Exchequer will be in Germany for an international financial meeting, and the Secretary of State for Foreign Affairs - the largest employer - will be abroad on a long-planned visit.

I am afraid to suggest postponing the meeting, but I wonder whether it is worth going ahead with it without those two key people.

I had wondered whether to suggest that the Chancellor of the Exchequer should be invited to the meeting on Thursday, 13th April, but the Chancellor of the Exchequer and the Secretary of State for Defence will be away that day too.

I am inclined therefore to suggest that we should concentrate on the manpower policy issues at the ordinary meeting of the Cabinet on Thursday, 14th May. At present we have no other business than the routine Home Office, Foreign Office and Community Affairs set of the way in half an hour or so. The rest of the morning could be given to discuss manpower policy. The only absentee that morning will be the Foreign Secretary, who will be accompanying the Queen on a State Visit to Belgium. It is a pity not to have him there for the discussion, but he is not one of the large employers.

That meeting will be the first ordinary meeting of the Cabinet after the meeting of the European Council on 12th and 13th April, but I suggest that that need not affect the proposal: though you will wish to report on the meeting of the European Council to the Cabinet, you will have already made a statement in the House of Commons, and any immediate decisions that are required after the Council will have had to be taken earlier in the week. We must first the Cabinet at 9.30, therefore, there should be plenty of time for a discussion of manpower policy.

(Robert Armstrong)

11 APR 1950

PRIME MINISTER

Top copy on
Govt Mail A5
homonym of efficiency &
elimination of waste.

We discussed Derek Rayner's progress report on his projects at Chequers on Wednesday. But we did not discuss Paul Channon's report on wider applications.

Are you content for me to write as I suggested earlier at Flag A? (I have recorded the points which you agreed on Derek Rayner's report).

As regards the follow-up to Wednesday's meeting, Paul Channon will send you a draft of his paper for Cabinet next Friday; and we have arranged a meeting for you to discuss it with him on the following Monday morning. We have invited the Home Secretary, the Chief Secretary (in the Chancellor's absence in Brussels), Derek Rayner, Robert Armstrong, and of course Paul Channon himself.

TL

(don't think we need to reply.

10 April 1980

Let us see what comes out of the Cabinet meeting. We don't want to bombard CSJ with more paper than necessary.

ans.

BF 2 May
MAD 14/4

MA Mark DSG

*1) B/F 18.4.80
2) S/F 24.4.80.*

Fue



*cc: CSD
CO
Sir D Rayner*

10 DOWNING STREET

*cc Bingham
cc J Hoskyns*

From the Private Secretary

10 April 1980

Dear Gusty,

CIVIL SERVICE NUMBERS AND COSTS

The Prime Minister discussed the tables enclosed with your letter to me of 3 April with the Minister of State at Chequers yesterday morning. Discussion was somewhat extended during the afternoon after the arrival of Derek Rayner and Clive Priestley, but concentrated on Civil Service manpower.

2 | It was confirmed that at the special Cabinet meeting on 25 April, there should be:

- a. a main paper by the Minister of State on Civil Service numbers, costs and efficiency;
- b. a supplementary paper by the Secretary of State for the Environment illustrating the techniques now applied at DOE, and
- c. a discussion paper by Derek Rayner on lasting reforms, based on his personal and confidential minute to the Prime Minister of 26 March, but not seeking endorsement of decisions to commission work already taken by the Prime Minister and not including either his machinery of government or his Honours proposals.

M The Minister of State undertook to let the Prime Minister see a draft of his paper and it was agreed that, if it could be arranged, it would be helpful for the Prime Minister to discuss the issues with the Home Secretary, the Chancellor of the Exchequer, the Minister of State and Derek Rayner on about 21 April. (We have now arranged this for 11.15 a.m. on that day with the Chief Secretary standing in for the Chancellor).

A number of points were made in the course of discussion which bear on content of Mr. Channon's paper for Cabinet and you may wish to take account of these in drafting. They are as follows:

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

/ b.

DSG

- b. It would be helpful to Ministers to bring home the cost of Government activity. The analysis should accordingly show:
1. the total size and distribution of the Civil Service over time (say 1950, 1960, 1970 and 1980);
 - ii. present and estimated future costs; and
 - iii. the full costs of particular grades (i.e. including accommodation and services) on the basis of such data as those in the Ready Reckoner.
- c. A substantial reduction in size is desirable, but experience so far suggests caution in basing policy on percentage reductions tout court.-- The particular value of the work being done by the Secretary of State for the Environment in his Department is that he has been finding out for himself what its component parts do so as to provide a better informed basis for decisions on numbers.
- d. There is no easy or painless way of reducing activities. Those so far mentioned, by the Minister of State among others, seem to fall into one of three categories - first, to examine such particular issues as those mentioned by the Minister in his minute of 3 April and by the Prime Minister in her comments (excessive supervision of local authorities, industrial sponsorship, duplication between departments, excessive statistical work and excessive layering of office networks); secondly, to stipulate targets for the progressive reduction of numbers; and, thirdly, to reduce numbers by increasing efficiency. Experience suggests that a combination of these three approaches may now be appropriate.
- e. On the main issue of reducing the size of the Civil Service, there is a choice between asking Ministers to agree at once to a specific target or asking them to spend some time in their departments, somewhat like the Secretary of State for the Environment, in considering in reasonable detail what contribution they could make. If the latter approach were adopted, one way of proceeding would be to commission a study in each Department of possible manpower savings. Each study would be conducted by a Deputy Secretary, appointed by and reporting to his Minister; but to ensure consistency across Departments, the work programme would be devised and led centrally by an official (say at Second Secretary level) reporting to the Prime Minister.

/ The purpose

The purpose would be to examine and make practical plans for the propositions that:

- i. existing functions should be achievable with fewer staff, especially in staff-intensive areas where administrative reform (e.g. computerisation) might produce more economical working methods;
- ii. some existing functions should cease altogether in recognition of the facts that this is a non-interventionist Government, that we are in a period of retrenchment and 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.

If this approach were adopted, the intention would be to carry out the work so as to enable Ministers to take collective decisions on the reduction of activities and on increased efficiency by the early autumn.

The following additional points came up in discussion:

- i. It would be helpful if Mr. Channon's paper included information on natural wastage since by this means Ministers could achieve manpower savings much more easily than they sometimes thought.
- ii. If substantial further cuts in the Civil Service were to be achieved, this would only be accepted by the unions if there was no compulsory redundancy. Improved redundancy terms might need to be considered.
- iii. There was considerable scope for cutting Civil Service costs by reduced training, less travel, a greater consciousness of the costs of holding unnecessarily large and time-consuming meetings, and by reducing the number of forms sent out and the amount of statistics collected. As regards training, Sir Derek Rayner said that far too many civil servants lacked basic skills in such things as numeracy and finance; yet much of the training effort at present appeared to be of a non-vocational nature.

/ (iv)

- iv. One important aspect of improved efficiency was to increase the motivation of civil servants, and this involved looking at pay, promotion and retirement policies. In general, there needed to be more rewards for good work, and penalties for indifferent work. Mr. Channon said that he would be bringing forward a paper on this during the summer.
- v. The performance of senior officials and Ministers should be judged to a greater extent than at present by their success or otherwise in controlling staff numbers and promoting efficiency.
- vi. Efficiency was in some areas held back by inadequate investment, for example, in office equipment, but also by restrictive practices imposed by the unions. In addition, there was great scope for improved efficiency by considering how staff at all levels could be used more efficiently.
- vii. The Prime Minister said that she would like there to be a debate in the next Parliamentary Session, on which she might well take the lead on what was being achieved in terms of reduced Civil Service manpower and improved efficiency.
- viii. A great deal of staff time was taken up in processing and implementing EEC Directives - and all the more so since we seemed to take them more seriously than some of our EEC partners. (The Prime Minister asked to see a list of EEC Directives, and I am arranging for the FCO to provide this).
- ix. The costs and efficiency of the COI, and expenditure on advertising, needed to be looked at. The Prime Minister, who had read the minutes of 1 and 2 April from the Paymaster-General, said that she was sure there was scope for savings in this area. Mr. Channon said he would refer to it in his paper to Cabinet.

"Rayner Projects": progress on wider applications

The Minister of State's minute of 24 March was not discussed, but there was a brief discussion of Derek Rayner's minute of 26 March. The Prime Minister agreed that in general project results should be announced individually by Departments and that projects

/ should be

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- 5 -

should be presented as Ministerial scrutinies, rather than "Rayner projects" or "Rayner scrutinies". The Prime Minister has also asked that Derek Rayner should submit a further progress report in the autumn.

I am copying this to David Laughrin (CSD), David Wright (Cabinet Office), and Derek Rayner.

I. P. LANKESTER

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

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G E T Green Esq
CSD

Managers

CSD

CIVIL SERVICE NUMBERS AND COSTS

The Prime Minister discussed the tables enclosed with your letter to me of 3 April with the Minister of State at Chequers yesterday morning. Discussion was somewhat extended during the afternoon after the arrival of Derek Rayner and Clive Priestley, but concentrated on Civil Service manpower.

It was confirmed that at the special Cabinet meeting on 25 April, there should be

- a. a main paper by the Minister of State on Civil Service numbers ^{costs} and *efficiency*;
- b. a supplementary paper by the Secretary of State for the Environment "illustrating the techniques now applied" at DOE (~~of Clive Whitmore's letter to David Edmonds of 10 March~~); and
- c. a discussion paper by Derek Rayner 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 (~~of my letter to you of 1 April, p. 4~~).

The Minister of State undertook to let the Prime Minister see a draft of his paper and it was agreed that, if it could be arranged, it would be helpful for the Prime Minister to discuss the issues with the Home Secretary, the Chancellor of the Exchequer, the Minister of State and Derek Rayner on about 21 April. (he has now arranged this for 11.15 a.m. on ~~Wed~~ day with the ~~Min~~ ~~Secy~~ ~~standing~~ in for the Chancellor).

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time

A number of points were made in the course of discussion which bear on content of ~~the manpower~~ ^{Mr Chamson's} paper ^{for Cabinet} and you may wish to take account of these in drafting. They are as follows:

- a. Despite the options exercises and the recent 2½% cut, the Service is too big and must be further reduced.
- b. It would be helpful to Ministers to bring home the cost of Government activity. The analysis should accordingly show
 - i. the total size and distribution of the Civil Service over time (say 1950, 1960, 1970 and 1980);
 - ii. present and estimated future costs; and
 - iii. the full costs of particular grades (ie including accommodation and services) on the basis of such data as those in the Ready Reckoner.
- c. A substantial reduction in size is desirable, but experience so far suggests caution in basing policy on percentage reductions tout court. The particular value of the work being done by the Secretary of State for the Environment in his Department is that he has

been finding out for himself what its component parts do so as to provide a better informed basis for decisions on numbers. ~~There is an important principle here.~~

- d. There is no easy or painless way of reducing activities. Those so far mentioned, by the Minister of State among others, seem to fall into one of three ^{categories} ~~types~~ /- first, to examine such particular issues as those mentioned by the Minister in his minute of 3 April and by the Prime Minister in her comments (excessive supervision, ^{of local authorities} industrial sponsorship, duplication between departments, excessive statistical work and excessive layering of office networks); secondly, to stipulate targets for the progressive reduction of numbers; and, thirdly, to reduce numbers by increasing efficiency. Experience suggests that a combination of these ^{in long approaches} ~~types~~ / may now be appropriate. [but the paper might show what could be achieved, and how, by early decisions, ^{eg} on the reduction of numbers of forms sent out by departments, numbers of and attendance at meetings, non-vocational training and official travel.]
- e. On the main issue of reducing the size of the Civil Service, there is a choice between asking Ministers to agree at once to a specific target or asking them to spend some time in their departments, somewhat like the Secretary of State for the Environment, in considering in reasonable detail what contribution they could

would be to commission a series of studies in each department of possible manpower savings. This work East study

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~~but consisting in the main of exercises in each department. These would be conducted by a Deputy Secretary,~~

appointed by and reporting to his Minister; *↑* The

purpose would be to examine and make practical plans for the propositions that

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

ii. some existing functions should cease altogether in recognition of the facts that this is a non-interventionist Government, that we are in a period of retrenchment and 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.

← If this approach were adopted, the

f. ~~The overall~~ intention would be to carry out

~~this~~ *the* work so as to enable Ministers to take collective

decisions on the reduction of activities and on

increased efficiency by the early autumn.

the work programme would

● *Confidential*
→

"Rayner projects": progress on wider applications

The Minister of State's minute of 24 March was not discussed, ~~but~~
~~and I will write to you about that separately as soon as I~~
~~can.~~ There was a brief discussion of Derek Rayner's minute
of 26 March. The Prime Minister agreed that in general
publicity for ^{project} results should be ^{announced} published individually by
Departments and that projects should be presented as
Ministerial scrutinies, rather than "Rayner projects" or
"Rayner scrutinies". *The PM has also asked that Sir Derek
Rayner should submit a future progress report in the autumn.*

Confidential →

I am copying this to David Laughrin (CSD), David Wright
(Cabinet Office) and Derek Rayner.

T P LANKESTER

PART 1 ends:-

PM to S/S Trade M10/80 10-4-80.

PART 2 begins:-

Draft TR to CSD 2-10-4-80.

PREM 19/148

