

PREM 19/151

32/41

PART 5.

Confidential Filing.

Long Term Management and Manpower Policy.

Sir Derek Rayner's recommendations for Lasting reforms (Whitchall Conventions)

Civil Service Numbers and Costs

Agreement on New Technology.

CIVIL SERVICE.

Pt 1 March 1979.

Pt 5 August 1980.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
13-8-80							
27-8-80							
1-9-80							
4-9-80							
9-9-80							
16-9-80							
22-9-80							
29-9-80							
25-9-80							
26-9-80							
30-9-80							
6-10-80							
30.9.80							
ends							

PREM 19/151

Material used by
official Historian
DO NOT DESTROY

PART 5 ends:-

CST to ^m6CSD 30.9.80

PART 6 begins:-

Priestley to MAP + atts 1.10.80



✓
MS
Civil Service

Treasury Chambers, Parliament Street, SW1P 3AG

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

30 September 1980

Dear Paul

SLIMMING DOWN STAFFS ENGAGED IN LOCAL AUTHORITY AFFAIRS

Thank you for sending me a copy of your letter of 22 September reaffirming your target of a one-third reduction of central government staff concerned with local authority affairs and calling for critical review of all Departments' activities in this field. I have been following the correspondence with interest, since reduction of central government intervention in local authority matters is very much in tune with my own concern to limit both central and local government expenditure.

Because of the crucial importance of persuading local authorities to make their share of public expenditure reductions, I believe it is essential not to shrink from the other aspect of our policy towards local government, and to press on in reducing detailed controls and withdrawing from unnecessary intervention. We all accept, of course, that there will always be an irreducible minimum of central government staff required to keep track of local government affairs, and that this will vary between Departments, depending on their responsibilities. But I am convinced that that number must be very considerably smaller than over 5,000, and that we have everything to gain from a determined drive to achieve and if possible surpass your target reduction. In this way we shall both help local authorities to cut back their own staff in line with our expenditure plans and show them the way by example.

I know all our colleagues will share my sympathy with your objectives and I very much hope that their further review will produce the results you are asking for. With resolution, I am sure much can be achieved.

Copies of this letter go to the recipients of yours.

John Biffen

JOHN BIFFEN

-1 OCT 1980



Policy Unit.

JL to see Mr Wolfson to see NBRM yet. MAY 30/x



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

Minister of State

The Rt Hon Sir Keith Joseph Bt MP
Secretary of State
Department of Industry
Ashdown House
123 Victoria Street
LONDON SW1

29 . September 1980

Keith

See p 4.

INDUSTRIAL SPONSORSHIP

In my letter of 9 June, about the general review of Industrial Sponsorship which formed part of the programme of work authorised by Cabinet and summarised in Annex D to C(80)24, I suggested as a first step that a summary paper on the present position should be prepared. I now attach this paper.

At the suggestion of your officials, the paper records the information on numbers engaged in industrial activities, under two broad headings: A, which corresponds closely to the definition of industrial sponsorship which you adopted in evidence to the Industry and Trade Committee in January; and B, which covers the rest of the field suggested in my earlier letter. I am grateful for this suggestion and to officials of your and other Departments concerned for producing information which broadly corresponds to it. Taken together, the two categories A and B, cover the whole field of resources devoted in central government to industrial sponsorship and intervention with two exceptions. They exclude the regulatory and other activities designed, for example, to protect the interests of the consumer and the public. They also exclude the numbers involved in work on agriculture and fisheries to which rather special considerations apply.

Categorising in this way does of course have its limitations. But I do not think that it will alter the main conclusions to be drawn. The paper illustrates very well the advantage of looking at particular categories of activity across the whole of government. I have prepared a similar paper showing the manpower devoted in central government to Local Authority affairs.

The figures are designed to show where we stand now, and the reductions already decided on. I would expect them to be altered, and the reductions increased, as you and other colleagues decide your future manpower plans following your discussions with Christopher Soames and me on achieving the 630,000 target. I hope these figures will help.

On average, the reductions so far proposed are less than we will need across government as a whole if we are to meet the 630,000 target. In some of the broad individual categories covered in the paper the reductions seem, on the face of it, surprisingly small. I am particularly surprised that those in category A are not a good bit bigger.

In particular, I have in mind the points ^{below} made by John Nott in his minute to the Prime Minister of 12 March. I doubt if it will be feasible to "abolish the notion of 'sponsorship' altogether", but the main burden of his argument, that industry should be encouraged to deal directly with Whitehall, rather than through intermediaries, seems right.

Norman Fowler has suggested that it would be right to consider very carefully future resources needed for the sponsorship of nationalised industries, particularly assuming the successful reduction of their financial dependence on government and the privatisation of a number of areas.

When you have had an opportunity to consider the figures in the paper, I would welcome your views as the Minister with primary responsibility for industry. It would be particularly helpful to know from you and other colleagues of any possible further reductions. I would appreciate it if I could have this information by Friday, 10 October so that we may take account of it in Christopher Soames' report to Cabinet.

There is a further point. Where we have clearly declared aims to reduce the scale of government involvement, we must be able to show that these have been consistently followed through into manpower numbers. We have made a start in this area but have still some way to go if we are to show that a convincing, above-average reduction has been made. I am sure our supporters will expect this.

I am copying this letter and the paper to the Prime Minister, to Geoffrey Howe, Peter Walker, Michael Heseltine, George Younger, Nicholas Edwards, Patrick Jenkin, John Nott, David Howell and Norman Fowler, and to Sir Derek Rayner.

PAUL CHANNON

INDUSTRIAL SPONSORSHIP

POSITION TABLE

Sheet 1

DEPARTMENT AND FUNCTION	RESOURCES 1.4.79	RESOURCES 1.4.80	REDUCTIONS by 1.4.80	FURTHER REDUCTIONS SCHEDULED	TOTAL REDUCTIONS
1. D/INDUSTRY (incl. staff for D/Trade export work)					
A1 Advice & assistance on policies	300	298	2	}	
2 Liaison with industry & on behalf of industry with other parts of central & local government	247	243	4		
3 Monitoring or supervision					
a. private	22	21	1		
b. nationalised	63	57	6		
A totals incl. 15 Dep Secs & staff	647	634	13	84	97 (15%)
B1 Administration of schemes of financial assistance	934	888	46	}	
2 Promotional work	175	168	7		
3 Provision of services	313	297	16		
B totals	1422	1353	69	217	286 (20%)
A & B	2069	1987	82	301	383 (18%)
2. D/TRADE					
A1 Advice & assistance on policies	11	11		}	
2a. Liaison with industry & on behalf of industry with other parts of central & local government	35	34	1		
b. Other liaison with industry	22	21	1		
3 Monitoring or supervision					
a. private	5	5			
b. nationalised	14	14			
A totals	87	85	2	7 (estimated)	9 (10%)

DEPARTMENT AND FUNCTION	RESOURCES 1.4.79	RESOURCES 1.4.80	REDUCTIONS by 1.4.80	FURTHER REDUCTIONS SCHEDULED	TOTAL REDUCTIONS
<u>D/TRADE (cont)</u>					
B1 Admin. of schemes of financial assistance	8	7	1	45 (estimated)	87
2 Promotional work	24	21	3		
3 Provision of services	1083	1045	38		
B totals	1115	1073	42	45	87 (8%)
A & B	1202	1158	44	52	96 (8%)
<u>D/ENERGY</u>					
A1 Advice & assis- tance on policies	5	5			
2 Liaison with industry	57	47	10	12	22
3 Monitoring & supervision					
a. private	5	6	(+ 1)		(+ 1)
b. nationalised	109	100	9	4	13
A totals	176	158	18	16	34 (19%)
B1 Financial assistance	18	18		(+ 1)	(+ 1)
2 Promotional	14	13	1		1
B totals	32	31	1	(+ 1)	0
A & B	208	189	19	15	34 (16%)
<u>D/TRANSPORT</u>					
A 3 Monitoring & supervision					
a. private	2	2			
b. nationalised	103	103			
A totals	105	105			

DEPARTMENT AND FUNCTION	RESOURCES 1.4.79	RESOURCES 1.4.80	REDUCTIONS by 1.4.80	FURTHER REDUCTIONS SCHEDULED	TOTAL REDUCTIONS
<u>D/TRANSPORT (cont)</u>					
B 1 Financial assistance	8	7			
2 Promotional	<u>7</u>	<u>8</u>			
B totals	15	15			
A & B	120	120			
<hr/>					
<u>5 DOE</u>					
A Sponsorship of house-building & construction inds.	40	29	11		11
Control & super- vision of BWB, NWC & water authorities	23	24	(+ 1)		(+ 1)
A totals	<u>63</u>	<u>53</u>	<u>10</u>		<u>10 (16%)</u>
B Schemes of assistance:					
Local Employ- ment Act	9	9			
ERDF	14	14			
Urban Program	7	11	(+ 4)		(+ 4)
Industrial pro- motion (industry/ local govt.) e.g. Enterprise Zones & Trusts	<u>7</u>	<u>11</u>	<u>(+ 4)</u>		<u>(+ 4)</u>
B totals	37	45	(+ 8)		(+ 8)
A & B	100	98	2		2 (2%)

DEPARTMENT AND FUNCTION	RESOURCES 1.4.79	RESOURCES 1.4.80	REDUCTIONS by 1.4.80	FURTHER REDUCTIONS SCHEDULED	TOTAL REDUCTIONS
<u>6 SCOTTISH OFFICE</u> (excl. DAFS)					
A3 Monitoring & supervision of nationalised & private industries	13	11	2	2	4 (30%)
B1 Fin. assistance	61	56	5	1	6
2 Promotional	27	25	2	3	5
3 Services	3	4	(+ 1)	4	3
B totals	91	85	6	8	14 (15%)
A & B	104	96	8	10	18 (17%)
<u>7 WELSH OFFICE</u> (excl. ag & fish)					
A1 Advice & assis- tance on policies	10	9	1		1
2 Liaison with industry	21	22	(+ 1)		(+ 1)
3 Monitoring or supervision of nationalised & private industry	8	9	(+ 1)		(+ 1)
A totals	39	40	(+ 1)		(+ 1)
B1 Fin. asstnc.	24	24			
2 Promotional	17	15	2		2
other staff	10	9	1		1
B totals	51	48	3		3 (6%)
A & B	90	88	2		2 (2%)

DEPARTMENT AND FUNCTION	RESOURCES 1.4.79	RESOURCES 1.4.80	REDUCTIONS by 1.4.80	FURTHER REDUCTIONS SCHEDULED	TOTAL REDUCTIONS
8 DHSS					
A1 Advice on policies	7	6	1		1
2 Liaison with industry	7	6	1		1
A totals	14	12	2		2 (14%)
B1 Financial assistance	2	2			
2 Promotional	34	24	10		10
B totals	36	26	10		10 (27%)
A & B	50	38	12		12 (24%)
9 MAFF					
A1/2 Advice, assistance & liaison	8	8			
B1 Administration of schemes of financial assistance	2	2			
A & B	10	10			

DEPARTMENT AND FUNCTION	RESOURCES 1.4.79	RESOURCES 1.4.80	REDUCTIONS by 1.4.80	FURTHER REDUCTIONS SCHEDULED	TOTAL REDUCTIONS
10 <u>TREASURY</u>					
A1 Advice & assistance on policies through expenditure control of sponsor depts.					
primary industries	8	8			
other	10	7	3		3
1&2 Liaison, advice & assistance on policies : banking & financial institutions	7	7			
3 Control supervision & monitoring (mainly nationalised industries)	32	31	1		1
	—	—	—		—
A totals	57	53	4		4 (7%)
	—	—	—		—
GRAND TOTALS — A	1209	1159	50 (4%)	109	159 (13%)
B	2801	2678	123 (4%)	269	392 (13%)
A & B	4010	3837	173 (4%)	378	551 (13%)



30 SEP 1990



Civil Service
NEW ST. ANDREWS HOUSE
ST. JAMES CENTRE
EDINBURGH EH1 3SX

26 September 1980

The Rt Hon Paul Channon MP
Minister of State
Civil Service Department
Whitehall
LONDON
SW1A 2AZ

MA

Dear Paul,

STAFF INSPECTION

You copied to me your letter of 6 August addressed to Willie Whitelaw making proposals aimed at improving the effectiveness of staff inspection.

The proposals have my support and, where it has been necessary to make changes, steps have already been taken to introduce new arrangements in the Scottish Office, including the submission of an annual report to me which will also be sent to CSD.

Copies of this letter go to the recipients of yours.

Yours ever,

George.



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29 SEP 1987



✓ MAF

From the Secretary of State

The Rt Hon Paul Channon MP
Minister of State
Civil Service Department
Whitehall
London, SW1A 2AZ

26 September 1980

Dear Paul,

CONTROL OF MANPOWER

will require if required

I have seen your letter of 8 September to Willie Whitelaw inviting reflections on the role of the Minister as manager of the Department.

I must say unhesitatingly that I see myself as a politician not as a staff-manager.

The constitutional relationship between the Secretary of State and the Permanent Secretary is unique, but my own experience is that it is effective. The inevitable preoccupation of Ministers with policy issues and with Cabinet decisions means that they do not normally have the time - or the experience - to ensure that their Departments are correctly staffed to carry out their tasks. We must certainly ensure that Government does not continue with functions which should be abandoned or handed over to the private sector. But the Permanent Secretary carries the responsibility for carrying through those changes, acting under the political direction of his Minister.

In the staff cutting exercises which we have instituted since coming to office I have found that the top management of the Department has put forward constructive proposals to meet the targets we have fixed. These will result in a 17 per cent reduction in staff by 1984 and



From the Secretary of State

and 21 per cent by a year later. The Permanent Secretary is in a far better position than I to judge the validity of the staffing arguments which are advanced. This leaves me free to attend to those matters which only a Minister can handle, including the mobilisation of the necessary political support, both at Westminster and in the country, for the policies that lie behind the cuts.

I believe that this is the only way the system can work. If I did not have this confidence in my Permanent Secretary I would of course look to the Prime Minister, as Minister for the Civil Service, to move him somewhere else.

I am copying this letter to the Prime Minister, to all Ministers in charge of Departments and to Sir Derek Rayner.

Yours ever
John.

JOHN NOTT

26 SEP 1980



Civil Service



Minister of State

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

25 September 1980

David Edmonds Esq
Private Secretary to
The Rt Hon Michael Heseltine MP
Secretary of State for Environment
Marsham Street
SW1

✓ MAA

Dear David

SLIMMING DOWN STAFF ENGAGED IN LOCAL AUTHORITY AFFAIRS

I am afraid there was an error in the letter my Minister of State sent on 22 September. In the ninth line of the third paragraph, "15%" should be "18%". I should be grateful if you would make this amendment.

Amended

I am copying this letter to the Private Secretaries to the Secretary of State for the Home Department, Industry, Employment, Scottish Office, Welsh Office, Social Services, Trade, Education and Science, the Ministers of Transport and Agriculture, Fisheries and Food, the Prime Minister and the Chief Secretary to the Treasury, and to Clive Priestley in Sir Derek Rayner's office.

Yours sincerely

G E T Green

G E T GREEN



25 SEP 1980

Civil Service Department,
Whitehall,
London, SW1A 2AZ

*With the Compliments
of the
Lord President of the Council*

CONFIDENTIAL

Civil Service
MAJ



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

24 September 1980

The Rt Hon Humphrey Atkins MP
Secretary of State for Northern Ireland
Great George Street
LONDON SW1P 3AJ

Dear Humphrey,

CIVIL SERVICE MANPOWER AND EFFICIENCY

Thank you for your letter of 7 July, outlining your plans for reductions in UK civil servants in the Northern Ireland Office, and in the Northern Ireland Civil Service and other public services.

As you say it is the former only with which we are concerned in the 630,000 exercise but I support your consistent approach to the other groups. I am entirely content that you should aim to reduce the UK staff of the NIO to 200 by 1 April 1984, with proportionate savings by 1 April 1982, and will put you down for this in my paper to Cabinet next month.

I am copying this letter to the recipients of yours.

Yours ever

Christopher

SOAMES

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CONFIDENTIAL

CONFIDENTIAL



25 SEP 1980

CONFIDENTIAL



SMA

CIVIL SERVICE DEPARTMENT
WHITEHALL LONDON SW1A 2AZ
Telephone 01 273 5400

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

D Allen Esq
Private Secretary to
Sir Derek Rayner
Cabinet Office
70 Whitehall
LONDON SW1

24 September 1980

Dear Dave,

INSPECTOR-GENERAL OF THE CIVIL SERVICE

Before he went on leave for a few days, Sir Ian Bancroft asked me to pass on his thanks for Sir Derek Rayner's letter of 18 September and to say that he, too, would be content for the proposition about an Inspector-General to be considered in the way proposed in paragraph 6 of his letter. Sir Ian also asked me to say that he will be getting in touch with Sir Derek and Sir Douglas Wass about "complaints and suggestions" shortly after his return.

I am sending copies of this letter to the Private Secretaries to the Prime Minister, the Chancellor of the Exchequer, the Lord President, Sir Douglas Wass and Sir Robert Armstrong.

Yours ever,

Jeremy Colman

J G COLMAN
Private Secretary

25 SEP 1980



Policy Unit

Civil Service 2.



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

23 September 1980

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON SW1P 3AG

Prime Minister

CSO are asking Ministers
to take a fresh look at
use of computers, as an
aid to efficiency - and, by
implication, staff saving.

Dear Geoffrey,

MS

USE OF COMPUTERS

I think the time has come to take a further look at the use we make of computers.

In many Departments computerisation has been concentrated on the very large clerical areas, or other places where the initiative has been taken to use computers to do a particular job. Forward plans have generally reflected projects which have come about in this way, rather than from a systematic attempt to review the scope for computerisation and choose priorities within it. This may not have mattered too much in the past since many of the best subjects for computerisation were self-evident, and they used up all the staff resources that were available.

M/P 24/ix

I think that we should now tackle this in a more systematic way. Developments in the technology in the last few years have widened the scope for the use of computers to help with administrative tasks. Under the general term, "computers", I include the whole range of devices from word processors and other electronically-based office machines, through telecommunication equipment to the more familiar types of computer including minis and micros. As I am all too well aware it is not always easy for the layman to understand fully the benefits which computers can bring. But, as many of our colleagues have already pointed out, we need to make the maximum effective use of them over the next few years to assist us in promoting the efficiency and reducing the size of the Civil Service.

Most Departments have recently set up committees to bring together the users and providers of computer services to decide on Departmental policy and supervise its execution. One of the important tasks is to oversee the Department's computer strategy and to set priorities. I believe that this is one of the aspects of departmental management in which Ministers should take a personal interest. Such committees should be able to conduct the

kind of review I have mentioned as the basis for, say, a five-year rolling plan, which can be progressively refined each year.

I think it would be sensible to start with a fairly rough and ready review. This need last only weeks rather than months. The main emphasis could be put on any sizeable clerical operations which are not already computer-supported and on the early implementation of small computer projects which will show quick returns. I believe that our concentration on large projects in the past has meant that we have not made as much use of small computers as we might. But at the same time it is only comparatively recently that such computers have been available in a form which makes them both easy to use and cost-effective. One or two Departments have already conducted reviews of this kind with useful results. Sir Derek Rayner has also drawn attention to the scope for making greater use of smaller machines as a result of his visits to Departments. A number of the Rayner scrutinies have already turned up promising areas for more mechanisation. A programme on these lines may not make a decisive contribution to our manpower target. But every little helps, and we must get the most from mechanisation that we can.

You may wish to associate consultants from the services industry with the review, though it will of course be very important for your own people to be fully involved. For subsequent implementation I suggest we look very carefully at the possibility of using some of the many computer packages now coming available on small computers which save the cost, time and scarce resources for developing a special system. Alternatively, where this is not possible, the turnkey method by which a software house delivers a fully working system might be used. Many Departments have used this method with considerable success. Frequently their own staff have been closely involved in this work with the contractor. So far as their resources permit, CCTA would like to be associated with these reviews and help in whatever way they can. They have had a number of discussions with consultants who are anxious to help in this work. A number of consultancy firms, working in a consortium partially funded by the Department of Industry, are developing a methodology which has already been used successfully in one Department. We are conducting a review aimed at improving the planning and procurement processes, especially for small systems, and we shall be making use of running contracts for small computers to speed up the purchasing. The operational requirements for the running contracts for micro-computers have already been issued.

It is of course important in all this to take account of the needs of the staff concerned, and to secure their co-operation and that of the unions where possible. At the national level, we are pressing ahead with the negotiations for an agreement on new technology. It should become clear during the next couple of months whether this can be secured. At the departmental level, it will be desirable to keep the unions fully informed and to give them an opportunity to consider and comment on plans from an early stage. Projects themselves should be designed to give those concerned the maximum satisfaction and pride in their job. The CSD team who advise on this last point will be ready to help wherever possible.

I am asking the CCTA to follow up with your officials over the next few months.

I am copying this letter to the Prime Minister, all Ministers in charge of Departments and Sir Derek Rayner, and Sir Robert Armstrong.

Yours ever

Christopher

SOAMES



24 SEP 1980



Minister of State

The Rt Hon Michael Heseltine MP
Secretary of State
Department of the Environment
2 Marsham Street
LONDON SW1P 3EB

*NBPM Yet MAF
Civil Service*
Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

22 September 1980

Dear Michael,

SLIMMING DOWN STAFFS ENGAGED IN LOCAL AUTHORITY AFFAIRS

pt 3 ←
...
You will recall that in my letter of 9 June I suggested that as a first step towards implementing the programme of work summarised in Annex D of C(80)24, we should draw up a list of numbers of staff engaged in local authority affairs and reductions we have so far achieved or planned. I attach such a list. I am grateful to your officials and those of other colleagues concerned for providing and checking the information.

It has naturally proved quite difficult to present the figures on a consistent basis. We must treat the list as giving a broad indication of the position. It includes not only staffs who oversee and control local authorities but also those concerned with preparing policy advice to Ministers on work which local authorities carry out and those who provide services to them.

✓
The list shows that over the whole of central government more than 5,000 staff are employed in one way or another on local authority affairs. I am aware of course that the results of your MINIS exercise are yet to come and that these may affect the picture materially. For the rest, some fairly sharp reductions are shown, as expected, in certain areas of activity, but there are considerable variations. No doubt it is right that there should be some variations. But overall what we have so far is less than the average reduction of 18% since we took office, which we are committed to make across government as a whole in order to bring the Civil Service down to 630,000. Considering that there are some fairly large sectors in which we shall not achieve that average, it is plain that in fields such as this one, where our policies positively commit us to reducing the level of activity, we must look for a great deal more. If we are to carry credibility (not least with the local authorities themselves) that we are serious in our desire to disengage from detailed involvement in local authority affairs, we must show a much larger overall reduction across the whole field.

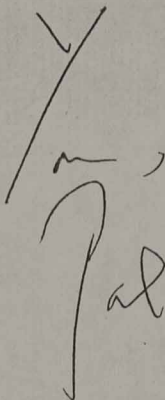
Some colleagues are already showing reductions of around 20% or more. Taking into account initiatives at present going on, including MINIS, it is clear that a number of departments will soon be in sight of our original target of a one-third reduction, and with a fairly small push should be able to reach it. You earlier observed that there was probably room for substantial economies in this field. I believe we must now definitely aim to achieve a one-third reduction across the board. I recognise that for some departments this will mean a more radical reappraisal than they have so far made but I must press colleagues concerned to undertake this.

There are three areas of activity which I think we should set to one side for the purpose of this exercise. I have shown these separately in the list. We have specific manifesto commitments in relation to the schools inspectorates, to which therefore rather separate considerations must apply. There is secondly the law and order field. This is very much a matter of priority in which local authorities are being asked in some areas to do more. But the question of simplifying central government supervision still applies and also the possibility of transferring the provision of services to the local authorities. I understand that Willie Whitelaw is looking at both these aspects. Clearly the outcome of these studies will determine what reductions are practicable in this category but I am sure we must try to get as much as we can. I have shown District Audit as outside the review since quite different considerations apply to it, which you are looking at in a separate exercise.

For the rest, I suggest that there are three aspects in particular which need to be fully explored where this has not already been done. First, we need to be sure that reductions in local authority programmes, and in detailed controls, a smaller number of circulars to authorities and so on are all fully reflected in a commensurate reduction in Departmental staff. Secondly, we ought to look critically at the resources devoted to promotional and general liaison work with authorities, the setting of detailed standards and the provision of advice. No doubt there will be some areas where work of this type is felt to be essential, but I hope this would be on a very selective basis. In the main, I think we should look for a sharp reduction in these activities consistent with our general approach of disengagement from detailed involvement in local authority affairs. Thirdly, we should review all cases where central government provides services on behalf of local authorities. The presumption should be that local authorities, whether individually or through some collective mechanism, should be directly responsible for providing their own services unless there are very clear-cut financial or other practical advantages in a central government service.

I recognise that it may take some time to reach detailed decisions, but I should be grateful if you and other colleagues could now let me have a firm indication in principle of the broad steps you might take to achieve a one-third reduction in the staffs employed on local authority topics from the numbers so employed when we took office. I would welcome this as soon as possible, but in any case not later than Wednesday, 8 October, so that there can be a progress report to Cabinet when it meets later that month to consider the progress on the manpower reviews generally.

I am copying this letter to Willie Whitelaw, Keith Joseph, James Prior, Peter Walker, George Younger, Nicholas Edwards, Patrick Jenkin, John Nott, Mark Carlisle and Norman Fowler, and for information to the Prime Minister, John Biffen and Sir Derek Rayner.

A handwritten signature in dark ink, appearing to be 'Paul Channon', written in a cursive style. The signature is positioned centrally on the page, below the typed text.

PAUL CHANNON

DEPARTMENT AND FUNCTION	RESOURCES 1.4.79	RESOURCES 1.4.80	REDUCTIONS by 1.4.80	FURTHER REDUCTIONS SCHEDULED	TOTAL REDUCTIONS
<u>DOE</u>					
Regional Offices (including Dept of Transport): roads and transport		517	}	11	}
Common support	1,685	328		83	
Housing, planning and environment		757		}	
Housing (Central)	266	276			
Planning (Central)	825	799	26	117	143
G. London housing and planning	136	131	5		5
Construction industries	32	31	1		1
Local government directorates	54	61			
Finance local government	100	89	11		11
Local govt. Boundary Commission	9	11			
Housing, Water and Central Finance	12	12			
Environment Protection Group	8	6	2	11	13
Ancient Monuments and Historic Buildings	34	34			
TOTALS	3,161	3,052	128	279	407
			(net) 109		(net) 388
			(3%)		(13%)
District Audit (excluded from the review)	624	597			

DEPARTMENT AND FUNCTION	RESOURCES 1.4.79	RESOURCES 1.4.80	REDUCTIONS by 1.4.80	FURTHER REDUCTIONS SCHEDULED	TOTAL REDUCTIONS
<u>Department of Transport</u> (excluding Regional Offices)					
Road safety	36	33	3		3
Passenger transport	130	128	2		2
Local transport (planning, traffic etc including Transport Supple- mentary Grants)	72	60	12		12
Finance	65	73			
	—	—	—		—
TOTALS	303	294	17		17
			(net) 9		(net) 9
			(3%)		(3%)

DEPARTMENT AND FUNCTION	RESOURCES 1.4.79	RESOURCES 1.4.80	REDUCTIONS by 1.4.80	FURTHER REDUCTIONS SCHEDULED	TOTAL REDUCTIONS
<u>Scottish Office</u>					
Monitoring and oversight by admin. staff on roads and transport	2	2			
Oversight of local authorities acting under own powers:-					
road engineers	14	14		1	1
civil engineers	18	16	2	1	3
Involvement by admin. staff in housing	44	34	10	5	15
Building professional staff: housing, schools and further education	16	12	4		4
Supervision of activities (and superannuation work) on general protective services (excl. police)	20	20			
Planning services	26	23	3	4	7
Finance	66	60	6	1	7
Oversight relating to education:	34	29	5	} 8-10	} 14-16
Oversight relating to social work	41	40	1		
	—	—	—	—	—
TOTALS	281	250	31	20-22	51-53
					18%
Schools inspectorate	70	71			

DEPARTMENT AND FUNCTION	RESOURCES 1.4.79	RESOURCES 1.4.80	REDUCTIONS by 1.4.80	FURTHER REDUCTIONS SCHEDULED	TOTAL REDUCTIONS
<u>Welsh Office</u>					
Transport and Highways Group (all functions)	18	18			
Housing and General Division					
professional staff - building projects	20	19	1		1
Local Government Division	5	5			
General Division	4	4			
Finance	15*	19**		4	4
Education Dept:					
Admin.	28	22	6	3	9
	—	—	—	—	—
TOTALS	90	87	7	7	14
			(net) 3		(net) 10
			(3%)		(11%)

* estimate

** estimate; includes 4 on new Rate Support Grant

Schools Inspectorate	40	43			
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DEPARTMENT AND FUNCTION	RESOURCES 1.4.79	RESOURCES 1.4.80	REDUCTIONS by 1.4.80	FURTHER REDUCTIONS SCHEDULED	TOTAL REDUCTIONS
<u>DHSS</u>					
Children's Division	38	32	6	6	12
Local Authority Social Services	14	13	1	3	4
Mental Health	6	6		2	2
Socially Handicapped Works	17	16	1	5	6
Regional Liaison	2	2			
Finance	13	11	2	2	4
Social Work Service	159	151	8	15	23
	—	—	—	—	—
TOTALS	259	239	20	36	56
			(8%)		(22%)

DEPARTMENT AND FUNCTION	RESOURCES 1.4.79	RESOURCES 1.4.80	REDUCTIONS by 1.4.80	FURTHER REDUCTIONS SCHEDULED	TOTAL REDUCTIONS
<u>Home Office</u>					
Fire					
National functions (policy, regulations etc)	48	48		}	}
Fire Service Inspectorate	49	49			
Fire Service Colleges	343	343			
Miscellaneous					
Local elections, local legislation, bye-laws, shops legislation, music and dancing, taxis, liquor licensing etc	22	22		6	6
General controls					
Building controls etc	24	23	1		1
Local Government finance	12	12			
Community Programmes					
Section 11 grants	<u>2</u>	<u>2</u>	—	—	—
TOTALS	500	499	1	75	76 (15%)
<u>Law & Order</u>					
Police	3,191	3,334		153	153
Probation and After- Care					
National functions (policy, resources etc)	54	54		19	19
Inspectorate	33	33			
Magistrates' Courts					
All national functions	<u>26</u>	<u>26</u>	—	4	4
GRAND TOTAL	3,804	3,946	1	251	252 (net) 110 (3%)

DEPARTMENT AND FUNCTION	RESOURCES 1.4.79	RESOURCES 1.4.80	REDUCTIONS by 1.4.80	FURTHER REDUCTIONS SCHEDULED	TOTAL REDUCTIONS
<u>Department of Employment</u>					
Careers Service (incl. finance)	77	79		8	
Sheltered Employment for severely disabled	11	20			
Career and Occupational Informa- tion Centre	40	40			
	<hr/>	<hr/>		<hr/>	
TOTALS	128	139		8	

Department of Industry

Advisory and Liaison	7	6		1	1
Central Services))			
Supervision and oversight) 1) 1			
Monitoring))			
	<hr/>	<hr/>		<hr/>	<hr/>
TOTALS	8	7		1	1
					(12%)

DEPARTMENT AND FUNCTION	RESOURCES 1.4.79	RESOURCES 1.4.80	REDUCTIONS by 1.4.80	FURTHER REDUCTIONS SCHEDULED	TOTAL REDUCTIONS
<u>Department of Trade</u>					
Grants for Consumer Advice Centres (residual work)	8	6	2		2
Weights and measures	2	2			
Trading standards	5	3	2		2
Local authority airports	4	3	1		1
	—	—	—		—
TOTALS	19	14	5		5
			(26%)		(26%)

MAFF

Pest Control	10	10			
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DEPARTMENT AND FUNCTION	RESOURCES 1.4.79	RESOURCES 1.4.80	REDUCTIONS by 1.4.80	FURTHER REDUCTIONS SCHEDULED	TOTAL REDUCTIONS		
<u>DES</u>							
Education service							
Architects and Building	101	93	}	35	58		
Further Education	70	67					
Schools	105	99					
Teachers	94	81					
Statistical Services	104*	104*				(7%)	(18%)
Other school services	53	49					
	<hr/>	<hr/>					
	528	493					
HM Inspectorate (inc. support staff)	569	598					

* estimated figures

23 SEP 1980





CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01- 233 8224

1. CAW to see of R.
This seems to be
getting a little
heated
2. ra
MAD 18/ix

18 September 1980

Sir Ian Bancroft GCB
Civil Service Department
Whitehall
London SW1

Sir Ian

INSPECTOR-GENERAL OF THE CIVIL SERVICE

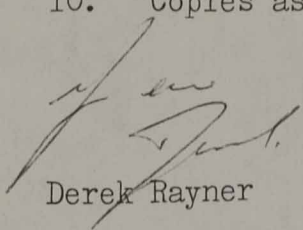
1. Thank you for your letter of 16 September. I am grateful also for Douglas Wass's letter of 11 September, which crossed with mine to you of 15 September.
2. We seem to be making progress and I would like to think that we are now agreed as follows.
3. I did not say that I thought constitutional law and theory unlikely to help clarify the role and accountability of an I-G, only that I am no expert there and that the decisions are for Ministers.
4. In general, I firmly believe in knowing the source of authority for any function and its officers; specifying what the officer is to do, while leaving him proper room for manoeuvre; and establishing both a clear reporting line and the duty to report regularly. Equally, I very much fear the effects of obscurity. In this case, I would expect a crystal clarity.
5. The choices for Ministers are:
 - i. set aside the Inspector-General idea because existing arrangements or those to be made are demonstrated to be satisfactory.
 - ii. set up an I-G reporting to the Minister in charge of an integrated Treasury/CSD or to the Minister in charge of a separate CSD.
 - iii. set up a I-G reporting direct to the Prime Minister.
6. I am content for the study team to work on choices (i) and (ii) and for Douglas, you and me to work on choice (iii).

7. I am content for the study team to get help from my office.

8. I confirm my views that the decision on publication is for Ministers and that openness is the best policy.

9. You do not mention complaints and suggestions on which, as I said on Monday, I shall look forward to having your ideas.

10. Copies as before.



Derek Rayner

18 SEP 1980

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

CONFIDENTIAL



CIVIL SERVICE DEPARTMENT

WHITEHALL LONDON SW1A 2AZ

Telephone 01 273 5400

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

Sir Derek Rayner
Cabinet Office
Whitehall
LONDON SW1A 2AS

16 September 1980

Dear Derek,

INSPECTOR-GENERAL OF THE CIVIL SERVICE

Thank you for your letter of 15 September, which we discussed briefly today.

Like you, I don't believe that constitutional law and theory are likely to help us clarify what might be the role and accountability of an Inspector-General. What matters, as you say at the end of paragraph 6, is to find out how best to maintain the impetus behind the Government's efficiency policy "without making a muddle of the practical realities of doing business".

Among those realities, I remain convinced, is that the dissemination, maintenance and monitoring of best practice in the fields of economy and efficiency are essential parts of the work of the Ministers in charge of the Treasury and CSD and of their departments. In practice, therefore, I still foresee overriding disadvantages in the notion of an Inspector-General who stands outside the central departments.

As I mentioned at our talk, I hope that you and Douglas Wass will agree that the best way to make progress is to ask the Study Team to consider the proposition for an Inspector-General operating either from within an integrated central department or under the present arrangements. This would fit in quite reasonably with the rest of the Team's remit and could, I believe, be accomplished without putting at risk the timetable for the study. The question whether an Inspector-General should be located inside or outside the central department(s) would be dealt with not by the Team but by you, Douglas Wass and me in the advice we shall be preparing jointly for the Prime Minister. The Study Team will be in touch with Clive Priestley about the

CONFIDENTIAL

1 LAW G/see
2 na MJ 17/80
MAD 17/80 Civil Service

CONFIDENTIAL

- 2 -

amount of help he can give them. They might also look at the comparative need for an Inspector-General in a unified/non-unified situation.

Finally, I doubt if a decision need be taken at this stage whether the material in the report about an Inspector-General should or should not be published. It might be easier for the Prime Minister to reach a decision about this when she has seen what the report says. Meantime, I think it would be prudent not to make any public reference to this part of the Study Team's work.

I am sending copies of this letter to Douglas Wass, Robert Armstrong and the Private Secretaries to the Prime Minister, the Chancellor of the Exchequer and the Lord President.

Yrs ever,

Ian

IAN BANCROFT

CONFIDENTIAL

17 SEP 1980





1 CAW to see NW 16ix
2 na
MA 16ix

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01- 233 8224

15 September 1980

Sir Ian Bancroft GCB
Civil Service Department
Whitehall SW1

Ian Vass

INSPECTOR-GENERAL OF THE CIVIL SERVICE

1. Thank you for your letter of 1 September; I will take your points in order.

Authority and accountability (your para. 2)

2. If I may echo Douglas Wass's letter to me of 21 July we are agreed:

"that at the centre of any modern organisation there must be a capability to design and monitor systems of financial, manpower etc control and management. However much the constituent parts of an organisation are required to operate the system, there must be some central authority for the dissemination of best practice, for the maintenance of standards and so on".

3. My preference would be to regard the IG's job as relating mainly to the "quality assurance" aspects of that - monitoring, dissemination, maintenance etc. Paragraphs 17, 19 and 20 of my note of 14 July should be read in that light.

4. That said, the remit is to advise the Prime Minister on the proposition:

"that there might be a new office of 'Inspector-General of the Civil Service', reporting to me, perhaps from within the re-formed Treasury, but available to all Ministers on the efficiency and effectiveness of Civil Service operations - its role, were it created, would be mainly one of quality assurance rather than inquisition" (Prime Minister's minute to Chancellor, 3 April).

5. As I understand it, Ministers in charge of the centre are the Prime Minister, whose responsibilities straddle those of the Treasury (as First Lord) and the CSD (as Minister for the Civil Service); the Chancellor; and the Lord President. I have no difficulty about the proposition that the I-G, if created, should be responsible to whichever of these three Ministers the Prime Minister may decide. It is not of course for me to say which it should be. With a properly defined policy, determined Ministerial backing, the right individual and the right team the I-G should serve the Government equally well wherever he is.

5. There is another point here I should comment on, however. Your letter of 18 July handled the question of an I-G who was a civil servant reporting to the Prime Minister in rather stark terms (para. 5). You suggested that, given the responsibilities of:

"Treasury/CSD Ministers in the field in which an Inspector-General would operate, I think the answer must be that he would come under them - unless the object were to provide the Prime Minister with an official machine for checking on what central Ministers were doing. That would be a major constitutional innovation and not, I would suggest, a happy one".

6. I would not want to forestall or anticipate decisions on constitutional arrangements, as these must be political in character. Moreover I do not feel very well qualified in this field. I am not familiar enough with the machinery of government to know the exact sources of Treasury/CSD Ministers' authority. In the CSD, I assume the source is the Prime Minister as Minister for the Civil Service. In the Treasury case, I am unsure of the relationship between the offices of the First Lord and Chancellor. But what I am quite clear about is my interest here. This is how best to give the Government's efficiency policy a sustained cutting edge without making a muddle of the practical realities of doing business.

7. If the Prime Minister chose both to have an I-G and to have him reporting to her, so far from regarding it as derogating from the authority of the other central Ministers, I would see it as a re-inforcement to them of immeasurable value.

8. It would not be for me of course to rule out the possibility that a Prime Minister - indeed all the central Ministers - might want the I-G to advise on the effectiveness of one of the central departments. That would be a good example of "Quis custodiet?". I think you know my philosophy well enough to realise that although I believe in real accountability, I do not believe in "checking up" in anything but an open and robust way. For example, I am quite sure that the central Ministers would want to take an opportunity - whatever means they use - to appraise the effectiveness of the centre in relation to their policy for efficiency and good management.

Study team (your paras. 3 and 6)

9. I should like to make two points here. First, despite what is said in para. 7, of the note circulated to Permanent Secretaries on the team's work on 4 July, it is clear that there is a third possibility which needs registering: in addition to an I-G "either within an integrated central department or under the present arrangements", it follows from the original remit and what is said above that an I-G could operate outside the Treasury and CSD. This needs registering. Secondly, I hope that - given the timetable and the points made above about accountability - the team now have enough guidance to enable them to start work.

10. May we agree that they should advise you on the remit noted in para. 4 above? As required by the PM's minute to the Chancellor, I will assist in preparing a submission to her as best I can. If the task is really too much for the team, we could of course think again about how best to deal with the remit on the same timetable.

Publication (your para. 3)

11. I think this must be for the Prime Minister to decide on. My preference would be for openness, especially as the circle of those in the know has now been greatly extended, but I think this is for political judgment.

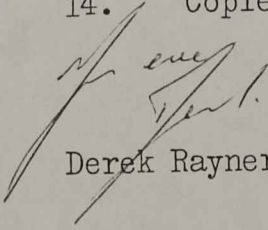
Origins of the Inspector-General (your para. 4)

12. I agree that the I-G has to be responsible to one of the central Ministers, whether the Prime Minister or the Chancellor or a Minister in charge of a separate CSD, so I do not believe that he(or she) can be "quite independent of the central department(s)". As the appointment would be one of great importance, the Minister would no doubt want to consider who should have it very carefully. As you know, I hope that it would usually be a civil servant, but I quite accept that the Minister might want to bring in someone from outside.

Complaints and suggestions (your para. 5)

13. I am of course willing for this to be considered separately. I look forward to having your suggestions, which I am sure will be very interesting, and to discussing them with you at a point which enables us to deal with the issue in your submission.

14. Copies go to your copy addressees.


Derek Rayner



15 SEP 1980

MANAGEMENT IN CONFIDENCE

Civil Service



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

Minister of State

Mrs Lynda Chalker MP
Parliamentary Under Secretary
of State (Social Security)
Department of Health and
Social Security
Alexander Fleming House
Elephant and Castle
LONDON SE1 6BY

✓ *MAS*

10 September 1980

Dear Lynda

INTRODUCING DATALINK BY ADMINISTRATIVE ACTION

Thank you for your letter of 3 September.

I was delighted to learn of your decision to introduce Datalink forthwith and am sure you are right to do so.

I am sending a copy of this letter to the recipients of yours.

2/1
Paul

PAUL CHANNON

MANAGEMENT IN CONFIDENCE



*Manpower
Long Term Policy*

with compliments.

MINISTER OF STATE

A handwritten signature in blue ink, appearing to be 'MS', with a checkmark above it.

CIVIL SERVICE DEPARTMENT
Whitehall London SW1A 2AZ

Telephone 01-273 5563/4086



Minister of State

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

The Rt Hon Francis Pym MC MP
Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall
LONDON SW1 2HB

10 September 1980

Dear Francis,

CONTRACTING OUT OF PUBLIC SECTOR FUNCTIONS

You wrote to Christopher Soames on 4 September about the treatment of VAT in making cost comparisons between in-house and contracted-out work, urging a change in the existing arrangements in the case of contract cleaning. In his absence I am replying.

I suspect my letter of 3 September to the Chancellor of the Exchequer which I copied to you, crossed in the post with yours. In fact the matter is under review with the Civil Service Union. We shall be seeking to bring our practice into line with the Treasury advice.

I am copying this letter to the recipients of yours.

PAUL CHANNON

Yours,

Paul



10 DOWNING STREET

From the Principal Private Secretary

9 September 1980

Dear Hughes,

INTRODUCTION OF DATALINK BY
ADMINISTRATIVE ACTION

The Prime Minister has seen a copy of Mrs. Chalker's letter of 3 September 1980 to Mr. Channon reporting that the DHSS Departmental Staff Side have been persuaded not to resist the introduction of Datalink.

She has commented "At last!".

I am sending copies of this letter to Richard Dykes (Department of Employment) and Geoffrey Green (CSD).

Yours sincerely,

Oliver Williams.

John Hughes, Esq.,
Department of Health and Social Security.

MMP has been.



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

Minister of State

Richard Shepherd Esq MP
House of Commons
LONDON SW1A 0AA

9 September 1980

Dear Richard.

Thank you for your letter of 1 September about the project on charging for courses at the Civil Service College, carried out by my Department under the guidance of Sir Derek Rayner.

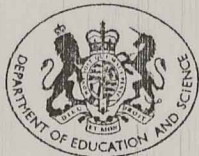
... The Report of the project has in fact been available through the CSD Press Office since the beginning of this year. I attach a copy.

PAUL CHANNON

*Y
-
Paul*

CONFIDENTIAL

Civil Service



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

FROM THE SECRETARY OF STATE

Paul Channon Esq MP
Minister of State
Civil Service Department
Old Admiralty Building
Whitehall
LONDON
SW1A 2AZ

✓ MAA

9 September 1980

Dear Paul,

AGREEMENT ON NEW TECHNOLOGY

Thank you for sending me a copy of your letter of 29 July to Geoffrey Howe.

pc 4 attached

So far as my Department is concerned a no redundancy pledge would be unlikely to cause manpower difficulties and I support what you propose.

I have no projects at the stage where it can be said they are being held up by lack of agreement with the Departmental Staff Side, but my officials will let yours know if any delays occur for this reason.

I am copying this letter to the recipients of yours.

*Yours ever
Mark*

MARK CARLISLE

CONFIDENTIAL



ELIZABETH THOMAS
KENT BOARD
ON JAN 22 1980
A 100 012



10 SEP 1980



Minister of State

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

The Rt Hon William Whitelaw CH MC MP
Secretary of State
Home Office
50 Queen Anne's Gate
LONDON SW1H 9AT

8 SEPTEMBER 1980

Dear Willie

At the meeting of Cabinet on 1 May, it was agreed that colleagues should let me have an account of the systems which they are operating to plan and control manpower within their departments so that I could then draw out from these a note on "best management practice" for circulation to departments generally.

I have waited until now to follow up this remit, since I know there has been more than enough to do in considering your plans for manpower reductions - not to mention other things. Nor indeed will the next few months be much easier for you and your senior staff on the establishments and finance side. But I think we must get on with this, both for its own sake and because it will, I hope, provide a helpful contribution to the work which Sir Derek Rayner has undertaken as part of his exercise on lasting reforms.

I feel sure that the work which we have all had to do on manpower cuts - and on cuts in expenditure more generally - will have led our colleagues to reflect on what it is that they need from their officials in order to reach their decisions in this field. Similarly, they will now, or very shortly, be considering the reviews of their administrative costs which Sir Derek Rayner recommended in his letter to you of 22 February, and will no doubt be reaching conclusions on the information they require in order to discharge their role as the top managers of their departments - a role which goes wider of course than departmental manpower alone. I expect all of us will be able to think of improvements for the future. I think we ought to see how far we can formulate guidance for 1981 and the succeeding years. This might take the form of a model or, given the diversity of departments' sizes, tasks and circumstances, take the less ambitious form of identifying at least some features which any adequate system should incorporate. We can only decide that when we see the material that colleagues send us.

You may find it helpful, in considering your own arrangements, to see the enclosed notes on the arrangements which Michael Heseltine and Patrick Jenkin have introduced in their departments. The former has already been shown to the Treasury and Civil Service Committee earlier in the summer. The programme of meetings for the first round described in paragraph 9 has now been completed, and I know that Michael Heseltine is considering some possible modifications of the system for the future. The note describing the arrangements in DHSS is in more summary terms, but I think it gives a sufficient picture of the arrangements operating there.

I would be grateful for your views on this in any way you think best. If you are operating a system which is different in important respects from that in the DOE or DHSS, I should find it helpful to have a fairly full account of it. Alternatively (or in addition) it would be most valuable to have your reflections on the role of the Minister as manager in your Department as you have experienced it so far and as you intend it to develop. Particularly in the latter case, you will probably want to cover financial and operational management as well as manpower and both Sir Derek Rayner and I would greatly welcome that. Either way, I should be very grateful to have your views by the end of October.

I am sending copies of this letter to all Ministers in charge of departments, and to Sir Derek Rayner.

sent 11/10

Y
ms,

PAUL CHANNON

Paul



for information

with compliments

MINISTER OF STATE

CIVIL SERVICE DEPARTMENT
Whitehall London SW1A 2AZ

Telephone 01-273 5563/4086



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

Minister of State

John Halliday Esq
Private Secretary to the
Home Secretary
Home Office
50 Queen Anne's Gate
LONDON SW1

8 September 1980

Dear John,

RELEASE OF RAYNER REPORTS

Mr Richard Shepherd MP has written to a number of Ministers (including my own) requesting copies of the reports of Rayner projects/scrutinies done by their Departments. As Mr Shepherd's letters point out, he is a member of the Treasury and Civil Service Select Committee. It is clear, however, that he is acting as an individual MP and not on behalf of the Committee. I would be grateful to know if he was written to your Minister and, if so, what response he is likely to receive.

Both the Prime Minister and Sir Derek Rayner have expressed the hope that Rayner reports will not be subject to unnecessary secrecy. At the same time, the Prime Minister's written answer to Mr Shepherd on 22 February made it clear that the matter is one for individual Ministers to decide. (I attach a copy of this.)

Ministers considered the subject of disclosure of reports generally to Select Committees last March. There was agreement with the principles set out in the letter of 10 March from my Minister to the Chancellor of the Duchy of Lancaster. Paragraphs 5-7 are particularly relevant and you may wish to draw your Minister's attention to them if you have received a request from Mr Shepherd.

Finally, may I remind you of the sensitivities of the Civil Service Trade Unions over consultation and access to Rayner reports. When considering the release of Rayner reports, your Minister will doubtless wish to know whether Staff Sides have yet seen them.

I am sending copies of this letter to the Private Secretaries of all Ministers of Departments which have had scrutinies or projects mentioned in the answer to Mrs Renee Short's Parliamentary Question on 23 January 1980 (copy attached) and to Robin Birch in the office of the Chancellor of the Duchy of Lancaster.

Yours sincerely
Gary Rogers

G D ROGERS
Assistant Private Secretary



12 SEP 1980



EXTRACT FROM HANSARD

DATE 22.2.80.....

VOL. 979.....

COL 351

RAYNER REPORTS

Mr. Richard Shepherd asked the Prime Minister if she will arrange for the publication of all Rayner reports as they are delivered.

The Prime Minister: The reports referred to are prepared by departmental officials for their Ministers. It is for the responsible Minister to decide how each should be handled.



EXTRACT FROM HANSARD

DATE 23.1.80

VOL. 977

COL 207-210

Mrs. Renée Short asked the Minister for the Civil Service if he will list the projects carried out in each Government Department under the guidance of Sir Derek Rayner ; and what further exercises are being carried out or planned.

Mr. Channon : The information is as follows :

PROJECTS CARRIED OUT IN GOVERNMENT DEPARTMENTS UNDER THE GUIDANCE OF SIR DEREK RAYNER

<i>Department</i>	<i>Topic</i>
Home Office	Work of the Radio Regulatory Department.
Lord Chancellor's Department ...	Attachment of earnings procedure in the County Courts.
Foreign and Commonwealth Office	Merger of the Foreign and Commonwealth Office and the former Ministry of Overseas Development.
Her Majesty's Treasury	Paper handling and registry systems.
Inland Revenue	PAYE movements procedures.
Customs and Excise	Organisation of London and South East Collections.
Department for National Savings	Handling of correspondence with the public.
Department of Industry (joint project with Department of Trade).	Statistical services of the Departments of Industry and Trade.
Ministry of Defence	Food procurement for the Armed Forces.
Civil Service Department	Charging for courses at the Civil Service College.
Department of Employment (including Manpower Services Commission).	Peaking of work and use of part-time staff in unemployment benefit offices.
	Part-time local benefit and small full-time unemployment benefit offices.
	Review of training allowances (MSC).
	Review of skillcentre network (MSC).
Ministry of Agriculture, Fisheries and Food.	Administration of Farm Capital Grants.
Department of the Environment (including Property Services Agency).	Provision of Management Information for Ministers.
	Maintenance of the government estate in the Bath Area (PSA).
	Energy Conservation on the Government Estate (PSA).
	Estate Management in Kingston (PSA).
Scottish Office	Review of the Consultative Committee on the Curriculum.
Welsh Office	Control over Highway Authorities.
	Control over Local Education Authority building.
Northern Ireland Office	Public Debt.
	Rate Collection.
Department of Health and Social Security.	Arrangements for paying social security benefits.
Department of Trade	Services to exporters.
Department of Energy	Organisation of research and development in new energy technologies.
Department of Education and Science.	Administration of the Teachers' Pension Scheme.
Department of Transport	Arrangements for the promotion and management of trunk road and motorway schemes.

PROGRAMME OF FUTURE SCRUTINIES IN GOVERNMENT DEPARTMENTS

<i>Department</i>	<i>Topic</i>
Home Office	To be decided.
Lord Chancellor's Department ...	To be decided.
Foreign and Commonwealth Office	Arrangements for providing and maintaining transport for Diplomatic Service posts overseas.
	Review of Directorate of Overseas Surveys.
Her Majesty's Treasury	Monitoring of central Government expenditure.
Inland Revenue	Annual issue of PAYE deduction cards.
	Procedures for rating proposals and appeals.
	Use of accounts registers in tax districts.
Her Majesty's Customs and Excise	To be decided.
Department for National Savings	To be decided.
Department of Industry	Administration of the Regional Development Grant Scheme.
Ministry of Defence	Arrangements for provision of secondary education for children of Service and Ministry of Defence personnel overseas.
	Provision of assisted travel schemes and Ministry of Defence establishment bus fleets.
	Requirement for, and the role and organisation of the Claims Commission.
	Management of internal efficiency and organisation.

<i>Department</i>	<i>Topic</i>
Civil Service Department	Effectiveness of technical services of the Central Computer and Telecommunications Agency.
Department of Employment	The delivery of unemployment and supplementary benefit to unemployed people (Joint scrutiny with the Department of Health and Social Security).
Manpower Services Commission Health and Safety Executive	To be decided. Problems of assessing costs and benefits of health and safety requirements, and techniques available.
Ministry of Agriculture, Fisheries and Food.	Enforcement of grading regulations for eggs and fresh horticultural produce.
Department of the Environment (including the Property Services Agency).	Arrangements for the financial control of the water industry. Regional organisation serving the Departments of the Environment and Transport (Joint scrutiny with Department of Transport).
Scottish Office	Requirement for a works transport fleet (PSA). Advisory and monitoring activities of the Scottish Development Department with respect to local planning authorities.
Forestry Commission	Administration of (i) private woodlands grant scheme and (ii) licensing of felling.
Welsh Office	Procedures for processing of major National Health Service building projects.
Northern Ireland Office	Operation of financial control within the Northern Ireland Depart- ments and the Northern Ireland Office.
Department of Health and Social Security.	The Department's activities in support of health care exports. Validation of National Insurance contribution records. The delivery of unemployment and supplementary benefit to unemployed people (Joint scrutiny with Department of Employ- ment).
Department of Trade	Administration of the Patent Office and Industrial Property and Copyright Department.
Department of Energy	Demand for, and resources devoted to, economic and statistical advice and services.
Department of Education and Science.	Administration of student awards.
Paymaster General's Office	To be decided.
Department of Transport...	Ways of improving the enforcement of vehicle excise duty. Procedures for setting and certifying standards for building roads and bridges. Regional organisation serving the Departments of the Environment and Transport (Joint scrutiny with the Department of the Environment).



cc. All Gow 2/9
Long Term
Management
MAP 10/9

10 DOWNING STREET

From the Private Secretary

Mr. Priestley

Thank you for your minute about Mr. Ray Whitney, M.P.'s approach to Sir Derek Rayner to discuss his thinking on a Prime Minister's Department.

The Prime Minister is aware of Mr. Whitney's activities on this subject. She would like Sir Derek Rayner to make himself available to pursue the matter with Mr. Whitney.

M. A. PATTISON

8 September, 1980.

SP



*cc ✓ Mr P. Wilson MR 10/1 x
Mr Colman*

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01- 233 8224

September 1980

Ray Whitney Esq OBE MP
House of Commons
London SW1

Thank you for your letter and enclosure of 28 August which I have seen on my return to London from a business trip to Canada.

I should like to hear more about your ideas for a "Prime Minister's Department" as an alternative to either existing arrangements or a merger of the CSD and Treasury. If you would like to contact Lynne Holmes in my office here on 233 8550 we can see what can be arranged. Fortunately, I think there is some room for manoeuvre between our diaries as it will be some weeks before the work preliminary to decisions is completed.

You refer in passing to machinery of government changes made in the early 1970s. I myself was very closely associated with one of those, the establishment of the Procurement Executive in the Ministry of Defence, which I certainly regard as an improvement on previous arrangements.

I shall look forward to meeting you.

Derek Rayner

CONFIDENTIAL

MA

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)
Oddi wrth Ysgrifennydd Gwladol Cymru



WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)
From The Secretary of State for Wales

14 September 1980

Dear Mr. Green,
Part 4 (attached)

Mr Channon sent Mr Edwards a copy of his letter of 29 July to the Chancellor of the Exchequer about a possible agreement with the Civil Service Unions on new technology.

I understand that officials here have already indicated to their opposite numbers in your department that the line proposed by Mr Channon would not be likely to create difficulties for us, and I am now writing to confirm that Welsh Office Ministers are accordingly content with what is proposed. Certainly as far as the Welsh Office taken in isolation is concerned, the potential risks inherent in a no-redundancy pledge seem to be outweighed by the advantages of reaching an agreement provided that a break clause is included as proposed.

I am copying this letter to the Private Secretaries of those Ministers who received copies of yours.

Yours sincerely,
P. J. Morgan

P J MORGAN
Private Office

G E T Green Esq
Private Secretary to
The Minister of State
Civil Service Department
Whitehall SW1A 2AZ

5 SEP 1980





2 MARSHAM STREET
LONDON SW1P 3EB

MANAGEMENT: IN CONFIDENCE

My ref: H/PSO/16400/80

Your ref:

Dear Paul

- 4 SEP 1980

NBM

HAL

STAFF INSPECTION

I have seen your letter of 6 August to Willie Whitelaw, setting out your proposals for re-invigorating the staff inspection process.

I welcome your proposals. I see staff inspection as an important tool and I fully intend using it in the steps I am taking to streamline my Department. In particular I expect to see staff inspectors making a valuable contribution to economies and to improvement of efficiency as part of our MINIS exercise by following up MINIS decisions and by ensuring that the available manpower resources are correctly matched to functions which we have concluded are essential.

As you officials will know, we had already started moving in the direction suggested in your note with a selective programme of Inspections aimed at the more promising areas; and I agree with the discipline of regular reports as an aid to quicker implementation. A service-wide approach should provide welcome support in these matters.

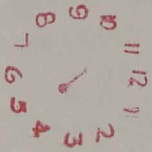
My officials will keep yours informed.

I am copying this to the recipients of your letter.

Your own

MICHAEL HESELTINE

The Rt Hon Paul Channon MP



- 5 SEP 1980

PRIME MINISTER

MAP. 10/9/80
Long Term Reform
Memorandum

Ian Gow has mentioned to you Ray Whitney's letter and article about a Prime Minister's Department.

Mr. Whitney has also written to Sir Derek Rayner, offering to discuss his ideas with Derek before he (Whitney) produces a pamphlet on the subject.

Derek Rayner has asked us whether you would be keen for him to see Mr. Whitney. Unless you have any objection, he thinks that, on balance, it is well worthwhile encouraging any Parliamentary interest in efficiency matters. As it happens, Sir Derek has some private knowledge of the Australian Prime Minister's Department, which has been described to him by one of its officials as over-large and a great creator of unnecessary work.

Agree that we should encourage Sir Derek to have a discussion with Mr. Whitney?

MAP

Yes not

3 September 1980



with compliments

MINISTER OF STATE

Request.

CIVIL SERVICE DEPARTMENT
Whitehall London SW1A 2AZ

Telephone 01-273 5563/4086



Minister of State

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON SW1P 3AG

Civil Service Department
Whitehall London SW1A 2AZ

3 SEPTEMBER 1980

Dear Geoffrey

CONTRACTING OUT OF PUBLIC SECTOR FUNCTIONS

With your letter of 12 August, you circulated to colleagues the CPRS Report on this subject. I should like to offer one comment.

You refer to the treatment of VAT in making cost comparisons between in-house and contracted-out work. In the case of contract cleaning the present basis for comparison, which has been agreed with the Civil Service Union, allows for VAT to be included. However, this is now under review, and we shall seek to bring that practice into line with the advice to which you refer.

I am copying this letter to the recipients of yours.

Yours

PAUL CHANNON

Paul

R
PAK

MS

LORD PRESIDENT'S OFFICE
 C 15
 - 5 SEP 1980
 FILING INSTRUCTIONS
 FILE NO



LORD PRESIDENT'S OFFICE

Mr Stevens

PS - Min of State
 PS - 1st Sec
 PS - Second Perm Sec
 P (SW)

Mr Thwait
Mr Wilson
Mr Squiffel
Mr Wilson *Mr Towers*
Mr Walker

MO 8/14
Whitely

MS - 5 SEP 1980 *E 9*

LORD PRESIDENT OF THE COUNCIL

CONTRACTING OUT OF PUBLIC SECTOR FUNCTIONS

There is one particular point arising from Geoffrey Howe's letter to Willie Whitelaw of 12th August covering the CPRS report which I should like to pursue with you.

2. This relates to the making of cost comparisons on a basis which excludes VAT. I very much agree with Geoffrey about this. As you will know, VAT has been included in MOD cleaning cost comparisons only because of a commitment to that effect given to the CSU by Paul Channon. The commitment was given in respect of non-industrial cleaners of the Government Office Estate but it must, in terms of all management sense within this Department also be held to relate to industrial cleaners at establishments outside headquarters. This is increasing our difficulties in seeking to persuade the CSU and TGWU to go along with our policy of contracting out (and thus achieve staff savings of 5,000). Although for the most part VAT inclusive comparisons have shown contract to be cheaper, it is not as cheap as it otherwise would be and there are already a number of cases where a VAT inclusive comparison shows contract to be more expensive. So far this has occurred at four establishments involving approximately 100 staff.

3. Could you please look at this again and find means by which the commitment given by Paul Channon can be withdrawn?

4. I am sending copies of this minute to Geoffrey Howe and to Mr Ibbs.

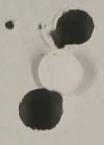
J. P. H.

11

78

Ministry of Defence

4th September 1980



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111 SEP 1980



DEPARTMENT OF HEALTH & SOCIAL SECURITY *Datalink*

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Joint Parliamentary Under Secretary of State

Paul Channon Esq
Minister of State
Civil Service Department

3 SEP 1980

MANAGEMENT IN CONFIDENCE

Dear Paul

INTRODUCING DATALINK BY ADMINISTRATIVE ACTION

Before he went on holiday Patrick Jenkin considered how we should handle the problem of bringing into operation Datalink, our new computerised communications system between our social security local offices and our Central Office at Newcastle, given the opposition of our trade unions to this. He asked me to write to you to explain the likely political and administrative consequences of proceeding to introduce this new system, if necessary by administrative action, and seek your view on the possible effects that such a move might have on your negotiations about new technology at National level.

Datalink consists of a fairly simple terminal in each of our 500 local offices, linked to the central records computer at Newcastle. This works in such a way that benefit enquiries arising each day in the local office, and stored in the terminal on magnetic tape, can be collected during the night by the Newcastle computer and answered during the next night over the same link, the replies being printed out ready for use in the local office. This process, which will take less than an hour in the local office, will replace the present manual method of local office staff writing out benefit enquiry cards and posting them to Newcastle, and getting replies in the same way some days later. The new system will avoid the delays which now occur through postal difficulties, and will provide a better service for claimants and a more efficient and reliable way of working for local office staff.

The Datalink equipment has all been installed, at a cost of some £0.9 million, but it has not yet been brought into operation. All that is now needed is a decision to go ahead and a short training programme. The main obstacle is lack of agreement with the Departmental Trade Unions. They have been fully consulted at every stage about Datalink since February 1978 when development of the scheme began, and their representatives subsequently attended demonstrations of the equipment. Consultations with them continued throughout field trials, which were completed in June 1979. At this stage the trade unions sought various assurances about the future use of the equipment, because of fears about the

2.
From Minister.
You will be glad to learn that the DTSS have promised their Department Staff Side, at least, not to resist the introduction of

At least! *MS*

John
412

rapid spread of technology in the Civil Service. These fears have led to negotiations at Departmental and National level to seek agreement for the orderly introduction of technology into the Civil Service to the benefit of both Government and the staff. In an attempt, however, not to delay the benefits of financial investment represented by the Datalink equipment while the wider negotiations were taking place, which would obviously take some time, we gave, in June 1979, our Departmental Trade Unions the following assurances:-

DOES P.R.U.
TAKE ACCOUNT
OF THIS SORT
OF PROTECTION
FOR C.S. SOBS?
WHAT PRIVATE
EMPLOYER COULD
DO THIS?
B.W.

- a. that the use of Datalink would not be extended or changed from the purpose for which it was bought, ie of providing local offices with contributions information for short-term incapacity benefits, without full consultation with the trade unions;
- b. that no change would be made in the use of Datalink within 12 months of its introduction;
- c. that no staff savings would be made as a result of the introduction of Datalink within that same period of 12 months (the net saving in staff from this project is negligible anyway);
- d. the introduction of Datalink would not cause any redundancies; and
- e. all the safeguards listed above would be reviewed after May 1981 in the light of developments, and particularly in the light of any National agreement on new technology.

Despite these assurances, in July 1979 the Departmental Trade Unions withdrew their earlier agreement to Datalink as part of their ban on new technology projects, and there the matter stood.

Patrick has been concerned to assess whether we can allow this situation to drag on against the uncertain timetable and outcome of your National negotiations, and what would happen if we were to proceed to introduce Datalink, if necessary by administrative action.

First, we thought that we should clarify the legal position and make sure we were not vulnerable to action before Tribunals or the Courts if we went ahead. We have been advised by the Law Officers that we would be entitled to require our staff to operate Datalink and would be able to operate our procedures for temporarily relieving staff from duty without pay if we were faced by a refusal to op-erate.

Secondly, there are the benefits of Datalink for the public and staff, and the continuing cost of not realising those benefits. We would be increasingly vulnerable to criticism from the public, Parliament and the Public Accounts Committee for wasting taxpayers' money if we did not now go ahead.

Thirdly, there is the attitude of our own staff. They know the benefits of Datalink and the fact that they can see the terminals installed in their offices has meant that they are keen to see those benefits realised. They are becoming increasingly critical of management for not proceeding to introduce it.

E.R.

Fourthly, there is the attitude of our trade unions. Our assessment was that they would be unlikely to oppose the introduction of Datalink itself, where they would be on a weak wicket with our staff and the public. But they might seek to disrupt some more crucial project instead and they might regard the introduction of Datalink without their agreement as a breach in their opposition to new technology pending National agreement in your negotiations.

To test these points we have had further talks with our Departmental representatives, against the background of the assurances we gave in June 1979 and our determination not to countenance further delay or allow the National negotiations to be used as a stopper on us. I am pleased to be able to tell you that, although our Departmental Union representatives cannot agree to the introduction of Datalink until your National discussions are brought to a satisfactory conclusion, they have agreed not to resist its introduction meanwhile, on the basis of the assurances we have given and a further one, that live trials of our local office CAMELOT computerisation project will not start in any local office before May 1981. As you know, we plan to advance the National implementation of CAMELOT to realise money and staff savings more quickly, but we will not be able to complete the building, installation and testing work for the pilot project before July 1981 anyway, so that this further assurance we have given poses no problems.

On this basis we have concluded that we can and should now proceed to introduce Datalink forthwith, before anything can happen to sour the situation. We are notifying our staff of our decision straightaway, so that they have the issues explained to them by management as well as their union representatives, and the brief training programme will start immediately thereafter. We thought, however, that you would wish to be aware of this development and in particular that it is not regarded by our trade unions departmentally as harming or impeding your National discussions, which all of us wish to see brought to a successful conclusion as quickly as possible.

I am sending a copy of this letter to the Prime Minister, who had a brief on Datalink for her statement on Civil Service manpower on 13 May, and to Jim Prior.

*in
Chalker?*

Lynda
Chalker
MRS LYNDA CHALKER

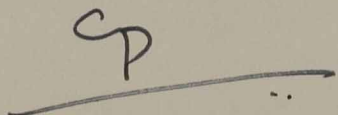
4 SEP 1980



Mr PATTISON

"AN AUSTRALIAN REMEDY FOR WHITEHALL'S ILLS?": LETTER FROM
AND ARTICLE BY MR RAY WHITNEY, MP

1. I attach a copy of letter from Mr Whitney to Sir Derek Rayner, together with an article written by him for the TIMES. In both, Mr Whitney advocates the establishment of a Prime Minister's Department, incorporating the Cabinet Office and its agencies; the CSD; the COI; and even the E&AD. This is suggested as an alternative to the CSD/Treasury merger which Mr Whitney sees as an improvement on the present CSD/Treasury separation but as marred by weaknesses, especially the loads on the Chancellor and the Chief Secretary.
2. The purpose of this minute is to take your advice on the suggestion at A/ in Mr Whitney's letter that he should meet Sir DR, should the latter wish to explore his ideas further. (Fortunately, no immediate reply is necessary or possible as both Sir DR and Mr Whitney are away for a fortnight.)
3. On the whole, I am disposed to advise Sir DR to thank Mr Whitney for his letter and for a copy of his article but to say that on this matter he is only one of several people whose advice the Prime Minister might seek and that it would be better for Mr Whitney to address himself to the Prime Minister direct. (Mr Whitney has, however, sent a copy of his letter to Mr Gow.)
4. If you thought that it would not cross wires or cause offence, however, Sir DR might agree to see Mr Whitney, being keen to encourage Parliamentary interest in efficiency matters wherever it arises. I doubt whether this could be done at a very early date and it would be necessary for this reason, among others, to indicate that decisions on the merger question are unlikely to be taken in the next few weeks.
5. As it happens, the impression available to this office of the Australian PMD is not favourable. One of Sir DR's old university acquaintances is an officer in the PMD, which he has recently described to Sir DR as over-large and a great creator of unnecessary work.
6. Sir DR will be receiving the Chairman of the Australian Public Service Board later this month and I myself have good contacts in the High Commission. Without making a song and dance about it, we could use these opportunities to obtain an informal view of the PMD, if that was thought helpful.


C PRIESTLEY
2 September 1980

Enc: Copy letter from Mr Whitney
to Sir Derek Rayner, plus
enclosure, 28 August.



CIVIL SERVICE DEPARTMENT
WHITEHALL LONDON SW1A 2AZ
Telephone 01 273 5400

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

Handwritten notes:
MJ CAV to see O/R
4-6 NBPM
Confidential
MAY 11.

Sir Derek Rayner
Cabinet Office
70 Whitehall
LONDON SW1

1 September 1980

Dear Derek,

INSPECTOR-GENERAL OF THE CIVIL SERVICE

1. Thank you for your letter of ~~27~~ August about the comments Douglas Wass and I sent you on ~~18~~ and ~~27~~ July about the proposition for an Inspector-General. *See Jap on p 9.*

2. The fundamental point that both Douglas Wass and I were making was that the functions you had in mind for the Inspector-General cannot be separated from those for which Treasury/CSD Ministers would need to remain responsible. Consequently, if there were to be an Inspector-General, he would need to draw his authority from those Ministers and be accountable to them. Your letter of 27 August does not dissent from that view, although paragraph 4 comes close to endorsing it.

3. If we are agreed on that fundamental point, I would - subject to Douglas Wass's views - certainly support your proposal that Julian Moore and Michael Hawtin should consider the Inspector-General proposition as part of their study of the central departments. But what they had to say about the Inspector-General should not, I presently believe, form part of their published report, and their formal terms of reference, as approved by the Prime Minister, should not, therefore, be amended.

4. I think that paragraph 6 of your letter may be based on a misunderstanding and one that illustrates the importance of the fundamental point Douglas Wass and I were making. If the Inspector-General drew his authority from the Ministers of

Sir Derek Rayner

1 September 1980

the central department(s) and was answerable to them, then I agree with you that there should be no difficulty in finding candidates for the post from within the Civil Service who could win the confidence of Ministers. Only if he were quite independent of the central department(s) - and that would be objectionable for the reasons Douglas Wass and I gave - would it be necessary to think in terms of an "outsider".

5. As to the size of the staff an Inspector-General would need, that is an aspect the study team would, of course, need to consider as part of their examination of the proposition as a whole. But I do not think that we should ask them to go into the points you make about complaints and suggestions. I say this for two reasons. First, they are already working to an extremely tight timetable and it is important that we should do nothing which would make it more difficult for them to meet it. Second, I think the issues involved are rather different from those to which the study team have been directed and I doubt, therefore, whether they would be best placed to take forward the thinking on the subject. I suggest that you, Douglas Wass and I should discuss it separately.

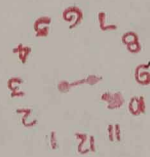
6. Finally, I suggest that we should not ask the study team to begin work on the proposition for an Inspector-General until, first, we have confirmed that we are all at one on the fundamental principle about the accountability of the Inspector-General and second, Douglas Wass has had an opportunity to consider and comment on this correspondence on his return from leave.

7. I am sending copies of this letter to Douglas Wass, Robert Armstrong and the Private Secretaries to the Prime Minister, the Chancellor of the Exchequer and the Lord President.

Yrs ever,

Ian

IAN BANCROFT



- 2 SEP 1980



10 DOWNING STREET

Prime Minister

Ray Whitney has sent me a copy of his letter to Derek Rayner of yesterday's date, together with a copy of the article which he has written for The Times about a possible "Prime Minister's Department" and these I attach.

29th August, 1980

Ian Gow

Michael A. - I mentioned this
to you. do we know any
more about Nelson
Lewis department?
mg



HOUSE OF COMMONS

LONDON SW1A 0AA

Telephone: 01-219-5099

28th August 1980

Sir Derek Rayner,
10, Downing Street,
London S.W.1.

Dear Sir Derek,

As a former civil servant, (I resigned as Head of the Overseas Information Department of the F.C.O. to fight the Wycombe by-election in April 1978) I am delighted that there now seems to be a wide measure of agreement that "something must be done" about the Civil Service Department - cautious though we should certainly be about major reorganisations of the Whitehall machine. I believe, however, that there is an alternative to the reunification of the C.S.D. with the Treasury which deserves careful examination and which is likely to offer much better results in the control of the Civil Service and the exercise of ministerial collective responsibility.

That alternative is the creation of a Prime Minister's Department. I enclose a copy of an article outlining this possibility written for The Times. (They intended to publish last week. I asked them to delay as I was overseas but we are now caught by the current strike.) Within the constraint of one thousand words, only the most general treatment was possible and some important issues (such as ministerial staffing of a P.M.D.) were not even mentioned but I hope the main message is reasonably clear.

I intend to write a pamphlet examining the proposal in suitable detail but this will take a few weeks to produce and I understand that decisions on the C.S.D. are to be taken fairly quickly. Should you, therefore, wish to meet to explore these ideas further, I should be very happy to do so. (I am away 2-16 September.) You will not need me to remind you that if we embark on organisational changes, we must get them right first time. We cannot afford more of the sort of mistakes made by the Heath government.

I believe that the solution set out in your paper addressed to the Civil Service Sub-Committee on 22 July has a number of weaknesses, (for example, the inappropriate - and probably

Sir Derek Rayner
28th August 1980

insupportable - loads which would be created for the Chancellor and Chief Secretary) which could be avoided with a Prime Minister's Department - although I certainly agree that a merger of the C.S.D. with the Treasury would be better than continuing with the present situation.

I first saw something of the working of the Australian Prime Minister's Department when I was seconded to the Australian Government for two years in the 1960's. I have recently brought myself up to date in talks with the Number Two in the Department and with other Australian ministers and officials.

Yours sincerely,

Ray White

c.c. Ian Gow Esq., M.P.

AN AUSTRALIAN REMEDY FOR WHITEHALL'S ILLS?

by Ray Whitney

There are two sets of problems which face British governments of every complexion - how to develop and project a cohesive set of policies when, inevitably, the Cabinet represents a balance of forces, and how to transform the smothering octopus of the civil service so that the talent it possesses can be better used for the modernisation of Britain.

In 1968 Harold Wilson turned to Fulton and his colleagues but fatally hamstrung their efforts by confining them to the civil service. They were not allowed to look at the machinery of government. A decade ago, David Howell, now in Mrs Thatcher's Cabinet, examined the problems in pamphlets advocating a "new style" of government. They make depressing reading today, when the structure he criticised is virtually unchanged and the situation is worse. In 1970 Ted Heath set up the Think Tank. In 1974 Harold Wilson formed a Policy Unit. In 1979 Margaret Thatcher recalled Sir Derek Rayner to work again on the civil service machine.

Many academics and other commentators continue to analyse the problems but fail to offer proposals for reforms which would be effective and quick-acting.

The bitter irony is that a solution has been on hand for a long time. It is one which could soon produce a more integrated government effort and also create the conditions for a fundamental overhaul of the administrative machine in the longer term. That solution

would be the creation of a Prime Minister's Department.

It is an idea^{which} has been resisted steadily by Ministers and mandarins, each group fearing that it would encroach on their own preserves of power. Even Prime Ministers have opposed it. Harold Wilson, preferring his own Byzantine manoeuvring, condemned it as a "delusion" and quoted with approval the assessment of Professor G. W. Jones that with such a Department a Prime Minister's "personal power and influence might be reduced."

Opponents of a Prime Minister's Department sometimes seek to support their case by pointing to experience overseas but take their examples from countries such as the United States and France where the constitutional, political and historical traditions differ so much from our own that they have little relevance. A much more valid case study is available.

Australia has had a Prime Minister's Department for nearly seventy years - and it works. It has changed over the years and it is certainly not without either faults or critics but there are few, if any, Australians in public life who do not regard it as an essential part of the government system. They find it difficult to understand how we can operate in Britain without a comparable arrangement.

The Prime Minister's Department in Canberra fulfills the same function as our Cabinet Office in servicing the Cabinet and its various Committees but it also does a great deal more. It is not merely a machine for shuffling the paper or even just for acting as arbitrator between Ministries in dispute. It operates eight

Divisions which cover the whole range of government activity and seek to achieve the maximum degree of co-ordination between the Ministries, in line with the overall policy laid down by the government of the day.

The Department is charged with assisting not only the Prime Minister but the Cabinet as a whole and has not meant that the Prime Minister becomes "Minister of everything". It ensures that the discussion of any new policy proposal is as informed as possible - which should surely be the aim for British Cabinets. For example, in Whitehall the rule that papers for discussion by Cabinet Committees should be received by participants 48 hours before the meeting ^{has often been used} ~~to reduce the~~ possibility of opposition being mobilised by other Departments.

In Australia the Prime Minister insists that, except for emergency issues, papers should be circulated by his Department ten days ahead of the discussion.

Each division of the Prime Minister's Department is staffed by high-quality people who are very experienced in the speciality they are covering. They are well equipped to probe and prod the other Ministries to ensure that each proposal put to the Cabinet or its various Committees has been fully researched and that the policy issues at stake are clearly spelt out. Sometimes they go too far and are disowned by the Prime Minister. They accept this as an occupational hazard, recognising the democratic necessity of political control.

When a submission from a Ministry is accepted and circulated, the Australian Prime Minister's Department prepares a short analysis and critique of the proposal, significantly improving the level of

debate of the issue in Cabinet. There is plenty of evidence - past and present - that British Cabinets need a similar service. Ministers tend to be so overwhelmed with the burden of running their own Departments that they usually have little time, energy or resources to concentrate on matters which are not their immediate concern. The temptation to say "That is X's problem. I'll leave it to him and hope he's got it right" is very strong.

The creation of a Prime Minister's Department could well lead to a reduction rather than further proliferation of the bureaucracy. Nor would it really involve a major upheaval - simply a re-definition and expansion of the current responsibilities of the Cabinet Office. A Prime Minister's Department could, with great advantage to the efficiency of the government machine, roll up the functions of the Cabinet Office and its agencies (including the CPRS which, under Sir Kenneth Berrill, declined sadly from the position it enjoyed under Lord Rothschild), the Civil Service Department, which has failed so lamentably to realise the hopes of the Fulton Committee and the Civil Service Commissioners. Other candidates for inclusion would be the Exchequer and Audit Department and the Central Office of Information. There would be great scope for staff economies as well as enormous improvement in policy co-ordination.

I do not underestimate the power of the forces of inertia and vested interest to defend our present inadequate system but I believe that there is an overwhelming case for examining carefully the Australian experience of the operation of a Prime Minister's Department. We must find - and quickly - a mechanism suited to present realities rather than to Cabinet government as it functioned in the nineteenth century.



Civil Service
[Signature]
Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

From the Minister's Private Office

G E T Green Esq
Private Secretary to Paul Channon
Civil Service Department
Whitehall
LONDON
SW1A 2AZ

28 August 1980

Dear Mr Green

AGREEMENT ON NEW TECHNOLOGY

My Minister has considered the proposal in Mr Channon's letter of 29 July to the Chancellor of the Exchequer. His own view is that pledges to avoid compulsory redundancy as a result of introducing new technology are in principle undesirable, could in some circumstances frustrate desirable innovations and may therefore be regarded as setting a rather unhappy example to the private sector. He accepts, however, that the pledge may have to be given, and agrees that this should be done if Mr Channon is convinced that this is the only way of securing the co-operation of the unions. He agrees with the Treasury view that the offer should be held back until the other elements of the national agreement have been sorted out, and attaches importance to its being subject to a break clause under which the Government could terminate it at six months' notice.

I am sending copies of this to the private secretaries to the Prime Minister and to the other recipients of Mr Channon's letter.

Yours sincerely

D. Jones

D Jones
Assistant Private Secretary



BFC *KW Civil Service*
CAJW to see ~~of~~ Sir
MND 27/8

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-~~53034223~~ 233 8224

27 August 1980

Sir Ian Bancroft GCB
Civil Service Department
Whitehall
London SW1

John G...
INSPECTOR-GENERAL OF THE CIVIL SERVICE

1. You very kindly wrote to me on 18 July in response to my note of 14 July on this subject. Douglas Wass also wrote on 21 July. I am grateful to you both for your letters and should be obliged if Douglas would very kindly treat this letter to you as being also a response to his.

*on Gov. Machinery
Pt 2: Future of
CS.*

2. We seem to be of one mind as to the importance of quality assurance in administration and operations. More important than this, it is apparent from the Prime Minister's meeting on 23 July and observations made to me separately by the Chancellor that there is a good deal of interest in and support for the idea of an officer having the functions I have described. The Chancellor's letter to me of 22 July on the review of the Treasury Expenditure Divisions emphasises that he has "considerable anxieties" about the effectiveness of existing machinery for promoting efficiency and avoiding waste. *will request if required*

3. The purpose of this letter accordingly is to see how we can best progress the matter.

4. I have offered the Chancellor some comments on the "out-posting" idea which, although I find it attractive in many ways, I think difficult to bring into effect. I believe that the answer to the Chancellor's anxieties is to be found, in time, in a policy for quality assurance, including as one of its elements a determined and sustained attack under the leadership of central Ministers on their causes. I hope that the "lasting reforms" programme will contribute something to this. As you know, I think a unified central department should, as far as officialdom is concerned, have the lead.

5. The work to be done by Messrs Hawtin and Moore seems to me to provide an excellent means of testing further my suggestions on the Inspector-General and your own and Douglas Wass's response. I would therefore like to suggest that the issue

should be specifically included in their work. I myself, or my office in my absence, would be glad to give them such further evidence as they might need.

6. I now go on to make a few comments on the points made by Douglas Wass and yourself. First, I very much agree that if the Inspector-General is seen as hostile and unimpressive, he will not get very far. I therefore emphasise once again the importance I attach to his role of encouragement and promotion. As for the source of the official appointed, I cannot agree that he has of necessity to come from outside the Civil Service. Given the amount and quality of the talent in the Service, I think that it should have enough self-confidence to be able to put forward a short list of candidates likely to be acceptable to Ministers. I can think of several and I am sure you can.

7. Secondly, Douglas's reference to the size of his staff. I still firmly believe that an Inspector-General of the right quality would not need, in effect, "a whole department". All my experience suggests that a small group of high quality people, with the right experience, directed to the right issues and so behaving as to make themselves acceptable within departments can help produce results out of all proportion to the size of their own operation.

8. Finally, complaints and suggestions.

9. Of course, I am not interested in encouraging marks in departments. But I do feel, quite frankly, that one has got to find some way of ensuring that the frustrations felt by officials are properly investigated, not as a matter of accusing their employing department but as a matter of applying a fresh mind to a problem where this is necessary.

10. As for complaints from the public, I do suggest that a good deal more could be done to learn from the normal mailbag, the cases considered by the Parliamentary Commissioner for Administration and, probably, cases handled by the Public Accounts Committee. This is, I quite accept, a knotty issue. The Service tends to be diligent, painstaking and courteous but not necessarily all that active in changing its ways. What one wants therefore, in my view, is a tension between the Inspector-General and departments, which recognises the responsibility of the latter for day-to-day administration and dealing with their own mailbag but provides the opportunity for a second opinion to be taken. This might be on the basis of themes common to the Service as a whole (eg forms) or something specific like taxation.

11. One of the reasons why I regard complaints as important is that, in the absence of the profit element, the level and nature of complaints offer one of the yardsticks by which administrative performance can be measured. Of course, one has to be selective about this. One has to be able to side-step the cracked or obsessed complainant. But I am concerned that many ordinary people do not feel that they get a good deal from government, rightly or wrongly. I think looking at volumes and

types of complaints would enable one systematically to identify the problems which could be handled.

12. I am copying this to Douglas Wass, Robert Armstrong and the Principal Private Secretaries to the Prime Minister and the Chancellor of the Exchequer.

for me
Derek

Derek Rayner



27 AUG 1980

Civil Service
MAP
MS
MAP
1986

MR



2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

13 August 1980

See Part 3

DEPARTMENTAL MANAGEMENT SYSTEMS

Thank you for your further letter of 23 July.

You raise a number of issues to which we shall no doubt return. But in the meantime I enclose a copy of my speech to my senior management on MINIS and other issues as promised.

I am copying this and the attachment to the Prime Minister and to Sir Derek Rayner.

Yours ever
MHE

MICHAEL HESELTINE

Paul Channon Esq MP

SECRETARY OF STATE'S ADDRESS TO SENIOR STAFF: 29 July 1980

This Government has now been in office for rather over a year.

It is appropriate for Ministers and officials in this Department to review together what we have achieved and where we move next.

I know that this period has seen enormous strains on the staff of the Department.

Two controversial, lengthy and fundamental Bills have been in Parliament which have affected many Directorates.

But almost every aspect of Departmental work policy has been subjected to a degree of unprecedented scrutiny as a consequence of the new management information system we have developed.

And all this has happened against a background of fierce manpower restraint.

I consider it important that all of us know the scale of commitment and change throughout the entire Department and I have a list of some 35 major initiatives or policy developments, or administrative changes available for you itemising only the headlines of the past 12 months.

A small sample illustrates the variety and depth of change and the demands upon the staff.

The Housing Bill will bring the Right to Buy; shorthold tenure;

the tenants charter; a radically overhauled improvement grant system; more shared ownership; a better rent rebate system; and a variety of other changes.

The Local Government Bill will introduce block grant; control of local authority capital spending; the abolition of bureaucratic statutory controls; better manpower and other statistical information; land registers; the repeal of the Community Land Act; urban development corporations; enterprise zones; a better planning system; and a framework for Direct Labour organisations.

We have set up the National Heritage Fund.

34 DOE-sponsored quangos have been abolished.

Office development permits have been scrapped.

We have accelerated the disposal of surplus government property.

And, of course, there has been a continuing and time consuming dialogue with local government on its need to cut its manpower and current spending.

As I have said, this is not a comprehensive catalogue.

But at the outset I cannot overstate my gratitude, which my Ministers share, to all those civil servants in the Department who have had to work incredibly hard to execute our policies.

I do not need to tell you that it is a simple fact of life

that if a Minister praises the civil service his remarks will go unreported.

On the other hand the slightest criticism is headline news. You have no right of reply and little opportunity to defend. It is particularly infuriating for those of us who know just how well served this country is by its civil servants to read the public sneer that it all too easy.

It is particularly galling when politicians join the chase often to cover up their own deficiencies.

I happen to believe that accusations by politicians who have been in office about the conspiracy of Whitehall say more about the failings of their authors than of the civil service.

Dick Crossman's diaries to my mind illustrate not the obstructive nature of the civil service: rather they demonstrated his own preferences for discussion as opposed to decision.

Anthony Wedgewood Benn's recent allegations that he was frustrated by his civil servants are a rewrite of history.

It was not his civil servants that stopped him.

It was his Prime Minister and his colleagues who found the policies in which he believed quite unacceptable.

As far as I am concerned, the officials in this Department could not have been more helpful, constructive and co-operative in working for the objectives which it is the responsibility of Ministers to set.

We have changed the direction of the last 5 years quite dramatically and on a wide front reversing policies on which many of you have been working over those years. I have never found a trace of obstructiveness. Of course you will point to weaknesses in ideas we put forward. That is your duty and your training. It is the task of the Department to present an issue in the round.

Too often as politicians we may not realise the pitfalls into which we may fall, the consequential which may follow, and the effects which may result that we do not intend. That is not obstruction.

Obstruction starts when having heard the arguments Ministers give clear decisions which are not acted on.

It would be a travesty of the truth to suggest that there is a hint of that.

In this Department I have been impressed by the ability of my advisors to set out the whole picture.

Over the last 15 months, often on nearly impossible timetables, submissions have been produced, solutions found, and policies enunciated in a way that would be the envy of the private sector.

On that evidence this Department includes staff of the highest calibre.

Of course there are arguments often about deeply held convictions but given a decision there is also loyalty to the Ministerial office.

There is a flexibility and openness of mind which I greatly respect.

There is imagination and energy.

For all these things I am grateful.

This leads me directly into the next point I want to discuss, which is manpower.

You may ask the legitimate question: when I think so highly of the civil service machine is it right that I should have spent a good deal of the last year in trying to reduce the numbers employed in it?

There is no inherent contradiction.

As I have explained on the previous two occasions that I have spoken to you, I want a Department that does all the jobs that it has to do superbly well.

But I do not want the public sector to do things it does not need to do or that the private sector can do better or that the nation cannot afford.

It would be very surprising with my underlying philosophy if I wanted a Department structured and operating on the scale of my predecessors.

The nature of our work means that most of any change I

bring about will reflect itself in the number of people the Department employs and the way they approach their work.

Between 1 May 1979 and 1 July 1980 staff in the Department reduced by 4,683: from 52,122 to 47,439.

A reduction of 9%.

The reduction in non-industrial staff was about 6½%;

The reduction in industrial staff was about 12½%.

Over that period the number of staff in the open structure - under secretary and above - remained constant at 73.

And the same is broadly true in the Principal grades and above.

But as I shall explain later that will now change as a result of the detailed reviews we are completing.

I understand the strains that a continuing manpower squeeze place on senior management.

But I happen to believe that the Department that will result in a leaner and tauter form should be : more satisfying to work in.

This will depend very much on ensuring the right balance between manpower and tasks.

It is here that we have undertaken the most radical innovations of policy through the MINIS system.

Ministers have not traditionally been involved in the day-to-day management of their Department.

This has meant that most Ministers have simply not known except in the most general way what goes on, where, and why. But it was more than that.

The basic management systems just do not exist whereby anyone else knew either.

The MINIS information changes this.

We now know what you do and at what cost.

I can discuss questions of whether the work needs to be done at all, and whether it needs more or less resource.

We can discuss the attitude and style needed for particular subject areas, and the appropriate organisation and working methods.

This novel approach has taken a great deal of effort.

But I believe it is fundamental to everything we do.

X. I believe this because for each area of policy my objective is to do only what government needs to do, leaving the rest to others, perhaps outside the public sector.

Whatever we do, we should do to the highest standards.

We do consume enormous resources: it is our duty to be satisfied that these resources are used properly.

We have a great variety of expertise, professional and administrative, in the Department: we need to be satisfied that we are using it properly.

MINIS enables us to ask questions about the long term implications of what we are doing.

It questions objectives which, in many cases, were set years ago. Not only does it enable Ministers to ask these questions but it also ensures that Heads of Directorates and senior civil servants ask themselves fundamental questions about costs and priorities in the use of resources....

I have referred to work that the private sector can do better than us.

An obvious example to me is Direct Labour, including design. No large government department answerable for every detail to Parliament can get its costs down to the level of the private sector.

The overhead of government is large and unavoidable.

But it is also for me desirable that we should play a role in creating and developing private companies because, at a second stage, it is they who will use their resources overseas or in seeking new markets with a flexibility that is no part of our function.

Other work from which we will withdraw can be broadly described as the double and often triple check approach. Project control in housing and the even less defensible situation in the voluntary housing movement are particular targets in this area.

MINIS will certainly lead to a different looking Department. In DOE Central I would expect, as a result of the scrutiny of the organisations which has been a feature of this round, that we will move to a smaller Department.

So far I expect to see about half a dozen fewer directorates (approx 10%) and perhaps 25 or so fewer divisions.

But MINIS has produced a dialogue about much more than just numbers employed.

It has revealed attitudes to organisational structure and personal involvement which we are changing.

I should like to describe some of my personal reactions to MINIS.

I have now had 19 meetings - as my office have told me, the MINIS exercise has made greater demands on my time than almost any other aspect of work over the last 4 months. The view I am left with, as the first round nears an end, is that the Department grew like Topsy.

There is a tendency for any organisation, in the private or the public sector, to grow.

People want to do more, to do better.

In the private sector, the restraint of the market restricts growth to what the company can afford.

This restriction does not operate in the same way - or until now has not operated - in the public sector.

The constraints are remote, the whim of political change.

There is a ~~market~~ affect.

It is easy like Topsy to grow.

Retrenchment is for the other man or other Department.

And because, far too often, no Minister has known what was actually happening within a directorate he has lacked the knowledge to prevail over the special pleading that characterises any attempt to introduce change anywhere.

This lack of knowledge represents above all political rather than administrative failure.

Politicians ought to know.

But I think other points emerged from the detailed analysis we have done.

Each in itself is relatively small in the scale of this Department.

But there is a wider issue.

The impact of Government is today immense through its interface with the private sector.

Our attitudes and practices set a very significant climate against which many companies operate and from which many managers take the pace.

Let me give some examples.

First - Responsibility for decision taking is often diffused.

When we have looked at specific policy areas we have found

flat-headed pyramids where at the top 3 or 4 people share responsibility.

All too often no one person identifies a specific area as his. This must encourage reactive policy.

We are trying to give a sharper focus so that there is a much clearer identification of person and responsibility for specific large range subjects.

Second - one of the strengths of the service is the ability of its members to move by transfer and promotion sideways and upwards from one subject to another.

As one progresses through one's career one moves in this lateral way to take charge of policy areas over which one may have had no personal experience but within which many people are employed.

The pressure of just doing the job and the lack of management information tend to leave great areas of the bureaucracy outside detailed senior management scrutiny as a consequence.

The simpler disciplines of the private sector and the fact that most promotion is up through the same discipline

(sales, finance, production) tends in my view to lead to the senior manager knowing more about the job his juniors are meant to do. This lack of detailed knowledge by managers is the price we pay in the public service for the availability of people who have had a wide range of experience and can turn their hand to almost any task.

Third - too often I have found separate divisions operating directly in the same field because the administrators are apart from the professional and technical staff.

Not only does this lead to excess manpower and extra divisions but it can leave the "expert" at one remove from decision

taking.

I want to see far more fusion of the disciplines both by bedding out technical experts with administrative divisions and also where possible by putting the qualified expert in charge of such divisions.

Fourth - heads of division did not know what the services they provide costs in wages and salaries.

I have no doubt that the changes we have made have had a beneficial effect but there is still a long way to go.

Fifth - there has been a marked lack of creative tension between those responsible for providing the services and those spending the money on the one hand and those responsible for the accounting side of the services on the other.

The criticising and constructive role of the management accountant is too low key.

You will all know that this was one of the first changes we made and I would like to pay personal thanks

to the team who designed and implemented the MINIS system - and particularly to Ken Ennals and David Bradley.

Sixth - by examining in detail the very large Research and Development programme of this Department it has emerged that virtually all of it is placed with the public sector. This does not in my mind reflect a proper balance of national priority and ignores the significant benefit that overseas companies get from the R & D programmes of their governments.

These are very much my personal observations.

MINIS has thrown up many proposals for change, and these will be followed through.

In some senses, the style and method of operation that Ministers want to see may be more important than the simple shedding of functions.

For the future, I want to build on the system we have developed together over the last 6 months.

I regard the merits of a management information system as proved.

But I would welcome your views.

I would like your ideas on how the MINIS system should now be developed.

I would like to see some simplification of the administration involved in preparing the MINIS reports in the next MINIS round.

I will listen carefully to all that Directors have to say both on the detail and on the principle.

I hope the achievements of the last year will have produced a high level of morale among those who have been involved with them, even though it has meant - and continues to mean - some near-intolerable pressure of work.

However I realise there are other large areas of work in the Department where the main impact of the present administration is the prospect of change in organisation, often change designed to bring about contraction.

I am acutely aware that such prospects cause uncertainty and anxiety.

And I shall not dodge the central issue of the effect on morale of the Government's recent decision on civil service pay.

A central plank of our policy towards inflation has been the need for both management and unions to act responsibly in pay bargaining.

In encouraging management in the private sector to behave in that way, we believed it was essential for Government to set its own example, although recognising there would be unpleasant consequences and that the decisions we took

would bear hard upon certain groups.

At some stage the vicious upward cycle of pay and price inflation has to be stopped.

We cannot as employers ignore the fact that all over the country jobs are being lost in company after company through lay offs, redundancies and bankruptcy as we fight to change the inflationary climate.

The private sector is now paying a very heavy price.

It would be unthinkable for the government not to recognise the consequences on the morale of the private sector if we did not clearly play our part in reducing the expectations of wage settlements.

That said, I personally also happen to believe that the civil service pay structure is far too inflexible.

There is not enough scope for rewarding more highly those who deserve higher rewards.

I would like to see develop a system which gives much more flexibility to the head of the individual Department.

I hope that whatever your views on the decisions we have taken on pay, and will have to go on taking, you will be able to understand the reasons behind them.

Over the next year there will be major and exciting changes within the Department.

For the regional offices, the Housing Bill and the Local Government Planning and Land Bill, will mean changes involving dropping a lot of the detailed work on housing and taking on new and much more promotional work on inner areas - enterprise zones; enterprise agencies; land registers; the 2 UDCs; and the new tripartite local government/Central Government/private sector approach for perhaps 30 or so cities working through the CBI, the ABCC or through individual firms that will provide the stimulus to faster economic revival.

On top of all these changes I have set up a study of the regional offices which will report to me at the end of next month.

It is building on the material already available and is specifically taking account of the requirements of new legislation and the other new initiatives I have just been talking about.

To those of you who are particularly concerned with regional offices I would leave 3 thoughts.

Firstly, I have taken no decisions about the future number and organisation of regional offices except that I strongly believe in the need for the Government - and particularly this Department - to have an effective regional presence.

Secondly, I will reach a decision as soon as possible after I have the study report and after the Staff Side have had an opportunity of putting their views to me on any proposals for change.

Third - and this is the most important of the points - I attach the greatest weight to the regional offices playing a positive and energetic role often in areas of activity in which we have not operated in the past.

One administrative change I want is that there is one identifiable person in the Department through whom as many of the Departments contacts as possible are channelled. It will help local government and private industry working with us on land registers, urban programmes and many other issues if they have one person to deal with.

And I believe it will heighten that person's knowledge of the area concerned.

It will help our understanding of and involvement with a town if we are represented by someone who spends time in it.

Who knows its needs and can quickly match to them those areas of help that we offer and administer.

We are putting the full weight of this Department behind local communities and industry in their difficult but essential task of creating wealth, jobs and opportunities.

This will mean new functions and, above all, a new style.

I believe you will find both the content and style worthwhile.

I ought to say a word about the PSA.

I have begun MINIS meetings with the PSA.

The PSA has an important role in the management of the Government estate - indeed a vital role in support of the Armed Forces and serving the operational needs of Government. The question is not whether the work needs to be done but how it is done and by whom.

I want to see PSA enlisting the resources of the private sector across the whole range of its work - and working with the private sector so as to stimulate it and improve its performance.

There is immense scope here for a positive and constructive approach.

We are a vast customer with a procurement budget to match.

The private sector in its most enlightened form would not hesitate to join a constructive dialogue with its suppliers to strengthen their product and their performance.

There is considerable scope here for the PSA as customers and patron.

We shall be exploring how it can help companies improve the products they sell to us, to strengthen their exporting capability and to stimulate through competition the pursuit of architectural quality and excellence.

This Department is not only through the PSA a major employer of labour but we also sponsor the construction industry. We shall explore particularly through our membership of the Building and Civil Engineering EDCs all avenues to support the industry.

I want to see PSA as a thoroughly professional and efficient organisation, managing the Government's vast property portfolio, managing the Government's building programme and acting as a strong influence for good on the quality of the environment and on the construction industry.

This does mean change - in attitudes, responsibilities and working methods.

But it also means that I see a strong positive role for PSA.

Undoubtedly far more of the work will actually be carried out in the private sector.

But the tasks of managing the government estate and supporting our defence capability will remain huge and essential.

For DOE generally, I cannot see the next year being any less of a strain for officials in this Department than the previous one has been.

The manpower squeeze continues, and we shall have the outcome of the first MINIS round to implement.

There will also be the major task of implementing the 2 major

pieces of legislation.

We hope for a lighter legislative load next session, but we also hope for some new DOE legislation too.

The Department's relationship with local government will be at the core of much of the work over the next 12 months.

But let us have no doubt about the massive contribution we can make not just to the work of this Department but also to the wider well being of the British economy and environment.



14 AUG 1980

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MAR (oe) E6
MS

CABINET OFFICE

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1. ~~Press Office~~ to see
2. na

With the compliments of

MP
18/8.

Mrs. P. Johnson.

70 Whitehall, London SW1A 2AS

Telephone 01 233 8224

Telegrams
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Michael House,
Baker Street,
London, W.1

From Sir Derek Rayner
13 August 1980

Dear Sir,

I am writing in haste as I am about to leave for the Continent. This evening's edition of the Evening News, with a full page report by Chapman Pincher, is I am afraid an example of being misled as to the purpose of an interview.

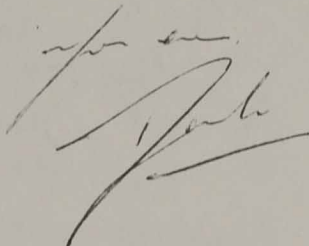
Harry Chapman Pincher is a friend of my Chairman and I meet him from time to time down at the Chairman's home. As you will see from the attached letter, I agreed to be profiled for a series in the colour supplement of the Evening News, which was to be along the lines of the article he had done on Lord Sieff. When he visited me here a short time ago indeed the interview was largely about my personal career and life outside the business but, naturally, he turned to my present work in Government. As you will note in the part not affecting statistics, he has managed to turn round my assertions that the work is done by Civil Servants, and that I am engaged in an advisory capacity was also somewhat distorted. This was in spite of the fact that I sent him last week, as I had promised to do, the published Evidence I gave to the Treasury and Civil Service Committee, which contains a great deal of the detail of my work, from which it was clearly drawn, not discussed when we met.

He turned, as indeed do many people to whom I speak, to the amount of forms and paper generated by Government and its impact on the citizen, and asked if he could see the collection of forms which had been assembled here. I could hardly refuse him admission and he spent no more than a few minutes asking questions. I stated that work was well in hand on reducing this load and that the need for reduction was accepted but, again, as you see, this has been turned round to a provocative statement.

Frankly, I have kept a very low profile in respect of the press but there clearly is a limit as to how long I can keep them all at bay, particularly as, with lack of information, they tend to guess or go to others. I have just completed interviews also with Hennessy of The Times and Kellner of the Sunday Times and await to see what

/...

they make of the interviews which were held in Whitehall, with Clive Priestley present, because they were set up for a different purpose from the Chapman Pincher interview. Frankly, I do not know what they will write, as they usually have some flag to fly which they do not reveal in asking questions. I intend to have a spell of freedom from the press again after this round, as needless to say, it is not only disturbing for people like yourself to read this kind of copy, but is also largely counter-productive to what I am trying to do.

A handwritten signature in dark ink, appearing to be 'John Boreham', written in a cursive style.

Sir John Boreham KCB
Director and Head of the Government Statistical Service
Central Statistical Office
Whitehall
LONDON
SW1A 2AS

16 Church Street, Kintbury, Newbury, Berkshire. Telephone: Kintbury 397

24.4.80

Dear Derek,

I am most grateful to you for agreeing to be 'profiled' for my series in the colour supplement of the Evening News. As you may know Marcus was very pleased with my effort there on him.

I would be indebted if you could manage to do it sooner rather than later as I need you to leaven the loaf of military gentlemen, of whom I have had something of a succession.

We have moved to the above address, which is glorious and very close to Marcus. Are you going to be staying with him in the near future? It would be marvellous to slip over and interview you there in relaxation.

Yours ever,

Harry
Chapman Fincher.



26 AUG 1980



17 4 AUG 1980



✓ M.A.

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

13 August 1980

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

Dr. [unclear]

AGREEMENT ON NEW TECHNOLOGY

Mr. Channon wrote to the Chancellor of the Exchequer on 29 July about a possible agreement with the Civil Service Unions on new technology. I am afraid the Chancellor has not had the chance to study this question; this letter represents the advice of his main Departments, and cannot be held to commit him. But you may find it helpful to have a reply before your deadline, and I have no reason to think the Chancellor would dissent from the advice he has received. The announcement which the Government have just made on the computerisation of PAYE has, of course, taken much of the urgency out of this question so far as the Chancellor's Departments are concerned, but it remains an important general issue.

Our understanding is that the proposed break clause would apply to the whole agreement (which would cover the Civil Service generally), so that the price of invoking the clause might be heavy. In practice, therefore, the protection which it offers seems pretty limited. I am sure the Chancellor would have preferred to avoid a pledge; but if Mr. Channon is convinced that it is the only way of securing the co-operation of the unions, the Chancellor would, I think, agree that it should be offered, but that the offer should be held back until the other elements of the national agreement have been sorted out.

I am sending a copy of this to private secretaries to the Prime Minister and to the other recipients of Mr. Channon's letter.

Yes we,
M.A.

M.A. HALL

14 AUG 1980

10 9 8 7 6 5 4 3 2 1
R R I



Civil ✓ MP
Service

DEPARTMENT OF HEALTH & SOCIAL SECURITY
Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

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

// August 1980

Dear Paul,

AGREEMENT ON NEW TECHNOLOGY

Thank you for copying to me your letter of 29 July to Geoffrey Howe about the possibility of offering a no redundancy pledge to the Trade Union Side in the New Technology negotiations.

I very much share your view that we are unlikely to achieve progress in these negotiations without making such a pledge. In DHSS, for example, the Trade Unions are pressing for an agreement which would include a guarantee that there would be no job losses as a result of new technology. They argue that staff made surplus by the introduction of new technology should be redeployed to improve services to the public and to provide for shorter working hours or increased leave allowances or the like. So far, they have not given any indication that they would be prepared to settle for a no redundancy pledge but I suspect this is the least we shall need to reach agreement on the introduction of new technology. Clearly, we cannot provide a no job loss guarantee.

Your letter mentions some of the difficulties we are likely to encounter if we agree that there should be no redundancies. In this Department the wastage rate, particularly among staff in the lower grades whose jobs are most likely to disappear with mechanisation, is fairly high. My manpower planning suggests that the substantial manpower reductions which I intend to make during the next four years can be achieved without compulsory redundancy, although I have not of course been prepared to give a commitment to the Unions to this effect since the existing Civil Service redundancy agreement means that the Service must be looked at as a whole. I realise that if, in the future, reductions through economy measures coincide with the introduction of large scale new technological projects, I may not be able quickly to make the necessary adjustments for all the staff reductions through natural wastage at every location. In some of the more remote parts of the country we may have to retain surplus staff in some local offices for a time while natural wastage takes effect, and I would need to be able to fund a gradual rundown, although experience suggests this is not an insuperable problem.

Without a National New Technology agreement, however, I see considerable difficulties in introducing any large scale projects. The current mood of the DHSS Unions is not to co-operate, as their attitude on Datalink indicates. Datalink is in fact a relatively small project which will save 17 posts only net. Camelot, on the other hand, is of much greater importance, not only because it will produce savings of about 2,800 posts, but also because it represents the first major break-through in the modernisation of the way in which we administer the local office end of the social security system. I feel sure that without the Unions' co-operation its introduction could be seriously hampered and delayed, although it would be my intention to drive it through if necessary. Negotiation with the Unions at Departmental level will not lead to the Unions in DHSS lifting their ban, because the corner-stone of their case is the securing of benefits for their members, which is beyond the scope of Departmental discussions.

A no-redundancy pledge seems to be a relatively small and realistic price to pay if this will pave the way for a new technology agreement and the lifting of the Unions' ban. However, I do agree that in this rapidly developing field such a commitment could not be open-ended. Nobody can give a guarantee for all time. Including the sort of break-clause you suggest might I suppose create some suspicion among the Unions and it may be preferable if we were to offer a no compulsory redundancy for a fixed period, say, four years. This is the kind of period over which we can make realistic projections and it could be reviewed, under an agreement, at set intervals. I agree too that there could be practical problems in distinguishing between those made surplus because of "new technology" and those made surplus for other reasons, but I do not think it should be beyond the wit of management to overcome such problems.

I note your references to datalink, and now that we have the Law Officers' Opinion we are considering whether to proceed by administrative action. Lynda Chalker will be writing to you about this shortly.

I am copying this letter to recipients of yours.

Your ever

Ratub

HOUSE OF LORDS,
S.W.1



*With the
Lord Chancellor's Compliments*



CONFIDENTIAL

Civil Serv

HOUSE OF LORDS,
SW1A 0PW

8 August 1980

My dear Paul:

Agreement on New Technology

I have seen a copy of your letter of 29th July to Geoffrey Howe. As far as my responsibilities are concerned, I would have no objection to your giving a pledge of no compulsory redundancies, provided it included a break clause on the lines you envisage, and provided that it was also made clear that the pledge extended only to posts made surplus as a result of the introduction of new technology and not from other causes. I hope that the implementation of new technology projects here would proceed more smoothly if this could be done within the framework of a national agreement, and I would accept the proposed pledge as the price of getting such an agreement.

I am sending a copy of this letter to the recipients of yours.

Yrs:

Paul Channon Esq MP
Minister of State
Civil Service Department

11 AUG 1980



✓ MAF

CONFIDENTIAL



QUEEN ANNE'S GATE
LONDON SW1H 9AT

8 August 1980

Dear Paul

Thank you for your letter of 29th July about an agreement on new technology.

All I need say at this point is that I agree with your proposals. Although there may well be difficulties from time to time about the introduction of new technology in the many different parts of the Home Office, we hope to be able to keep low the numbers of staff directly threatened by redundancy. In those situations the acceptance in principle of new technology subject to no detriment to staff that our Trade Union Side have expressed could be very useful, and I should like to be seen to buttress this by something positive. Your undertaking seems to fit the bill.

I am copying this letter to the recipients of yours.

*Yours
Walter*

CONFIDENTIAL

The Rt. Hon. Paul Channon, M.P.

- 8 AUG 1980





Caxton House Tothill Street London SW1H 9NA

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Rt Hon Paul Channon MP
Minister of State
Civil Service Department
Whitehall
LONDON SW1A 2AZ

8 August 1980

Dear Minister of State

AGREEMENT ON NEW TECHNOLOGY

You sent me a copy of your letter of 29 July to Geoffrey Howe.

We have been urging other employers and unions to reach agreement on the rapid introduction of new technology. So far as the Civil Service is concerned, whether a national agreement is worthwhile will depend on its detailed terms. It will be essential not to give too much away.

Almost every agreement on new technology outside the Civil Service contains a no redundancy clause. My view is that, on balance, a framework agreement for the Civil Service is desirable if it can be obtained on acceptable terms and that in that case a no redundancy pledge is a price worth paying.

But there is no doubt that there is a price to be paid, in the form of increasing the potential difficulties of reducing Civil Service manpower. For example, in order to achieve the cuts required of it, the Manpower Service Commission may have to make redundant small numbers of non-mobile and specialist staff in a few (mainly isolated) locations where they cannot be absorbed into other offices within daily travelling distance or redeployed into appropriate specialist posts elsewhere. The MSC consider that none of their present computer developments will in themselves lead to redundancies. But at the same time as the staff cuts various computer developments will be going ahead in many MSC offices, so that there will be plenty of scope for arguing that any redundancies arise from the introduction of new technology, rather than their real cause is the manpower cuts; and there is indeed a connexion between the two, for the first reduces departments' capacity to avoid redundancies arising from the second. For these reasons, a no redundancy pledge and allegations about breaking it may lead to industrial relations problems and may cause us some delays in achieving staff cuts. But overall I see these as a reasonable price to pay in return for the benefit of a national agreement.



You suggest that either side might be able to withdraw from a no redundancy pledge after giving 6 months' notice. While the unions might accept such a clause on the whole agreement, as this is normal practice, I doubt very much whether they would accept it linked directly to the no redundancy pledge. And, in practice, for the Official Side to give notice of termination would be a very difficult course in industrial relations terms and liable to cause much alarm among staff generally. An alternative might be to think in terms of a specific time for which the pledge would apply - though there are similar difficulties in this approach.

Finally, it is vital that Departments must not be inhibited from pressing forward with new technology projects by administrative action while the talks on a national agreement are taking place. We will be happy to tell you, at official level, about any such projects, but I think that the final decision on whether it would be fruitful for the CSD to discuss such projects with the Trade Union Side at national level must rest with the Departments concerned.

I am copying this letter to the recipients of yours.

John Palmer

[Signature]

/Approved by the Secretary
of State and signed in his
absence/

- 18 AUG 1980





SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon Paul Channon MP
Minister of State
Civil Service Department
Whitehall
London
SW1A 2AZ

✓ MAX

1 August 1980

CONFIDENTIAL

Mr Minister,

AGREEMENT ON NEW TECHNOLOGY

Thank you for copying to me your letter of 29 July to Geoffrey Howe.

I agree on balance that we should offer a pledge (subject to termination at 6 months' notice by either side) of no compulsory redundancy as a result of new technology but hold back the offer until the other elements of the national agreement have been sorted out.

My impression is that, in the absence of an agreement, local unions, with the backing of their headquarters, could successfully resist particular projects even though the staff themselves wanted to use modern equipment. We have had two projects this year (Registration of Title to Land in Scotland and Fines Accounting in one sheriff court) where, although the staff were keen to proceed, the local unions would not agree until they had had clearance from their headquarters. That clearance was obtained by negotiation but I doubt if we would be so successful again if the Government refuse the no-redundancy pledge. Union co-operation could still be withdrawn in both of these projects.

I have no other computer projects where agreement cannot be reached with the departmental unions. My staff are ready to go ahead with some further Word Processor proposals. We have already installed several, mostly single-line display, models. But we have been holding our hand until we receive from CSD the report expected shortly on the results of the trials undertaken to evaluate word processing equipment for typists under controlled conditions. Given the hard line taken by CPSA in the Scottish Office, we see no advantage in trying to proceed until the report is available.

I am sending copies of this as in your letter.

Gavin Lewis,

Secretary of State

Approved by the Secretary of State
and signed in his absence.

CONFIDENTIAL



Lord Advocate's Chambers
Fielden House
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London SW1P 3SL

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The Rt Hon Paul Channon MP
Minister of State
Civil Service Department
Whitehall
LONDON SW1A 2AZ

7 August 1980

Dear Paul,

AGREEMENT ON NEW TECHNOLOGY

I have seen your letter of 29 July to Geoffrey Howe regarding an agreement on new technology.

My officials concerned with the Crown Office and Procurator Fiscal service in Scotland are at the present moment negotiating with the Departmental staff side regarding the effect of introduction of computers and word-processing equipment. We would welcome a pledge such as you propose.

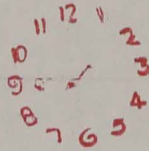
As one of the objects of introducing such machinery is to save on manpower we would expect to achieve some savings, but the indications are that we could do so by natural wastage.

I am copying this letter to the recipients of yours.

*Yours ever,
James*

CONFIDENTIAL

- 8 AUG 1980





✓
JHP

*With the Compliments
of*

LORD ADVOCATE

7 August 1980

LORD ADVOCATE'S CHAMBERS
FIELDEN HOUSE
10 GREAT COLLEGE STREET
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SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
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[Handwritten initials]

01 211 6402

Rt Hon Paul Channon Esq
Minister of State
Civil Service Department

7 August 1980

Dear Paul

AGREEMENT ON NEW TECHNOLOGY

Thank you for sending me a copy of your letter of 29 July to Geoffrey Howe.

Although I foresee that in some Departments there might well be problems in differentiating between redundancies arising from new technology and from other causes, I see no reason to dissent from your proposal to offer a qualified pledge to the Civil Service Unions.

I foresee no problems arising in this Department. We are examining in collaboration with the CSD and Staff Side the possibility of introducing a Word Processing facility but it is now unlikely that redundancy will be a factor to be considered.

I am copying this letter to the recipients of yours.

[Handwritten initials]

D A R Howell

David
[Handwritten signature]

8-8 AUG 1980

7 6 5 4 3 2 1
10 11 12



CONFIDENTIAL



✓ MAD

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 8000
DIRECT DIALING 01-218 2111/3

MO 2/2/6

7th August 1980

Dear Paul,

AGREEMENT ON NEW TECHNOLOGY

Thank you for sending me a copy of your letter to Geoffrey Howe of 29th July.

Although we have not in the Ministry of Defence so far encountered any difficulties over the introduction of new technology of the kind outlined in your letter, and have made considerable progress with both large computers and office machinery, I recognise that Union resistance in certain areas could be effective. We too consider that, given the nature of the central discussions in recent months, progress with the Unions on a Civil Service wide front on this subject is unlikely without a guarantee of some kind. I therefore reluctantly agree that Official Side negotiators may, to avoid a breakdown in negotiations, hold out the prospect of a limited pledge on no compulsory redundancy. The more discretion that can be left to individual Departments the better.

The form of the pledge still needs careful thought. I am not certain that limiting the pledge by the insertion of a break clause providing for termination at six months' notice will serve much useful purpose. The Unions may see little benefit in it to them and will not be satisfied with an agreement which the Official Side could terminate after a relatively short period. The alternative is to have a four year agreement.

CONFIDENTIAL



This is about as far ahead as we can reasonably assess the manpower implications of new technology: 1st April 1984 might appear attractive to the Unions in that it gives a pledge covering the current numbers reduction exercise. Whatever the agreement it must be recognised that we may have to pay a price in limitations on management flexibility. We can only hope that the traditionally high turnover of staff in these areas will mean that surpluses can be dealt with in other ways than by compulsory redundancy.

I am sending copies of this letter to the recipients of yours.

Janssen

Francis

Francis Pym

CONFIDENTIAL

1-8 AUG 1980





Minister of State

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

6 August 1980

The Rt Hon William Whitelaw CH MC MP
Secretary of State
Home Office
50 Queen Anne's Gate
London
SW1H 9AT

Jim Willie

STAFF INSPECTION

At Cabinet on 1 May I was invited to bring forward proposals for improving the effectiveness of staff inspection.

... 2. I attach a paper which contains proposals for strengthening the management and deployment of staff inspectors, the quality of staff inspection and also the rate of implementing recommendations by staff inspectors. These proposals have been discussed with Departments. They are in line with action which is already in hand in a number of departments to strengthen staff inspection.

3. There are three key points. I hope colleagues will be able to give personal attention to progress on these in their Departments:

a. Implementation

In recent years there has been a worrying drop in the rate at which recommendations by staff inspection for staff reductions have been implemented. Service-wide, in 1978, under a third of such recommendations had been implemented six months after inspection reports had been received. While Staff Inspectors are not always right, we need to get a very much better rate of implementation. I suggest in the note that, where there is unjustified delay in implementation beyond three months after production of an inspection report, senior management in the Department should personally intervene.

b. Management and Deployment

If we are to get the best out of staff inspection, there needs to be clear and positive arrangements for its management. I suggest that, where this is not already the case, a relatively senior official should carry responsibility and accountability for staff inspection performance. There should be a shift of emphasis from routine cyclical inspections to a rather greater concentration of effort in areas in which staff inspectors are likely to make the greatest contribution to efficiency.

(Cont'd...)

c. Maintaining a Healthy Staff Inspection System

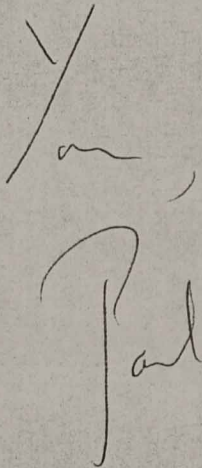
There have been improvements in the past which have not been sustained. There is a need regularly to monitor staff inspection to see that it is performing as effectively as it should. The suggestion of an annual report to Ministers and senior officials in each Department is designed to help with this. I suggest that the first such report should be produced at the end of this year so that we can review progress early in the new year and see whether more needs to be done.

4. Staff inspection is of course only one means of improving efficiency. Work on some of Sir Derek Rayner's "lasting reforms" proposals is continuing but I believe that action along the lines proposed in the paper should not meanwhile be delayed. We can take account of any new points which emerge from the further work.

5. None of the changes proposed should inhibit the independence and the objectivity of staff inspection. That is crucial to obtain continued co-operation. But I do believe that we have a right to expect that strengthened staff inspection with firm support and direction from senior management should be able to make an important contribution to improved efficiency and economies in the use of staff in Departments.

6. I am sending a copy of this letter to all Ministers in charge of Departments and for information to the Prime Minister and also to Sir Derek Rayner and to Sir Robert Armstrong.

PAUL CHANNON

A handwritten signature in dark ink, appearing to read 'Paul', is written over the typed name. The signature is stylized with a large initial 'P' and a trailing flourish.

STRENGTHENING STAFF INSPECTION

Note by Minister of State, CSD

The task of staff inspection is "to ensure that the number of staff is adequate, but not excessive, to carry out necessary functions, that the staff are properly graded, that the organisational structure within which the work is carried out is appropriate to it, and that essential work is not left undone". If this task is undertaken effectively, experience shows that it can make a valuable contribution to efficiency.

CSD has conducted various studies of staff inspection in the Civil Service, including field enquiries in a number of departments. The results show that while much good work is being done there is nevertheless considerable scope for improvement.

Implementation

Greatest benefit is derived from staff inspection when decisions on the recommendations are reached and implemented within a reasonable time-scale. There is little difficulty in obtaining acceptance of recommendations for increases. There are sometimes problems about gaining agreement to reductions and downgradings. While the figures I have seen must be treated with caution, I was discouraged to find for example that of the net 2,500 reductions recommended in 1978, only 800 had been firmly agreed with line management six months after the inspection report was produced. Inquiry shows that the main reason for this is allowing scope for line managers and the unions to prolong the argument. The position will vary from department to department and although we cannot expect the Staff Inspectors to be right every time, the figures suggest that the contribution to efficiency which staff inspection should make is being unnecessarily blunted. The Code of Practice of staff inspection provides for implementation of recommendations within 3 months of the production of the report. If there is unjustified delay beyond that, senior management should intervene.

Deployment

Since the early 1970s, CSD has pressed for all parts of a department to be covered by staff inspection within a three-year cycle. Although I agree that no area should be neglected for too long, now we must give greater emphasis to deploying inspectors in those areas in which they are likely to make the greatest contribution to efficiency.

Management

Most Staff Inspectors are staff at middle to junior level. Without firm direction and support from the top, they will not be fully effective. Without adequate implementation of their recommendations they will become discouraged. Although each department must find its own solution, I am sure that the responsibility for the effectiveness of staff inspection must rest firmly on someone at no lower than Assistant Secretary level who should be held accountable for the effectiveness of the inspectorate. Moreover those at the top of each department should be involved in working out the inspection programme and considering the results of inspections.

Scope

Throughout the Civil Service, staff inspection examines numbers and grades. But by and large less attention has been paid to the need for the work and the way it is organised. We should not expect staff inspection to cover ground more appropriate to policy studies, scrutinies of the "Rayner" model or management services studies. But inspectors should concentrate attention on the needs of essential work actually being done rather than on the work which line management would wish to do if resources were available; within the existing framework of functions, see whether limited changes in activities and procedures would increase efficiency; where there seems to be potential for more important changes in the functions and the way they are organised or managed, draw attention to these possibilities for more detailed study.

Quality of Staff Inspectors

Successful staff inspection crucially depends on the personal qualities and aptitude of individual inspectors who must be able to question existing arrangements incisively and robustly and support the case for improvements by arguments which carry credibility with line management. I recognise the many calls on good quality staff, but I hope that Departments will ensure that staff inspection is allocated a reasonable share.

Maintaining a Healthy Staff Inspection System

Each staff inspectorate should submit an annual report to the Minister and Permanent Secretary setting out information about staff inspection activities, recommendations and details of implementation for the period in question. A copy of the annual report, which would serve as a useful means of monitoring the effectiveness of the staff inspection process and its contribution to the efficiency of the Department, should be sent to CSD.

Discussions on the application of this memorandum will be arranged between CSD and departments individually.

PRIME MINISTER

You might like to glance at this Report from Edward du Cann's Committee, on Civil Service Manpower Reductions.

The general message is one of heavy criticism of the CSD (Mr. Channon, and particularly Sir John Herbecq) for their inability to give the Committee any firm information on the implications of the cuts for services, and on the functions which would be reduced or eliminated as a consequence of the cuts.

Paragraph 11 of the Report suggests that the Committee's support has been enlisted for Sir Derek Rayner's Inspector General proposal, or at least for some way of institutionalising Sir Derek's role.

5 August 1980

CONFIDENTIAL—FINAL REVISE

*[to be published as House of Commons Paper 712-1 by
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HOUSE OF COMMONS

Fourth Report from the

TREASURY AND CIVIL SERVICE COMMITTEE

Session 1979-80

CIVIL SERVICE MANPOWER REDUCTIONS

**together with the Proceedings of the Committee
the Minutes of Evidence and Appendices**

VOLUME I

REPORT

The Treasury and Civil Service Committee is appointed under S.O. No. 86A to examine the expenditure, administration and policy of the Treasury, the Civil Service Department, the Board of Inland Revenue, and the Board of Customs and Excise and associated public bodies, and similar matters within the responsibilities of the Secretary of State for Northern Ireland.

The Committee consists of a maximum of eleven members, of whom the quorum is three. Unless the House otherwise orders, all Members nominated to the Committee continue to be members of the Committee for the remainder of the Parliament.

The Committee has power:

- (a) to send for persons, papers and records, to sit notwithstanding any adjournment of the House, to adjourn from place to place, and to report from time to time;
- (b) to appoint persons with technical knowledge either to supply information which is not readily available or to elucidate matters of complexity within the Committee's order of reference.

The Committee has power to appoint one sub-committee and to report from time to time the minutes of evidence taken before it. The sub-committee has power to send for persons, papers and records, to sit notwithstanding any adjournment of the House, and to adjourn from place to place. It has a quorum of three.

MONDAY 26 NOVEMBER 1979

The following were nominated as members of the Treasury and Civil Service Committee:

Mr Kenneth Baker	Mr Terence Higgins
Mr Anthony Beaumont-Dark	Mr Robert Sheldon
Dr Jeremy Bray	Mr Richard Shepherd
Mr Edward du Cann	Mr Richard Wainwright
Mr Timothy Eggar	Mr Ken Woolmer
Mr Michael English	

Mr Edward du Cann was elected Chairman on 29 November 1979.

The cost of preparing for publication the Shorthand Minutes of Evidence taken before the Committee and published with this Report was £891.90.

The cost of printing and publishing this volume is estimated by Her Majesty's Stationery Office at £720.

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The Treasury and Civil Service Committee have agreed to the following Report:

CIVIL SERVICE MANPOWER REDUCTIONS

1. This is the first of a series of reports which the Committee will be making as a result of a continuing dialogue with the CSD and other witnesses on ways in which the efficiency of the Civil Service might be improved. This particular report is about the Government's plans to reduce total numbers in the Civil Service from the 732,000 in post when this Government came into office to 630,000 by 1 April 1984. It is based on evidence taken from a CSD minister and officials, from Sir Derek Rayner and from the Staff Side. As the Government has not yet worked out how these reductions are to be achieved this can be a preliminary report only.

2. In this report we are concerned only with the proposed cuts for which the Civil Service Department is responsible. But to put employment in the Civil Service into perspective with total civil employment by the central government, the latest available comparative statistics relating to mid-1979 were:—

Civil Service	747,000
National Health Service	1,198,000
Other central government (quangos, N. Ireland, etc.)	87,000
	<u>2,032,000</u>

Note: these figures are on a head count basis, including casuals, counting each part-timer as one; the figure for the Civil Service is thus on a different basis from those referred to elsewhere in this report, which are on the basis of full-time equivalents, and exclude casuals.¹

3. We noted Sir John Herbecq's statement,² that no single Department has responsibility for scrutinising the total civil manpower requirements of the Government. Sir Ian Bancroft did not consider it advisable to try to institute such a centralised control below the Cabinet.³ This could lead to unsatisfactory results if, for example, deeper or shallower cuts were made, say, among Health Service administrators, as compared to those made in the Civil Service.

4. When the present Government entered office in May 1979, the number of Civil Servants in post was 732,000, with a provision in the original 1979-80 Estimates of the previous administration for an increase to 748,000 by 1 April 1980. However, the Government immediately set about the task of reducing numbers, and in a series of statements over the period of a year announced its intention to limit the size of the Civil Service to 630,000 in post by 1 April 1984. The government's aim was expressed by the Prime Minister to the House of Commons on 13th May 1980 as follows:

"In the past, Governments have progressively increased the number of tasks that the Civil Service is asked to do without paying sufficient attention to the need for economy and efficiency. Consequently staff numbers have grown over the years. The present Government are committed both to a reduction in tasks and to better management. We believe that we should now concentrate on simplifying the work and doing it more efficiently."⁴

¹For the basis on which the numbers of Civil Servants are calculated see the CSD Memorandum, Evidence pp 127-132. For Mr English's comments see Appendix 11.

²Q. 642.

³Q. 829 HC (1979-80) 333-x.

⁴Appendix 2.

5. The evolution of the Government's policy has been as follows:

- (i) a 3 per cent cut in manpower costs announced on 22 May 1979, and achieved in the following six months (mainly by a temporary ban on recruitment), bringing about the loss of some 20,000 posts;
- (ii) a reduction of a further 39,000 posts to be made over a period of three years, beginning in 1980-81, in fulfillment of an announcement made on 6 December 1979 to save an annual £212 million gross on staff costs.¹
- (iii) a 2½ per cent cut in Civil Service manpower costs for 1980-81 announced on 14 March 1980 connected with the annual pay settlement, which entailed a consequential reduction of some 15,000 staff;²
- (iv) an additional reduction announced by the Prime Minister on 13 May 1980, which, together with the other steps listed above, and allowing for increases in staffing in some sections of the Civil Service, would result in the net loss of 102,000 posts by 1 April 1984,³ the earliest date by which the Government estimates such a process can be concluded.⁴

6. Redundancies are expected to be few, owing to the high turnover of 80,000 civil servants annually.⁵ The financial saving to accrue from the net reduction of 102,000 civil servants is estimated to rise to about £675 million gross with effect from 1 April 1984.⁶ There is no estimate available of the net saving.

Net and gross reductions

7. (a) Increases in certain Departments

While a net reduction in the size of the Civil Service of the order of one-seventh is planned, this takes account of increases in the size of certain Departments, and a contingency margin against unforeseen future demands.⁷ Since the first cuts were announced in May 1979, an increase of 11,500 posts has been allowed for in 1980-81 mainly to cope with extra benefit payments, and additional manpower for law and order.⁸ In the future, more staff will have to be recruited to deal with rises in unemployment, of the order of 2,000 posts for every 100,000 additional wholly unemployed (excluding school leavers) over and above the 1.8 million unemployed assumed for 1981-82.⁹

8. (b) Hiving off of functions to the private sector

Some activities at present undertaken by the Civil Service will be transferred to the private sector. As a result of the policy statement of 6 December 1979, the CSD estimates that some 11,000 posts will be saved thereby; the principal areas of work involved include the cleaning of government buildings, the inspection of heavy goods vehicles, and the maintenance and supplies division of the PSA.¹⁰ While the Exchequer will, of course, have to reimburse the private sector for the work undertaken, it is expected that the money saved by abolition of these 11,000

¹See Appendix 1.

²Evidence p 107.

³See Appendix 2.

⁴QQ. 653.

⁵QQ. 87, 110 and Appendix 2.

⁶See Appendix 8.

⁷Q. 724.

⁸Memorandum by CSD, p 124, para 4(b).

⁹QQ. 726-732, and note from CSD, Appendix 7.

¹⁰Memorandum from CSD, p 2, para 4; See also further Memorandum p 103, para 2.

posts will be £63 million gross at 1979 prices, but very much less net. We were told that no tasks would be given to the private sector if this involved either a decrease of efficiency, or reliability, or an increase in cost,¹ but the CSD were unable to give any estimate of any likely net financial saving.

Improvements in efficiency

9. It is impossible to judge how far savings through improved efficiency would have been achieved anyway through the savings that are normally made each year by the Civil Service Department² and by Government Departments constantly reviewing staff, through staff inspection and management reviews. For example, in the three latest years for which figures are available (1976–78) reductions of 11,400 posts (5.3 per cent of those examined), were recommended by Staff Inspectors.³ The introduction of new technology, too, has assisted the Civil Service; for example, the use of computers in the National Savings Bank, Glasgow, has helped to reduce staff between 1968 and April 1979 from 8,800 to 4,300.⁴ Between them, the CSD and Departments were responsible for reductions in the size of the Civil Service from 748,000 in April 1976 to 732,000 by April 1979, compared with the previous Administration's original expectations of a growth to 785–790,000 in 1978–79.⁵

10. A new dimension in improvements to efficiency is Sir Derek Rayner's scrutiny programme. So far the achievements of this programme are possible savings of £8–12 million once and for all, and just under £20 million a year⁶ and reductions in staff of some 1,350 during the next two to three years to add to the 26 posts already lost.⁷ Further studies are under way or planned. A potential saving of £50 million a year was identified in the DHSS alone.⁸

11. Looking ahead the question arises how the impetus provided by Sir Derek Rayner can be made a continuing feature of the Government's drive to greater efficiency and the reduction of manpower. Our Chairman wrote to the Prime Minister last March pointing out that the work being done by Sir Derek Rayner filled a gap which might normally be expected to be done by the Civil Service Department and Departments generally, in keeping demands down for manpower. This points to a need, which was indeed identified by the Expenditure Committee⁹ in the last Parliament, for some permanent arrangements by which the work now being initiated by Sir Derek Rayner can be pursued on a permanent basis.

Reduction of Tasks

12. So far the only comprehensive statement about the tasks to be eliminated or reduced was given with the policy statement of 6 December 1979.¹⁰ The major policy statement made by the Prime Minister on 13 May 1980 contained no hints of the services to be cut, and in evidence to us, Sir John Herbecq proved incapable of elaborating further,¹¹ other than by pointing to efficiency studies already

¹QQ. 54–63, 145 and 600.

²Appendix 8.

³Appendix 4, para 8.

⁴Appendix 4, para 24 (c).

⁵Appendix 8.

⁶Appendix 10.

⁷Appendix 8.

⁸Appendix 10. See also Appendix 9.

⁹Eleventh Report Session 1976–77 HC 535–I para 70.

¹⁰Appendix 1.

¹¹QQ. 584, 723.

undertaken by the CSD, Departments and Sir Derek Rayner.¹ Indeed, this inability to state which Government services are to be affected by the cuts is reflected in the inability to produce a figure for the net saving in cost,² or even to estimate how many tasks will be given to the private sector, what the effect will be on industrial as opposed to non-industrial staff,³ on headquarters or regional staff,⁴ or on grades within the Civil Service.

13. Moreover we have seen no assessment by the Government of the social and economic effects of ending or reducing services that make up the Government's action list. It is impossible to come to any view of the impact of the cuts in Civil Service numbers until the Government has detailed the services which are to go and given some assessment about the effects of their abolition.

14. We were told by Mr Paul Channon that the first across the board cut of 3 per cent of manpower costs last summer which achieved a reduction of some 20,000 posts did not result as far as he was aware in the quality of the services provided in any departments falling markedly as a result of these reductions.⁵ If this in fact happened there must have been some improvement in efficiency in the sense of the same services being provided by fewer people. We recognise that, while across the board cuts may well increase efficiency, this is likely to be only at the earlier stages of a major programme of manpower reductions such as now being carried out by the Government in reducing manpower by over 100,000. Across the board cuts are effective in removing any fat there may be but thereafter it is likely that significant reductions can only be achieved by abolition or reduction of services. We are concerned that the inability to express the 102,000 net contraction in the size of the Civil Service in terms of tasks to be either cut or reduced represents a weakness in the Government's policy. Unlike the December 1979 announcement, which detailed where the savings were to be made, the May 1980 announcement appears to have been a mainly political decision based on intention rather than on calculation. As Sir John Herbecq said in evidence on 9 June: "The translation of that decision into detailed figures, department by department, is what we are taking some time to work out, and what I think the Prime Minister's statement indicated would be a matter of further detailed careful work. A good deal of the work has been done; a judgment has been reached, but the translation of that back into detailed decisions is now going on".⁶

15. By July 1980 total manpower was down to 700,000 but there is still a long way to go.

Conclusion

16. Because of this lack of information, which even the CSD itself does not at present possess, it is, at this stage, impossible to judge whether the cuts have been too deep or not deep enough. The Government's plans are in outline only, and the evidence we need to come to a proper judgment is not yet available. We have therefore asked the CSD for quarterly progress reports of actual cuts made. In particular, we will be monitoring:

- i) The split between industrial and non-industrial Civil Service

¹Q. 655.

²Appendix 8.

³Q. 598.

⁴Appendix 8, para 3.

⁵QQ. 3-5.

⁶Q. 723. See also Q. 584.

PROCEEDINGS OF THE COMMITTEE RELATING TO THE REPORT

MONDAY 21 JULY 1980

Members present:

Mr Edward du Cann, in the Chair

Mr Kenneth Baker	Mr Terence Higgins
Mr Anthony Beaumont-Dark	Mr Robert Sheldon
Dr Jeremy Bray	Mr Richard Shepherd
Mr Timothy Eggar	Mr Richard Wainwright
Mr Michael English	Mr Ken Woolmer

Draft Report, proposed by the Chairman, brought up and read.

Ordered, That the Report be read a second time, paragraph by paragraph.

Paragraphs 1 and 2 read and agreed to.

Paragraph 3 read, amended, and agreed to.

Paragraphs 4 to 16 read and agreed to.

Ordered, That the Report be the Fourth Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Ordered, That the provisions of Standing Order No. 85 (Select Committee (Reports)) be applied to the Report.

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PROTECTION OF THE CONFIDENTIAL RELATIONS TO THE REPORT

CONFIDENTIAL - SECURITY INFORMATION

1. The information contained in this report is classified as CONFIDENTIAL - SECURITY INFORMATION.

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PART 4. ends:-

M of Transport to Ld Pres. Council 31-7-80.

PART 5. begins:-

NOS to PM
~~M/SCSD to Home Sec~~
~~SSMAD to M/SCSD~~ 5-8-80.



END