PREM 19/250

Future of the Civil Service Department. Consideration of the Parliamentary Select Committee under Mr Edward du Cann.
Possible reunification of the Treasury & creation of a new Common Services Agency

Part 2.

GOVERNMENT MACHINERY

Part 1 March 1980
Part 2 July 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~9.7.80~~		~~25.11.80~~					
~~22.7.80~~		~~3.12.80~~					
~~24.7.80~~		28.11.80					
~~6.8.80~~							
~~26.8.80~~		ends-					
~~29.8.80~~							
~~1.10.80~~							
13.10.80							
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~~3.11.80~~							
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~~10.11.80~~							
~~13.11.80~~							
~~13.11.80~~							
~~14.11.80~~							
19.11.80							

PREM 19/250

Material used by official Historian DO NOT DESTROY

FIRST REPORT OF T. + C.S. CTTE.

SESSION 1980-81

FUTURE OF THE C.S.D.

in FOLDER AT REAR OF FILE

PART 2 ends:-

Priestley to MAP 28.11.80

PART 3 begins:-

Unwin (HMT) NFR 3.12.80

Prime Minister (through CAW)

Mr Hennessy's information tends to be sound! The earliest day for the report is now Dec 11, but Dec 18 is more likely. MAP 28/XI

Mr PATTISON

cc Mr Gaffin
Mr Colman
Mr Taylor (Tsy)
Mr Wright
Sir Derek Rayner

THE SHELDON SUB-COMMITTEE AND CSD/TREASURY ORGANISATION

1. I understand that The Times may carry a story on Monday about the draft report of the Sheldon Sub-Committee to the following effect:

a. Status quo favoured (by all but Mr Eggar) but with some variations (see below).

b. Only Sir DR pro integration: his "business" arguments rebutted by reference to evidence from ex-civil servants, Lord Croham, Sir S Goldman and Sir A Part, who argued that the "commercial analogy" is misleading.

c. Main arguments for status quo:

i. "Manpower" only 10% of public expenditure and different in kind from the other 90%.

ii. Although sub-committee does not believe that all is well with Civil Service, and doubtful of success of CSD policies in (eg) personnel management and industrial relations, thinks that CSD subjects (like training) need separate department.

iii. Generally against "disruption".

d. Variations from status quo favoured:

i. co-location of CSD and Treasury.

ii. Single common services.

iii. Accountancy, Finance and Audit Division transferred from CSD to Treasury.

iv. More departmental "Establishments" staff to serve in CSD.

2. Sub-Committee very willing to help Government get management of Civil Service right!

CP

C PRIESTLEY
28 November 1980

HS

Gerk
Mach

24 November 1980

The Prime Minister has asked me to thank you for sending her a copy of your written evidence to the Sheldon Sub-Committee. She was most interested to see this.

M.A. PATTISON

Sir Antony Part, G.C.B., M.B.E.

2.

Prime Minister
Sir Antony Part's evidence to the Sheldon sub-committee supports retention of CSD.
MA 21/11

Sir Antony Part GCB MBE
Chairman

The Orion Insurance Company Limited
70 King William Street
London EC4
telephone 01-626 4567

20 November 1980

C Whitmore Esq
10 Downing Street
LONDON SW1

Dear Whitmore,

Enclosed is a copy of a paper which I have just submitted as written evidence to the Sub-Committee which is considering the future of the Treasury/CSD complex. I should appreciate it if you would show it to the Prime Minister.

Yours sincerely

Antony Part

Please give her my best regards.

HOUSE OF COMMONS

SELECT COMMITTEE ON THE TREASURY AND THE CIVIL SERVICE

MEMORANDUM BY SIR ANTONY PART

The future of the Treasury/CSD complex is specially important to the other Government Departments. The views of someone who, between 1937 and 1976, served in 6 such Departments and was Permanent Secretary of 4 of them, may, therefore, be of interest to the Committee.

(2) This note concentrates on the only 2 of the 4 options outlined to the Committee by Sir Robert Armstrong that are realistic possibilities: the integration of the Treasury and the CSD, and the maintenance of 2 separate Departments.

BACKGROUND

(3) Any judgment must take into account the extent to which the responsibilities on both the Treasury and the CSD parts of the front have grown during the last 20 or 30 years.

(4) On the financial and economic side this growth has been due in the first place to the increasing complications and sophistications of the international financial economic and political scene, together with the new dimensions represented by the activities of OPEC and by the UK membership of the EEC. Secondly, there is no consensus among economists about the ways in which these shifting problems should be tackled: indeed, there is at present some polarisation of views. Thirdly, in recent years the system of control over public expenditure and of getting value for money has not developed to match the needs of the times. Fourthly, there has been inadequate co-ordination at the centre and inadequate delegation from the centre.

(5) As for the area at present covered by the CSD, the growth of active unionisation has created many problems and much more work. Pay and pensions have become more complex and more controversial. So has the development of computers, on which much remains to be done. Important advances have been made

.. Continued on Page 2 ..

in the techniques of recruitment, in career development and in training; but much progress is still required under all 3 heads. Although the Civil Service record on Organisation and Methods is better than that of most businesses, there is also need for a more purposeful system of reviews centrally planned and monitored of the efficiency of departmental operations: witness the Rayner investigations. Finally, far too little has been done to disseminate the best practices between Departments.

(6) The size of many individual Departments nowadays is also relevant. It is in such Departments as the Ministry of Defence, the DHSS, the Department of Environment, the Home Office, the Inland Revenue, Customs & Excise and the DTI complex that the main experience of large-scale management resides. The problem is how to strike the right balance between these Departments and "the centre".

(7) On one view "the centre" should restrict itself to those problems that are common to the Service as a whole, eg, pay, pensions, grades that are centrally recruited, national negotiations with Unions. This view is neither sustainable (because the demarcations are not definable by such inflexible and generalised distinctions) nor desirable (because it would militate against effective co-ordination and against cross-fertilisation of the best practices).

(8) What the so-called "spending Departments" require on the management front is a forum for mutual consultation, a source of information about the best management practice, both inside and outside the Civil Service, a firm lead (taken after appropriate consultation) on such matters as recruitment, pay, pensions, manpower ceilings, relations between administrators and professionals, opportunities for promotion, arrangements for career development, top appointments, "Open Government", techniques for disseminating information internally and externally, the machinery of Government, and exchanges between the Home Civil Service on the one hand and the diplomatic service and the private sector on the other.

(9) None of this need derogate from the constitutional responsibilities either of individual Secretaries of State or of their Permanent Secretaries as Accounting Officers. I think that the CSD have always allowed this consideration to inhibit their activities too much.

.. Continued on Page 3 ..

A GENERAL PRINCIPLE AND A FALSE ANALOGY

(10) From the above it follows that a powerful and lively central management organisation is needed that can work closely and knowledgeably with the operating Departments. Three dangers are to be avoided. The first is to over-emphasise the concept of a "unified Civil Service": in many respects the Service has to be treated as a unitary organisation, but that is too rigid a definition to comprehend this very varied Service as a whole. The second danger is to regard "the centre" as, for management purposes, the focal point of a loose federation of Departments. The third is to regard central management (or any other Civil Service management) as primarily a vehicle for securing cuts in public expenditure. This is an inadequate definition even of the repressive activities of management. It excludes altogether the more constructive aspects.

(11) There is a seductive but false analogy with business that suggests that the Treasury should be seen as a sort of Head Office of the Civil Service, managing the economy and managing the Civil Service. Whether or not "manage" is the right word to apply to what the Treasury tries, under ministerial guidance, to do to the economy, many of its activities in this respect affect large numbers of people and enterprises who are not under its control. This has little in common with the management of the increasingly professional kind required nowadays of large bodies of Civil Servants under the direct control of the Government.

(12) Indeed for many years the finance and supply sides of the Treasury have been organised separately from the management side, and there has been a minimal overlap between the two. The Study Team's report seems to suggest that even the potential problems arising from the dual responsibility for manpower control have proved minimal in practice, even since the management side has been handled by the CSD.

FUTURE ORGANISATION

(13) In recent years the traditional work of the Treasury has grown enormously, and many would consider that they have their work cut out to master the tasks that face them in that sphere. One thing seems certain: neither the Chancellor of the Exchequer nor the Permanent Secretary would have much time to give to the problems of managing the Civil Service. Delegation of this authority at ministerial level within the Treasury would not be acceptable to the Service. At official level the joint Permanent Secretary arrangement did not work satisfactorily before and there is no reason why it should do so again. Nor would delegation at official level to a Second Permanent Secretary of anything except, say, recommendations for top appointments be acceptable to Permanent Secretaries.

.. Continued on Page 4 ..

(14) Moreover, the Treasury has very little experience of large-scale management and practically none of dealing with Unions. Even in its own bailiwick it has not exercised any noticeable influence on the efficiency of an Inland Revenue Department wrestling with an over-loaded and very complicated system of direct taxation.

(15) In my view, therefore, the Chancellor of the Exchequer and senior Treasury officials would have neither the time nor the expertise to add responsibility for the management of the Civil Service to their present responsibilities. In this respect the broad thrust of the Fulton Committee's strictures remains valid, and life on both the economic and the management fronts has become more demanding since Fulton.

(16) The CSD, on the other hand, cannot claim to have established a convincing track record. For this Ministers should take some of the blame. "Managing the Civil Service" is not the most politically attractive activity, except perhaps when cuts in its manpower are involved. Yet the Head of the Home Civil Service and the CSD cannot do their job properly unless they are supported by a Cabinet Minister and, above all, by the Prime Minister, with whom - incidentally - the Head of the Service has, under any set-up, more contacts than with the Chancellor of the Exchequer.

(17) As regards officials, I am not in the business of criticising my former colleagues, with a number of whom I worked closely for several years. So this note concentrates on the characteristics required of a re-vitalised CSD.

(a) As at present, the Permanent Secretary of the CSD should be the Head of the Home Civil Service.

(b) He should have ready access not only to the Cabinet Minister responsible for the Service but to the Prime Minister.

(c) He should be given some latitude to speak in public (eg, in a lecture at an institution such as the Royal Institution for Public Administration) about facts and issues affecting the Civil Service, so long as his remarks do not run counter to the policy of the Government of the day.

.. Continued on Page 5 ..

(d) The CSD should be more strongly staffed. Just as most operating Departments have by now strengthened their establishment divisions, the CSD should insist on the secondment to it of an adequate number of high-flyers. As a first target, there should be in the CSD at any one time at least three future Permanent Secretaries.

(e) The CSD should ensure that it contains all the necessary skills at the appropriate level. If these are not available from within the Service, the CSD should follow the example of some operating Departments and import them from, eg, the world of business.

(f) Though the CSD should not feel under any obligation to follow the precise procedures introduced by Sir Derek Rayner or the present Secretary of State for Environment, they should ensure - in consultation with the Permanent Secretaries of the operating Departments - that suitable regular reviews are instituted in each Department in order to secure maximum efficiency, better value for money and close correlation between political priorities and the use of manpower.

(18) Finally, inter-Departmental co-ordination is no less important on the management front than on the financial and economic side. As regards recommendations for top appointments, the Head of the Home Civil Service is already supported by a Committee of some of the most senior Civil Servants. He should consider either using the same Committee or a similar one to advise him on other issues affecting the management of the Service.

SUMMARY

(19) The responsibilities of "the centre", both for economic and financial policy and for the management of the Civil Service have greatly increased, even since the Fulton Report.

(20) There is an inherent fallacy in the suggestion that the two functions are so closely connected that they should necessarily be brigaded under one Department and one senior Minister.

.. Continued on Page 6 ..

(21) The Treasury have neither the time nor the professional expertise to take charge of an integrated operation.

(22) Though the CSD has not so far gained the full confidence of Ministers, Parliament, the Service and the Unions, it could be greatly improved by the measures suggested in paragraphs 17 and 18 of this note.

20/11/80

ANTONY PART

PERSONAL, COVERING CONFIDENTIAL

cc Mr Wolfson

Civ Ser Team

Mr PATTISON

cc Sir Derek Rayner
Mr Wright

CENTRAL CONTROL

The attached is very encouraging and offers a much better way forward than the very thin draft memorandum referred to in para. 2. It promises to be in line with Sir Derek Rayner's original intention in proposing an assessment of central control as part of the lasting reforms package.

CP

C PRIESTLEY
19 November 1980

Enc: Copy minute from Mr Jenkins

, CAB MLS 20/1

2 FLR.

May like to see
(This in part
reflects last week's
discussion on
Treasury/CSO roles)

MAP
19/XI.

CONFIDENTIAL

cc Chief Secretary
Financial Secretary
Minister of State (C)
Sir D Wass
Sir A Rawlinson
Mr Ryrie
Mr Littler
Mr Bailey
Mr F E R Butler
Mr Hinkley
Mr Ridley
Mr Cardona
Mr Priestley - Cabinet Office

MINISTER OF STATE (L)

CENTRAL CONTROL

The Chancellor was most grateful for your note of 14 November and read with interest the attached draft which you suggest might be used by the Prime Minister to preface the note on departmental responsibilities.

2. The Chancellor feels that the various strands involved here are beginning to come together, in the content, though not the drafting, of the original draft memorandum on central control attached to Mr Bailey's minute of 16 October, your draft covering note, and the various discussions on this and related subjects, including the meeting on the role of the Treasury expenditure divisions on 11 November and with the Prime Minister on the possible merger of the Treasury and CSD on 14 November. He feels that in the light of all this we should reconsider what is the best approach to a memorandum to Cabinet on this subject. His own view is that this might take the form of a joint Treasury/CSD document under the short minute signed by himself, which would:-

a. incorporate a short assessment of the scale of the problem and the successes and failures of control exercised by the "centre" in the recent past.

/b. dealing specifically

b. dealing specifically with three different aspects of the problem, and setting out the centre's view of the correct approach in each case:-

a. the responsibilities of the Minister, Permanent Secretary and Principal Finance Officer for each Department, both globally and within the framework of cash limit decisions. It should deal with the role of Cabinet and Cabinet Committees in setting those frameworks.

b. the responsibility of the Minister, Permanent Secretary and PFO for efficiency in the management of resources allocated to their Department.

c. the role of the central Departments in relation to both these aspects.

3. In addition the draft should mention or cross-refer to work which is in progress in various relevant areas following recent reviews:- for example

a. ways of influencing the choice of PFO's and of fostering their sense of collegiate responsibility and loyalty to the centre.

b. the possibility of giving a wider role to the Exchequer & Audit Department (though bearing in mind Departments' suspicions on this count).

/c. the continuation of

c. the continuation of Rayner scrutinies within Government.

d. the views of the Secretary of State for the Environment on the way Departments should be managed, and the correspondence which this provoked from other Ministers insofar as this contains anything of relevance.

e. the Lord President's manpower exercise.

4. In addition the paper would need to bring out the principles which should govern the relationship between Departments and the centre on the lines of the analysis in the original memorandum although the text needs to be considerably sharpened up. Finally the Chancellor feels that if our aim is to produce a memorandum which Cabinet will endorse with meaning, it must not look like a Treasury/CSD attempt to "lay down the law", but more like a document embodying the collective experience, learning and wisdom of Cabinet itself after eighteen months of struggle, though it must of course include all the crucial points. The right sort of flavour on this is given in the last paragraph of your minute.

5. The Chancellor would be grateful if Sir Douglas Wass would mastermind this exercise, consulting as necessary. When a suitable document has been prepared, the Chancellor would like to hold a further internal meeting to discuss it, before approaching CSD Ministers.

PSJ

P S JENKINS
17 November 1980

19 NOV 1980

10 DOWNING STREET

From the Private Secretary

MR COLMAN

Treasury and Civil Service Committee

The Prime Minister has seen Sir Ian Bancroft's minute of 14 November.

She has confirmed that the team may tell the sub-committee that the Prime Minister has personally endorsed the understanding that they must confine themselves to answering questions to elucidate factual and analytical aspects of the report. She has also agreed that, if they are asked why their terms of reference were limited to two out of the four options which had been canvassed, they might reply in the terms suggested by Sir Ian.

I am copying this minute to Mr Wiggins (HM Treasury), Mr Buckley (Lord President's Office), Mr Taylor (Sir Douglas Wass' office, HM Treasury), Mr Wright (Cabinet Office) and Mr Priestley (Sir Derek Rayner's office).

M. A. PATTISON

18 November 1980

Prime Minister 1.

Messrs Moore and Hawtin have now been asked to appear before Mr Sheldon's sub-committee. You have already cleared point 1 below. Agree point 2?

MP 17/XI

MR C A WHITMORE

cc Mr Wiggins
Mr Buckley
Sir Douglas Wass
Sir Robert Armstrong
Sir Derek Rayner

TREASURY AND CIVIL SERVICE COMMITTEE

1. As I mentioned at the Prime Minister's meeting today, the Clerk to the Treasury and Civil Service Committee has been in touch with us to let us know how the Sub-Committee wish to proceed. I attach a copy of his letter.

2. The Sub-Committee have said they would like to take evidence from Mr Moore and Mr Hawtin on 26 November. In my minute of 5 November I recommended that we should agree to the Team appearing before the Sub-Committee in order to give them all the help they can, but on the strict understanding that they must confine themselves to answering questions to elucidate factual and analytical aspects of the Report. If the Prime Minister accepts this advice I should like the Team, if necessary, to be able to tell the Sub-Committee that the instructions to so confine themselves had the Prime Minister's full backing. It would obviously be impossible for them if they were asked to express judgements or to indulge in speculation.

1

3. The Sub-Committee have asked why the terms of reference for the Team were limited to two out of the four options which had been canvassed. Would the Prime Minister be content for us to reply to this very briefly in the following terms?

2

> "The terms of reference for the team were related to the specific questions which the Prime Minister wished to have studied".

IAN BANCROFT
14 November 1980

40/11

COMMITTEE OFFICE
HOUSE OF COMMONS
LONDON SW1A 0AA
01-219 3285 (Direct Line)
01-219 3000 (Switchboard)

PS/Permanent Secretary

This is the letter I wrapped was on its way.

cc PS/2nd Permanent Secretary
Mr Wilding
Mr Towers
Mr O'Donoghue
Mr J.K. Moore
Mr Hawtin

13/11

TREASURY AND CIVIL SERVICE COMMITTEE

13th November 1980

Dear Clifford,

I promised to write to you to let you know the Sub-Committee's decision about the way in which evidence and the report on the Role of the Civil Service Department were being handled.

1. The Sub-Committee decided that they wished to take oral evidence from Moore and Hawtin on their report on the integration of the Treasury and the Civil Service Department. The Sub-Committee appreciate that officials will have to confine themselves to elucidating the report but I am sure this will prove useful as the report itself is rather technical. The Sub-Committee would like officials to give evidence at 4.30 p.m. on Wednesday 26th November.

2. In this context the Sub-Committee were anxious to know why the terms of reference for the study team were limited to at the most two out of four recognised options for the organisation of functions now discharge by the Treasury and Civil Service Department. They noted that these terms of reference were approved by the Prime Minister but wish to know the reasons for any recommendations made ~~by~~ to the Prime Minister on this point. It would be useful if you could let me have a written reply to this question before 26th November.

3. The report which of course, is the report of the full Committee and not only the Sub-Committee, will take a little time yet, particularly as the study team's report has only just been made available. The Committee hope to be able to issue their report about the middle of December. Members understand that there is no day to day urgency in reaching a decision on these questions and naturally trust that the Committee's report will be taken into account before the Government reaches its decision.

Yours sincerely,
D.F. Hubback

D.F. Hubback
Clerk to the Committee

Clifford Stevens Esq.,
Central Division
Central Group
Civil Service Department
Whitehall
London SW1A 2AZ

17 NOV 1980

SECRET

Govt March 15

NOTE FOR THE RECORD

The Prime Minister held a meeting at 10 Downing Street on 14 November, to consider further the organisation of the Central Departments. In addition to the Prime Minister, the meeting was attended by the Chancellor of the Exchequer, the Lord President of the Council, Sir Ian Bancroft, Sir Robert Armstrong, Sir Douglas Wass, Sir Derek Rayner, Mr Whitmore, Mr. Wolfson and Mr. Pattison.

The Prime Minister concluded that two measures proposed in the Chancellor's minute of 13 November should be implemented, although no announcement would be made for the time being. These were:

1) The CSD division concerned with financial systems in Departments should be transferred to the Treasury;

2) The Treasury should develop a capacity to pull together the strands of public service pay.

The Prime Minister concluded that the central issue raised in discussion of the organisation of Central Departments was that of effective control of public expenditure. She was not convinced that a merger of the Treasury and the Civil Service Department would itself remedy the present weaknesses in the system, and she was therefore inclined against a merger. She agreed to consider the problem of expenditure management, and the relationship of manpower management, further. She asked Sir Derek Rayner, in particular, to give further thought to means of achieving greater strength of control on money and manpower at the centre.

The Prime Minister said that she intended to tell the Chairman of the Treasury and Civil Service Select Committee of her current line of thought. She did not intend to announce any decisions

/on these

SECRET

on these matters until his committee had had a chance to make its report on the Central Departments issue.

14 November 1980

CONFIDENTIAL

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

Gork Mach

PM has seen
na MAP

PRIME MINISTER

INTEGRATION OF THE TREASURY AND THE CIVIL SERVICE DEPARTMENT

I have discussed with John Biffen, Nigel Lawson, Arthur Cockfield and Peter Rees the issues raised by the report you have received. I thought that, before we meet on Friday, you might like a note on how we collectively see them.

2. We are clear that the Departments should never have been split; but we do not believe that it is now right simply to re-merge them.

3. There are obvious deficiencies in the present arrangements. These must be put right, and to a large extent they can be without a merger.

4. The case against merger in present circumstances is strong:-

- The upheaval over the next months will take time and attention of Ministers and senior officials from more important policy objectives;
- The scale of the new Department will dilute the specialism of the staff in both Departments: the Treasury is bound to be made more schizophrenic towards public expenditure and public service wage costs by the consciousness that it is also responsible for pay and conditions of the Civil Service;

- The burden on the Chancellor and top management would be enormous and there are limits to the scope for relieving it by delegation;

- Staff unions in the merged Departments would be more militant than they now are in the Treasury.

5. There are specific and identifiable things wrong with the present organisation:-

- The splitting of responsibility for the financial systems in Departments has undoubtedly weakened the centre's contribution to promoting efficiency;

- We urgently need a more concentrated responsibility for policy towards public service pay as a whole than exists at present;

- Difficulties for public expenditure control have been caused by the division between the CSD's control of Civil Service manpower and the Treasury's control of the rest of public expenditure.

6. Specific measures can be taken to put these deficiencies right:-

(i) We favour the suggestion in the report that the CSD's division concerned with financial systems in Departments should be transferred to the Treasury.

(ii) We are developing in the Treasury a unit to pull together the strands of public service pay. (The Treasury will be more effective in this area if it does not also have the CSD's responsibility for negotiating Civil Service pay.)

(iii) The difficulties for public expenditure control would be solved by transferring to the Treasury responsibility for control of Civil Service

manpower and efficiency. We are conscious of the difficulties of this. The rump of activities left in the CSD may not be thought viable; and there would be an awkward Departmental division of responsibilities for Civil Service manpower on the one hand and for grading and pay on the other. But in many companies the personnel department is responsible for pay without being responsible for numbers; and you may feel that it would be worth looking at the French model which is very similar to this.

7. So our conclusion is against the merger. The argument is more closely balanced, in theory, than this note implies. But we have no doubt, at the end of a long discussion of practical points, that we should advise against the merger.

8. We have more serious problems than this on our plate. We do not deny that there are real issues arising from the present organisation of the central Departments which need to be tackled. But our conclusion was that they can and should be tackled without the upheaval which would be involved by a full-scale merger of the Treasury and CSD.

9. I am copying this minute to the Lord President, Sir Ian Bancroft, Sir Robert Armstrong and Sir Derek Rayner.

(G.H.)

13 November 1980

Govt Mach.

1. MR. WHITMORE
2. PRIME MINISTER

This meeting is to discuss the organisation of central Departments. The Chancellor of the Exchequer, the Lord President, Sir Ian Bancroft, Sir Robert Armstrong, Sir Douglas Wass and Sir Derek Rayner will be attending. This folder contains a copy of the Moore/Hawtin Report, and the following flagged documents:

A Sir Ian Bancroft's submission on the Report;

B A note from Treasury Ministers, recording their considered advice against a merger (you have not previously seen this);

C Sir Robert Armstrong's comment of 31 October;

D A further note from Sir Robert Armstrong elaborating the case for a merger, which you have not previously seen;

E Clive's note recording your views following the July discussion, together with his note setting out your reasoning for revising your view after the meeting;

F The record of the July meeting.

The Clerk to Mr. du Cann's Committee told Sir Ian Bancroft's office today, on Mr. du Cann's authority, that the Committee would report on the issue "no later than 15 December". He meant no earlier than 15 December. Ian Gow will tonight tell Mr. du Cann that you had very much hoped to have their views by the end of this month, as was made clear when the Moore/Hawtin Report was passed to them.

Opinion about the merits of a merger is still quite evenly divided. But those most directly involved remain anxious to see a quick decision one way or another. The timetable of work has been designed to enable you to reach a view before Christmas, so that the Christmas Recess can be used to initiate work if there are to be changes.

/ The Report

The Report sets out the conclusions of two approaches to a merger. This allows some quantification of costs and benefits, which was lacking in July. Since then, some of your advisers have argued strongly that a merger decision will provide an excuse for doing nothing more on Civil Service management issues. Others, including Derek Rayner, argue that it is an essential step towards the improvement of management, but is by no means an end in itself. In addition to these two questions, the July discussion touched on the issue of Ministerial responsibility in a merged department, and there was some doubt as to whether the Chief Secretary would have the capacity to cope with the manpower load in addition to his present responsibilities.

MAD

13 November 1980

PERSONAL AND CONFIDENTIAL

Ref. A03530

MR. WHITMORE

The Organisation of the Central Departments

I should like to add a postscript to my minute of 31st October, to make six further points:

(1) Though the staff on the strength of the Civil Service Department (CSD) now number over 5,000, and we should have to decide how to dispose of all of them if the CSD were to cease to exist, only a very small number of them are engaged on policy functions which would be integrated. Of this 5,000, 3,700 are in the executive outfits like the Civil Service Catering Organisation and the Central Computer Telecommunications Agency. Another 600 or so provide the common services (the common services of the two departments would of course be amalgamated, and some savings would be achieved thereby). The "policy core" of the CSD - the posts which would be really integrated into the Treasury - amounts to little more than 500 people.

(2) One of the arguments for integration is that the central control of the resources and the central control of the manpower disposed of by Government departments ought to be managed within a single and fully co-ordinated responsibility. I think that there is a further point, which applies both on manpower control and on personnel management. Both functions are likely to be discharged most conformably with Government policy if they are discharged by an institution and by people who are directly involved in the formulation and execution of that policy. It is a weakness of the CSD that no-one (other than the Lord President) is directly concerned with Government policy. Manpower control, pay management and personnel management (including senior appointments) are likely to meet the needs of Government policy better, if they are in the hands of people whose duties also include responsibilities in the field of general policy advice and formulation.

(3) For historical as well as for valid contemporary reasons, recruitment should remain the responsibility of an independent Civil Service Commission. The Commission would need to be beefed up to include other functions which relate primarily to the professional standing and personal welfare of civil servants (notably training and welfare). If that course were adopted, the chairmanship of a beefed up Civil Service Commission, to be combined with continuing as Head of the Civil Service, is something with which Sir Ian Bancroft could be entrusted: we should then not need to think in terms of having two Joint Permanent Secretaries of the Treasury until Sir Ian Bancroft retired.

(4) Sir Ian Bancroft's minute of 31st October says (paragraph 24) that there is a strong consensus of opinion among Permanent Secretaries in favour of retaining the CSD. I could not be at the meeting at which this was discussed, but it is clear from my own contacts that there is a significant number of Permanent Secretaries who are not party to that consensus.

(5) The load on the Chancellor of the Exchequer would undoubtedly be increased by integration; but in my judgment - and provided that the main responsibility for manpower control was firmly placed with the Chief Secretary - not intolerably.

(6) Sir Douglas Wass is inclined to be in favour of integration, but not yet: he is concerned about the transitional costs, and about the disruption at a time when holding public expenditure on course is difficult enough. The transitional costs will not be diminished by delay, and there is no reason to think that controlling public expenditure is going to become less full of strain than it now is. Continued uncertainty is bad for morale in the CSD and for its effectiveness in Whitehall. Whatever the decision is, I hope that it can be taken and announced without much more delay, so that the uncertainty is removed.

RoA

(Robert Armstrong)

12th November, 1980

Gov Mach

✓ MAP 10/xi.

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

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

cc Mr Buckley)
Mr Green) without
Ms Tyrrell) attachment
Mr Pattison)

David Wright Esq
Private Secretary to
Sir Robert Armstrong KCB CVO
Cabinet Office
Whitehall
LONDON SW1

10 November 1980

Dear David,

STUDY ON THE INTEGRATION OF TREASURY AND CSD

On 12 August, the Prime Minister commissioned a study by officials of the organisational changes required to bring about an integration of the Treasury and Civil Service Department and of the benefits and costs of such a course.

The report of the study team has now been submitted to the Prime Minister and is being published today. I attach a copy of the report.

Copies of this letter and attachment go to the Private Secretaries of all Ministers in charge of departments and all Permanent Secretary Heads of Departments.

Yours ever,

Jeremy

JEREMY COLMAN
Private Secretary

10 NOV 1980

Cor Mack

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-~~930 5422 ext~~ 233 8224

Nicholas

7.11.80

Dear Clive, re MAP.

One point on Ian Bancroft's minute of yesterday on the Hastie-Moore report.

If it is sent to Ministers in charge of depts. it should be made crystal clear that it is as a courtesy and "for information" and that any suggestion that the PM is putting her prerogative on the machinery of government into commission should be avoided.

Yours ever,

Clive

C. A. Whitmore Esq.

-6 NOV 1980

cc N. Griffin

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

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

M Pattison Esq
10 Downing Street
LONDON SW1

6 November 1980

Dear Mike,

TREASURY/CSD INTEGRATION: PRESS NOTICE

... Following our telephone conversation I enclose a draft of the Press Notice to coincide with the Prime Minister's announcement of the publication of the report of the study team.

It has been agreed that the Notice should emanate from No 10 but that all enquiries will be dealt with by CSD's Press Office, as will requests for copies of the report itself. We shall also make copies available to selected specialist correspondents. As to timing we should like the Notice to be on the 2.30 pm COI run to Fleet Street on Monday 10 November. The members of the Select Committee on the Treasury and Civil Service will be given copies of the report in advance of publication during the course of Monday morning. I should be grateful to know whether you are content with these arrangements and for confirmation that the text of the Press Notice is acceptable. Background briefing for the use of the Press Office will be available shortly.

A copy of this letter and attachments goes to Jonathan Taylor and also to the Treasury Press Office.

Yours sincerely

Vivian Williams

for JEREMY COLMAN
Private Secretary

DRAFT PRESS NOTICE

ORGANISATION OF TREASURY AND CIVIL SERVICE DEPARTMENT

Study Team's Report

The report of the study team appointed by the Prime Minister in August to study the organisational changes needed to bring about an integration of the Treasury and Civil Service Department and of the benefits and costs involved is published today (Monday).

The report, which was prepared by a small group of officials from the two Departments, is factual and analytical: the study team were not asked to reach a conclusion for or against integration. The Prime Minister will announce her decision in due course after considering the report. She also hopes to take into account any views which the Parliamentary Select Committee on the Treasury and Civil Service, which has been hearing evidence on the subject, may express. The Select Committee has been sent copies of the study team's report.

The report proposed a model for integration, reviews the arguments for and against a merger on the basis of the model, and finds scope for some integration of functions and staff savings in three areas, if the Departments were in fact to be merged:

(i) Work on financial and management systems;

(ii) Civil Service manpower and public expenditure control;

(iii) Departmental common services.

The team found no reason why integration should affect the organisation below Ministerial level of the other functions discharged by the Treasury and Civil Service Department.

The study team found that integration would be likely to have advantages and corresponding disadvantages. Some advantage would accrue in improved co-ordination of the work of the central Departments in promoting efficiency in departments generally, particularly in respect of financial systems. But the report shows how this could be partly achieved without a merger. It also analyses the difficult balance of advantages and disadvantages that exists in bringing manpower and public expenditure control together in a single Department.

The costs of merging the two Departments would be between £0.1 million and £0.75 million depending on how much of the integrated Department was brought together in one building. Staff savings would range from 38 to about 50 posts and money savings would amount to some £0.5 million a year. But the report emphasises that integration could involve other costs and other potential benefits which it would be impossible to quantify in advance.

Note to Editors

Copies of the report and of the working papers prepared by the study team are available on request from CSD Press Office. All enquiries about the report should be directed to CSD Press Office.

Press Office
Civil Service Department
Old Admiralty Building
WHITEHALL
London SW1A 2AZ

Tel: 01-273 4002 and 273 4274

- 6 NOV 1980

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

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

NJS. MP

To clear & arrange PQ. I have asked for 30 copies of the report for the Vote Office – you will presumably ~~are~~ add a line on this.

MAP 6/x1

Mike Pattison Esq
Private Secretary
Office of the Prime Minister
10 Downing Street
LONDON SW1

6 November 1980

Dear Mike,

STUDY OF THE TREASURY/CSD INTEGRATION

You told me on the telephone that the Prime Minister had agreed to the proposals contained in Sir Ian Bancroft's minute to Mr Whitmore of 5 November, including the suggestion that she might answer a Written PQ next Monday, 10 November.

I now attach a draft PQ and Answer for the Prime Minister. I take it that you will make the necessary arrangements for having the Question tabled.

Yours sincerely

Vivian Williams

for JEREMY COLMAN
Private Secretary

PQ FOR WRITTEN ANSWER BY THE PRIME MINISTER

To ask the Prime Minister whether she has received a report from the study team of officials whom she commissioned on 12 August to examine the question of more closely integrating the Treasury and the Civil Service Department.

I have received the factual and analytical material prepared by the study team and have instructed that it should be published today. Copies will be placed in the Library of the House.

-6 NOV 1980

BACKGROUND NOTE

On 12 August the Prime Minister announced that she had commissioned a study by officials to examine the question of more closely integrating the Treasury and Civil Service Department. In making the announcement the Prime Minister said that the study would be completed in the autumn and that she intended that the factual and analytical material produced in the course of the study would be published.

The report of the study team was submitted to the Prime Minister on 31 October who instructed that it should be published. Publication will be on Monday 10 November.

VLB

RESTRICTED

cc:- Press
HMT
Lord President
Sir R Armstrong
Sir D Wass
Sir D Rayner

6

MR. COLMAN
CIVIL SERVICE DEPARTMENT

The Prime Minister has seen Sir Ian Bancroft's minute of 5 November, about arrangements for publication of the Study Team's Report on the Treasury and the Civil Service Department.

She is content that the Report should be published on Monday, 10 November. She will make the announcement herself in a Written Answer, and I should be grateful if you could let me have a suitable Question and Answer in the course of the day.

It will be necessary to make copies of the Report available in the Vote Office, and I should be grateful if you could ensure that the publication plans allow say, 30 copies for this purpose.

The Prime Minister is content that the announcement should be handled through the No. 10 Press Office, with any detailed follow-up for the specialist press handled through your Office. She agrees that the Study Team members should not make themselves available.

The Prime Minister agrees, however, that the two leaders of the team should be prepared to respond to a request from the Select Committee to appear before it, on the understanding that they would confine themselves to answering questions to elucidate factual and analytical aspects of the Report.

The Prime Minister has approved the Foreword which is to be included in the published edition of the Report.

M A PATTISON

6 November 1980

RESTRICTED

1.

PRIME MINISTER (THROUGH MR. WHITMORE)

Sir Ian Bancroft reports publication plans for the Treasury/CSD merger study.

1. Agree to publication on Monday next, 10 November? Yes

2. Agree that publication should be announced from here, with detailed follow-up handled by the CSD Press Office, but with the Study Team members not available for comment? Yes

3. Would you like to announce publication by means of a written PQ next Monday, unless the matter happens to come out in tomorrow's oral Questions? Yes

4. Content with Sir Ian's revised advice that the two leaders of the Study Team should be prepared to appear before the Select Committee, on the strict understanding that they must confine themselves to answering questions to elucidate factual and analytical aspects of their report? Yes

5. Content with the proposed brief foreword, at Flag A, behind Sir Ian's minute? Yes

MAP.

Dto

Prime Minister.

You might like to tell Mr McCann when you see him tomorrow afternoon that the Select Committee will get the Study Team's report next Monday.

You might take the opportunity to remind him that you are ready to wait for 2-3 weeks for the Committee to report but that after that you will not want to wait any longer before announcing your decision on the future of the Treasury and CSD.

AWW
5 Xi

5 November 1980

do Press Offic.

MR C A WHITMORE

Thank you for your minute of 3 November.

Arrangements are being made here to prepare copies of the Study Team's Report for publication. It will be made available to the Treasury and Civil Service Select Committee and the Libraries of both Houses, to senior managers in both Departments, to the unions and staff associations nationally and departmentally, and to the Press; I should also like to send copies to Ministers in charge of departments. I understand that it is possible that subsequently HMSO will wish to publish the report on a commercial basis. That is a matter for their commercial judgement.

Subject to the Prime Minister's views on timing I should like to publish the Report on Monday 10 November. This is the earliest possible date. There is a question about who should handle the Press release. The setting up of the Study was announced by No 10 Press Office and I think that it would be right, if you agree, to announce the publication of the Report in the same way. However, once the Report is available it is the CSD Press Office that the specialist Press can be expected to approach. That being so the Press Notice might very well refer enquiries here and we will deal with them. We will ensure anyway that full briefing is sent to you and to the Treasury Press Office. My own strong feeling is that the members of the Study Team should not be available for comments to the Press on or off the record.

Because the study was announced during the Recess, Parliament was not involved. The question now arises whether or not to draw attention to the publication of the Report by means of an arranged Written PQ for answer by the Prime Minister. To do so would avoid any appearance that a report commissioned by the Prime Minister was being smuggled out quietly. I should welcome her views.

In my minute of 10 October to you, I proposed that requests from the Select Committee for members of the Study Team to give evidence should be declined, in the first instance at least. But we have now been told by the Clerk of the Committee, at the request of Mr Sheldon, the Chairman of the Sub-Committee, that they might want to seek elucidation on some aspects of the report from the Study Team. In the light of this I would modify my earlier advice in the following way. While certainly not offering up the Team to give evidence, I think that in the interests of speed and courtesy, we could reply, if asked more formally, that the two leaders of the Team would be happy to appear, but on the strict understanding, which had the full backing of the Prime Minister, that they must confine themselves to answering questions to elucidate factual and analytical aspects of the report.

They could not allow themselves to be drawn into matters of judgement or speculation. I should be grateful to know if the Prime Minister agrees with this.

... I attach a copy of the Foreword with which it is intended to preface the published edition of the Report.

Copies as before.

IRB

IAN BANCROFT
5 November 1980

RESTRICTED

DRAFT

Foreword

The Prime Minister has instructed that this factual and analytical report should be published with its associated working papers.

We should like to take this opportunity to thank the many members of both Departments on whose assistance we have depended.

MV

M V Hawtin
HM Treasury
Parliament Street
London
SW1

J K Moore
Civil Service Department
Old Admiralty Building
Whitehall
London
SW1

31 October 1980

The direct costs of undertaking the Study and preparing the Report were £25,000

RESTRICTED

NOV 1980

PERSONAL

cc for information

Mr Wright (CO)

Mr PATTISON

THE ORGANISATION OF THE CENTRAL DEPARTMENTS

1. You will no doubt have guessed from the "personal views" component of Sir Ian Bancroft's minute of 31 October that each of the "gang of three" was given a space in which to put his views. Sir Douglas Wass suggested at the last meeting that it should be about 150 words long.

2. It may be reasonably argued by some that there is no point in merging institutions unless there is an underlying and informing strategy. Sir Derek Rayner's piece implied that this was so, at the beginning of para. 36 and at the end of para. 36b. Sir Douglas Wass agrees that the centre would be better if unified but argues that the time is not ripe. Sir Ian Bancroft is for a separate department on the grounds that that will best serve the existing strategy.

3. The purpose of this minute is to say that we are in any case dealing with the strategy for central control of public expenditure and Civil Service management/efficiency in a related context, namely that of Sir DR's "lasting reform" on central control. There is to be a meeting between Treasury Ministers and him next Monday afternoon, 10 November. If time allows we shall be pulling together the current thinking into a strategic document, relevant to both the Treasury meeting and to the discussion of central organisation. The attachment pulls together some of Sir DR's obiter dicta on central control, but the paper I had in mind would be somewhat different in shape and presentation. You may find the attachment - which I could have typed fair - all you need by way of supplementary briefing for the Prime Minister but if you would like to have a copy of the strategy paper, I would gladly supply it to you.

CP

C PRIESTLEY
4 November 1980

PS You have of course already got Sir DR's paper of July for the Select Committee.

Mr Sattison.

I agree with X/ below. These papers do not contain any major new thoughts from Derek Rayner.

AHW 5/xi

Good Mach

MR. WHITMORE

I mentioned to Mr. Priestley that one argument against a CSD/Treasury merger was that the bureaucracy would treat this as an end in itself, and thus evade the need to develop an effective long-term strategy for changes and improvements in the Civil Service and its style of operation.

In response, he has offered the enclosed papers to illustrate that Derek Rayner's approach is to see the merger as only one element in a wider programme.

X/ I see no point in showing these papers to the Prime Minister. Derek Rayner will have his own opportunity to set the proposal in context at next week's meeting.

MAP

5 November 1980

MAIN POINTS FOR CHANCELLOR'S MEETING

From CP's brief for this meeting and letter from Sir DR to Chancellor

DESIRABLE OUTCOME OF THIS MEETING

1. A vigorous and determined policy at the centre in relation to such things as

- the quality of systems for resource management and control
- the organisation of responsibility and accountability in departments
- the quality of key managers
- the weaknesses in particular departmental systems, organisation and officers.

2. What is needed is not theoretical or philosophical, but practical. It should be a policy for good management, covering:

- The role of Ministers } in spending Departments
- The role of officials }

- The role of Ministers } in the central Departments
- The role of officials }

- A specification of the good "financial control system" *
- A specification of what the Central Departments will do on discovering a bad financial control system (see inter alia para. 24 of your note of 27 August). *
- A specification of an appropriate personnel policy for
  (a) Departmental Finance Branches
  (b) Treasury/CSD "expenditure" divisions.

* Some relevant questions: -

a. What do we expect to find in a good control system? What are the weaknesses in systems generally and in particular departments that we want to correct? What are the strengths we want to build on?

b. Do we make the best use of the powers and influence we have?

c. Do we make the best use of the time we have? Do we know enough about departments' policies; machinery; and personalities? Can we keep pace with the department or must we be satisfied to bump along behind?

3. Someone at the centre should be charged with securing the implementation of the policy. This could be an "Inspector-General"; it could be the Permanent Secretary of the Treasury; or the Head of the Civil Service.

4. Because the policy would be implemented mainly in departments, Ministers will have to endorse and require their Permanent Secretaries to get on with it.

5. The centre d o e s not know everything. Indeed, it may not know much at all (see below). Huge reserves of talent, knowledge and experience lie in departments, as well as the great responsibilities for management. It would be essential to tap these in devising and running the policy. (I would surmise, incidentally, that the recent IGSS exercise is a good example of this.)

From Sir DR's letter to the Chancellor of 27 August 1980

USING THE POWERS AND INFLUENCE AVAILABLE:

1. The central department should use all the powers and influence it has. For example, it:

- should not shrink from refusing approval to Estimates where it is justified in doing so (para. 9 of the report);
- be highly critical if not negative in its attitude to new spending proposals (para. 17);
- should indeed require a review as a condition of approving new spending proposals (para. 20);
- should as a matter of routine require a review of particular expenditures in the ongoing mass of committed resources (para. 22)*
- should require formal reviews of control machinery wherever it has an opportunity to do so, eg in management review if that survives;

---

* An example on what is now the CSD area: the regional organisation of the MSC is thought by me and others to be lavish. Surely expenditure on it should not be approved without a review which proves that it is economical?

- should be stringent in playing its part in the selection of Permanent Secretaries, Principal Finance and Principal Establishment Officers and Deputy Secretaries;
- should call new Permanent Secretaries and PFOs in, give them an analysis of the strengths and weaknesses of their organisation as seen from the centre and call for periodic reports on how the former are being dealt with;
- should not recommend honours for senior officials unless they are of outstanding merit;
- should seek out and recommend honours for those who deserve them in the body of the Service.

2. The centre must show leadership. On occasion that will call for plain speaking, the denial of expected benefits and possibly the imposition of penalties. The centre will be fortified in doing so if it knows that it has the firm backing of its Ministers.

MAIN POINTS FOR CHANCELLOR'S MEETING

From Sir Derek Rayner's letter to Chancellor of 27 August

STRENGTHENING THE CENTRE

The centre should have the lead in devising and implementing a policy for securing good quality in administration, including resource control. Such a policy should be adequate to secure the good management of the State.

The policy should identify the things which the centre must do and set out a plan for doing them, as well as identifying the things that departments should do and that the centre would require them to do.

Some of the things that the centre should do will be directed to causes, eg getting properly qualified people into key financial and management posts. Doing them requires definite commitment, careful planning and sustained determination on the part of a designated lead official at the centre. [This could be an "Inspector-General".]

But some of the targets will be effects in a particular department, eg slack resource control, over-elaborate organisation, slowness to modernise, surrender of management prerogative to the staff side. The centre cannot afford to accept these as a fact of life, since they are a continuing drain on resources. The centre should therefore analyse them and tackle the department on them ad hoc.

The centre should be small. It should do only what is essential. It should in particular avoid second-guessing departments where it is confident in their systems and their officers. Where it lacks this confidence, it should (see above) have the courage of its convictions and say so, with chapter and verse.

Responsibility for and most experience in management lie in departments, not at the centre. But because the centre must show leadership and exert influence its officials should have something over and above natural ability. In my view this means greater stability of staffing and greater training than the Bailey-Hinkley report regards as necessary (paras 43 - 53).

cc MR. HOSKYNS
MR. WOLFSON

MR. INGHAM

THE ORGANISATION OF
THE CENTRAL DEPARTMENTS

You will wish to see the attached papers about the organisation of the Treasury and the CSD.

The CSD hope to publish the Study Team's report on Friday of this week or Monday of next and they will be sending us tomorrow proposals for handling the Press. I will be in touch with you about these.

KBW.

4 November 1980

CONFIDENTIAL

Arranged for Friday 14 November at 11.30. CS. 6/11

10 DOWNING STREET

From the Principal Private Secretary

SIR IAN BANCROFT

THE ORGANISATION OF THE CENTRAL DEPARTMENTS

The Prime Minister was most grateful for your minute of 31 October 1980 and for what she has described as the "excellent" report on the study of the advantages and disadvantages of merging the Treasury and the CSD. She has also asked me to thank you for the speed with which the study was carried out.

She agrees that the Study Team's report should be published in full and as soon as possible. She proposes to see Mr. du Cann as soon as the report has been made available to the Treasury and Civil Service Select Committee to remind him that his Committee have only two or three weeks in which to report, before she announces her decision on the future of the Central Departments.

As the first step in the process of moving towards a decision she would like to have a meeting next week with the Chancellor of the Exchequer, the Lord President, you and the other recipients of your minute. We will be in touch to arrange a suitable time.

I am sending copies of this minute to Mr. Wiggins (Treasury), Mr. Buckley (CSD), Sir Robert Armstrong, Sir Douglas Wass and Sir Derek Rayner.

AWL.

3 November 1980

CONFIDENTIAL

Prime Minister

Ref: A03411

CONFIDENTIAL

MW. 31/x

MR. WHITMORE

The Organisation of the Central Departments

The Prime Minister will have had a minute from Sir Ian Bancroft, covering the report of the group of officials commissioned to study the pros and cons of merging the Treasury and the CSD. I have not been associated with the preparation of the study or of Sir Ian Bancroft's minute. That is not meant to be a complaint: simply a statement of fact.

2. The Prime Minister will have enough to read without my adding a long and closely reasoned document setting out my views on the matter. I therefore state them dogmatically; but I am of course very ready to speak to them either with the Prime Minister and you or more widely. If there is to be a meeting on the subject, I should like to be present.

3. My own conclusions are:-

(i) I remain convinced that the balance of benefits and disadvantages is in favour of merging the CSD into the Treasury.

(ii) I believe that it ought to be a merger which carries the integration of the public expenditure divisions of the Treasury and the manpower divisions of the CSD well down to what are called desk officer levels; the integration should not be just at Permanent or Deputy Secretary level. I am therefore for Option B. I should not object to Option A as an intermediate stage, provided that it was clearly understood from the outset that it was an intermediate stage, and that the objective was Option B.

(iii) The savings identified - about £500,000 a year net - are not negligible; but they are far from being the whole story. I believe that larger savings would accrue, not just in the merged Department but in the rest of Whitehall, as a result of improvements in the effectiveness of the merged Department.

CONFIDENTIAL

(iv) I think that recruitment should remain the responsibility of the Civil Service Commission, which should retain at least its present degree of independence from the merged Department. I should like to see training (including the Civil Service College) added to the Commission's responsibilities and perhaps some other relatively non-controversial aspects of personnel management which affect the efficiency and welfare of civil servants.

(v) I agree that the new Department should have only one Permanent Secretary at its head.

(vi) I am not convinced that the Permanent Secretary of the Treasury should be ex officio the Official Head of the Home Civil Service. There are two questions here:

(a) who should carry out the duties peculiar to the Head of the Civil Service (advising you on senior appointments and on patronage, including honours); and

(b) whether we need an Official Head of the Civil Service.

(vii) On the point about the duties:

(a) when senior appointments were dealt with from the Treasury before, there was a good deal of dissatisfaction and suspicion about the way it was done and about some of the results;

(b) these are very much matters which are the personal responsibility of the Prime Minister, and it would make sense for her to be advised on them by the Permanent Secretary who in the nature of things sees her most frequently and is in most regular contact with her.

This points to placing these duties upon the Secretary of the Cabinet. I believe that, as things now are, that is where they ought to be. There are two counter-arguments:

(1) The supporting staff on senior appointments will be in the appropriate divisions of the Treasury, and would have to report across the Departmental boundary. That is not a serious difficulty: the Secretary of the Cabinet already gets advice from officials of the Treasury on other aspects of his responsibilities.

(2) The Secretary of the Cabinet already has more than enough to do. True, and I am not looking for trouble, but the Permanent Secretary of the new Treasury will equally have more than enough to do. In this respect there is nothing to choose between them. If the duties are transferred to the Secretary of the Cabinet, he will have - and I believe would be able - to reorganise his activities so as to accommodate the additional work.

A likely consequence of this would be a revival of the proposal to upgrade Mr Franklin's post.

(viii) I am myself doubtful whether it is necessary or advantageous to retain the title of Head of the Home Civil Service. It was invented in the 1920s as part of the process of establishing the supremacy of the Treasury. It does not need to be retained for that purpose (I leave on one side the validity of the purpose); and I think that, if it fosters either in its holder or in any one else the illusion that its holder is in some sense a representative leader of the Civil Service, as the Commissioner is of the Metropolitan Police or the Chief of the General Staff is of the Army, able in some way to "stand up" for the Civil Service in public, if necessary against Government policy (for instance, on pay), then it is positively disadvantageous and even dangerous. But I do not think that it matters very much whether we keep the title or drop it.

(ix) If the Departments are merged, and it is decided to go for only one Permanent Secretary at the head of the new Department, there will be an awkward transitional problem until Sir Ian Bancroft retires.

4. I have had some discussion of these matters with Mr. Ibbs; the Prime Minister may like to see the attached copy of a minute which he has sent me on the subject. His views reinforce me in my conclusions on the need to keep recruitment and training in a relatively independent Civil Service Commission and on the disposition of responsibility for advising the Prime Minister on senior appointments.

D J Wright

Robert Armstrong

(drafted by Sir R. Armstrong and signed on his behalf).

31st October 1980

CONFIDENTIAL

Qa 05169

To: SIR ROBERT ARMSTRONG RLA

From: J R IBBS

Study of HM Treasury and Civil Service Department

1. We briefly discussed the question of whether or not the Civil Service Department should be integrated with HM Treasury and you have kindly given me an opportunity to look through the draft report of the study on this.

2. Although I would not pretend at this stage to comment on the detail or to give a view on the precise extent to which integration might be appropriate, I do have serious doubts about a full merger.

3. In any large complex organisation there is a most important task of setting and developing what, for convenience, I might call the "management style". The more diverse and decentralised the organisation the more difficult but necessary this task becomes. In a changing external environment it includes ensuring for example -

that creative thought right down the line is concentrated on problems that are going to emerge rather than those that are past;

that within Departments as well as overall, traditions which remain appropriate are preserved and others discarded;

that accepted constraints are challenged and radical alternatives thoroughly and positively explored;

that opportunities offered by new technologies are pursued vigorously rather than accepted belatedly; and

that the overall shape of the organisation changes to fit new circumstances - the sort of change which individual decentralised Departments left to themselves seldom foster.

My view is that for many years ahead these matters will be of crucial importance for the Civil Service.

4. Ministers can give part of the lead on this, but continuity of purpose over many years is essential, and cultural changes and a spirit of unceasing improvement have largely to grow from within.

5. Key elements in forming management style are recrutiment, training, decision of key appointments and influence on the earlier selection and career experience which produces the candidates for these.

6. Success calls for detachment from the affairs of an individual Department while having knowledge and understanding of these and of the people who have to deal with them.

7. All this might be regarded simply as "personnel management" but it goes beyond any specialist definition of this and includes a most important element of the work of top management for any organisation.

8. I do not believe that the Treasury whose Ministers and officials are primarily concerned with absolutely essential and extremely difficult other matters is the right place to put this management task. The nature of their fundamental responsibilities puts them to a degree quite properly in conflict with other Departments. It also means that they must have more concern for finding immediate solutions to problems that cannot be pushed aside rather than thinking of long term cultural developments. If to avoid such conflicts the task were delegated within the Treasury, it would cease to carry the absolutely central importance which I regard as essential.

9. I conclude that this particular top management role needs to be somewhere that avoids conflict with any normal departmental interests: to a degree it could be put 'into commission' but somebody has got to be in charge. Whether or not other aspects of personnel management, for example, dealing with unions, might usefully be associated with it, I am not certain. However, I believe that wherever it is placed in the Civil Service it must have, when the need arises, a direct line to the Prime Minister so that however discreetly the influence on management style is exercised there is never any doubt of its central importance. If continuation of the Civil Service Department on some reduced but more effective scale were to be ruled out, perhaps this is a responsibility the Secretary of the Cabinet should shoulder?

31 October 1980

Prime Minister.

CONFIDENTIAL

This minute from Sir John Bancroft is clear and comprehensive; so much so that you do not need to read the study team's report word by word, at least not at this stage. The one issue not covered in the minute – and properly so – is the Ministerial structure of a merged department. The only decision you need to take at once is whether to release the factual and analytical material to the Select Committee. We have already told them they will get it as soon as possible in November. When you have read Sir John's minute and the Study Report on 15 October, you can tell me whether you want to see Mr Rayner and Sir Douglas Wass to discuss the substantive issue of whether to merge or not. I suggest we shall need more time to go. I suggest however that we aim to have this first round in the week after next. Agree? – After PM has been consulted MS

Yes MT

Yes MT

PRIME MINISTER

THE ORGANISATION OF THE CENTRAL DEPARTMENTS

1. You asked for a detailed study of the pros and cons of merging the Treasury and CSD. The report on the study is attached.

PS. The minute letter from Sir Robert Armstrong has now arrived as well (Flag A); plus one from John Hoskyns (Flag B)

31.x.

Please thank Sir Ian for his excellent report. The covering minute and the speed with which the study has been carried out.

2. This covering minute, which has been prepared in consultation with Sir Douglas Wass and Sir Derek Rayner, comments on the main features of the report and offers advice on matters outside the study's remit*; it also records the conclusions we have reached as a result of the study and the work which preceded it.

3. The study was conducted by a small team, led by Mr Michael Hawtin of the Treasury and Mr Julian Moore of CSD. We commend them to you for their speed, industry and thoroughness.

THE STUDY TEAM'S MAIN FINDINGS

4. If the departments were merged, all their functions would, of course, come under unified Ministerial control. The arrangements at Ministerial level were outside the team's remit and their report deals, therefore, with the organisation of the Centre's functions at official level. They found scope for reorganisation and staff savings in three areas if the departments were merged:

a. the work on financial and management systems;

b. manpower and public expenditure control;

c. common services.

The team see no reason why a merger should itself affect the organisation at official level of the other functions currently performed by the Treasury and CSD (such as overseas finance and Civil Service superannuation). They have not, therefore, considered the organisation of these other functions in detail. We fully agree with the team about this.

5. We also agree with the team that, in the event of a merger, the CSD's Manpower and Organisation command should become part of what is now the Treasury's Public Services Sector. (The Manpower and Organisation command deals with Civil Service manpower and departmental organisation and efficiency; it also includes the Central Computer and Telecommunications Agency. The Treasury's Public Services Sector is responsible for the overall control of public expenditure and detailed supply control for most of the main spending departments; it also includes the divisions concerned with Treasury's current work on financial systems and government accounting.)

* The terms of reference are quoted in paragraph 1 of the report; you approved them on 26 August.

6. Financial Systems: the structure proposed by the team would integrate responsibility for all the centre's work on financial systems at the centre and in spending departments. The development of this work has not been helped by the current split of responsibility for it between the Treasury and CSD. We commend the team's solution if the departments are to be merged. Even if they are not, a closer integration of this work could be achieved than exists at present.

7. Manpower and Public Expenditure Control: the team's report devotes much attention to the integration of the manpower and public expenditure control functions. It identifies two options. Option A would bring within the Public Services Sector of the Treasury the existing CSD Deputy Secretary command responsible for manpower, efficiency and organisation; the present CSD unit responsible for manpower control, headed by an Under Secretary, would, therefore, be kept intact within the Public Services Sector (see paragraph 19 of the team's report). Option B - which the team do not regard as a blue-print but simply as an illustration - involves a deeper integration of manpower and expenditure control, combining in some of the Treasury's separate public expenditure divisions responsibility for the manpower of the departments they are controlling with responsibility for their other expenditure (see paragraph 20 of the report). The team conclude that more time would be required to work out the details of Option B and that a full assessment of its merits as compared with those of Option A could not be made until further work had been done.

8. Because of the priority attached to reducing the total size and cost of the Civil Service, there are powerful arguments for preferring Option A to Option B; disruption of the central divisions concerned with manpower control carries with it risks to the achievement of the Government's manpower objectives. The course of proceeding thereafter to Option B would not be foreclosed by adopting Option A initially. We agree with the team, however, that further study and planning for Option B would be required. Because the balance of advantage between Options A and B is unclear, we recommend that - if you decide in favour of a merger - no firm public commitment should be given initially to go further than Option A; but we think it would be right to make it clear publicly that the merits of a deeper integration will be further examined as soon as Option A has been implemented.

9. Common Services: the third area where the team foresee scope for close integration is in the provision of common services (eg accounts, office services, personnel work). It is here that the main staff savings would be achieved.

10. Public Service Pay: the team conclude that there should continue to be a separation organisationally between the responsibility for negotiating the pay of the Government's own employees and the central interest in pay as an aspect of macro-economic management and public expenditure control. We agree with this. There is little scope for saving in this area through merging the two departments. Whether a merger is or is not made, the role of the central departments in co-ordinating policy on public service pay needs clarifying and this is in hand.

ACCOMMODATION

11. We do not regard as acceptable the "minimal colocation" of the Treasury and the core of CSD which the team identified as one of the accommodation options (see paragraph 25 of the report). We believe that full colocation should be the ultimate objective. This could be achieved by removing the FCO and NIO from the Great George Street building. The FCO would be much opposed to losing their accommodation in Great George Street but we regard it as an unavoidable part of the price of merger.*

QUANTIFIABLE AND UNQUANTIFIABLE COSTS AND SAVINGS

12. Costs: the team were able to identify two groups of quantifiable costs for a merger:

a. Costs of Colocation - these would be once and for all costs. They would amount to about £660,000 for the full colocation of the Treasury and the core of CSD that we recommend. The second accommodation option identified by the team (described in paragraph 24 of the report) would cost about £150,000.

b. Project Team: there would also be a once and for all cost of the staff who would be needed to plan and push through the merger; this would cost about £100,000.

13. Savings: assuming full colocation, the total recurrent savings the team were able to identify are £485,000 a year for Option A and up to £635,000 a year for Option B.

14. The team estimate that integration in the common services area could save 34 posts (including one Under Secretary post), with equivalent money savings of about £370,000 a year.

15. The team suggest that, in addition, a Deputy Secretary and an Under Secretary post, with two supporting staff, could be saved if Option A were adopted. This would yield an annual saving of about £75,000. We believe that the possibility of cutting out both a Deputy and an Under Secretary post requires further thought because of the risk that it would cause over-load at Second Permanent Secretary and Deputy Secretary level.

16. An organisation along the lines of Option B might - though only a rough estimate can be made at this stage - save another 13 posts (£150,000 a year).

* MOD would like to take over all the accommodation in Old Admiralty Building (OAB) vacated by CSD; but this would substantially increase the cost of merger because not only would the NIO and FCO divisions have to be moved into some other accommodation but there would also be the cost of moving MOD staff into OAB.

17. Judged solely on this basis, the net annual saving identified by the team as a consquence of merger would be equivalent to under 1% (perhaps £500,000) of the current total running costs of the Treasury and the core of CSD (ie minus such functions as the Civil Service Catering Organisation). Nearly all the costs would be incurred in the first year; the bulk of the savings would not accrue until later.

18. We are firmly agreed that the case for and against merger turns not on the comparatively small quantifiable costs or savings that would be entailed, but on whether the centre would or would not be better equipped to do its essential work on reducing public expenditure while also improving the efficiency and cutting the size and cost of the Civil Service. We recommend, therefore, that the quantifiable costs and savings of merger should not weigh heavily in your decision on the organisation of the central departments.*

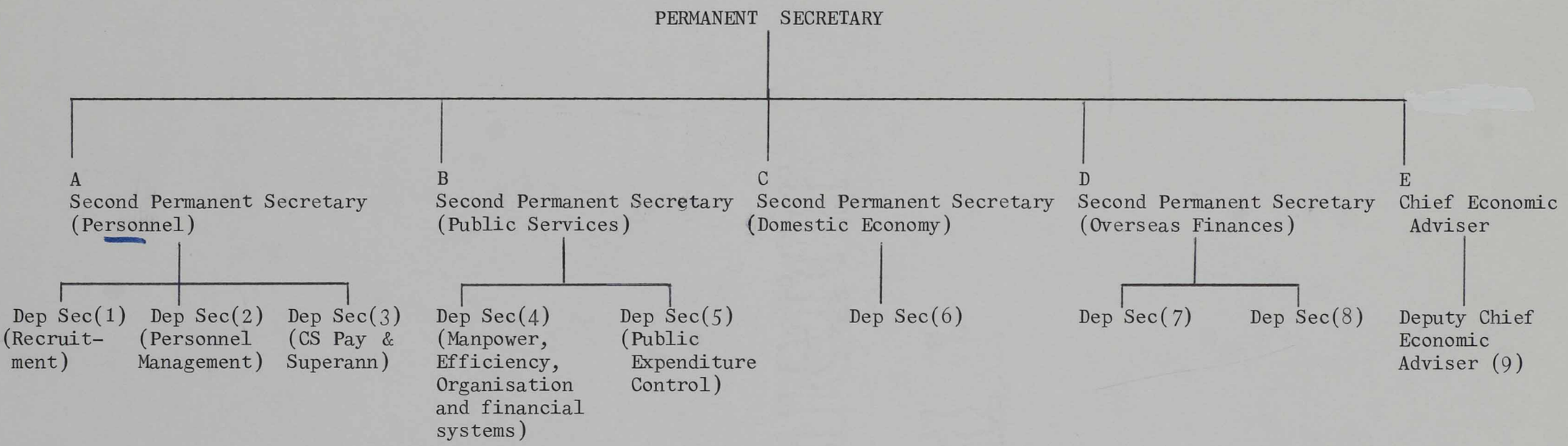
THE TOP OFFICIAL STRUCTURE

19. The top official structure was outside the team's remit. Sir Douglas Wass, Sir Derek Rayner and I have, therefore, considered the organisation at Second Permanent Secretary level and above in the event of integration. We have taken into account the team's report and the preceding work. Our conclusions are illustrated in the following chart:

* In support of this recommendation we note that:

a. the unquantifiable costs and savings of bringing about the merger could dwarf the identifiable ones; and

b. the savings to be achieved from the manpower cuts planned between now and 1984 in the two departments far exceed those arising from integration and do not depend on it.



NOTES:

1. This chart is based on the adoption, initially at least, of Option A

2. Under plans already made, the number of CSD Deputy Secretary posts shown under 2nd Permanent Secretary A will be reduced by one whether the departments are or are not merged.

3. We believe further thought is required whether 2nd Permanent Secretary B above would need two or three Deputy Secretaries.

20. We are agreed, on balance, that the new department should have only one Permanent Secretary. This would be our view whether Option A or B were adopted. We are also agreed that it would be mistaken to separate the functions of the Head of the Home Civil Service from those of the integrated department. We recommend, therefore, that the Permanent Secretary should be both official head of the merged department and Head of the Home Civil Service (the reasons for this were given in the minute I sent you on 4 July). This would save a post at "super" Permanent Secretary level and would add to the savings identified by the team.

21, The load on the Permanent Secretary would be very heavy. We doubt whether he could, for example, coordinate the economic advice to Treasury Ministers in the way that Permanent Secretaries to the Treasury have done hitherto. Moreover, the scope for delegating the functions of the Head of the Home Civil Service to a Second Permanent Secretary is severely limited.

22. At Second Permanent Secretary level, merger would involve two significant changes. First, the responsibilities of the Second Permanent Secretary in charge of the Public Services Sector would be substantially increased (under Option A or B) by the inclusion in his area of the CSD's current responsibilities for manpower and organisation. Second, and as a consequence, the load on Second Permanent Secretary A in the chart above, responsible for the rest of the CSD's present functions (such as pay, superannuation, recruitment and central personnel management), would be significantly lightened because he would lose the manpower and organisation command, which currently reports to him. There might be some scope, though not much, for easing the burden on the Permanent Secretary by arranging for this Second Permanent Secretary to support him in his Head of the Home Civil Service role. Even so, the Second Permanent Secretary post would not be fully loaded. One possibility, therefore, would be to cut out this post, the commands which would have come under it reporting instead direct to the Permanent Secretary. But this would still further increase the formidable load on the Permanent Secretary and the question, therefore, requires further thought.

THE COMMON SERVICE DEPARTMENTS

23. You will recall that at the end of June we sent you a paper about the proposition for creating a Common Services Agency from the PSA, HMSO, COI and parts of CSD. It is necessary here to make only two points. The first is to confirm that, in our view, the decision on the organisation of the central departments can be taken without prejudicing the organisation for the provision of Common Services. The second is that, if you decided to merge the departments, the CSD would initially be transferred to the Treasury intact. The question whether the "non-core" CSD functions might ultimately be taken out of the merged department would be considered in the course of the study of the proposition for a Common Services Agency. We recommend that this proposition should be studied further in the light of your decision on the central departments.

VIEWS OF PERMANENT SECRETARIES OF OTHER DEPARTMENTS

24. When the study was announced in August, the Permanent Secretaries of the spending departments expressed a wish to comment on the organisation of the central departments because of its importance for the work of all Ministries. It emerged that there is a strong consensus of opinion among them that - whether Fulton was right or wrong in 1968 - so much has changed in recent years that the effective central management of the Civil Service now requires a separate department, headed by a Cabinet Minister, to do the job. They are in favour, therefore, of the retention of CSD. But they believe that it could reduce its activities in some spheres so as to allow line departments to exercise more discretion, and thereby release resources in CSD.

VIEWS OF THE CIVIL SERVICE UNIONS

25. The Council of Civil Service Unions sent you their views on the organisation of the central departments on 7 October. They argued that the Treasury should be split, its public expenditure functions being amalgamated with CSD. They claimed that integration "would be disastrous so long as the Treasury continues to have its current over-stretched range of responsibilities."

26. At departmental level, the CSD Staff Side do not favour a merger of the two departments and the view of the Treasury Staff Side is that the balance of opinion in the Treasury is also against it.

TIMETABLE AND MECHANICS

27. First Parliamentary Counsel advises that the merger of the Treasury and the CSD would require a Transfer of Function Order (TFO). The draft Order would need to be laid before Parliament and would require a prayer from both Houses before it could be made. The TFO and resolutions could be drafted very quickly and laid on the day you announced your decision. Provided you did that by, say, the end of the first week of December, it might just be possible (subject to the views of the business managers) to complete the Parliamentary requirements in time for the Order to be made at the Privy Council due on 17 December. The Order could then come into full effect on, say, 1 January.

28. We have considered devices to enable the merger to take effect administratively on 1 January if it were not possible to make the TFO before the Christmas Recess. But these are messy and we recommend that if the TFO cannot be made before the Recess, the operative date for the merger should be deferred for the few weeks until the TFO had been made. When the TFO was laid, there would probably be pressure for full debates on it in both Houses.

THE SELECT COMMITTEE AND PUBLICATION

29. The Treasury and Civil Service Select Committee have been told that the factual and analytical material produced by the study will be made available to them as soon as possible in the course of November. They have also been told that you are prepared to give them two or three weeks in which to report after they receive the material. Thereafter, you would not feel constrained to await the Committee's views before announcing your decision.

30. It will be necessary, therefore, to let the Select Committee have the team's report within the next few days if you wish to keep open the option of announcing a merger in the first week of December, with a view to bringing the TFO into force on 1 January. It is not essential for you to have studied the report closely before letting the Committee have it.

31. We recommend that the full text of the team's report should be published on the same day that it is given to the Select Committee. Copies can be run off on our own machines in sufficient quantity to meet the demand from Parliament and the Press. We recommend that the report should be given to the Select Committee (and to departments and the Staff Sides) in the morning and made generally available to Parliament, the Press and the public in the afternoon. (We shall, of course, be ready to offer you advice on the handling of the Select Committee's views as soon as they are known). We recommend that advance warning should be given to the Ministers whose departments would be affected by the accommodation changes arising from a merger.

32. If the departments are merged, we must expect the Select Committee to ask for regular progress reports and to ask for evidence about whether, for example, the expected costs and savings proved reliable in the event. These matters are within their terms of reference and we should need to supply the information they requested.

RECOMMENDATIONS

33. We recommend that:

a. the study team's report should be published in full and as soon as possible; the Select Committee should be reminded of the need to report quickly if their views are to be taken into account.

34. If you decide to merge the departments, we recommend that:

b. the manpower/public expenditure, financial systems and common services areas should be integrated on the basis suggested by the study team;

c. the other areas of the CSD and Treasury should not be restructured as part of the merger;

d. initially, integration of the manpower/public expenditure functions should be on the basis of the study team's Option A;

e. further work should be done on the details of an integration on the lines of Option B but a firm public commitment to that Option should not be made until the results of the further work have been assessed;

f. the aim should be maximum colocation of the staff of the integrated department and the consequent disturbance of the FCO and NIO divisions now housed in the Treasury building should be accepted as part of the price of merger;

g. the integrated department should be headed by one Permanent Secretary, who would also discharge the functions of Head of the Home Civil Service;

h. the proposition for a Common Services Agency should be further examined in the light of your decision on the central departments; that examination would include consideration of the case for taking out of the merged department the non core functions (eg the Civil Service Catering Organisation) of the CSD;

i. the merger will require a Transfer of Functions Order; the aim should be to make it in time for the Order to come into effect on 1 January or, if that proves impossible, the merger should be delayed for a few weeks until the TFO has been made.

PERSONAL VIEWS ON THE MERITS OF A MERGER

35. While we are agreed on these recommendations, we differ on the merits of a merger.

36. Sir Derek Rayner's view is that organisation should service policy effectively, not impede it:

a. A headquarters which divides control over money and manpower/pay/personnel/organisation between wholly separate units wounds itself. For example, failure to invest in the training of resource and operational managers carries the penalty of wasted resources or lost opportunity for new good. The divided centre faces in a "spending department" a cohesive, powerful organisation, combining resource control and use in and under its Minister and Permanent Secretary. The centre is less of a match for departments than if it concentrated its knowledge and its instruments of control and influence.

b. The Fulton Committee argued that CSD would, in a way it said the Treasury had failed to do, deploy specialised skills itself (especially in personnel) and develop management in departments. In fact, specialisms require the right people not a separate department. A single department combining the relevant official strengths of the CSD and Treasury at all levels, inspired by sound policies and leadership, would substantially increase pressure for excellence in management.

37. Sir Douglas Wass acknowledges that the Centre would be strengthened by integration and that a unified department would more effectively co-ordinate the control functions now exercised by the CSD and the Treasury. But he considers that there would be serious drawbacks. The Treasury is a reasonably homogenous financial and economic department. If it were joined to the CSD it would acquire functions unrelated to finance and economics, and the professionalism which has been developed in the department as a result of its more specialised role since Fulton would suffer. The Permanent Secretary would be unable to devote the time he now does to co-ordinating macro-economic and financial policy and to advising the Chancellor on these subjects. As for the Chancellor himself, the load on him would be very heavy indeed and even if he delegated extensively there would be many additional calls on his time and energy. Even if these advantages were outweighed by the strengthening of central control, there would be a substantial transitional cost during the period the merger was being brought to effect. Senior officials in the public expenditure area would be bound to be distracted somewhat from their main function. Given all the strains involved in holding public expenditure on course, the present is not the most opportune moment to engage in time-consuming reorganisation. For these reasons Sir Douglas Wass is on balance not in favour of integration.

38. My own views are as follows. In 1968, I was not in favour of the creation of CSD. I thought it wrong in principle to divide the centre's functions. But I have since become convinced that we do need a separate central department to manage the Civil Service and that one will continue to be required for some time to come. There are two main reasons:

a. Cutting the size and cost of the Civil Service and increasing its efficiency are among the Government's main policies. They make heavy demands on the time of CSD Ministers and senior officials. They will continue to require this attention throughout the rest of this Parliament if the objectives are to be achieved. In some ways, cutting manpower is even more difficult than cutting expenditure. Given the Chancellor's other responsibilities, I cannot see how he and his Permanent Secretary could, with the best will in the world, give the manpower and efficiency work the time it requires. Yet, as the history of the centre shows, this has been a recurrent theme for most of this century (see Annex 1 to the team's report). Instead of coming to grips with the necessary work, successive Governments have tinkered with the organisation. I believe a merger would entail a real risk to the achievement of these objectives not only during the initial period of disruption but also in the longer term.

b. The central management of the Civil Service consists of far more than the responsibilities for pay and manpower control. In particular, industrial relations are now much more volatile, strained and complex than they were in 1968. Yet the implementation of nearly all the Government's policies depends upon the maintenance of good indutrial relations within the Civil Service and a properly motivated staff. Securing this requires high priority at the centre. I very much doubt whether, with all the Treasury's other preoccupations, it could receive the necessary priority if the responsibility for it were located there.

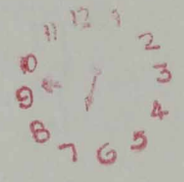
39. I believe, therefore, that the best course would be to retain CSD as a separate department. The study has shown areas - notably, the work on financial systems - where the allocation of responsibilities between the Treasury and CSD can be improved without merger. The collaboration between the two departments on manpower and public expenditure questions is already good and can be further strengthened. But what matters far more than co-ordination at official level is firm Ministerial direction of clear policies for the Civil Service - and we have that at present.

40. Copies of this minute and the study team's report are being sent to the Chancellor of the Exchequer and the Lord President and to Sir Robert Armstrong, Sir Douglas Wass and Sir Derek Rayner.

IRB

IAN BANCROFT
31 October 1980

31 OCT 1980



PERSONAL, COVERING CONFIDENTIAL

Mr Pattison

THE ORGANISATION OF THE CENTRAL DEPARTMENTS

1. I attach for your personal use a copy of the current drafts of the minute to the PM from Sir Ian Bancroft and of the Hawtin-Moore report (minus some working papers - envisaged as being bound separately - on Treasury/CSD functions; posts in Treasury/CSD; Treasury/CSD running costs; addresses: "separation" office notice, October 1968).

2. I raised with Sir Ian Bancroft the question whether a shorter draft minute to the PM would be more appropriate, given the length of Hawtin-Moore, and offered a draft as a first shot (copy attached). He discussed this with Sir Douglas Wass, but they concluded that - given the importance and clarity of the issues - the "long" draft was necessary. This is fair, although I do not think the draft anywhere near as crisp as it should be.

3. However, if you want a summary on the basis of my "short" draft, let me know and I will prepare one.

4. The "gang of three" meets tomorrow when they must decide, among other things, how to fill the embarrassing blanks in paras. 37 - 38 of the draft minute.

C PRIESTLEY
28 October 1980

Encs: Draft minute to PM
Draft Hawtin-Moore report
Draft "short" minute to PM

Covering CONFIDENTIAL

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

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

Jonathan Taylor Esq
Private Secretary to
Sir Douglas Wass GCB
HM Treasury
Parliament Street
LONDON SW1

27 October 1980

Dear Jonathan,

THE ORGANISATION OF THE CENTRAL DEPARTMENTS

Sir Ian Bancroft was very grateful for the comments made by Sir Douglas Wass and others on the draft of the covering minute to the Prime Minister which I circulated on 22 October.

The draft has been revised to take account of these comments and some further advice from Sir Henry Rowe on the mechanics of merger. The revised draft (attached) also includes a new section, summarising the main recommendations. It leaves space for Sir Douglas Wass', Sir Derek Rayner's and Sir Ian Bancroft's views to be inserted. Sir Ian had originally felt that he would insert his views in this draft, but feels on reflection that he would be better equipped to do this following next Wednesday's discussion. This is arranged for 2.30 pm on 29 October in Sir Ian's room.

I am copying this and the revised draft to Hilary Tyrrell, Robin Butler, Clive Priestley (two copies), Peter Towers, Michael Hawtin and Julian Moore.

Yours ever,

Jeremy Colman

J G COLMAN
Private Secretary

Covering CONFIDENIAL

ALTERNATIVE DRAFT OF 24 OCTOBER 1980

Mr. Pattison

You may like to have this back.

GD

28/10

CONFIDENTIAL

PRIME MINISTER

THE ORGANISATION OF THE CENTRAL DEPARTMENTS

1. You asked for a detailed study of the pros and cons before deciding whether or not to merge the Treasury and the CSD. I attach a report on the functions and organisation of the centre, together with supporting background papers. It has been prepared at your wish by a team drawn from both departments, led by Mr Hawtin (Treasury) and Mr Moore (CSD). I am glad to acknowledge my sense of indebtedness to them.

2. As well as interviewing numerous officials, the team has seen the Chancellor of the Exchequer and the Lord President of the Council, who ..... . I have consulted my Permanent Secretary colleagues, who are mostly against the merger as are the Council of Civil Service Unions, who have sent their comments direct to you.

3. In this minute, which I have prepared in consultation with Sir Douglas Wass and Sir Derek Rayner, I offer you our views on the balance of benefits and disadvantages and suggest how a unification should be achieved, should that be your decision.

The balance of benefits and disadvantages

4. The question turns on the argument that a single department would help Ministers implement their policies for reducing public expenditure and improve the quality and effectiveness of the Civil Service in manning resources better than two separate ones. The answer is a matter of judgement.

5. [Sir Derek Rayner's view remains very strongly that it is wrong in principle to separate control over Civil Service manpower, pay etc from control over other public expenditure. But he attaches much more importance to the opportunities for clarifying and reinforcing arrangements for the control and management of resources which he believes would flow from merger, provided the new department was informed and inspired by practical policies for the centre itself and its influence over other departments. He attaches particular importance to the capacity of an integrated centre to improve resource management through developing the right people for key management posts.]

6. [Sir Douglas Wass's view .....]

7. [My view .....]

Arrangements for a merger

8. The team's report shows how a merger could be achieved, if you so decided.

9. The arrangements are in summary that:

a. The CSD would merger with the Treasury enbloc.

The question whether certain parts (eg the Civil Service Catering Organisation) should be separated off to form a new "Common Services Agency" along with the PSA, HMSO and COI would be left open for further study after the merger.

b. The main purpose and effect of the merger however would be to brigade with the Treasury the core of CSD:

and

i. The Manpower/Organisation Command (covering both the Supply function and the improvement of management);

ii. Civil Service Pay and Superannuation;

iii. Personnel Management and related functions (notably Recruitment).

c. The Manpower Divisions could at first move as they are into the Treasury's Public Service Sector (the team's Option A, report paras.). But they could then be integrated with the Specific Expenditure Divisions to produce a single organisation for controlling public expenditure (Option B, paras.) We would recommend a two-stage operations, achieving full integration by 1981.

d. The common services of the Treasury and CSD at present separate, would be merged.

Costs and savings

10. We agree that to have practical meaning the cores of Treasury and CSD should be housed in the same building. This would mean moving the CSD staff in with the Treasury and displacing all or some of the NIO, FCO and CSO staff who now share with the Treasury.

11. We estimate the costs thus:

Item	£	Remarks
Removals (para. 9 above)		Once for all
Merger project team	c. 50,000	Once for all
Replacing access to computing facilities in Treasury for displaced CSO staff	c. 50,000	Recurrent

12. We estimate the savings thus:

Item	£	%ge of relevant current costs	Remarks
Manpower and Organisation, Option A	480,000		Recurrent. May, subject to further study, include a Deputy and an Under Secretary
or - do - Option B	625,000		Recurrent. May include, in addition to Option A, 16 more posts.
Common Services	405,000		Recurrent. Would include one Under Secretary and 35 other posts.

13. [Paragraph 21 of draft, compressed if possible.]

14. We agree that the balance of argument turn on the question whether the centre would or would not be better equipped by merger for the tasks noted earlier, rather than on the comparatively small costs and savings entailed. We recommend that these should have a secondary place among the factors you take into account. [Economies already set in hand for other reasons would be bound to exceed savings due to merger and are not dependent on it.]

The top official structure

15. The team was not asked to consider this.

16. The CSD has a Permanent Secretary and a Second Permanent Secretary. The former is Official Head of the Home Civil Service, with a pay differential in common with the Secretary of the Cabinet, the Official Head of the Treasury and the Official Head of the Diplomatic Service.

17. The Treasury has a Permanent Secretary (also with a pay differential as noted) and four Second Permanent Secretaries. One of these (Public Services Sector) would become responsible for CSD's Manpower and Organisation Command, which would increase his burden but decrease that of the CSD Second Secretary.

18. If the departments were merged, our advice would be as follows:

a. The merged department should have a single official head, not two Joint Permanent Secretaries as before separation.

b. This Permanent Secretary should be both head of department and Official Head of the Home Civil Service and have a pay differential.

c. As the load on him would be heavy, owing not least to the personal responsibilities of the Head of the Civil Service, he should be supported by a full Permanent Secretary to co-ordinate the economic and financial work and advice. (This post would not have a pay differentail.)

d. The CSD Second Secretary post should be dispensed with.

19. That would produce a top structure consisting of one "super" Permanent Secretary, one Permanent Secretary and four Second Secretaries. There would be a recurrent saving of ..... .

Next steps

20. You may wish to consult the Chancellor and Lord President again. If you decided to merge, you would wish to inform the Foreign and Commonwealth and Northern Ireland Secretaries as early as possible of the implications for the accommodation of some of their staffs.

21. - 23. [Paragraphs 31 - 33 of draft.]

The Select Committee and Publication

24. - 25. [Paragraphs 34 and 35 of draft; is 36 worth saying?]

Summary of recommendations

26. If you decided to merge the two departments, the necessary step would be in our judgement: [Derive from text above].

27. I am copying this to ..... .

29 OCT 1980

DRAFT 27.10.80

DRAFT MINUTE TO THE PRIME MINISTER

THE ORGANISATION OF THE CENTRAL DEPARTMENTS

1. You asked for a detailed study of the pros and cons of merging the Treasury and CSD. The report on the study is attached.

2. This covering minute, which has been prepared in consultation with Sir Douglas Wass and Sir Derek Rayner, comments on the main features of the report and offers advice on matters outside the study's remit; it also records the conclusions we have reached as a result of the study and the work which preceded it.

3. The study was conducted by a small team, led by Mr Michael Hawtin of the Treasury and Mr Julian Moore of CSD. We commend them to you for their speed, industry and thoroughness.

THE ORIGINS OF THE STUDY

4. At the end of June, we sent you a paper examining the propositions, contained in your minute of 3 April to the Chancellor of the Exchequer, about the organisation of the central departments. You discussed the paper with us on 23 July. Mr Whitmore's minute to me of 24 July records your conclusion that:

> "the work that has been done so far does not demonstrate convincingly that the balance of benefits and disadvantages is clearly in favour of a merger (of the Treasury and CSD). She feels, therefore, that a more detailed study of the pros and cons is needed before even a decision in principle can be taken."

The minute said that, in particular, the study would need to produce estimates of the costs of the merger and of the staff savings. The decision to have the study was announced by Press Notice on 12 August. The terms of reference you approved are reproduced in paragraph 1 of the report.

THE STUDY TEAM'S MAIN FINDINGS

5. If the departments were merged, all their functions would, of course, come under unified Ministerial control. The arrangements at Ministerial level were outside the team's terms of reference and their report deals, therefore, with the organisation of the Centre's functions at official level. They found scope for restructuring this organisation and for savings in three areas:

a) the work on financial and management systems;
b) manpower and public expenditure control;
c) common services.

While these three areas would be restructured if the departments were unified, the team see no reason why a merger should itself affect the organisation at official level of the other functions currently performed by the Treasury and CSD (such as overseas finance and Civil Service superannuation). They have not, therefore, considered the organisation of these other functions in detail. We fully agree with the team about this.

6. We also agree with the team that, in the event of a merger, the CSD's Manpower and Organisation command should become part of what is now the Treasury's Public Services Sector. The Manpower and Organisation command deals with Civil Service manpower and departmental organisation and efficiency; it also includes the Central Computer and Telecommunications Agency. The Treasury's Public Services Sector is responsible for the overall control of public expenditure and detailed supply control for most of the main

spending departments; it also includes the divisions concerned with Treasury's current work on financial systems and government accounting.

7. Financial Systems: the structure proposed by the team would integrate responsibility for all the centre's work on financial systems for information and control both at the centre and in spending departments. The development of this work has been hindered by the current split of responsibility for it between the Treasury and CSD. We commend the team's solution if the departments are to be merged.

8. Manpower and Public Expenditure Control: the team's report devotes much attention to the integration of the manpower and public expenditure control functions. It identifies two options. Option A involves preserving the separate organisation for manpower control now headed by an Under Secretary in CSD, but bringing it as a unit within the public expenditure command in the Treasury. Option B - which the team do not regard as a blue-print but simply as an illustration - involves a deeper integration of manpower and expenditure control, combining in some of the Treasury's separate public expenditure divisions responsibility for the manpower of the departments they are controlling with responsibility for their other expenditure. [The team conclude that more time would be required to work out the details of Option B and that a full assessment of its merits as compared with those of Option A could not be made until this further work had been done.]

9. Because of the priority attached to reducing the total size and cost of the Civil Service, there are powerful arguments in favour of Option A; disruption of the central divisions concerned with manpower control carries with it risks to the achievement of the Government's manpower objectives. But the course of proceeding thereafter to

Option B would not be foreclosed by adopting Option A initially. We agree, however, with the team that further study and planning for Option B would be required. We recommend, therefore, that if Option B is preferred, its introduction should be phased. Initially, integration would be on the basis of Option A, thus providing the time needed to plan, assess and implement an organisation along the lines of Option B. Because the balance of advantage between Options A and B is unclear, we recommend that - if you decide in favour of a merger - no firm public commitment should be given initially to go further than Option A; though we think it would be right to make it clear publicly that the merits of a deeper integration will be receiving further examination.

10. Common Services: the third area where the team foresee scope for close integration is in the provision of common services (eg accounts, office services, personnel work). It is here that the main staff savings might be achieved.

11. Public Service Pay: The team conclude that there should continue to be a separation organisationally between the responsibility for negotiating the pay of the Government's own employees and the central interest in pay as an aspect of macro-economic management and public expenditure control. We agree with this and consequently there is little scope for saving in this area through merging the two departments. Whether a merger is or is not made, the role of the central departments in co-ordinating policy on public service pay needs clarifying, and this is in hand.

ACCOMMODATION

12. We are convinced that the benefits of a merger would be substantially lost unless the cores of the two former departments were located in the same building This

is not a minor issue. The merger would take far longer to shake down and the staff would adjust more slowly to the new arrangements if those of the former CSD were not working side by side with those of the Treasury. We do not regard as acceptable, therefore, "minimal colocation" identified as a third accommodation option by the team. We believe that full colocation should be the ultimate objective with the colocation of the Second Permanent Secretary commands being an essential stepping stone to it. This would involve removing the NIO to Old Admiralty Building, and some disturbance of the FCO and CSO divisions now housed in the Treasury building. The FCO would be much opposed to losing their accommodation in Great George Street but we regard it as an unavoidable part of the price of merger.

QUANTIFIABLE AND UNQUANTIFIABLE COSTS AND SAVINGS

13. Costs: the team were able to identify two groups of quantifiable costs for a merger:

a. Costs of Relocation: these - which would, of course, be once for all - would range from about £750,000 to £100,000 depending on the extent to which the CSD and Treasury were brought together in Great George Street and the FCO and NIO were moved out.

b. Project Team: there would also be a once for all cost of the small team who would be needed to plan and push through the merger; this would cost about £90,000.

14. Savings: the team estimate that integration in the common services area could save 34 posts (including one Under Secretary post), with equivalent money savings of about £370,000 -a year.

15. The team suggest that, in addition, a Deputy Secretary and an Under Secretary post, with two supporting staff, could be saved if Option A were adopted. This would yield an annual saving of about £75,000. We believe that the possibility of cutting out both a Deputy and an Under Secretary post requires further thought because of the risk that it would cause over-load at Second Permanent Secretary and Deputy Secretary level.

16. An organisation along the lines of Option B might - though only a rough estimate can be made at this stage - save another 16 posts (£200,000).

17. The total recurrent savings the team were able to identify are £445,000 a year for Option A and up to £645,000 a year for Option B.

18. Judged solely on this basis, merger would produce a net annual saving, when fully implemented, equivalent to under 1% (perhaps £500,000) of the current total running costs of the Treasury and CSD. Nearly all the costs would be incurred in the first year; the bulk of the savings would not accrue until later.

19. The team were, of course, unable to put values on the unquantifiable costs and benefits of merger. We think that these could dwarf the quantifiable effects. The costs would arise in an incidental and

unpredictable way from such mundane but essential things as introducing common registry systems, unifying the Whitley machinery, producing common systems for personnel management and so on. More importantly, senior staff would be unable to avoid devoting to the merger time and effort at the expense of their policy work. On the other side of the balance sheet, it is impossible to put a figure on the gains which would be obtained from unifying central control in all its aspects.

20. Sir Derek Rayner argues strongly - and Sir Douglas Wass and I agree with him - that the case for and against merger turns not on the comparatively small costs or savings that would be entailed, but on whether the centre would or would not be better equipped to do its essential work on reducing public expenditure while also improving the efficiency and cutting the size and cost of the Civil Service. It is also relevant to note that the savings which could be secured by cutting out less essential work both in CSD and the Treasury, and from the manpower cuts planned between now and 1984, could far exceed those arising from integration and are not dependent on a merger. We recommend, therefore, that the direct costs and savings of merger should not weigh heavily in your decision on the organisation of the central departments.

THE TOP OFFICIAL STRUCTURE

21. Sir Douglas Wass, Sir Derek Rayner and I have considered the organisation of an integrated department at Second Permanent Secretary level and above. We have taken into account the team's report and the preceding work.

22. We are agreed, on balance, that the new department should have only one Permanent Secretary. This would be our view whether Option A or B were adopted. We are also

agreed that it would be mistaken to separate the functions of the Head of the Home Civil Service from those of the integrated department. We recommend, therefore, that the Permanent Secretary should be both official head of the merged department and Head of the Home Civil Service (the reasons for this were given in the minute I sent you on 4 July).

23. The load on the Permanent Secretary would be very heavy. We doubt whether he could, for example, so effectively co-ordinate the economic advice to Treasury Ministers as the Permanent Secretary to the Treasury now does. Moreover, the scope for delegating the functions of the Head of the Home Civil Service to a Second Permanent Secretary is severely limited.

24. At Second Permanent Secretary level, merger would involve two significant changes. First, the responsibilities of the Second Permanent Secretary in charge of the Public Services Sector would be substantially increased (under Option A or B) by the inclusion in his area of the CSD's current responsibilities for manpower and organisation. Second, and as a consequence, the load on the Second Permanent Secretary responsible for the rest of the CSD's present functions (such as pay, superannuation, recruitment and central personnel management) would be significantly lightened because the Manpower and Organisation command currently reports to him. There might be some scope, though not much, for easing the burden on the Permanent Secretary by arranging for this Second Permanent Secretary to support him in his Head of the Home Civil Service role. Even so, the Second Permanent Secretary post would not be fully loaded. One possibility, therefore, would be to cut out this post, the commands which would have come under it reporting instead direct to the Permanent Secretary. But this would still further increase the formidable load on the Permanent

Secretary and the question, therefore, requires further thought.

THE COMMON SERVICE DEPARTMENTS

25. You will recall that at the end of June we sent you a paper about the proposition for creating a Common Services Agency from the PSA, HMSO, COI and parts of CSD. It is necessary here to make only two points. The first is to confirm that, in our view, the decision on the organisation of the central departments can be taken without prejudicing the organisation for the provision of Common Services. The second is that, if you decided to merge the departments, the CSD would initially be transferred to the Treasury intact. The question whether the "non-core" CSD functions might ultimately be taken out of the merged department would be considered in the course of the study of the proposition for a Common Services Agency. We recommend that this proposition should be studied further in the light of your decision on the central departments.

VIEWS OF PERMANENT SECRETARIES

26. When the study was announced in August, the Permanent Secretaries of the spending departments expressed a wish to comment on the organisation of the central departments because of its importance for the work of all Ministries. It emerged that there is a strong consensus of opinion among them that - whether Fulton was right or wrong in 1968 - so much has changed in recent years that the effective central management of the civil service now requires a separate department, headed by a Cabinet Minister, to do the job. They are in favour, therefore, of the retention of CSD. But they believe that it could reduce its activities in some spheres so as to allow line departments to exercise more discretion, and thereby release resources in CSD which we could use to concentrate the more on improving efficiency

and reducing manpower costs across the Service.

VIEWS OF THE CIVIL SERVICE UNIONS

27. The Council of Civil Service Unions sent you their views on the organisation of the central departments on 7 October. They argued that the Treasury should be split, its public expenditure functions being amalgamated with CSD. They claimed that the "notion of putting the CSD's functions 'back' into the Treasury would be disastrous so long as the Treasury continues to have its current over-stretched range of responsibilities".

28. At departmental level, the CSD Staff Side do not favour a merger of the two departments and the view of the Treasury Staff Side is that the balance of opinion in the Treasury is also against it.

HEAD OF THE GOVERNMENT ACCOUNTANCY SERVICE (HOTGAS)

28 A. This post is currently located in the Department of Industry. We commented on this in the report we sent you at the end of June. We confirm here our advice that, if the Treasury and CSD are merged, HOTGAS should be transferred to the unified department. If, however, the central departments are not merged, further thought will be required about whether HOTGAS might best be located in the Treasury or CSD.

TIMETABLE AND MECHANICS

29. First Parliamentary Counsel advises that the merger of the Treasury and the CSD would require a Transfer of Functions Order (TFO). The draft Order would need to be laid before Parliament and would require a prayer from both Houses before it could be made. The TFO and resolutions could be drafted very quickly and laid on the day you announced your decision. Provided you did that by, say, the end of the first week of December, it might (subject to the views of the business managers) be possible to complete the Parliamentary requirements in time for the Order to be made at the Privy Council due on 17 December. The Order could then come into full effect, say, on 1 January.

30. If, for some reason, it were not possible to obtain the prayers and make the TFO before the Christmas Recess, these formalities could be completed in January after Parliament returns. In that event, it would be open to you to bring about an administrative merger during the interim. What I have in mind is that you could announce in December that, as from 1 January:

a. the Chancellor would discharge your Minister for the Civil Service functions;

b. any other associated changes at Ministerial level would take effect;

c. so CSD and the Treasury would come under unified Ministerial control;

d. formally, CSD would continue to exist as a separate department for the few weeks between the date of the administrative merger and the time when the TFO could be brought into effect.

31. This is an appropriate point to stress once again the importance of accommodation to the success of any merger. The colocation of staff of the former CSD is essential to the integration of the manpower/public expenditure, financial systems and common service functions. Until it had taken place, the new departmentwould not be able to function as a fully effective unit. Integration would need to be handled carefully over the first few months in order to avoid so far as possible disruption to work on the Budget, the Public Expenditure Survey and the manpower cuts exercise.

THE SELECT COMMITTEE AND PUBLICATION

32. The Treasury and Civil Service Select Committee have been told that the factual and analytical material produced by the team will be made available to them as soon as possible in the course of November. They have also been told that you are prepared to give them two or three weeks in which to report after they receive the material. Thereafter, you would not feel constrained to await the Committee's views before announcing your decision. We recommend that, if you decide in favour of merger, the decision should be announced in the first week of December with the aim of making the TFO in time for it to come into force on 1 January.

33. We also recommend that the full text of the team's report should be published. Copies can be run off on our own machines fairly quickly and in sufficient quantity to meet the demand from Parliament and the Press. We recommend that the report should be given to the Select Committee on the afternoon before it is made generally available to Parliament, the Press and the public. (We shall, ofcourse, be ready to offer you advice on the handling of the Select Committee's views as soon as they are known.)

34. If the departments are merged, we must expect the Select Committee to ask for regular progress reports and to ask for evidence about whether, for example, the expected costs and savings proved reliable in the event. These matters are within their terms of reference and we should need to supply the information they requested.

RECOMMENDATIONS

35. If you decide to merge the departments, we recommend that:

a. the manpower/public expenditure, financial systems and common services areas should be integrated on the basis suggested by the study team;

b. the other areas of the CSD and Treasury need not be restructured as part of the merger;

c. initially, at least, integration of the manpower/public expenditure functions should be on the basis of the study team's Option A;

d. further work should be done on the details of an integration on the lines of Option B but a firm public commitment to that Option should not be made until the results of the further work have been assessed;

e. the aim should be maximum colocation of the staff of the integrated department and the consequent disturbance of the NIO and some of the FCO and CSO divisions now housed in the Treasury building should be accepted as part of the price of merger.

f. the integrated department should be headed by one Permanent Secretary, who would also discharge the functions of Head of the Home Civil Service.

g. the proposition for a Common Services Agency should be further examined in the light of your decision on the central departments; that examination would include consideration of the case for taking out of the merged department the non-core functions (eg the Civil Service Catering Organisation) of the CSD:

h. the merger will require a Transfer of Functions Order; the aim should be to make it in time for the Order to come into effect on 1 January.

i. if the TFO cannot be made until after the Christmas Recess, an administrative merger, which would bring the CSD and Treasury under unified Ministerial control, should be introduced with effect from 1 January.

j. the study team's report should be published in full and as soon as possible; your decision would need to be announced in the first week in December if there were to be any real prospect of bringing the TFO into effect on 1 January - the Select Committee should be reminded of the need to report quickly if their views are to be taken into account.

PERSONAL VIEWS ON THE MERITS OF A MERGER

36. While we are agreed on these recommendations, we differ on the merits of a merger.

[37. Sir Derek Rayner's views]

[38. Sir Douglas Wass's views]

[39. Sir Ian Bancroft's views]

40. Copies of this minute and the study team's report are being sent to the Chancellor of the Exchequer and the Lord President and to Sir Robert Armstrong, Sir Douglas Wass and Sir Derek Rayner.

CSD

27 October 1980

PS/PERMANENT SECRETARY
SIR DOUGLAS WASS

cc
Sir Derek Rayner
PS/2nd Permanent Secretary
Mr Butler
Mr Priestley
Mr Towers
Mr Osmotherly

STUDY OF H M TREASURY AND CIVIL SERVICE DEPARTMENT: DRAFT REPORT

We attach a revised draft of our report for discussion at 2.30 pm on Wednesday 29 October.

The supporting material has been split between Annexes and Working Papers. The former relate directly to the main Report and we envisage that they would be bound with it in the final version; the latter generally describe current arrangements or provide relevant background and we propose that they should be bound separately.

Some papers are still being reproduced and will be circulated in time for the meeting. They are:-

a. Notes on sources to be attached to Annex 1 (not previously circulated);

b. Working Paper 4 (Functions of certain divisions in H M Treasury and CSD - ie areas to be integrated);

c. List of contents.

The whole set of papers requires further editorial work which we shall be undertaking in the course of this week.

M V HAWTIN
J M MOORE

27 October 1980

Enc.

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STUDY OF HM TREASURY AND CIVIL SERVICE DEPARTMENT

Report by the Study Team

1. TERMS OF REFERENCE

The terms of reference for the Study, as approved by the Prime Minister on 26 August, were:-

> "1. To consider the organisational changes that might be made to bring about an integration of the Civil Service Department and HM Treasury into one department, such integration having as its aims:
>
> a. a more co-ordinated and effective central control over public expenditure and Civil Service manpower;
>
> b. the promotion of greater efficiency in the Civil Service; and,
>
> c. a reduction in the administrative effort and resources of manpower and money currently expended by the two departments.
>
> 2. To analyse the case for and against a merger of the two Departments as compared with the present organisation.
>
> 3. To assess both the immediate costs arising from an integration, including the relocation of certain parts of the two Departments, and the implications for the saving of manpower and other costs in the longer run; and,
>
> 4. To prepare a factual and analytical report."

2. The terms of reference thus exclude two recognised options* for the organisation of the functions discharged by the Treasury and the Civil Service Department (CSD), namely:-

a. to split the Treasury, merging its public expenditure control functions with the CSD, leaving the rest of the Treasury as a separate department, and;

*See, for example, Minutes of Evidence taken before the Treasury and Civil Service Sub-Committee, Session 1979-80: The Role and Powers of the Civil Service Department; Wednesday 18 June 1980, Q.770; Wednesday 2 July 1980, Q.818 and Annex p.203.

b. to split the CSD, transferring its manpower, organisation and efficiency divisions to the Treasury, leaving the rest of CSD as a separate department.

Accordingly, this report reviews the analytical and factual considerations involved in an integration of the two departments and the case for and against such a merger as compared with the present arrangements. We have not felt precluded from drawing attention to measures likely to strengthen further the co-ordination and co-operation between the Departments were they to remain separate. We have not seen it as part of our remit to try to allocate responsibilities at the very top of the Departments or between Ministers.

2 THE FUNCTIONS OF THE CENTRE

3. Setting to one side the central secretariat functions of the Cabinet Office, the policy functions of the Centre of government have always been discharged within the Treasury, except insofar as they have been re-allocated from time to time in respect of economic affairs, and to the CSD after 1968. The Treasury stands out as one of the enduring landmarks of the departmental machinery of government. Few other countries have concentrated central functions in a single department. In reality, however, the appearance of coherence and harmonious integration of functions under one roof is misleading (Annex 1). The extent of integration of responsibility between the management side of the Treasury and its financial, economic and supply work has been variable. Since 1962 management work has been entirely separate at all official levels. Within the Centre there has been more or less continuous change - and a measure of turbulence as a result. But over the years the considerations that have prompted change have remained remarkably constant. Meanwhile the environment in which the Centre operates has itself altered. Among these changes which add to the complexity of the Centre's task we draw particular attention to two factors.

The first is the load now carried by the Centre in respect of the management of the national economy. Second, the management of the Civil Service has now to take account of developments in the employer/employee relationship in the country at large. For instance, Ministers as employers must have regard to legislation applying generally to industrial relations, and have to respond to the way in which civil servants have organised themselves to represent their views as employees.

4. The functions of the Centre today may be summarised as covering:-

A the management of the national economy, including its international dimensions, and of national financial policy, including fiscal and monetary matters;

B oversight of the public sector, including the allocation of resources of all kinds to the public sector and between competing areas within it; and monitoring, controlling and reporting accordingly;

C advising government departments on economic, financial and management matters, and assisting them to maintain practices that are economical, efficient and have due regard to propriety in the expenditure of public money and the deployment of staff;

D the management of the government's own servants, including the setting of common standards for the Civil Service and the negotiation and settlement of pay and conditions of service.

5. The way the Centre undertakes these functions is shaped by the policies of the Government of the day. The Centre operates in partnership with spending departments, with decisions about the

allocation of resources resting ultimately with Ministers collectively. Each departmental Minister is responsible for the efficient use of the resources allocated to him. But the Centre must be concerned with value for money spent and be so organised as to promote the efficient use of resources by departments and foster adequate systems within departments to monitor and control expenditure. It needs, too, to retain an interest in the control of manpower as a particular kind of resource, subject as circumstances demand to numerical as well as financial control, and must know enough about each department's work and plans to contribute constructively to effective control. The Centre has long held the function of managing the government's direct employees as a unit. And in doing so it must be organised to ensure that the standards set by central management - to prevent, for example, public money being wasted on staff who are not up to the job - are effectively linked with its interest in the efficiency of spending departments' administrative machinery.

6. The organisation of the Centre in these respects turns on the answers to two questions:-

a. how far and at what points is the central management of the government's own staff linked to the other central functions, particularly when questions of manpower related expenditure are involved, and at what level should responsibility for these functions be united?

b. how far and at what points does the Centre's interest in regulating and improving the quality of systems within departments for controlling departmental expenditure relate to its responsibilities for the aggregate of public expenditure and for public accounting and how should these responsibilities be allocated within the Centre itself?

3 THE PRESENT ORGANISATION OF THE TREASURY AND THE CIVIL SERVICE DEPARTMENT

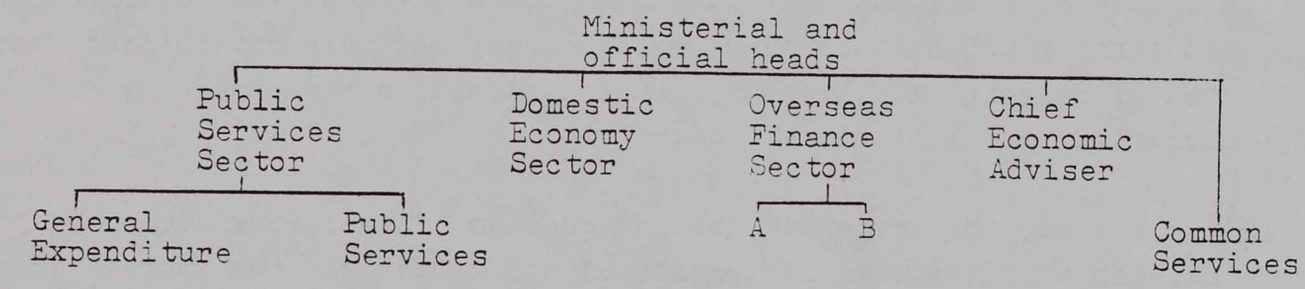
7. The policy functions of the Centre are at present divided between the two central departments so that those at A. (paragraph 4, above) fall to the Treasury and those at D. to CSD. The functions at B. and

C, which cover the Centre's interest in the allocation of resources and in the way departments undertake the work for which they are responsible, are assigned to both Treasury and CSD, and were recognised in 1968 as constituting points of contact between the two.

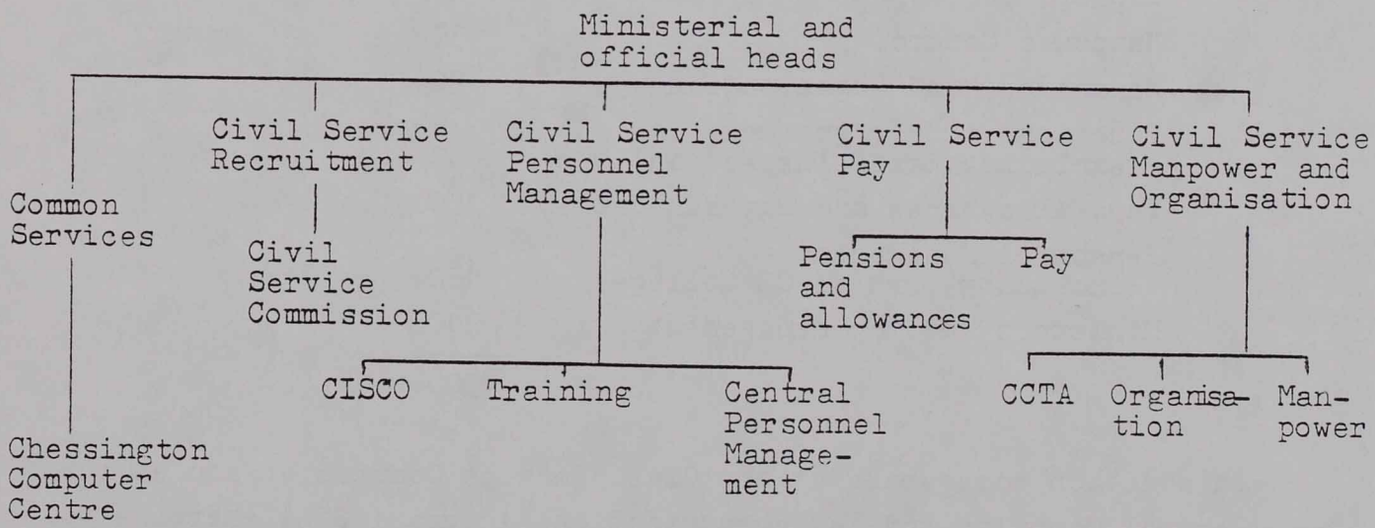
8. The present organisation of the two central departments may be illustrated in outline as follows:-

Figure 1

H M TREASURY



CIVIL SERVICE DEPARTMENT



Full charts at Annex 2

9. Our consideration of the functions laid on the Centre and of the present structure of the two departments leads us to three observations of considerable significance for this report.

10. First, the two departments are organisationally similar in separating their activities at a high level into discrete functional areas, but the nature of these functions is very different. The 1100

staff of the Treasury are virtually all employed (common services only excepted) in advising on policy and have little or no direct responsibility for executive tasks. In this respect the Treasury is homogeneous, and it is organised and run accordingly. The CSD, on the other hand, deploys only a small minority of its 5200 staff inside the central policy core. The remainder of the staff constitute the executive arm of the central management of the Service and are closely linked to the core. Some of them are concerned at first hand with the formulation of policy in the sense applicable to the Treasury and to the centre of CSD itself, but the majority are not. In terms of absolute size and range of functions the management task of organising and running CSD is consequently far larger and more diversified than that of managing the Treasury. The contrast in structure may be clarified by Figure 2 overleaf.

11. Second, the scope for the integration of functions accordingly includes only the common elements of policy formulation and of domestic establishments work (common services). The CSD manpower at present deployed on the policy functions at B. C. and D. in paragraph 4 above may be summarised (to the nearest 10 staff) as:-

Table 1

Manpower Control	50
Management and Organisation	90
Functions and Programmes (excluding Staff Inspection)	40
Pay, Allowances and Superannuation	150
Personnel Management (including part of CS College)	160
Ministers and top management	10
	500

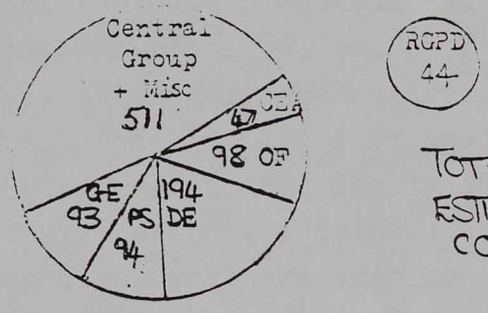
In addition some staff at the Civil Service Commission and at the Central Computer and Telecommunications Agency (CCTA) exercise policy functions. But in all, less than one eighth of CSD's present manpower are involved in policy work comparable to that of the Treasury*.

*Direct manpower comparisons with the past are difficult. Staffing requirements have responded, for example, to the great increase in the use and technical complexity of computers. But it is instructive to note that the number of staff in 1966 working in policy areas comparable to the present policy work of the CSD was 323 to whom must be added clerical support, (included in Table 1 above) of, say, 100. The number of staff working in the Civil Service Commission has fallen over this period from 650 to 350. Source: The Civil Service (The Fulton Report) (Cmnd 3638) Vol 5(i) Memorandum No.14.

Figure 2

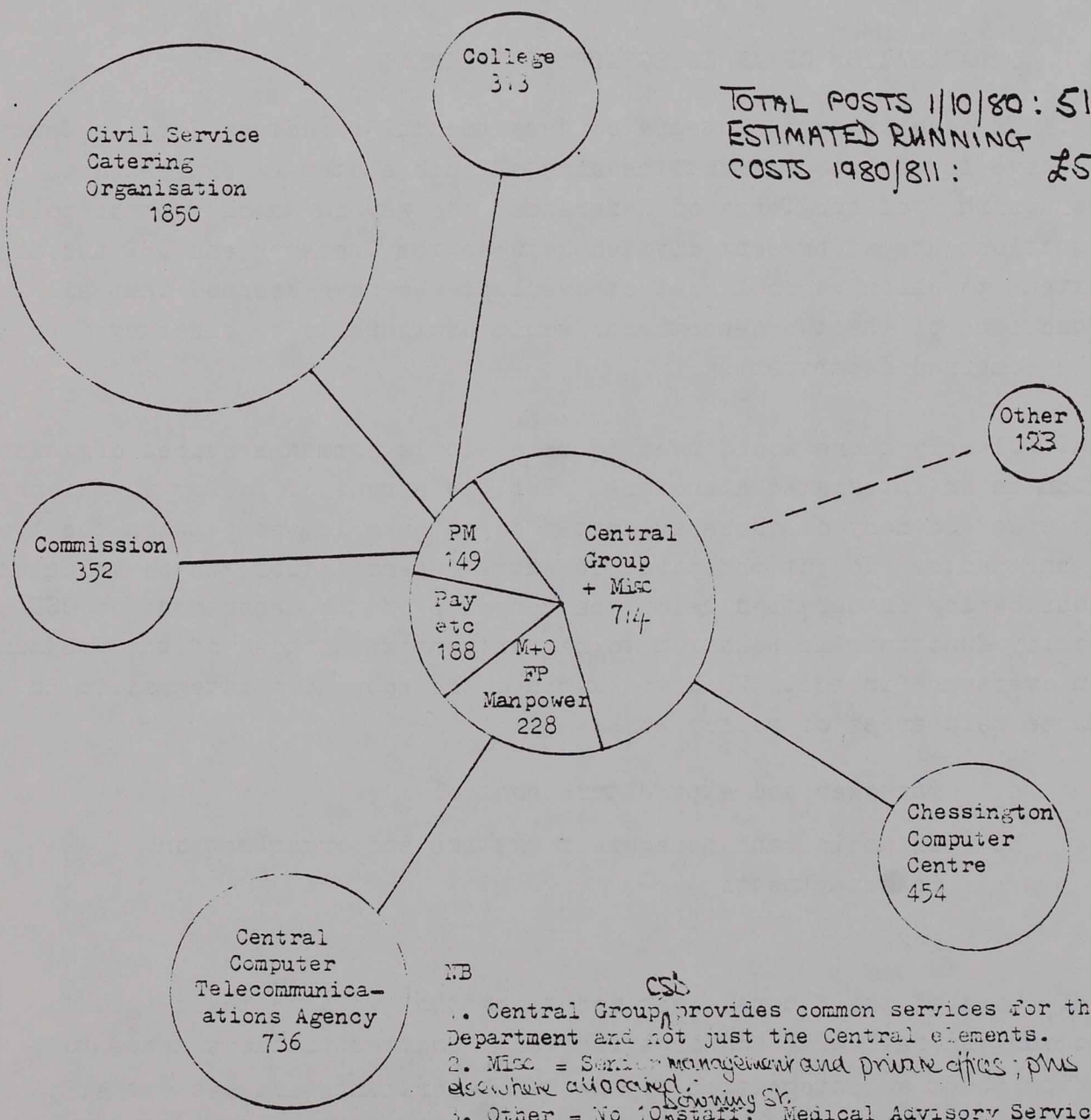
TREASURY

CEA : Chief Economic Adviser
OF : Overseas Finance
DE : Domestic Economy
PS : Public Services
GE : General Expenditure
RGPD: Rating of Government Property Department



TOTAL POSTS 1/10/80 : 1081
ESTIMATED RUNNING COSTS 1980/81 : £19.1m

CIVIL SERVICE DEPARTMENT



TOTAL POSTS 1/10/80 : 5108
ESTIMATED RUNNING COSTS 1980/811 : £57.5m.

NB

1. Central Group CSD provides common services for the entire Department and not just the Central elements.
2. Misc = Senior management and private offices; plus staff not elsewhere allocated.
3. Other = No 10 Downing St. staff; Medical Advisory Service; Pensions
4. Where part time staff figure in totals, these have been rounded down

12. Third, even where the policy functions of the two Departments are comparable, they are not discharged in the same way. For example, the organisation for handling manpower control is arranged internally in CSD on a "client" or departmental basis, while the organisation of the equivalent Treasury function (expenditure control) is concentrated by contrast on functional programmes - expenditure on this or that subject or service - which may not always be co-terminous with the boundaries of one or more spending departments. In addition, whereas all manpower control is concentrated in a single Deputy Secretary command, the Treasury expenditure divisions are located in five different Deputy Secretary commands, although the Under Secretaries concerned report on public expenditure to the Second Permanent Secretary in charge of the Public Services Sector.

4 ORGANISATION OF AN INTEGRATED DEPARTMENT

13. In developing an integrated departmental structure for the Centre we have taken into account the aims of such a step as expressed in paragraph 1 of our Terms of Reference, the way in which central policy functions are at present divided between the Treasury and CSD and the extent to which we could detect overlap. We have assumed that all the functions of the two departments would continue to be discharged by the combined department.

14. Clearly there would need to be a single common services organisation in an integrated structure. But the spread of policy functions is wide and many of these evidently do not overlap as between the two departments. To put the point in extreme terms, there is no value in considering integration below the very top of the department of CSD's policy functions in relation to recruitment with those of the Treasury on overseas finance. We have examined the scope for integration in three main areas of policy work:-

a. manpower and expenditure control

b. financial and management systems and organisation in departments

c. pay

15. Some of the general considerations that we have taken into account in reviewing the organisational changes in these areas to bring about an integration of the two Departments are set out at

Annex 3. The most appropriate organisation for the control of manpower and administrative costs in departments involves particularly difficult and contentious issues. These concern the relative strength of the links between related kinds of work. The control of manpower and associated costs may be brigaded either with the control of public expenditure on the Government's policies or with the other elements of the central management of the Civil Service. We have assumed that a decision to merge Treasury and CSD would imply a decision to give greater priority to the unified control of public expenditure than to the unified management of the Civil Service; that the Government's manpower target may be regarded not simply as a component of public expenditure policy, but also as part of policies relating to the place of government in the community; that the tasks and skills required of those responsible for manpower and expenditure control share a number of common elements but that the methods of approach are in many respects distinct; and that there is no set of criteria which clearly and consistently separates one group of spending departments from another in terms of the way the Centre is organised to deal with their expenditure on administration and on policies.

16. On management and financial systems, we have assumed that in an integrated department work on financial control systems would be brought together and that the organisational arrangements would preserve as far as possible the important links which this has with the work on the management and organisation of departments.

17. On pay we have assumed that in an integrated organisation, the function of pay negotiations for the Civil Service would remain on the management side of the Department. Close co-ordination would continue to be necessary with those responsible for economic management and the control of public expenditure. Whether or not the two Departments are integrated, there is a case for clarifying the nature of the central interest in the pay of the public services; and subsequently deciding on the appropriate organisational arrangements.

18. Accordingly, our model for integration involves the following organisational changes:-

a. the common services of the two departments - dealing with establishments, finance, personnel, domestic organisation, office services etc -

would be merged into a single group headed by an Under Secretary who would be the new department's Principal Establishment Officer and Principal Finance Officer.

b. the CSD's present work on the control of Civil Service manpower (both numbers and administrative costs) would be separated from direct responsibility for Civil Service management (pay, personnel, superannuation etc) and brought alongside public expenditure control responsibilities, in what is at present the Public Services Sector of the Treasury;

c. the CCTA, which has procurement and financial control functions, would continue to be brigaded within the same Deputy Secretary command as manpower control;

d. the work done at the Centre in pursuit of improvements in the financial and management systems operated by departments, and the scrutiny of departmental efficiency, would be brought together and brigaded under the Deputy Secretary with responsibility for manpower control.

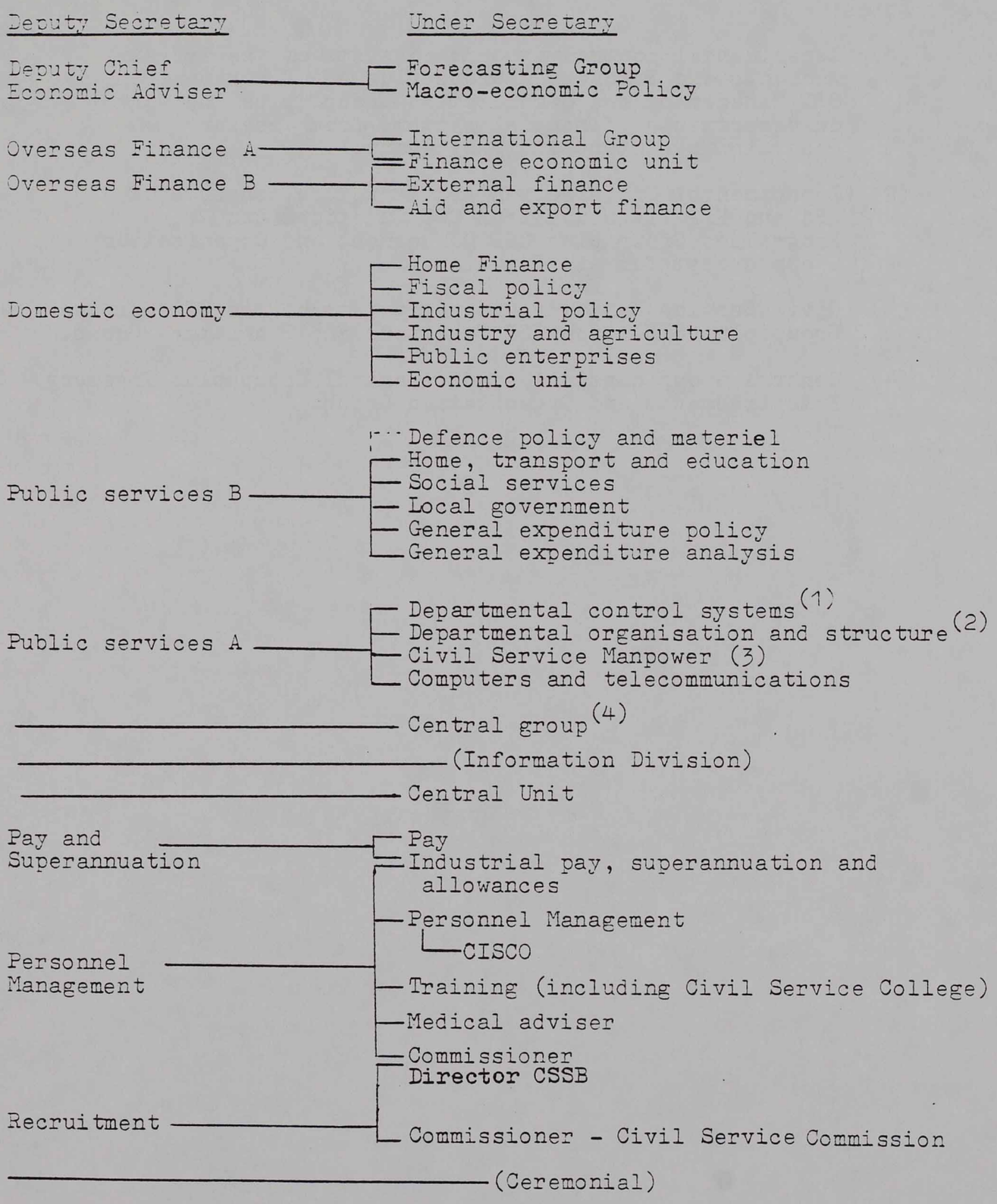
The organisation of a single integrated department on the above lines is shown in Figure 3.

19. This structure (Option A) would unite responsibility for resource allocation and control of manpower and associated administrative costs with that for other resources at top official and Ministerial level. It would preserve a group of staff dealing with manpower control as a specialised subject across departments and responsible for the Government's policy on reducing Civil Service numbers. It would go further in bringing manpower and expenditure control together than the organisation of the Treasury immediately before the split in 1968, where the two functions were united only at Ministerial level. But manpower and expenditure control at operational level would remain separate.

20. We have therefore developed another model for illustrative purposes (Option B) - see Figure 4. This option provides an outline

Figure 3

ORGANISATION OF INTEGRATED DEPARTMENT



Notes:

(1) Departmental control systems consists of the Treasury Accounts and Purchasing Group plus AFA Division from CSD Management and Organisation Group, plus the work on departmental financial systems from Treasury General Expenditure Analysis Group.

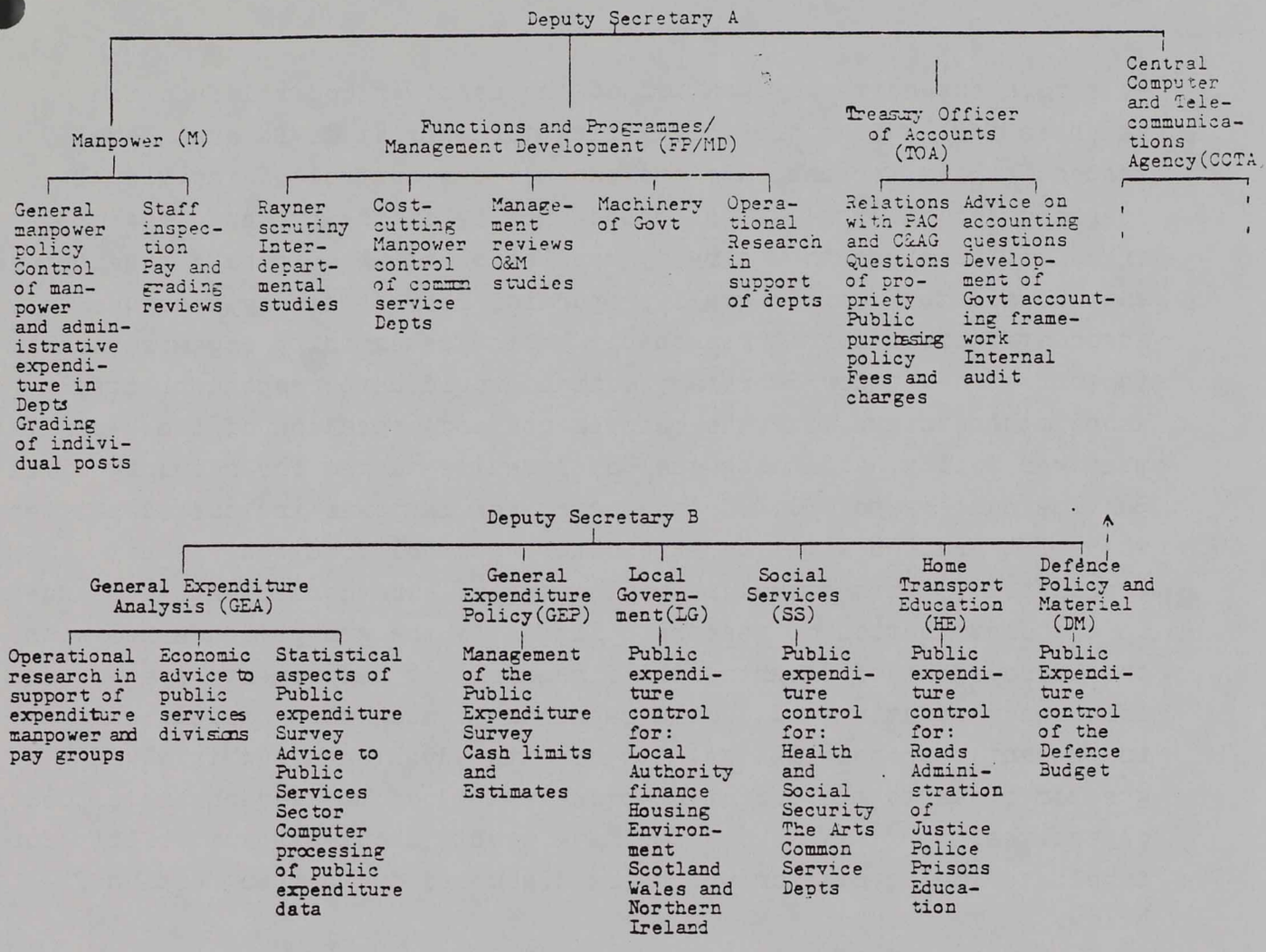
(2) Departmental Organisation and Structure consists of FP1 and FP2 Divisions from CSD Functions and Programmes Group plus CSD Management and Organisation Group except for AFA Division.

(3) Civil Service Manpower Group consists of the CSD Manpower Group plus SIED from CSD Functions and Programmes Group.

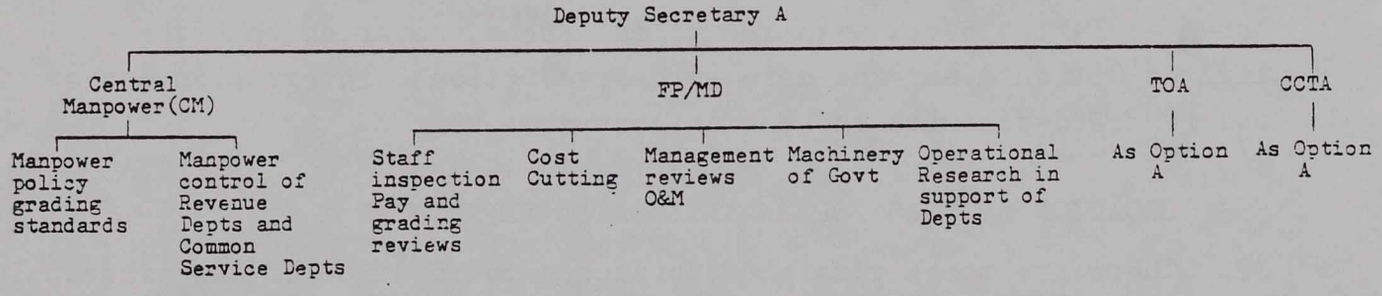
(4) Central Group consists of CSD Central Group plus Treasury Establishments and Organisation Group.

Figure 4

OPTION A



OPTION B



Deputy Secretary B

As option A but with manpower control responsibilities for departments not covered by Central Manpower Group transferred from Deputy Secretary A to expenditure groups in the Public Services Sector and to groups with expenditure responsibilities in the Domestic Economy and Overseas Finance Sectors.

of a more extensive integration of the manpower control function which as far as possible would bring together at divisional level responsibility for manpower and expenditure control of individual spending departments. It is based broadly on the present Treasury organisation since this already handles over 90% of public expenditure and the addition of the small proportion represented by manpower and associated costs cannot reasonably be the determining organisational factor. A new Under Secretary command would have responsibility, among other things, for the maintenance and operation of the general manpower policy, including the Government's target for reducing Civil Service numbers to 630,000 and control of manpower in those departments where integration with the expenditure control function was not appropriate. This structure would involve some consequential change in the distribution of responsibilities to the groups concerned with the improvement of departmental financial and management systems and efficiency scrutiny. It would represent a much more radical change in present responsibilities. It has its advantages but involves greater risks to the efficient prosecution of the Government's policy objectives. We have doubts about its suitability for immediate implementation which are discussed further in Section 7 below.

21. A detailed description of the suggested integration is given in Annex 4: Part 1 deals with the policy areas, covering both the limited Option A and the more extensive Option B integration above, and Part 2 deals with the common services.

5 LOCATION OPTIONS FOR AN INTEGRATED DEPARTMENT

22. There are three possible approaches to location of the principal policy divisions of the integrated department currently housed in the Old Admiralty Building (OAB) and the Government Offices, Great George Street (GOGGS):

a. full colocation;

b. colocation of staff in the Deputy Secretary commands comprising the expanded Public Services Sector, except the CCTA which would continue to be located elsewhere.

c. colocation of staff in the expanded command of the Treasury Officer of Accounts who would be responsible for departmental control systems.

The implications and costs of these options are described in Annex 5.

23. The first option of full colocation is significantly the most costly. It is the only option, however, which would place no physical obstacles in the way of the development of an integrated approach to go with the formal structure. Full colocation would have to be in the Great George Street building which the Treasury at present shares with the Central Statistical Office, the Northern Ireland Office and parts of the Foreign and Commonwealth Office and Cabinet Office. To achieve this option the FCO and at least one other department would have to be relocated elsewhere. In the case of the FCO divisions concerned, this would increase to some degree their physical separation from the department's centre in the Old Public Offices. The operational links between the Central Statistical Office (CSO) and Treasury argue in favour of relocating the Northern Ireland Office rather than the CSO.

24. The second, less costly, option would increase ease of communication between those divisions whose collaboration integration would be intended to foster. It would remove physical barriers between the components of the Public Services Sector. Without this degree of colocation the reality as distinct from the form of integration would take longer and be more difficult to achieve. This option would, however, erect a physical barrier between the Public Services Sector and the Pay, Personnel Management, Superannuation and other divisions of the CSD. The links forged since 1968 between these divisions and the CSD divisions which would be merged into the Public Services Sector are probably strong enough to survive physical separation for some time, but over a period of years would weaken.

25. The third option is the least costly. Some relocation would be necessary to house together staff discharging the same common service functions and to colocate Accountancy, Finance and Audit Division with the other divisions under the Treasury Officer of Accounts. It would be the option least likely to affect current working practices: but if the aim of integration is to improve cross-fertilisation and co-ordination between CSD and Treasury policy divisions, this is the location option which would most impede this aim by maintaining physical barriers to easy informal communication.

6 IMPROVEMENTS IN THE PRESENT ARRANGEMENTS

26. Before turning to a comparison with an integrated organisation, we consider what improvements might be made to the present organisations.

27. On the Centre's interest in the promotion of good financial management and organisation in departments, we have found wide agreement that the present division of responsibility has resulted in some lack of central impetus to the development of departmental systems compatible with the central accounting and public expenditure framework.

28. Under separate Departments, the options for improvement are either arrangements for joint reporting across departmental boundaries, or some adjustment in responsibilities. We would favour the latter. Specifically we suggest consideration should be given to transferring the CSD's Accountancy, Finance and Audit (AFA) division, which is concerned with the development of financial systems in departments, to the Treasury, so as to concentrate the central responsibility for promoting the development of departmental finanancial systems in that department alongside the responsibilities of the Treasury Officer of Accounts. There would be a price in separating AFA from the Management Development (MD) work of the CSD, and arrangements would need to be made to allow MD to draw on the accounting skills of AFA, but we believe that on balance the transfer would be beneficial.

29. In the area of manpower and expenditure control, we suggest the main need is to foster greater mutual understanding and awareness of the other's objectives, so as to spot potential opportunities for policy co-ordination at the earliest stage and present a united front to spending departments. Our impression is that the degree of consultation between the expenditure and manpower divisions is patchy; that it may sometimes be very good indicates that the departmental boundaries do not in themselves constitute a barrier to concerted action. Experience since 1968 suggests that it would be unrealistic to expect much from exhortations directed at improved communications between the departments. Accordingly we suggest that specific steps should be taken to develop arrangements for regular discussion and the exchange of information, for example by strengthening the remit of the CSD Manpower Under Secretary who attends the weekly meeting of expenditure control

Under Secretaries; by considering representation in the reverse direction at the weekly meeting of the Manpower Assistant Secretaries, and by ensuring that both these representatives are fully briefed by their respective organisations. Copying of internal minutes and notes of meetings on an automatic basis should also be encouraged.

30. On common services it would be possible to introduce a common establishments organisation such as exists for the Departments of Trade and Industry and for the Departments of Environment and Transport. This would involve all the disruption to existing systems identified in Annex 4.2 whereas in the case of the Trade and Industry and Environment and Transport common service arrangements, these were maintained in order to avoid disruption of established procedures and against the background of a developed departmental identify. The Under Secretary head of a common CSD/Treasury Establishments organisation would find himself reporting to Permanent Secretary heads of two distinct departments.

31. A lesser form of commonality would be achieved by retaining separate establishments organisations but creating common citizenship: staff would be eligible for postings and promotion in either department. But it would not produce staff savings and it would encounter severe problems, particularly in relation to competition for able staff, without any machinery other than inter-departmental negotiation to resolve conflict.

32. A third possibility, and this is one which we would favour, is more exchanges of staff between the two departments. Given impetus from the top levels of the two departments this is an option which would confer most of the benefits of cross-fertilisation without the difficulties of the two alternative approaches considered above.

7 COMPARISON BETWEEN AN INTEGRATED ORGANISATION AND THE PRESENT ARRANGEMENTS

33. Paragraph 2 of the Terms of Reference requires us to analyse the case for and against a merger as compared with the present organisation. The paragraphs below review some of the arguments, taking our model for integration which retains a unified manpower command (Option A), the more extensive integration which involves

dispersal of manpower control to expenditure divisions (Option B), both described in Section 4, and the present arrangements improved in the way we have suggested in Section 6.

Control of Public Expenditure

34. At present, public expenditure control is split between the two departments, with CSD being responsible for the 10% accounted for by departmental manpower and related administrative costs. Integration would bring together in a single Department the central functions for economical planning and management of Civil Service manpower costs and of other public resources. It might strengthen the position of the Centre in relation to spending departments. This could be particularly important in areas where expenditure on administration and on policies are closely inter-related and where the borderline between Treasury and CSD controlled expenditure is difficult to draw. On these matters separate departments will not be able to co-operate and consult as effectively as an integrated department which is not subject to organisational and physical separation. Option A would, however, unite manpower and expenditure control near the top of the organisation; its benefits at operational level would depend on the extent to which concentrating responsibility within a single department (and, if chosen, colocation) lead to closer co-operation between the separate groups dealing with manpower and public expenditure matters. Option B would unite these responsibilities lower down the organisation. This might improve central expertise and knowledge about the whole range of a spending department's affairs, and would remove the limited duplication of effort between Treasury and CSD that at present exists in relation to departmental operations and policy proposals. On the other hand a single central controller would have to deal in the majority of cases with two contact points in each department, on establishments and finance respectively. There would accordingly be organisational implications for departments.

Civil Service Manpower Numbers

35. The combined Department would have the task of achieving the reduction in Civil Service numbers to 630,000 by 1984. This policy, which is closely related to the Government's general objectives on public expenditure, is not expressed in financial terms but in numbers of staff. Thus the success of the policy is measured in a non-money

currency. This distinction may well have to be recognised in organisational terms. The objective of reducing numbers will generally go hand in hand with that of restraining public expenditure, but there will be occasions when conflicts arise, with public expenditure or other objectives of government policy. These conflicts could sometimes involve the direct responsibilities of the Ministerial head of the integrated Department, since the Chancellor of the Exchequer is himself responsible for about one fifth of the Civil Service.

36. Two issues arise:-

a. does the manpower policy need the undivided attention of a separate Minister, and department?

b. are priorities between this policy and other Government policy objectives more appropriately resolved in collective Ministerial discussion (as under the present arrangements) or within a single Department?

37. Option A would keep together expertise on manpower control methods, including organisation and staffing methods, staffing formulae and a common approach to grading standards. Any important policy conflicts would be resolved at a high level. Option B would mean that advice on policy objectives in relation to a particular department would be considered at a lower level. But it would involve fragmentation of the manpower control function and dilution of expertise, particularly in relation to the efficient use of manpower and the effective deployment of specialised skills, such as central staff inspection. The complication of day to day operations might place at risk the delivery of the Government's overall manpower policy.

Systems for Financial Management and Organisation in departments

38. The CSD is in the lead on questions of departmental organisation and financial control and management systems and the Treasury is in the lead on financial policy and the Government accounting framework. This division is held to have inhibited the Centre's ability to promote good financial management and organisation in departments. We think the transfer of work suggested in paragraph 28 above would

lead to a better allocation of responsibilities within the framework of separate departments. But integration, which would bring together related expertise under a single Deputy Secretary, might well enable the Centre to achieve a greater impact. Under Option B, where operational responsibility for all the affairs of a department would be concentrated in one place, the department concerned would come under a more focussed scrutiny than under Option A where the distinction between manpower and expenditure control would be maintained.

The Central Management of the Civil Service

39. Integration would reverse the explicit departmental distinction between the central management of the Civil Service as an entity and the management of the economy and public sector, which has existed since 1968. Both Options A and B would go further than many of the arrangements adopted within the Treasury in the years before 1968 in that the Deputy Secretary command handling Civil Service manpower and managements systems would be separated from the closely related management functions, such as pay negotiation, personnel, recruitment etc. The task of co-ordinating management policies would be complicated (since they would be separated at all but the very top level) as would dealings with the unions. Management issues might receive less attention under a combined department. Problems of lateral co-ordination would be increased under Option B, where manpower control responsibilities would be widely dispersed.

The Load on Top Management

40. The combination of the full range of central functions under one Department is bound to create an exceptionally heavy load on the Chancellor of the Exchequer, who would have to cover a wide span of policy issues whatever the arrangements for division and delegation of responsibilities.

Behavioural Considerations

41. Our consultations have indicated that, in spite of the detailed arrangements for co-ordination and consultations which were made at the time of the split, informal links have tended to weaken over the past twelve years. Our proposals to improve co-ordination may be no more successful while the Departments' organisation and locations remain separate. On the other hand, as we have shown, integration

would bring together two departments quite different in size and structure, with a rather limited area of policy contact.

Staff Specialisation

42. An important reason for the establishment of CSD as a separate department in 1968 was the view that management of the Service's human resources required specialised skills which generally differed from those required to advise on economic and financial policy. The intervening years have seen an increase in specialisation in both departments. Whatever the merits of specialisation it would not be precluded by integration, but it might be more difficult to sustain within a combined Department. If a broader outlook is required in relation to those functions which are the direct subject of integration, it might be achieved by the kind of interchange of personnel we have proposed as an improvement in the present arrangements.

Comparison between Option A and Option B

43. The paragraphs above compare the present arrangements, as improved, with both our possible models for integration. They reveal that the case for Option A involves balancing relatively clear advantages and disadvantages. The organisational changes needed would be comparatively limited and the structure which would result should be capable of subsequent adaptation to meet new demands.

44. We have taken the development of Option B as far as we can. But extensive integration of this kind places more extreme and contentious considerations in the balance, particularly those related to the combination of manpower and expenditure control responsibilities and the consequent diffusion of manpower control expertise. These are complex issues on which we have encountered a fundamental conflict of views. We do not see a sufficiently firm basis for moving immediately to a more extensive integration on the lines of Option B. It would first be necessary to clarify the full implications of the arguments involved. Only then could a detailed and soundly-based organisation be worked out. These processes will take some time. But the prospect of a more extensive integration would remain open once Option A had been undertaken. The experience gained from operating Option A might help to clarify the arguments relating to extensive integration.

8 COSTS, SAVINGS AND TIMING

45. Paragraph 3 of the Terms of Reference requires us to assess the costs and savings arising from integration.

46. The main quantifiable savings arise from integration and its staffing consequences. In the case of either Option staff savings are secured throughout the hierarchy, but Option B offers up to 16 more posts. However the bulk of savings arise from the integration of common services. The number of staff and savings are:

Table 2

	Posts	£'000 p.a
Common Services	34	370
Policy Areas:		
(i) Option A	4	75
(Total A	38	445
(ii) Option B (in addition to savings under Option A)	16	200
Total B	54	645

47. Even under Option B the staff savings which we expect to follow directly from merger are only a very small proportion of total staff costs. This reflects our finding that there is limited overlap and little duplication between the work of the two Departments; and our assumption that the present functions of the Departments would continue to be discharged by the new combined organisation. It is not possible to predict how the integrated Department would develop and how this might affect staff levels.

48. The main quantifiable costs arise from locating the two departments together. The costs of the three options in Section 5 are estimated as follows:-

Table 3

		COSTS	
		First Year £'000	Recurring £'000 p.a
a.	full colocation (depending on whether CSO or NIO are relocated)	640 - 660	0-50
b.	lesser colocation	150	0
c.	minimal colocation	5	0

In addition, costs will arise in relation to the loss of working time caused by the disruption involved in any moves.

49. The implementation of integration would involve considerable administrative effort. It would call for the merging of different systems and working practices which have developed over a period of years and which reflect the difference between a moderately large, geographically diverse Department and a small, geographically concentrated one. This merging of systems would take time to achieve, perhaps a year for essential integration and a longer period to tidy up smaller differences. During this year few savings would be achievable, perhaps only at the highest levels, because both Departments' common service expertise will be needed to develop workable merged systems. During this time too, some staff increase would be needed, notably in the organisation and complementing division which will be faced simultaneously with several system reappraisals. In addition, a small project team would be needed to direct and co-ordinate the process of integration in support of the Principal Establishment and Finance Officer. These additional staff costs might amount to £90,000 for the first year only.

50. Table 4 summarises the costs and savings arising from integration on the basis of Option A, and on the assumption that full colocation involves the transfer of NIO staff to OAB in preference to moving the CSO.

TABLE 4: SUMMARY OF COSTS AND SAVINGS FROM INTEGRATION

		ADDITIONAL COSTS (+) AND SAVINGS (-)	
		YEAR 1 £'000	YEAR 2 AND SUBSEQUENT YEARS £'000
1.	Staff Saving from Integration	*	- 445
2.	Additional Staff Cost of Planning and Executing Integration	+ 90	
3.	Cost of		
	a. Full Colocation	+ 660	
	b. Lesser Colocation	+ 150	
	c. Minimal Colocation	+ 5	
4.	Additional Staff Saving from Full Colocation		- 25
5.	Total Annual Additional Costs and savings from integration		
	a. with Full Colocation	+ 750	- 470
	b. with Lesser Colocation	+ 240	- 445
	c. with Minimal Colocation	+ 95	- 445

* Few staff savings likely in first year, see paragraph 49 above.

51. Experience with other integration exercises shows that considerable unquantifiable disruption will arise. This will be much greater in the case of more extensive integration (eg. Option B) which would involve very significant changes in job descriptions and the patterns of reporting on manpower in particular which could lead to a loss of effectiveness and control at the time of changeover. Any integration will absorb a good deal of time and effort in the two Departments which cannot be measured but which must to some extent be at the expense of their policy and management concerns. The costs and savings arising from integration itself may well be far outweighed by the way reorganisation eventually affects the implementation of the policies for which the Centre is responsible.

52. The lead times for integration depend on the choice of Option A or Option B and the decision on colocation. As we have mentioned, Option B requires further work before a more extensive integration could be put into effect. Under Option A, on the other hand, the new lines of responsibility at Under Secretary/level and above could be introduced quite quickly after a decision had been taken. Maximum colocation would require a minimum of six months between decision and implementation (three months for planning and three months for implementation). The time required to achieve the other two location options would be significantly less. The period during which the new organisation would be settling down would extend for some months or longer after the physical arrangements had been completed.

9 SUMMARY

Scope for Integration

a. The extent of integration between the management and financial sides of the Treasury has in the past been variable. The organisation has frequently been adjusted. Over the years movement has been towards the complete separation of these functions at all official levels which was reached in 1962;

b. there are now major differences between the Treasury and the CSD in relation to their size, to the range and kind of functions they perform, and to the management problems they pose;

c. the areas of overlap between the two Departments are relatively small:

- the two common service organisations;
- control of Civil Service manpower and control of public expenditure;
- the development of financial and management systems in departments and at the Centre;

d. instances of simple duplication of work in these areas are rare.

Options for Integration

e. The study describes two Options for the integration of the areas identified at c. above which differ according to the treatment of the manpower and expenditure control functions:

Option A - transfer responsibility for manpower control from the Civil Service management side to the expenditure control side, while maintaining a specialist group of manpower controllers in one Under Secretary command;

Option B - place responsibility for manpower control of specific departments as far as possible with expenditure control divisions, leaving responsibility for the overall manpower target with a separate Under Secretary command.

Under both Options common services would be integrated under a single Principal Establishment Officer (Under Secretary), and the Centre's role in improving financial and organisational systems would be unified at Deputy Secretary level;

f. Option B has not been worked out as a blue-print - it is offered simply to illustrate the form that more extensive integration might take; extensive integration involves a balance of more extreme advantages and risks than does Option A, and would require further examination before it could be implemented.

Location

g. The study describes three options for the colocation of the central elements of the combined Department. Full colocation is the only option that would place no obstacles in the way of the development of an integrated department, but would be significantly more costly than the other possibilities.

Improving the Present Arrangements

h. The study identifies a number of measures intended to improve performance in the areas where policy overlaps, if the two Departments remain separate.

Comparison with Present Arrangements

i. The study identifies and analyses a number of considerations to be taken into account when comparing Options A and B with the present arrangements as improved at h. above.

Costs and Savings

j. The study identifies once and for all quantifiable costs ranging from £100,000 to £750,000 depending on the option for colocation; there will also be unquantifiable costs.

Continuing savings arising from staff reductions amount to nearly £½ million p.a with the possibility of further savings of up to £200,000 p.a should more extensive integration prove possible. The costs and savings arising from integration itself may well be far outweighed by the way reorganisation eventually affects the implementation of the policies for which the Centre is responsible.

Annex 1

OUTLINE HISTORY OF THE ORGANISATION OF THE CENTRE IN RELATION TO THE MANAGEMENT OF THE CIVIL SERVICE AND THE PROMOTION OF EFFICIENCY IN DEPARTMENTS

Introduction

This Annex reflect the Study team's understanding of the way the Centre has been organised, and is not a full or "official" history. It has been compiled with two question in view:-

a. how far has the organisation of the Centre integrated responsibility for its Civil Service management work with responsibility for its other tasks, for example, in the fields of finance and economic management?

b. what general or policy considerations have been regarded as important in deciding how the Centre should organise lines of responsibility as between the task of managing the Civil Service and its role in financial and economic management?

Setting to one side the secretariat functions of the Cabinet Office, the organisation of the Centre has generally been synonymous with the organisation of the Treasury. For a number of years the Treasury co-existed with a Minister for Economic Affairs presiding over an Economic Planning Staff in the Cabinet Office (1947) and with the Department of Economic Affairs (1964-1969); for the last twelve years the Civil Service Department has had a separate existence. But these examples of institutional separation appear as the exception. Few, if any, other countries possess a similar administrative tradition of concentrating central matters within one department of government.

Not only is this tradition unusual, it may also conceal the practical facts of the case. Any tendency for the Treasury to have administered separately and as discrete functions the various tasks that come under the one roof may well not be readily apparent. In other words, the existence of a single comprehensice department may give a misleading impression of integration at operational level. And second, the Treasury has frequently been reorganised internally but is is arguable that the problems that prompted reorganisation have nonetheless remained remarkably constant in character while developing considerably in

complexity and scale. In these circumstances further effort would be better directed not into reorganisation but into an alternative approach. The rest of this Annex presents some of the historical material that bears on these points.

The organisation of the "classical" Treasury

The classical Treasury organisation existed before the First World War. Each Treasury division dealt, by departments, with every aspect of that Department's activity - policy, supply control, complementing and pay (there were many departmental pay groups and few general Service classes whose pay was negotiated centrally). There was by 1900 already a functional flavour. Pensions were handled centrally, and in a separate division, as were general financial matters, which nonetheless still had a departmental flavour (see Figure 1). This system of man to man marking was never regarded by those outside the Treasury as satisfactory. Much of public expenditure was on the cost of the operations of government and the Treasury's approach to control was described by Sir Warren Fisher as "confined to the negative, because they had not got enough numerical strength to deal with the positive".- The positive activity that was consistently held to be lacking was the ability constructively to promote efficiency within spending departments. It is striking that there was general agreement that this function genuinely existed and was one for which the Treasury should be responsible. The constant re-iteration of the point testifies to the Treasury's failure to find a successful made of operation.

For example, the Ridley Commission in 1888 had noted that the Treasury was unable to promote organisational uniformity in departments without creating friction.* In its report of 7 July 1903 the Select Committee on National Expenditure recommended that the Treasury should at fixed periods (perhaps once in 5 years) exercise the right to review and revise the staffing of departments*. Clause 12 of the Order in Council of 1910 authorised the Treasury to inquire "into the pay and numbers of officers employed by any department of State". The Fourth Report of the "MacDonell" Royal Commission on the Civil Service of 1912-14 considered that control fell short of the desirable level and recommended "the creation within the Treasury, and subject to its administrative orders, of a special section for the general supervision

THE ORGANISATION OF THE TREASURY, 1908

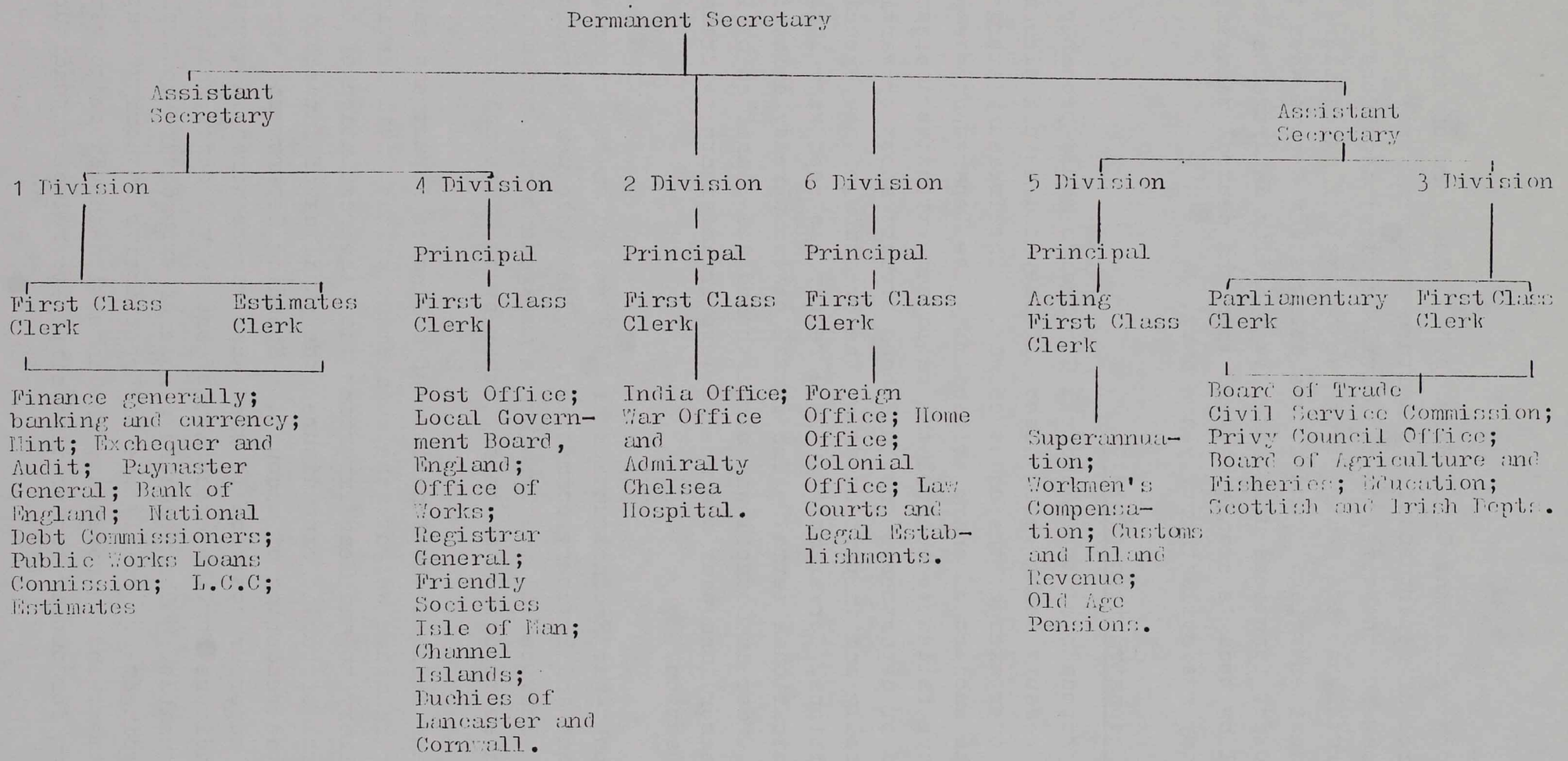


Figure 1

Source: adapted from Roseveare "The Treasury" (1969), p.230.

and control of the Civil Service."* The germ of the idea that control of departmental expenditure on administration (ie on the language of the time, on the Civil Service) should be organised separately at the Centre from the control of expenditure on policy was just emerging. And it was doing so at a time when the scale of policy functions undertaken by spending departments was relatively small by today's standards, and when the central management of the economy was still thirty years away.

The Reconstruction of 1919

The proposals of the MacDonell Commission would probably have led to the Treasury being reorganised, if they had been implemented, but they were overtaken by the onset of war. The Treasury emerged in 1918 as the subject of sharp criticism. The Department was widely held to have failed to control the rapid and extensive increase in the civil staff of departments that had been brought about by wartime conditions generally and in particular by the creation of new spending departments (Munitions, for example). The remedy was seen very largely in organisational terms. The formal powers already existed (though the 1910 Order in Council was strengthened and clarified by its 1920 successor) and what was needed were arrangements to translate them into action.

The post-War Reconstruction of 1919 rested on the reports of the Holdane and Bradbury committees. The subsequent organisation of the Civil Service and the Treasury's management role probably owed more to those reports than to any other study, internal or external.

Haldane defined the functions of a Finance Department and prescribed their relative weight: the management of the Civil Service was ancillary to and less important than the regulation of taxation, the control of public expenditure, the handling of funds and public debt, and the rendering of account. Spending Departments were naturally in a superior position to know what was required in terms of expenditure for the execution of the services for which they were responsible. The Treasury's role of expenditure control was accordingly not solely one of "restrictive authority" but one of amendment and improvement; the intention should be to get a greater return for outlay rather than simply to reduce expenditure. Turning

quite specifically to those departments where "there is a considerable amount of business of a routine character to be transacted", the Haldane Committee recommended that efficiency could be improved by concentration on establishments work. Each department "where the staff are sufficiently numerous" should appoint an officer charged with the special duty of studying all such questions.

The Committee had in effect isolated a function that was to be found in very spending department and that could be marked out from other functions and allocated as a function in its own right. They followed their own logic by identifying a central counterpart. They recommended that

> "In the Treasury there should be a separate branch specialising in this "establishment" work, and studying all questions of staff, recruitment, classification etc and routine business generally".

The establishments function should thus be a separate unit, separate, that is from the Treasury's financial responsibilities. The thought that the function was so distinct that is should be discharged outside the Treasury's boundaries was raised and dismissed, on pragmatic grounds:-

> "there are several /functions/ which have no special connection with Finance, but we think that, as a matter of convenience, it will be desirable to make no change as regards the Department with which the general control of the personnel of the Civil Service is to rest. Much of this work depends directly on the control of expenditure generally, and for the remainder no other Department suggests itself as more suitable."*

What the Haldane committee has sketched in outline the Bradbury committee considered in depth. Called into existence specifically to review the numbers of civil servants employed in departments at the end of the First World War, the Committee followed Haldane in noting that the essential condition of economy and efficiency was that there should be "genuine co-operation betweenthe Treasury and other departments". The reconciliation of departmental autonomy

and the central interest in overall economy should be achieved not by negative control but by partnership.

The Committee made firm recommendations concerning the organisation and the operating methods of the Centre, there should be:-

> "a special Establishment Division at the Treasury, manned by a sufficient number of picked officers and under the charge of an official of high rank, which should maintain close personal relations with the establishment officers of the various departments, acquire full knowledge of their office methods and act as a clearing house for information on all staff questions."*

The work of this Division should include not simply the oversight of efficiency in departments but also management of a unified Civil Service. It would include:-

> "all general questions of recruitment, grading, promotion and transfer between different classes. It would also have to keep comparative statistics of staff."

They noted that staff members had increased most and with least regard to efficiency in those departments that has been allowed the greatest discretion to operate free of Treasury control. They confidently expected that Treasury control asserted or reasserted on the new terms they had laid down would be welcomed by spending departments, ready to take advantage of the best available practice.

Like Haldane, too, Bradbury felt that there was a case to be answered in respect of the location of the Establishments Division:-

> "We have considered whether this staff could be separated from the Treasury, but its functions are essentially those which should be performed by the Treasury and the intervention of any third authority would entail friction and duplication of work. We therefore recommend that a general Establishment Division on the above lines should be attached to the Treasury ....."

The issued discussed in 1919 are of recognisable importance today:-

a. the interest of the Centre in the efficiency of spending departments, particularly as to their use of administrative resources, conflicts with the autonomy of those departments and is best resolved by means of partnership;

b. the means available to the Centre in pursuing efficiency lie in the system provided by control of the Civil Service. One of the ways of controlling Civil Service members is to promote the pursuit of efficiency within departments - and, conversely, the imposition of manpower control encourages economy and thus, arguably, leass to efficiency in administrative procedures;

c. the pursuit of these aims has organisational consequences for the Centre -

i. should manpower control, the pursuit of efficiency and the other "management" funtions of the establishments work of the Centre be pulled out from the rest of the Treasury structure as a separately identifiable unit?

and,

ii. if such a unit were established should it remain in the Treasury, or should it be located outside?

What neither committee has elucidated, however, was exactly how the Establishments function within the Treasury was to be separated from the Department's other task. Clearly, the abandonment of the all-purpose divisions marking all aspects of the policy and administration of one spending department was intended. And some of the functions to go to the new Division had been specified. But the precise arrangements were left to the Treasury itself.

In Feburary 1919 an Establishment Divison had been set up but it was overtaken by the reorganisation of the whole Treasury on 4 September of the same year. The Establishment Division was replaced by a complete Establishments Department of five Divisions intended to cover the entire range of Civil Service pay and organisation

This included the subject then known as "Routine", that is, questions of office machinery, the keeping of registers, records and statistics, and the employment of labour saving appliances. Alongside the Establishments Department two further Departments were set up for Finance and for Supply; each Department was headed by a Controller with the status of the Head of a first class department. All three reported direct to the Head of the Treasury, who, in the following year was also formally designated Head of the Civil Service.

The intention was that each Department should be very largely self-contained, particularly in respect of its own interal personnel management and posting policies. The clear separation of roles at the top, however, was not fully reflected below. While some of the old mixed decisions lost their Establishments functions and became supply divisions marking the policy expenditure of particular spending departments, others retained their mixed character in some or all respects. Moreover, the new Head of the Department, Sir Warren Fisher, claimed that the 1919 reorganisation presented him with a fait accompli with which he had no sympathy.

The Inter-War Years

Dissatisfied as he was with "an extremely unwieldly and top-hampered"* arrangement, Sir Warren Fisher found that he had to live with it substantially unaltered for more than 10 years. In 1927 he brought Supply and Establishments together under one Controller, but seems not to have initiated further changes within that command. Others too were uneasy. The emergent National Staff Side criticised arrangements from a different direction.

They argued that "Treasury control of staff numbers is severe", that departments should be given wider powers to determine the numbers and grading of their staff and that "a new Department should be set up under a Minister with the right of direct access to the Cabinet; to this Department should be transferred the main functions at present performed by the Establishments Department of the Treasury".*

The Tomlin Commission, called into being in 1929 to review the Civil Service as a whole, paid most of its attention to the immediate issues of the day, but spent some time on the organisation of the

Centre. It explicitly rejected the Staff Side's view, stated that Treasury control as exercised was in the main satisfactory and declared that the proposal for a new Department was impracticable, because it would lead to overlapping. Nonetheless it urged that greater latitude should be given to departments in detailed staffing matters.

Tomlin's most positive recommendation was directed towards the familiar task of seeking improvement in the internal organisation of spending departments. "The Treasury is already regarded as a clearing house for questions concerning improved organisation, labour saving devices and the like."* Accordingly, there should be "continuous overhaul of the machinery of government by a small specially trained staff recruited from the Service generally .... bourne on the Treasury Vote."* "In recommending the creation of this machinery we aim at promoting efficiency and economy by securing that problems of departmental organisation are studied by minds specially trained in dealing with them ...."* The Report then went on to recognise the constitutional realities which may well have rendered their recommendation as nugatory as its predecessors: "We do not intend by this recommendation to suggest any arrangement which would detract from or diminish the authority or responsibility of Heads of Departments in the management or direction of their Departments."*

The upshot of this recommendation was that an Organisation and Methods team was associated with the Treasury, by means of supervision exercised by the Principal Assistant Secretary in charge of the Establishments Division responsible for general Civil Service questions. But in fact the team took their day to day direction from an advisory team of business experts - an arrangement which gave rise to confusion and acrimony.

In 1932 staff changes at the top of the Department gave Sir Warren Fisher an opportunity to reorganise as he wished. Four years later he described his arrangements to the Public Accounts Committee; Figure 2 is based on his evidence. If anything, the tripartite distinction is clearer than Fisher himself seemed ready to admit. The posts of Controller had gone, however, and all three sectors brought under one Second Secretary. The distinctions at Assistant Secretary abd Principal level between Establishments and Supply so interested the PAC.

Some of the Establishments Divisions were mixed. D9 for example dealt with all matters arising in the Post Office. But most were more or less completely functional. 8D, however, while it had no responsibility for Defence policy expenditure (which was handled in 5D, a Supply division) handled establishment matters including pay on a departmental basis. The Service-wide questions of establishments came to 7D which Fisher described as "the regulative decision for the Civil Service as a whole .... it would deal with the broad issues that are not departmental in character, but all Service in character.

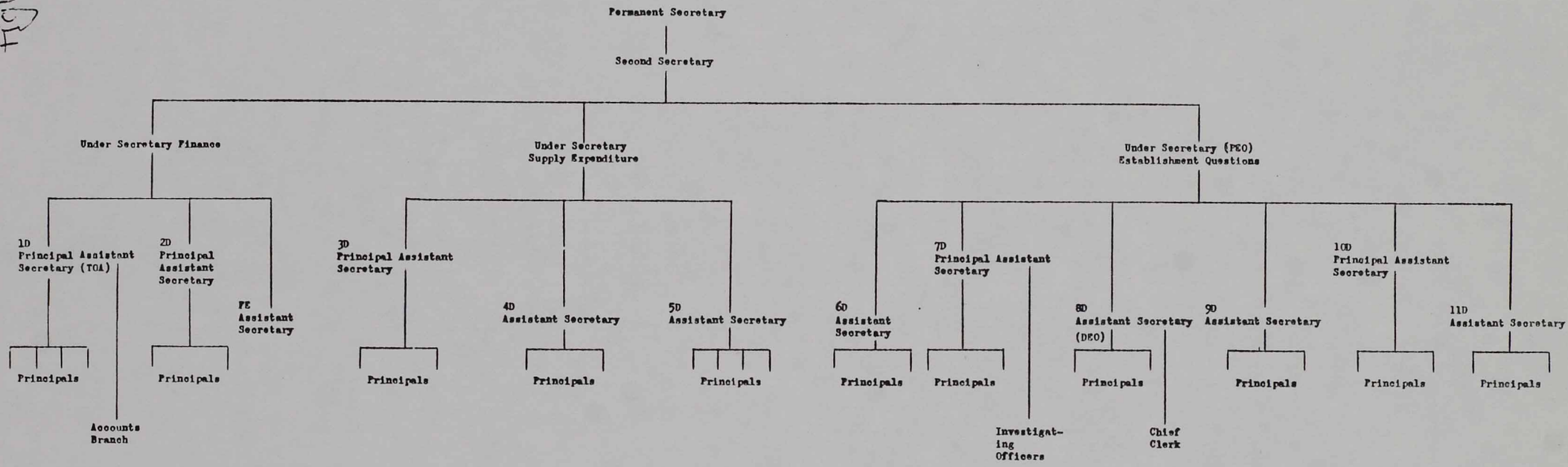
The position of Establishments work in relation to Supply was not as fixed during the 1930's as Fisher's evidence suggested. Finance and Supply were at one point brigaded together and Establishments was left on its own, notwithstanding the link between, for example, the two Divisions interested in Defence. At the end of the decade, however, the position was reversed and Establishments and Supply were under one Second Secretary while Finance on its own reported to another. This arrangement is shown in outline in Figure 3.

The exclusively Establishments Divisions were, Establishments (General Services), (Superannuation), and (Departmental) - the last dealing not Service-wide but with particular departments, like Health - and Defence Personnel. Also under the Establishments Under Secretary were two revised Divisions, Governmental and Allied Services dealing with the Post Office and HMSO etc, and the Law and Order Division relating to the Home Office. These two Divisions reported to the Supply Under Secretary on matters of involving policy and expenditure. The three Supply Divisions which had revised functions (there were other unrevised supply divisions) were Social Services - whose establisyments functions related to small departments and not eg to Health - Trade and Industry, and Imperial and Foreign. These three Divisions reported on Establishment matters to the Establishments Under Secretary and were required to keep in line with general policy as emunicated by Establishments (General Services).

The allocation of responsibilities appears today to be confused. The attempt in 1919 to impose a functional organisation on a departmentally constructed set of Divisions seems to have progressed so far, and then stopped. Meanwhile the top structure above the split was from

FIGURE 2.

The Organisation of the Treasury, 1936



1D Home Finance Finance	
2D Foreign Finance*	*4 Assistant Secretaries serving overseas
FE Financial Enquiries Branch	
3D Matters relating to Social Services ie Health, Labour, Insurance (Health and Unemployment), Unemployment Assistance, Pensions (War, Old Age, Widows Etc), Housing and Exchequer contributions to Local Revenues, Transport, Police, Prisons Etc.	
4D Matters relating to Education, Scientific and Industrial Research, Board of Trade services, Agriculture, Fisheries, Forestry and Crown Lands	
5D Matters relating to Defence, Dominions and Colonies, Foreign Services etc	
6D Superannuation Questions	
7D General Civil Service Questions	
8D Personnel Questions in the Defence Departments	
9D All matters relating to Post Office, Office of Works and Stationery Office	
10D and 11D Shared between them the Establishment Questions relating to the remaining Departments. In addition 10D dealt with non-Establishment Questions relating to Museums, Galleries etc; 11D with similar Questions relating to the Legal Departments.	

	Finance	Supply	Establishments
Principal Assistant Secretary	2	1	2
Assistant Secretary	1+4	2	4
Principal	6	8	12

Total Treasury Establishment = 318

Source: adapted from First and Second Reports from the Committee of Public Accounts, Session 1935-36, Appendix 8

Outline of the Organisation of the Treasury, 1942

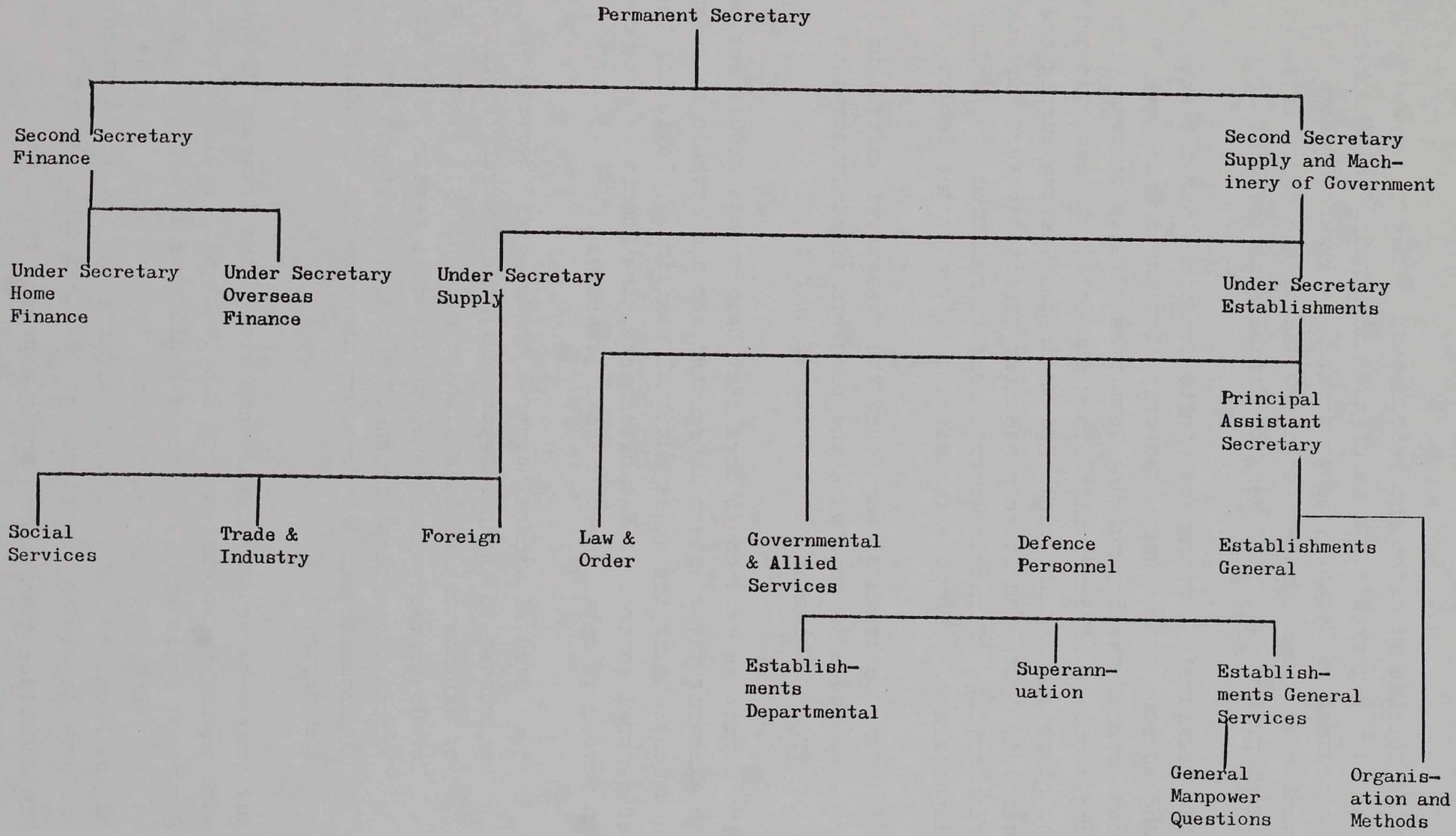


Figure 3

time to time adjusted and readjusted. That is worked at all may be due to the very small size of the undertaking and the relative importance of Establishments work. As Figure 2 shows the total number employed just exceeded 300 and of the forty or so at Principal level pretty well half were on Establishments work.

The Treasury's performance of its functions was the subject of bitter and to some extent unfounded criticism during the late 1930s. The comments of the Expenditure Committee were by contrast dispassionate and accurate if critical. They subjected the Establishment Divisions to close enquiry and published their conclusions during the 1941-42 session. The Committee's sternest strictures were directed at the shortcomings of the Treasury's role in relation to spending departments. Despite the stimulus given by the Tomlin report:

> "the outbreak of war found the Treasury insufficiently equipped to deal with the problems of administrative organisation which were forced upon it."*

The Committee went on to urge that Departments should not be defensive in allowing their internal organisation and methods to be scrutinised, notwithstanding the constitutional position. Reviewing the location of central control of Establishments, the Committee came down firmly in favour of retaining a unified Treasury:

> "... even if general control of the Civil Service was entrusted to another Department, the Treasury's control of expenditure on Establishments, as of all other forms of Government expenditure would still remain. To that extent the interposition of a new authority between Departments and the Treasury might result in duplication and waste."*

But they were equally clear that within the Treasury "Establishment work should be separated from Supply at all levels below that of Permanent Secretary ..... There would thus in effect be a return to the position which existed from 1919 to 1932 .... the importance of the Machinery of Government demands the undivided attention of an officer possessing the status of the Head of a first class Depart.*"

The Committee then pushed their argument further:

"... those divisions of the Treasury which at present handle Establishment as well as Supply questions arising in the Departments with which they are concerned would hand over their Establishment work to purely Establishment Divisions ..."*

There should be a re-organised "Machinery of Government" sector in which O and M should have equal status with Establishments work; it "ought to be the determining factor in the control of Establishment"* and it should be fully incorporated in the Treasury machine, thus setting aside the panel of advisers.

The Treasury that went into the Second World War was very differently organised from that which had gone into the First. Many issues remained the same - how to get involved with efficiency in departments. But new answers had emerged - O and M if only it were properly articulated to the Treasury could prove the key to efficiency. The pressure begun in 1919 to achieve a fully functional distinction between Establishments work on the one hand and supply on the other remained, had from time to time been achieved in terms of responsibility at the top but had not been carried through at divisional level, despite the growing recognition of Establishments work as a separate control task. The question of a separate Department, however, was answered by the need to keep together responsibility for expenditure on Establishments and for all other forms of government expenditure.

The changes of the 1940s

The Treasury that entered the War of 1939-45 was still a very small organisation; its total complement including sub-departments scarely exceeded 400. Establishments work was the dominant if less glamourous activity and the costs of the operations of central government still constituted a significant proportion of public expenditure and of the Government's total budget. That the Treasury's control mechanisms never met the expectations of its critics is not altogether surprising given the resources available and the continuing reluctance of departments to seek advice or of the Treasury to make determined effort to provide it.

The impact of the decade after 1940 was profound, not in the sense that the Treasury's organisation was redesigned au fond as it had been in 1919, but because the sheer size of the task changed to the extent that it took on a qualitatively different character. That the War played a part is evident, but it was the Treasury's role in economic management that changed most dramatically. The change may be typified by the budget of 1941 which was the first to be based upon concept of national (as opposed to government) expenditure and resources, or by the arrival in 1944 of full employment of the official goal of public policy, or by the nationalisation of the Bank of England in 1945, or, most plausibly in terms of organisation, by the Treasury's assumption in the years after 1947 of the statistical and administrative apparatus of national economic palnning.* What is quite clear is that the Treasury that emerged into the post-War world of the 1950s and '60s had grown enormously, and that the growth was such as to overshadow the Establishments side of the Treasury. In 1945 the Treasury and its sub-departments had 1150 staff in 1950, 1700; and 1960, 1460. The nature of the change is most effectively shown by the relative deployment of senior staff between Establishments work and Supply/Finance:

	Supply/Finance	Establishments	
1936	54%	46%	Principal and above
1963	66%	34%	Assistant Secretary and above

From a position of rough equality the Establishments side had dropped to being outnumbered 2 to 1. Finance and Supply became the dominant forces within the Treasury and questions of efficiency inthe Civil Service - now a relatively small part of a growing public sector - took a back seat. Secondly, the assumption of new tasks of the magniture implied by national economic management, imposed a wholly new load at the top of the Department. Nonetheless despite dissatisfaction with the way it worked and some superficial attempts to change it the Treasury's fundamental structure in 1960 was recognisably that of 1940.

Developments between 1945-68

The load at the top of the Treasury was widely regarded as nearly insupportable. The response was to divide responsibility between joint Permanemt Secretaries on Sir Ed Bridge's retirement in 1956. The

The allocation of responsibilities between the Permanent Secretaries followed that of the existing organisation, and did not lead to more thoroughgoing reappraisal: one was responsible for financial and economic policy and the other for all the work concerned with the control and management of the Civil Service.

At the end of 1957, a sub-Committee of the Estimates Committee examined Treasury control of expenditure. The Committee concluded that the theory of departmental responsibility for economy and of the existence of a partnership between departments and the Treasury "may not have been whole-heartedly accepted".* They recommended the appointment of a small independent Committee to report on the theory and practice of Treasury control of expenditure.

The government did not accept the idea of an independent inquiry, but set up instead an internal review under the Chancellor of the Exchequer on the principles and practice which govern the control by the Executive of public expenditure. Sir Edwin Plowden (later Lord Plowden was appointed Chairman of the Committee; members were drawn from outside and inside the Civil Service. Their Report* was published in June 1961 and had three main themes:

a. that public expenditure should be considered "as a whole, over a period of years ahead". It recommended that in addition to surveys on expenditure, there should be regular surveys of prospective resources and that new techniques of administration and control should be developed in the Treasury to carry out these surveys;

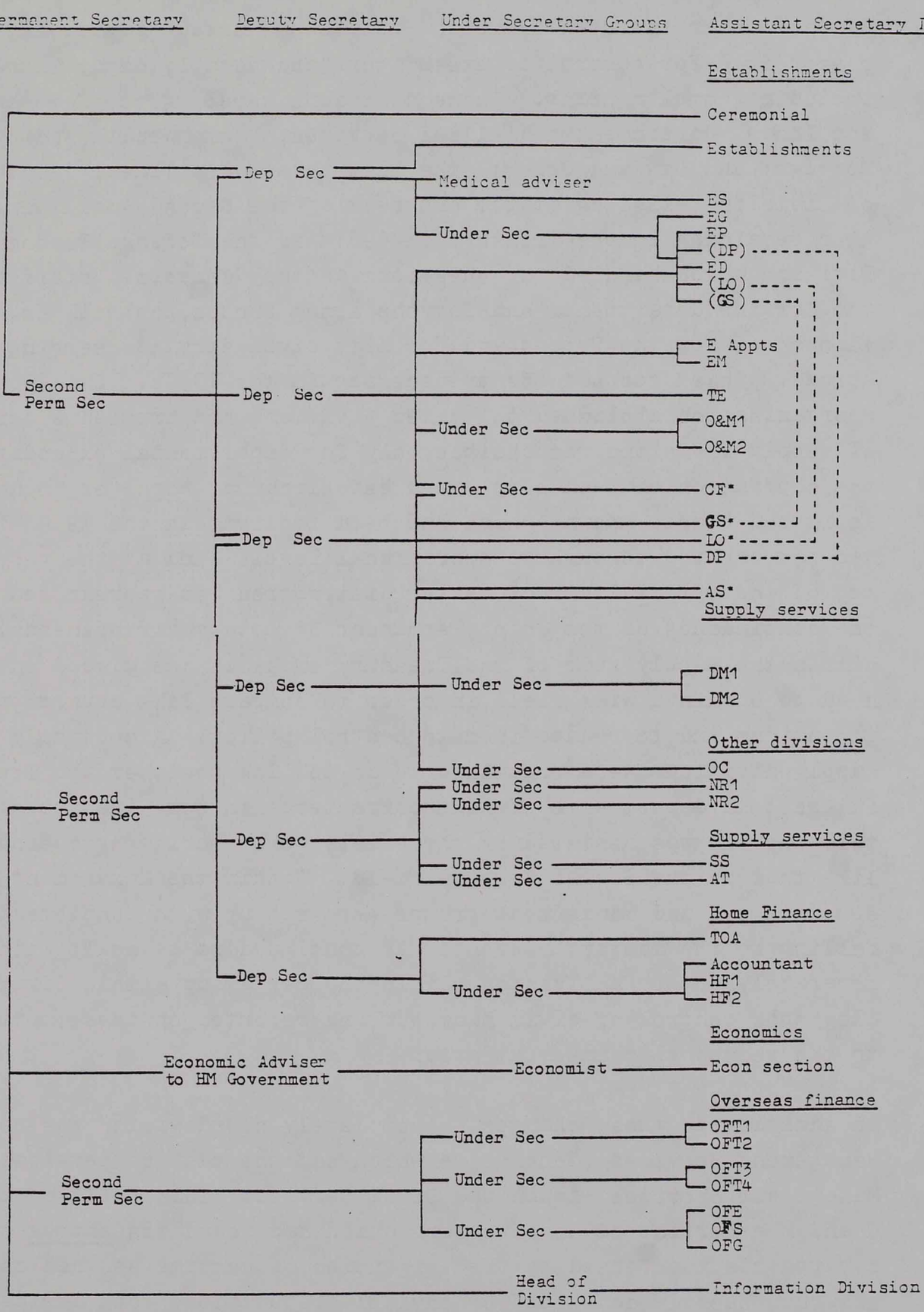
b. that there was a need for greater attention to be given to the systematic improvement of management throughout the public service and, in particular, for the Treasury to provide a service for departments seeking to improve their organisation and tackling new problems of administration;

c. that there should be a greater opportunity for constructive Parliamentary control.

The government accepted these recommendations and a major review of the Treasury's organisation was immediately undertaken. The structure that underwent review is shown in Figure 4.

Figure 4.

TREASURY ORGANISATION - 1961



*Mixed supply and establishments divisions.

Of particular importance are the remaining "mixed" divisions responsible for control of expenditure and establishment matters, including complementing. These decisions were: Arts, Science and Lands, Government and Allied Services, Commonwealth and Foreign; and Law and Order; the last three were lineal descendants of Divisions existing at the outbreak of the Second World War. Also remaining in the Treasury in 1961 was the Defence Personnel Division which handled pay questions as they concerned staff in the Service departments and for the Armed Forces, as well as allowances for the Forces and for home civil servants serving abroad. This too had its predecessor in the 1930s. The 1962 reorganisation abolished the mixed divisions and created a series of supply divisions responsible only for departmental expenditure; the separation between supply and establishment work (or "management" as it had become known) which had been implicit in the 1919 structure was now carried through to operational level. And at the very top of the official structure the distinction was reorganised in the continuance of the Joint Permanent Secretary arrangements. Within the Supply side of the Treasury emphasis was placed on the need to obtain a wide field in order to compare like departments' intentions and to relate them to control policy. Accordingly supply divisions were organised so as to link together the Treasury interest in departments of like character; in some instances this process was assisted by the existence of earlier groupings like that in the Social Service field. Within the Management side separate pay and management groups were set up with complementing falling in the latter; Defence pay continued to be dealt with separately but by a Division within the pay group - this Division also took control of civil manpower and reported on these matters to the personnel management group.

In addition to these changes, a completely new division was set up - Management Services (General) - which had the task of developing Management Services within the Civil Service. This built on the O and M expertise of the Treasury which had found its entree to departments much eased by the exigencies of wartime and had then and subsequently developed or enviable reputation, both inside and outside government.

There were few major changes in the expenditure and management divisions between 1962 and 1968 although some adjustments in divisional responsibilities were made necessary by the creation of two new departments - DES and ODM. In about 1965, the responsibilities of one of the pay divisions for the affairs of small departments (CP 3) were re-allocated to a new division in the Management Personnel Group called the Establishments (Administrative Reviews) Division. This division also took on a new responsibility for "reviews of administrative grading and complementing" as well as part of the work of the Establishments Complementing Division (in particular complementing and grading questions concerning the Ministry of Public Buildings and Works and the Board of Trade). The organisation as it had developed in 1967 on the eve of the next change is shown in Figure 5. The complete division between Establishments work and Supply and Finance is readily evident.

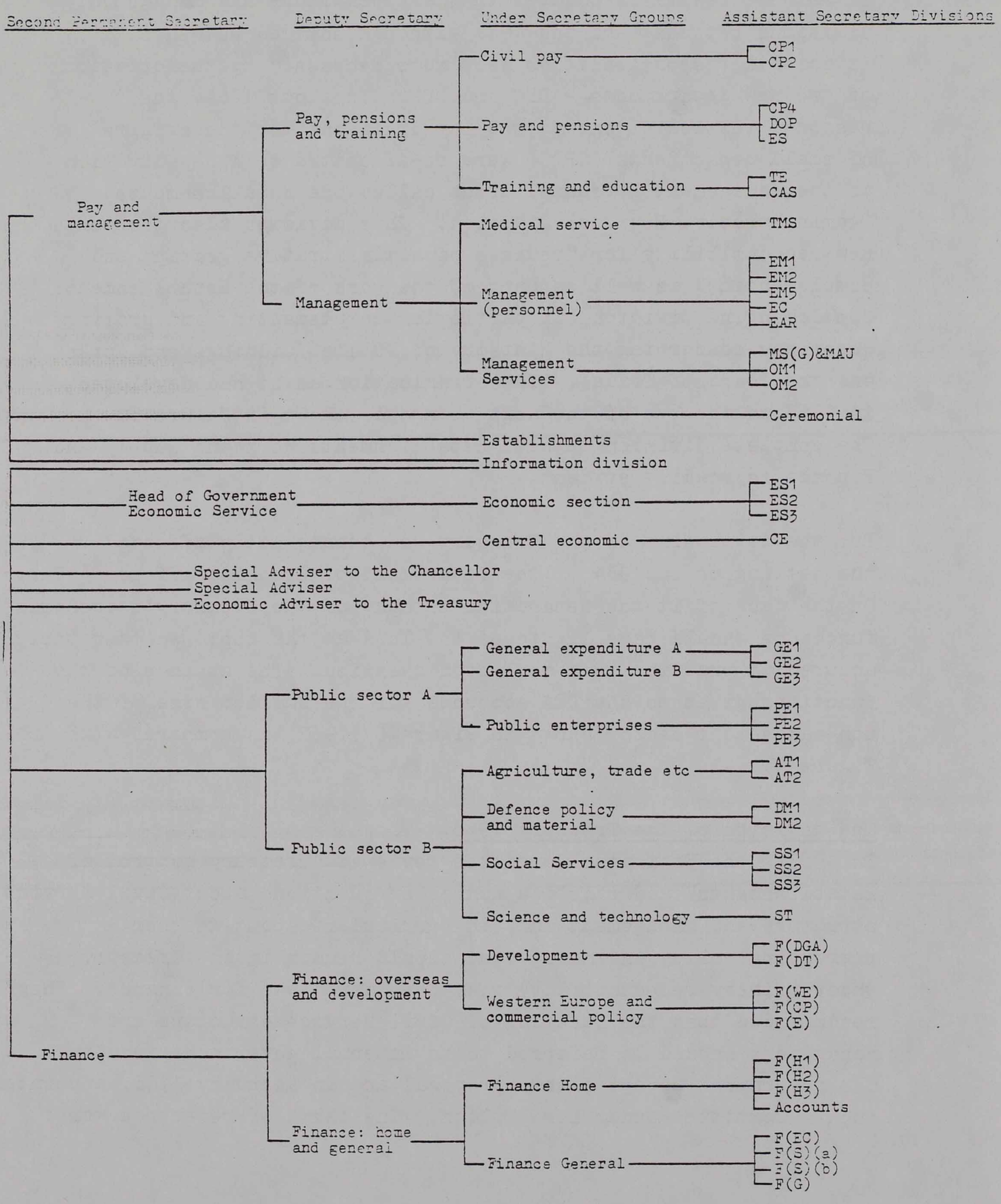
But the total size of the Treasury had been greatly affected by the setting up in 1964 of the Department of Economic Affairs (DEA). On the face of it the separation of many of the Treasury's economic functions should have lightened the load at the top; whether this accured in practice is a more open question. The absence of the functions given to the DEA accounts for the smaller size of the non-management sector shown in Figure 5 (1967) as compared with Figure 4.

The division of the Treasury 1968

In 1963/4 the Estimates Committee reviewed "Treasury control of Establishments" and raised a number of questions about Civil Service structure and management and, in particular, about whether recruiting policy and management should remain in the Treasury whose primary responsibility they considered was for finance. They recommended that the question of Civil Service structure and management should be referred to an internal government inquiry. The government accepted this proposal and in February 1966, appointed such a Committee under Lord Fulton. The terms of reference were:

Figure 5

TREASURY ORGANISATION - 1967



"to examine the structure, recruitment and management, including training of the Home Civil Service, and to make recommendations".

The Fulton Committee reported in June 1968. The main recommendation was for the creation of a new department - the Civil Service Department - under a Cabinet Minister, which would be able to give greater emphasis to more positive management policies and better use of departmental resources. At the same time it would give central leadership to departments in carrying out their personnel and career management responsibilities. There had been a strong feeling that the Treasury had not given sufficient emphasis to the development of management techniques. The Committee lacked confidence in the Treasury's willingness to undertake the management of the government's direct employees with the enthusiasm and single mindedness that was considered necessary to induce departments to participate in the new approach.

The Fulton Report recognised the public expenditure difficulties inherent in the split and stressed that it would be necessary for CSD to be given a real base of independent authority without impairing Treasury's ultimate responsibility for the control of public expenditure as a whole. The report set out the proposed relationship in numbers of areas including manpower control and financial management techniques. In manpower, the CSD would assume responsibility for ensuring that departments were efficiently and economically staffed and for determining the scale of staff necessary for any particular function, and in financial management techniques, Treasury would retain overall responsibility, leaving it to CSD to supervise departments' implementation of improved systems of financial control.

The Report also recommended that the Civil Service Commission should cease to be a separate and independent organisation and should instead become part of the new Civil Service Department.

The proposed relationship between the two Departments was set out in Office Notice (68)59 on 25 October 1968; this become known colloquially as "The Concordat". It stressed the need for close liaison and consultation between the two Departments and proposed the establishment of certain formal links which did not, in fact, materialise. The "Concordat" was an attempt to repair any disadvantages arising from the Treasury/CSD split. There was never any doubt that CSD's personnel management functions could be carried out without an overriding need for close contract with the Treasury but it was recognised that close co-operation would be necessary in the public expenditure field. It was hoped that the "Concordat" and interchange of staff between Treasury and CSD would lessen any complications in this area. It was also felt that the greater emphasis on management in the Civil Service afforded by the creation of CSD would outweigh the disadvantages.

In terms of organisation, all that had been done was to split the Treasury along a pre-existing fissure and to place each part under separate Cabinet Ministers. This can be clearly seen in Figure 5 which shows the organisation of the Treasury in 1967 on the eve of the split.

Developments after 1968

The Treasury

The shape of the Treasury was radically altered when its Management Side was moved, to become the foundation of the Civil Service Department. The joint Permanent Secretary and Second Permanent Secretary post on the Establishment Side went with this work.

The next significant development in the Treasury's responsibilities came in October 1969 with the disabandment of the Department of Economic Affairs. DEA had been made responsible for long term economic forecasting, for policies of growth, for incomes policy and for the coordination of external economic policy. When it was abolished these functions reverted to the Treasury. This brought the Treasury back to broadly the shape it had had before 1964 but minus the management wing and with a neater supply division structure. It is significant that the CSD was taken out of a

Treasury that was already "missing" the DEA functions. Were the CSD to go back to a Treasury that has now re-assumed the DEA functions, the questions of loading that were asked during the years 1964-1969 and even more insistently in the years 1956-1964, are likely to assume considerable importance. This is particularly the case given the assumption by CSD of many functions not previously associated with the Treasury (see below).

The Treasury's internal structure was brought under scrutiny by a Management Review Team who reported in 1976. The structure as it is today reflects this review.

The Civil Service Department

The years since 1968 have, if anything, affected CSD's organisation more profoundly than that of the Treasury. From being a relatively small policy department and no more, the CSD has retained these functions and has acquired a wide range of central executive and control tasks.

When CSD came into existence on the 1 November 1968 it took over the Treasury's functions in respect of the pay and management of the Civil Service and the co-ordination of Government policy in relation to pay and pensions in other parts of the public sector. Under the Minister for the Civil Service Order 1968, these functions were vested in the Minister for the Civil Service - a new office, which has been held since 1968 concurrently with the office of Prime Minister.

The Civil Service Commission, which had previously been a separate Department, was incorporated into CSD in 1968; the Commissioners retained their independence in the actual selection of staff, but the Commission reported to senior management and CSD Ministers on recruitment policy matters in the normal way. CSD was originally located alongside the Treasury, but moved to the Old Admiralty Building in February 1971 (the Commission having already moved to Basingstoke in July 1970).

The Civil Service College at Sunningdale was formally opened in June 1970, although the London centre had opened its doors in April of that year. The College absorbed the functions of the Centre for Administrative Studies which had been set up by the Treasury in 1963. The College's Edinburgh centre opened in November 1970, but was closed down in March 1977 following the 1976 management review of CSD.

The Central Computer Agency (CCA) was set up on 1 April 1972 following the report of the Select Committee on Science and Technology (HC621). CCA brought together within CSD the old Management Services (Computer) Division (responsible for the financial control of administrative computer projects); HMSO's Computer Procurement Division and Central Computer Bureau; and DTI's Technical Support Unit. On 1 January 1973, CCA was made responsible for central policy on the provision and use of telecommunications for administrative purposes.

CCA was reorganised on the 2 January 1980 and was renamed the Central Computer and Telecommunications Agency (CCTA). This reorganisation took account of the recommendations of the Longer Term Review of Administrative Computing in Central government. The aim of the reorganisation was to enable CCTA to devote more attention to new technological developments and undertake regular reviews of the efficiency of computer systems; to extend consultancy services; to delegate so far as possible small and medium value projects to the departments concerned; to integrate telecommunications and computer work.

Two further units were set up within CSD in 1972: the Chessington Computer Centre, which provides a payroll and staff record service for CSD and some 60 other departments and which was transferred to CSD from MOD (Procurement Executive); and the Civil Service Catering Organisation which replaced the former Directorate of Catering. The Directorate of Catering had been transferred to CSD from the Ministry of Technology in 1969 where it had been responsible for managing 150 directly-run staff restaurants. A catering advisory service had existed in the Treasury since 1947 and advised those departments which had Committee-run restaurants; CISCO took

over these advisory services along with the functions of the Directorate of Catering. From 1 April 1973, Vote responsibility for pay and other expenditure and receipts of the directly-run restaurants was transferred to CSD's Civil Service Catering Vote.

Over the years since 1968, there have been a small but significant increases in the number of divisions and resources devoted to management services, personnel management, pay and statistics. CSD's manpower and management services divisions were re-organised in 1970 and brigaded with Machinery of Government under a separate Deputy Secretary command. In December 1971, CSD's Staff Inspection Evaluation Branch was created by amalgamating the inspection functions of the manpower, pay and structure review divisions.

The most recent development has been the creation (in October 1979) of a new Under Secretary command - Functions and Programmes - alongside the manpower and management services groups. This group is aimed at providing a clear focus within CSD for reviewing the cost of individual departmental functions and activities and of the provision of common services and for encouraging cost consciousness generally.

Conclusion

a. This history of the organisation of the Centre is one of constant re-adjustment of the administrative structure;

b. the problems that present themselves for solution today - the control of administrative expenditure, the Centre's interest in the efficiency of spending departments, the place of the management of a unified Civil Service, the the level at which these tasks are integrated in the central machinery - are recognisably those faced throughout the last 60 years;

c. the extent of integration between the management and expenditure control and financial sides of the Treasury has been variable. The point of contact for the last twenty years and more has never exceeded some 4 or 5 Assistant Secretary Divisions where cross reporting arrangements existed;

d. the internal organisation of the Treasury before 1968 was frequently adjusted but never in a way that can counter to the fundamental lines set up in 1919;

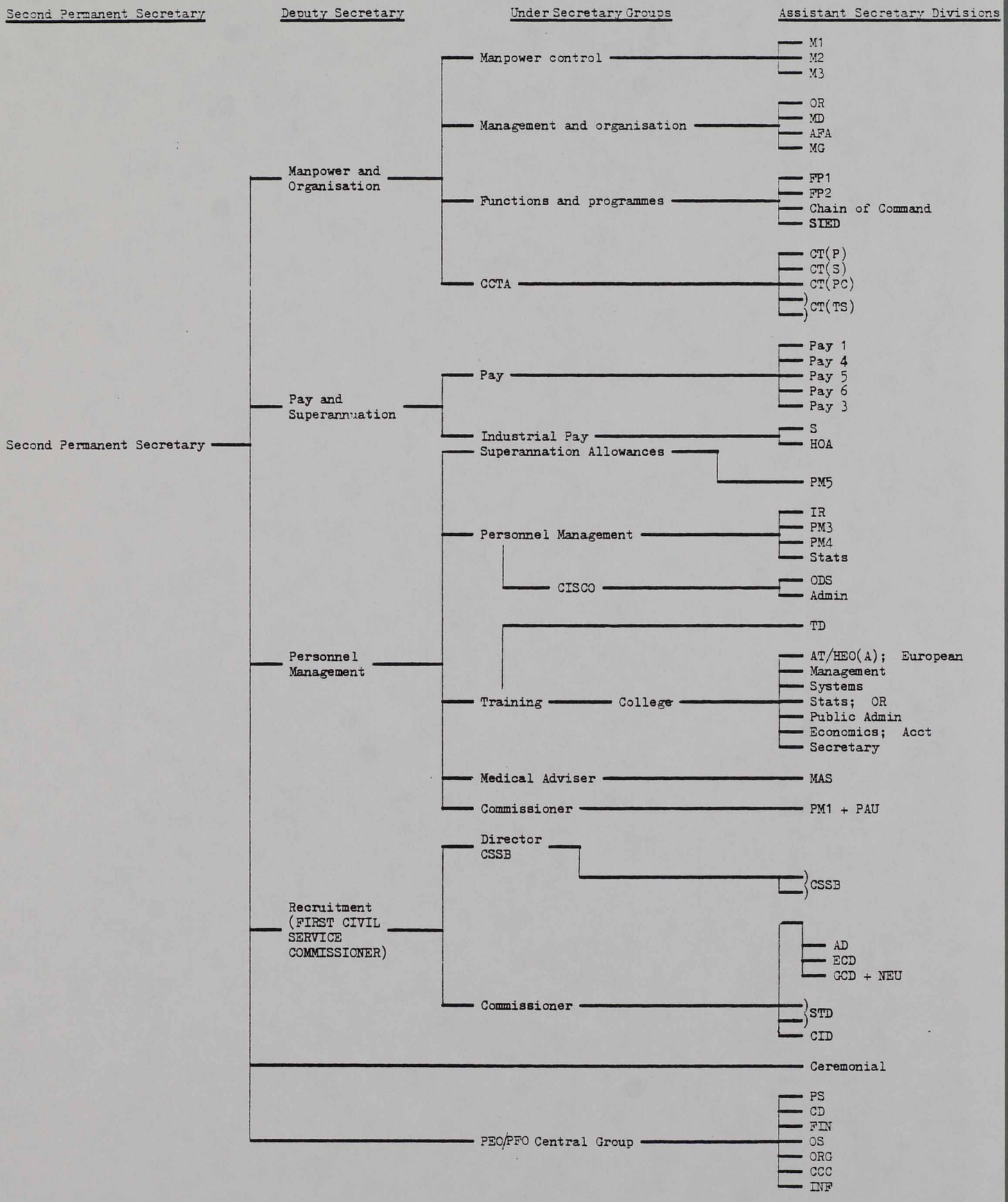
e. over the years the movement has been towards the complete separation between management and other functions at all official levels that was reached in 1962, and that was followed in 1960 by separation at Ministerial level.

ANNEX 2.

HM [redacted]RY ORGANISATION CHART

Second Permanent Secretary Sectors	Deputy Secretary	Under Secretary Groups	Assistant Secretary Divisions
		Common Services/Establishments	EOG
		Central unit	EB
			IDT
Chief Economic Adviser	Deputy Chief Economic Adviser	Forecasting Group	EA1, EA2, EA3
		Macro Economic Policy	MP1, MP2
Overseas finance	Overseas finance A	International group	IG1, IG2, IG3
		Finance economic unit	FEU
	Overseas finance B	External finance	EF1, EF2
		Aid and export finance	AEF1, AEF2, AEF3
Domestic economy	Domestic economy	Home finance	HF1, HF2, HF3, Accounts
		Fiscal policy	FP1, FP2
		Industrial policy	IP1, IP2
		Industry and agriculture	IA1, IA2
		Public enterprises	PE1, PE2, PE3
		Economic unit	DEU1, DEU2
Public services	Public services	Social services	SS1, SS2
		Local government	LG1, LG2
		Home, transport and education	HE1, HE2
		Defence policy and materiel	DM1, DM2
	General expenditure	General expenditure policy	GEP1, GEP2
		General expenditure analysis	GEA1, GEA3, PAU1, PAU2
		Accounts and purchasing	AP1, AP2

CIV. SERVICE DEPARTMENT ORGANISATION CHART
OCTOBER 1980



ANNEX 3

1. SOME GENERAL CONSIDERATIONS AFFECTING THE FORM OF INTEGRATION

This section reviews the general considerations involved in an integration of those functions of the Centre which are at present discharged separately, and the consequences they may have for the form of a unified Department.

MANPOWER AND EXPENDITURE CONTROL

Links between manpower control and other functions

2. The first consideration concerns the relative benefits of maintaining the existing links between the function of manpower control and other aspects of central management of the Civil Service as compared with the benefits to be gained from bringing manpower control closer to public expenditure control. On the one hand, since the Government attaches importance to ensuring an efficient and effective Civil Service then it is arguable that all functions which contribute to the achievement of this objective should be contained within one organisational unit. These functions include those discharged by the Manpower Group within CSD. To remove manpower from its present relationship with those Divisions within an integrated Department may have two harmful effects:-

(i) it could weaken the ability of those at the Centre responsible for Service-wide efficiency to exercise control over departments, because of the divorce of manpower control from the other instruments for encouraging the effective use of resources;

(ii) it would break the very important link which exists between responsibility for grade structure (covered by the Manpower Group and FP) and civil service pay which taken together are determinants of the cost and efficiency of administration.

3. On the other hand it is arguable that the control of manpower is essentially one aspect of the control of resources employed by spending departments. If the objective is to improve and enhance the Centre's ability to exercise control over spending departments'

use of resources then it is necessary for the controller to have a complete picture of departmental activity. This picture should include the cost of a department's operations as well as expenditure in direct pursuit of its policies. This points to the maximum possible degree of integration of the manpower and expenditure control function so as to create for each department a focal point at operational level within the integrated organisation through which the Centre's interest in the efficient and effective use of resources can be exercised. CSD controlled expenditure amounts to less than 10% of total public expenditure. On the assumption that the Treasury's organisation for controlling the remainder continues in its present form this would indicate the dispersal of the manpower control function exercised by the CSD Manpower Group to the existing Treasury specific expenditure divisions.

Civil Service Manpower Numbers

4. The second consideration on the integration of expenditure and manpower control concerns the Government's manpower target. The Government has adopted a target for a reduction in the size of the Civil Service which is a policy in its own right; this manpower policy may not always be complementary to or in harmony with expenditure policies; the number and severity of conflicts between manpower and expenditure policies might well increase over the target period. (An analysis of the kind of conflicts which can arise is given in paragraphs 21 and 22 below). It is arguable that as a policy in its own right manpower control requires the existence of an organisational unit responsible for its achievement, able to devote its undivided attention to that end, and with the means to do so directly under its own hand. Moreover, the sums involved as a consequence of manpower savings are usually rather small when compared with expenditure on policies. If manpower control were transferred to expenditure divisions there could be two dangers. First that in the event of a policy conflict expenditure priorities would take precedence over manpower policy. Second, the policy conflict would be settled at too low a level. The Government's manpower target would be more difficult to achieve and might well be compromised. Thus, it may be argued, responsibility for manpower policy should remain as a unit within an integrated Department.

5. The counter arguments are that as a major policy objective the reduction in Civil Service manpower will command the time and

attention required to achieve the target wherever responsibility for it is located. Expenditure divisions are no strangers to the problem of conflicts between policy objectives and are, arguably, well able to deal with conflicts as they arise. Integrating manpower control into supply divisions would allow manpower and expenditure issues to be brought together at an earlier stage and any conflicts to be identified and resolved at the lowest appropriate level.

Tasks and Skills

6. The third consideration is that the extent to which manpower and expenditure control may be brought together in an integrated Department depends partly on whether or not the tasks and skills required of the two kinds of controller are the same, or at least compatible. Arguments can be adduced to show that the control task and skills are quite distinct, not least because the maintenance of a specific manpower target necessitates emphasis on manpower numbers and a control system that operates through a non-monetary currency.

The day-to-day work and techniques in the manpower and expenditure divisions are reviewed in paragraphs 23-39 below.

Composition of Expenditure

7. The fourth consideration is that the general case for integration of manpower and expenditure is arguably affected by practical considerations and is likely to be strongest in relation to those departments where for example, administrative and policy expenditure cannot be readily separated for control purposes (for example the Ministry of Defence block budget) or where important links exist between manpower and policy expenditure for example, as between expenditure on social security benefits and manpower in local offices, or between the number of prison officers and capital expenditure on prison buildings. On the other hand, there are always some links between administrative and policy expenditure and once the unity of manpower control has been broken in order to match the instances where strong links exist, it is argued that there is nothing to be gained by stopping short of a complete realignment.

Conclusion

8. For the purpose of this part of the study, which is directed in the first instance towards preparing a model for integration, we have

assumed that:-

(i) a decision to merge Treasury and CSD implies a decision to give greater priority to the unified control of public expenditure than to the unified management of the civil service.

(ii) the government's manpower target may be regarded not simply as a component of public expenditure policy, but also as part of policies relating to the place of government in the community.

9. In respect of tasks and skills, we have had regard to the conclusions to the study described in paras 23-39, namely that these share a number of common elements but that the methods of approach are in many respects distinct.

10. On the relationship between expenditure on administration and policies, we have been unable to find a set of criteria that would clearly and consistently separate one group of departments from another, in the sense that departments in one group would have their manpower and expenditure dealt with separately at the Centre, and departments in the other would have their manpower and expenditure dealt with together.

FINANCIAL AND MANAGEMENT SYSTEMS AND ORGANISATION IN DEPARTMENTS

11. At present, the activities of the Centre in promoting good financial management and organisation in departments are divided between CSD and Treasury, with CSD in the lead on questions of departmental organisation and financial control and management systems, and the Treasury in the lead on financial policy and the Government accounting framework.

12. It is arguable that this split of responsibility has given rise to problems. To be effective, the Government accounting framework needs to promote high standards of financial management within departments, but the present organisational arrangements may have hindered the effective development of either. The need for effective control systems in departments has arguably become more pressing as the Treasury has moved away from direct involvement in detailed expenditure decisions. To bring together responsibility for the expertise existing in both departments would arguably create a stronger focus for developing central and departmental systems which are mutually compatible. Examination of these issues has been the subject of recent consultations between the two Departments.

13. On the other hand, it is arguable that financial control systems are an integral part of departmental management and that transferring responsibility for financial systems away from that part of the organisation which deals with the overall structure of departmental management (currently CSD's Management and Organisation Group) would mean that there was no longer a focus for the development of effective management practice in departments.

Conclusion

14. We have assumed that in an integrated department work on financial control systems would be brought together, and that the organisational arrangements would preserve as far as possible the important links which this has with the work on the management and organisation of departments.

PAY

15 Under the present arrangements, the CSD Pay Group undertake several tasks in respect of pay:-

a. Civil Service pay - a clearly defined management function embracing responsibility for negotiating and settling pay rates

b. Armed Forces - monitoring and commenting on Ministry of Defence evidence to the Armed Forces Pay Review Body. This function is closely related to the question of the location of manpower control of the Ministry of Defence and is discussed further in Annex 4 (paragraph 26)

c. Staff of certain Fringe Bodies - the role, usually but not invariably imposed by statute, of providing advice on and clearance for pay proposals submitted by sponsor departments

d. Other Public Service pay (eg National Health Service and Local Authority Employees) - monitoring and advising on proposals, particularly with respect to their repercussions on Civil Service pay. (Relatively little staff time is needed on these tasks.)

16 The Treasury is concerned with the macro-economic and public expenditure implications of public service pay (the Civil Service represents less than one fourth of this area).

17 There are at present 3 areas of the Treasury which have an interest in public service pay settlements:-

a. the general expenditure side of the Treasury which is concerned with the interaction of public service pay settlements and cash limits;

b. the Treasury's specific expenditure divisions who have an interest in the implications of pay settlements of groups of workers covered by the expenditure programmes for which the divisions are responsible;

c. the Treasury's Industrial Policy Group who need to consider the impact of public service pay settlements on the private sector and the economy generally, and have a developing role of co-ordination;

18. The negotiation of Civil Service pay is generally speaking dealt with on a Service-wide basis. Negotiation of the pay of its own employees is the responsibility of the Government as employer and manager, and represents a distinct executive function, requiring detailed knowledge of pay systems, particular agreements and bargaining procedures. This process must take place within the framework of economic and public expenditure policy.

There is however, a question of

19./defining the Centre's interest in forming the framework of policies in respect of the pay of the public services as a whole. In these cases, settlements have important implications for public expenditure and economic management, but the Government is not the direct employer.

Conclusion

20. We have assumed that in an integrated organisation, the function of pay negotiations for the Civil Service would remain on the management side of the Department. Close co-ordination would continue to be necessary with those responsbile for economic management and the control of public expenditure. Whether or not the two Departments are integrated, there is a case for clarifying the nature of the Central interest in the pay of the public services; and subsequently deciding on the appropriate organisational arrangements.

2. TENSIONS BETWEEN MANPOWER NUMBERS AND ADMINISTRATIVE COSTS

Q1. Paragraph of the report refers to possible conflicts between the control of the administrative costs of government operations and the control of manpower. There may be situations where a reduction in expenditure or an increase in revenue would lead to an increase in manpower and conversely a reduction in manpower may lead to an increase in expenditure or a reduction in revenue. Reductions in manpower may be achieved thus:

(i) by cutting out a function altogether:

(ii) by carrying it out to a lower standard or in a cruder way; or

(iii) by finding ways to increase the efficiency with which the work involved is done.

Q2. These are some of the situations which arise:

(a) Reduction in manpower leading to increase in operating costs

In some situations, a department's operating costs may be increased by reducing its manpower. For example, where a function is being continued and lower standards cannot be introduced (perhaps because of a legislative requirement), the choice may be between increasing numbers (or avoiding a cut in them) and having to spend more money as a result of increased overtime.

(b) "Privatisation" of support services

In some cases, it may be less costly for Government departments to provide a supporting service themselves than to have it carried out on their behalf by outside contractors. This may involve a straightforward comparison of costs, eg providing a car and driver to reduce the use of external car hire services. Or, it may be a question of the better use of existing capital equipment, eg making greater use of "in house" printing facilities, thus reducing overhead costs on the other work already being done on them. In such cases, a decision to make manpower reductions would need to pay regard to any adverse financial effects.

(c) Work by common service departments for nondepartmental clients

There may be cases where through carrying out work for nondepartmental clients (eg HMSO printing telephone directories for the Post Office, or PSA carrying out construction work for USAF) overhead costs for similar activities by a common service supplier on behalf of Government departments are reduced. In a sense the extra manpower could be said to be paying for itself by creating savings. But a decision to do so is not only a decision to retain staff it is also a decision to maintain or expand activity by Government departments in competition with the private sector.

(d) Impact on tax revenue

In some cases it is arguable that the capacity of government to raise the revienue it requires would be damaged by making a cut in manpower or by withholding an increase in it. There will always be cases where an increase in staff engaged on tax collection can be shown to pay for itself, often many times over. The need to raise taxes cannot be called in question as a function. But the methods used have to be reviewed in order to make sure that they are as economical as possible, sometimes at the expense of loss of refinement and sophisticated equity in the system. Nonetheless manpower reductions may still be considered appropriate even where they result in a decrease in revenue collected greater than the cost of manpower saved.

(e) Functions financed by Fees or Charges

In some cases a Government function is provided to the community on the basis of a fee or charge and it can be shown that an increase in staff will "pay for itself" through increased revenue. This position is different from that arising in the Revenue departments (d) above. Because a Government activity "pays for itself" out of fees or charges it does not follow that it should necessarily be continued. For example, it might be concluded that it was not an appropriate function for Government to perform or that it had a lower priority than some other function. Manpower could be saved and revenue lost. There may/situations in which it /be is helpful to use a fee charge as a method of regulating demand for a particular service where it has been decided that it is appropriate for central government to provide this. But it is not possible simply to accept as a justification for maintaining a level of manpower involved or increasing it, the fact that the costs are covered by fees or charges, since the function itself and the standard to which it is performed must first be called in question.

(f) Payment of benefits

It may be argued that the level of payments which has to be made by Government under particular schemes of assistance (eg social security) can be reduced by increasing the manpower devoted to checking on claims and detecting fraud. Here again, the fact "the staff pay for themselves" in a reduction in the level of payments made by departments to their clients is not in itself a sufficient argument. It has to be demonstrated that the cost of the scheme cannot be more satisfactorily reduced by alternative means through altering procedures or improved efficiency. And here, as also in the tax field, there is a judgement to be made about the level of enforcement and control that should be undertaken.

(g) "Demand-led areas"

A change in demand for a government service has sometimes to be accepted at the time and the resources made available to meet it straight away. Sometimes this may arise ad hoc, eg arrangements to receive refugees from overseas. In other cases, it may well be a recurring phenomenon, eg the requirement for extra staff to pay out unemployment benefit when there is an increase in the number of unemployed. But in these recurring situations, compulsion is simply temporary until the way in which the function is performed can be reviewed and the scope for reducing its cost can be determined. What is special about these "demand-led" areas therefore is the difficulty of holding the level of resources devoted to them without making the necessary changes in a scheme and its procedures first. The issue therefore is one of timing not of principle. There will be other areas of "demand" for government services, however, where the option of lowering the level of service presents itself, for example by allowing waiting time to grow. Where there is no legal requirement to maintain the service in a particular way, then what is involved is a question of judgement as with all other government functions.

(h) Effect on manpower cuts on the Superannuation Vote

Manpower reductions can have two effects on the level of expenditure from this Vote. In the first place they may require redundancy payments to be made, and cause the bringing forward of superannuation payments; and secondly they will reduce the future number of pensioners. These expenditure effects have to be borne in mind in calculating the net effect of manpower reductions on public expenditure as a whole.

3. THE METHODS OF WORK OF THE EXPENDITURE AND MANPOWER CONTROL DIVISIONS

Branch Heads in Treasury Expenditure Divisions

23. Within the 8 Expenditure Divisions of the Public Services Sector there are 18 Branches, headed normally by Principals, each exercising expenditure control functions over a specified area, consisting of a single main spending programme or a number of small programmes. These functional programmes do not necessarily correspond with Departmental areas of responsibility. For example DHSS spans the health programme and the social security programme, dealt with by separate Branches, and in particular the expenditure of the Scottish and Welsh Offices is divided among a number of Branches according to function.

24. In a typical Branch the Principal is in charge of two executive staff and receives additional clerical support from a clerical section serving several Branches. The Principal reports as necessary to an Assistant Secretary at the head of a Division consisting of two or three Branches.

25. The Treasury's interest is the effective management and control of public expenditure both in aggregate, in relation to economic and financial policies, and in the allocation of resources to particular programmes having regard to the cost-effectiveness of expenditure and value for money. The role of the Branches is to bring these interests to bear on their particular programmes scrutinising planned expenditure and the related policy issues and contributing to the control of total expenditure. Some Branches deal with programmes where the expenditure is under the direct control of central government departments but others are dealing with policies affecting the expenditure of other public authorities, including public corporations and local authorities, which operate with varying degrees of independence from central government.

PESC, Estimates and Cash Limits

26. The annual public expenditure surveys and Estimates and the associated cash limits represent the basic financial control machinery and account for a substantial proportion of the work of the Principal

and the support staff. The consideration of expenditure proposals involves close liaison with departments, especially the finance divisions, involving detailed analysis and scrutiny of the costings, the justification for any changes in previous estimates, examination of underlying assumptions and questioning both existing policy and any new policy developments. The Principal contributes to the preparation of the texts for the programme chapters in the Public Expenditure Survey Report and Public Expenditure White paper ensuring that Treasury interests are covered and contributes to the identification and presentation of policy options for considerations by Ministers in the course of the survey.

Policy Issues

27. Although Departments themselves are responsible for the management of their agreed programme any policy developments, new legislation or other changes in the programme are referred to the Treasury if there are significant expenditure consequences. In such cases the Principal ensures that the proposals have been satisfactorily costed and needs to be satisfied that resources are available either from within the existing programme or elsewhere. He also considers the justification for the expenditure in policy terms against the particular objectives of the programme and wider economic objectives, and possible consequences or repercussions elsewhere. The Principal may resolve issues of this kind himself or submit advice to senior officials or Ministers.

Monitoring

28. Branches are responsible for monitoring the progress of expenditure against the agreed programme totals and cash limits during the course of the year, drawing on the regular reports from the Financial Information System (FIS) and any other available information. The initial scrutiny of FIS reports is normally undertaken by the executive staff who themselves follow up any apparent divergence from plans, referring to the Principal only those cases where it may be necessary to initiate some corrective action.

Casework

29 Within the agreed expenditure allocation departments generally have delegated authority to proceed with individual projects or to make certain payments within specified limits. Outside these limits

the cases require Treasury approval. The cases are judged according to precedents or in consultation with other Divisions if necessary (for example with AP over writing off losses) and may be approved subject to certain conditions if appropriate. These cases help Branches to maintain contact with the more detailed elements of the programme.

Other matters

30. The involvement with departmental policy, necessary to manage expenditure, extends in many Branches to policy which may not be directly related to the public expenditure programme themselves. For example the Branch dealing with social security is concerned with the income to be raised from national insurance contributions and with social policy affecting poverty, taking account of wider economic and financial considerations. Similarly Branches responsible for local authority expenditure are involved in local authority finance especially through the rate support grant.

Branch Heads in CSD Manpower Divisions

31. The three Manpower Divisions are made up of seven Branches headed by Principals. One has a general co-ordinating function and the others are each responsible for control of manpower and related resources in a number of government departments or related bodies ranging from four organisations in one case to more than twenty small organisations in another. Each Branch deals with the whole of each body in its command regardless of the fact that its expenditure may fall into a number of different public expenditure programmes. Manpower control of the common service departments (PSA, HMSO and COI) is operated separately by FP2 Division.

32 On average the Principal at the head of a manpower Branch is supported by 4 executive staff and 1 or 2 clerical staff. Each Principal reports to an Assistant Secretary responsible for 2 or 3 Branches.

33 The Manpower Divisions are responsible for the Civil Service Department's functions in relation to manpower control both in aggregate and in individual departments in terms of numbers, gradings and organisation and the consequent expenditure on wages and salaries and related administrative expenditure. The CSD's interest is largely

confined to the civil service and therefore to central government departments although some controlled fringe bodies (such as the Research Councils) closely linked with central government administration are also covered. Generally, though, the CSD is not concerned with other parts of the public sector.

PESC, Estimates and Cash Limits

34 The annual public expenditure surveys and Estimates and the associated cash limits form the control framework for scrutinising departmental plans and agreeing manpower totals and expenditure programmes. Scrutiny of departmental proposals normally begins with the examination of staffing numbers, rather than expenditure, and involves discussion with departments, especially Establishment Divisions, ensuring that the projections are consistent with the Branches own understanding of the departments functions and tasks and questioning any changes from previous plans, progress on the implementation of any staff inspections, management reviews or other manpower studies, the application of any staffing formulae and the continuation of existing policy and any new policy developments as they affect departmental staffing and administration. The Principal participates in the preparation of manpower options for consideration by Ministers drawing on his own knowledge and experience of the department's administration.

Policy Changes

35 The manpower implications of any new departmental policies, legislation or other changes have to be approved by the CSD. The Principal needs to satisfy himself that the manpower effects have been properly assessed by examining supporting material such as organisation charts and job descriptions and may be involved in departmental policy formulation where the manpower element is a significant factor. He may call on specialist support, for example staff inspection, in forming his judgement. If appropriate he may initiate review procedures to monitor the effectiveness of any new organisation.

Monitoring

36 The Branch monitors the performance of the Department during the course of the year both in financial terms through the Financial

Information System and in terms of staff numbers on the basis of separate quarterly reports from departments. Any significant departure from the control totals requires investigation and possibly corrective action. For example the emergence of a shortfall in recruitment may enable allocations to be reduced.

Control Systems

37 The Principal is responsible for ensuring that Departments have satisfactory internal staff inspection arrangements and that the programme of inspections gives effective coverage of the department and that there are satisfactory arrangements for the implementation of recommendations. Accordingly the Principal examines the annual inspection programme and may arrange for CSD staff inspectors to participate in particular inspections. Through this involvement he forms a judgement about the effectiveness of the department system and implementation procedure. He may be similarly involved in other exercises such as management reviews or O&M studies, briefing the CSD assignment officers as appropriate and monitoring the implementation of any recommendations.

Casework

38 One specific responsibility is the examination of any new or regraded posts in departments above the delegated limits. Approval is normally required for posts at Assistant Secretary level and above. Assessment of the case involves the examination of changes in workload and organisation and, to the extent that the changes result from new policy initiatives, involvement in the policy consideration. Various other types of casework are dealt with in the Branches enabling them to monitor administration and in the process to improve their own knowledge of the Department.

Conclusion

39 (a) Manpower and expenditure controllers both work within the same public expenditure control framework and therefore need to know about the main instruments of control ie. PES, Estimates and FIS.

(b) They both need knowledge of the policies which determine the nature and level of a department's activities.

But, expenditure controllers generally need to have a much greater depth of knowledge of policies than manpower controllers. On the other hand manpower controllers generally need a much more detailed insight into the organisation and working methods of a department.

(c) There are a number of techniques relating to the analysis of staff requirements which are needed by manpower controllers but not by expenditure controllers.

INTEGRATION OF POLICY AREAS

PRESENT ORGANISATION

Expenditure and Manpower Control

1. The Treasury's task in relation to the control of public expenditure comprises two main elements:-

(i) The "general expenditure" task ie. the planning and management of total public expenditure through the Public Expenditure Survey (PES) and cash limits;

(ii) The "specific expenditure" role i.e the scrutiny and provision of advice on expenditure allocations to and within a particular public expenditure programme.

2. The first of these functions is the responsibility of the General Expenditure Policy Group (GEP) which, together with GEA and AP (see paragraph 4 below), form the General Expenditure Deputy Secretary command within the Public Services Sector. The second, specific expenditure function is performed within 10 Under Secretary Groups:-

(a) Complete Groups

HE (Home, Transport and Education)

DM (Defence, Aircraft)

SS (Social Services, Health, the Arts)

LC (Local Government, Territorial)

IA (Industry and Argiculture)

PE (Nationalised Industries)

(b) Part of Group

IP (NEDC, Employment)

AEF (Aid, FCO, ECGD)

HF (Debt management, currency, coinage)

IG (EEC contributions)

The first four groups in list (a) are within the Public Services Sector. PE, IA and IP and HF are within the Domestic Economy Sector and AEF and IG are within the Overseas Finance Sector (Annex 2), though on public expenditure questions staff within these sectors report to

the Second Permanent Secretary Public Services. A list of the public expenditure responsibilities of these groups and a summary of the staff employed is given in Working Paper 4 p .

3. Within CSD prime responsibility for the control of manpower and other staff-related expenditure rests with the staff of the Manpower Group, and, for the common services departments. the Functions and Programmes (FP) Group. A description of the allocation of work on manpower control and the staffing levels involved is given in Working Paper 4 p . Together with the Management and Organisation Group and the Central Computer and Telecommunications Agency, Manpower and FP comprise a single Deputy Secretary command within CSD.

Financial and Management Systems and Cost Cutting in Government

4. At present, the activities of the Centre in promoting good financial management and organisation in Government are concentrated in four Under Secretary commands: the General Expenditure Analysis (GEA) Group and the Accounts and Purchasing (AP) Group in the Treasury and in the Management and Organisation (M and O) Group and the Functions and Programmes (FP) Group in the CSD. CSD is in the lead on questions of departmental organisation and of financial control and management systems; the Treasury is in the lead on financial policy and the Government accounting framework.

5. GEA and AP share the same Deputy Secretary in the Treasury; M and O and FP, the same Deputy Secretary in CSD. A detailed description of the work of the divisions which make up these groups and a chart showing their organisation and staffing is in Working Paper 4 p .

REORGANISATION: OPTION A

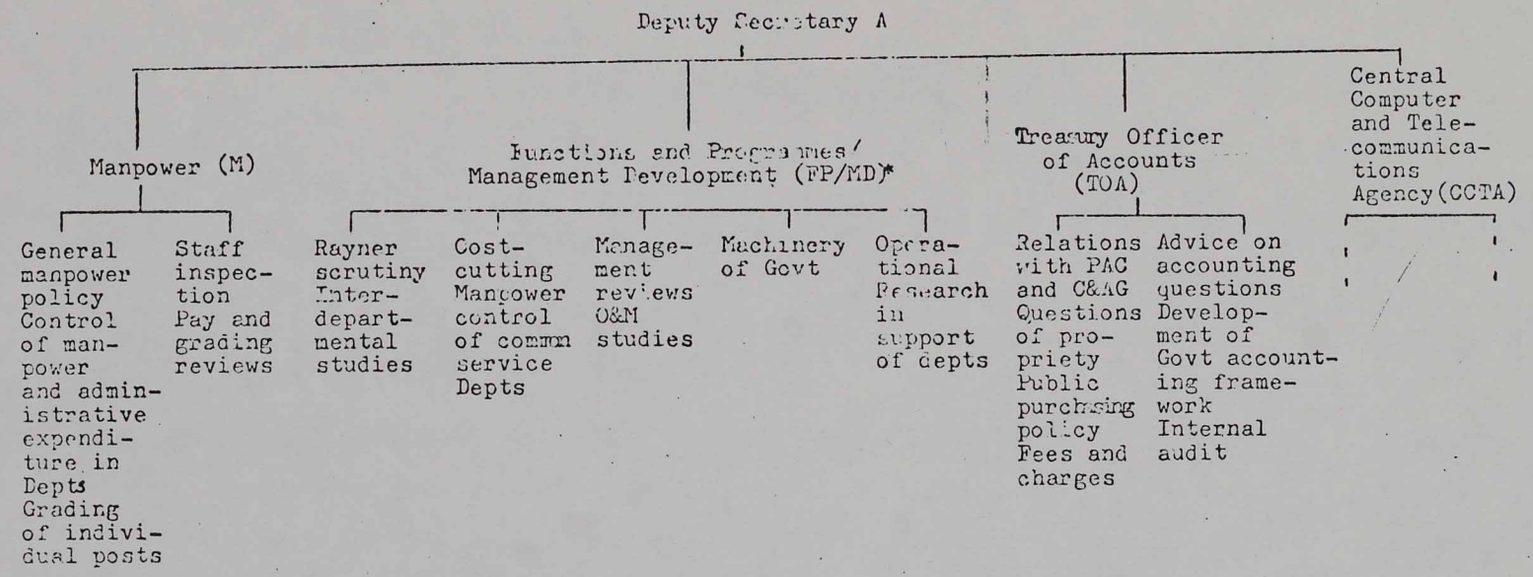
6. Figure 4.1 shows the Option A reorganisation of the responsibilities in these policy areas. The main aims of this reorganisation would be:-

(i) to promote a more co-ordinated approach to the use of all types of resources used by central government while minimising any disruption to the implementation of the Government's existing expenditure and manpower policies;

(ii) to bring together central work on systems of financial control in departments with responsibility for the Government accounting framework so as to provide a focus for their development.

Organisation of Manpower and Expenditure Control Work

7. In order to meet the first aim it would be necessary to unite at Second Permanent



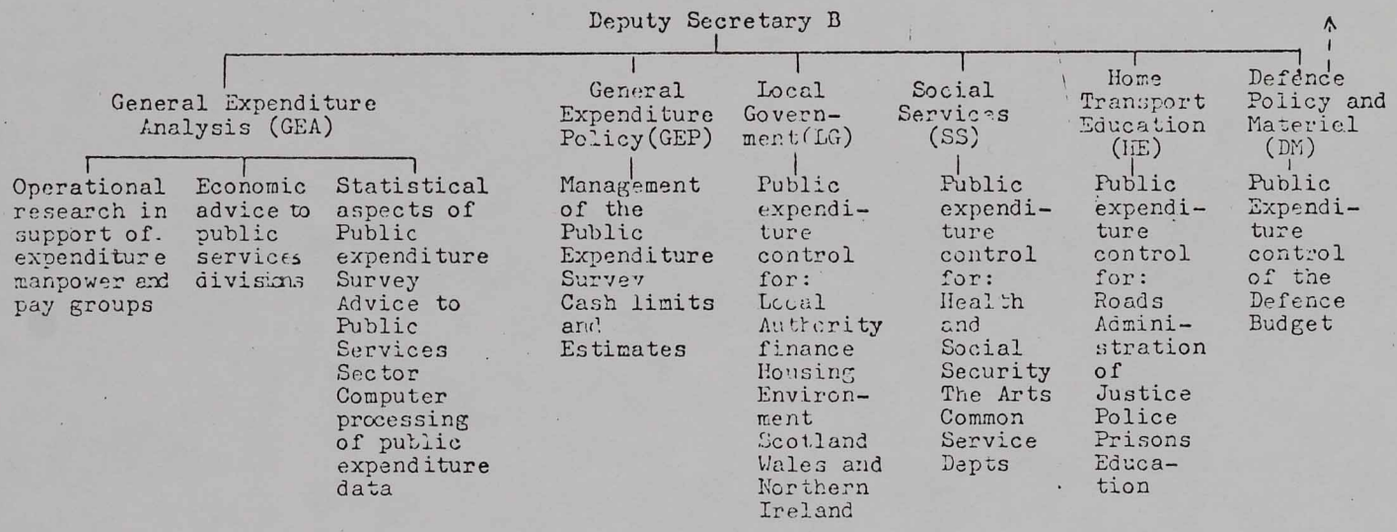


Figure 4.1

OPTION A

It is to be expected that on classic Machinery of Government matters and on some other aspects of the Division's work MG will report directly to the Head of the Home Civil Service.

*Under Secretary FP/MD also supervises the Chain of Command Review.

Secretary level responsibility for public expenditure control and the control of manpower and other staff related expenditure, which is currently divided between the two departments. This would be achieved by the transfer of the present Deputy Secretary command responsible for inter alia manpower control into the Public Services Sector. The Manpower Group and the specific expenditure groups would remain unchanged.

Organisation of work on Financial and Management Systems and Cost-Cutting

8. To achieve the second aim would require a reallocation of duties between those groups currently responsible for financial and management systems and cost cutting so as to brigade together CSD and Treasury expertise in these areas. In practice this would mean putting the Accountancy, Finance and Audit (AFA) Division (currently part of CSD's M and O Group) alongside AP1 and AP2: divisions which support the Treasury Officer of Accounts (the AP Group).

9. The resulting Under Secretary command would be heavily-loaded and consideration has been given to removing some or all of the more freestanding parts of AP2 (such as fees and charges or the commercial accountants) to Under Secretary commands elsewhere in the merged department. It has been concluded, however, that because of their operational links with the work of the Treasury Officer of Accounts and because they do not, in themselves, add significantly to his load, there would be little advantage in so doing.

10. There is currently some small overlap of interest between AFA and AP2 on matters concerned with repayment for common services and the establishment of trading funds. There is, however, considerable room for development of the work in the area which might be expected to make increasing demands on the staff resources of an integrated command dealing with financial systems and propriety. Some adjustment of responsibilities between AFA and AP2 might, however, be necessary as the new organisation settles down. And MD would continue to need specialist advice from AFA on matters concerned with the development of management practice in departments.

11. AFA are currently working with GEA3 on the development and computerisation of financial information systems in departments. (This work - described in Working Paper 4 p - is being carried out through the PESC(D) Sub-Committee). There is, however, a distinction between, on the one hand, work on departmental control arrangements and the organisation of their PES programmes and Votes and, on the other hand, work on the computerisation of systems and the promotion of standard computing methods. The first group of functions would be carried out by AFA (and AP2 as appropriate), but because of the need to ensure that the computerisation of departmental systems was compatible with that at the Centre, the second group of functions would remain with GEA3.

12. As issues arose (in GEA3, in expenditure divisions, or elsewhere) which impinged on the quality or organisation of the systems themselves, these would be pursued in AFA and not in GEA3. The amount of work that GEA3 currently undertakes in this area is small and would not appear to justify any transfer of staff between GEA3 and AFA.

13. AFA having been transferred to TOA, the remainder of the M and O Group (the Management Development (MD), Machinery of Government (MG) and Operational Research (OR) Divisions) would be merged with FP1, FP2 and the Chain of Command Review (which now make up most of the Functions and Programmes Group) to form a new and enlarged Under Secretary command. This grouping would recognise the links between FP2 and MD in promoting economical and effective organisation of work and management practice in departments, whilst retaining the links between MD and MG in achieving effective organisation at the service-wide level and in the allocation of responsibilities between departments. Because of the heavy load which these responsibilities would place on the Under Secretary, the Staff Inspection and Evaluation Division (SIED) would be transferred to the manpower command. In addition, as is currently the case, it is to be expected that on classic machinery of government matters and on some other aspects of the Division's work, MG would report directly to the Head of the Home Civil Service.

14. CSD and Treasury expertise in operational research is concentrated, at present, in two centres - CSD's OR division and the joint CSD/Treasury team in PAU1 (formerly the Operational Research Unit). The Computer Support Unit (CSU) provides general computing support to OR and PAU1; organisationally, CSU is part of the OR Division.

15. Most of the work of OR is in support of CSD's pay and manpower divisions. There is, however, a team of four officers who undertake assignment work and other studies for departments. In addition, the head of OR is assisted by a Senior Principal in performing a number of personal duties in respect of the management of OR staff in the Civil Service generally.

16. PAU1 is mainly concerned with providing support to Treasury divisions but like OR division, PAU1 has also taken on project work in individual departments (eg its present activities in constructing a model of the criminal justice system).

17. As part of the reorganisation, the work of OR division in support of pay and manpower divisions would be transferred (along with the management of CSU) to PAU1. In return, PAU1's departmental project work would be transferred to OR division. This would have the advantage of concentrating support to divisions at the Centre in one unit (PAU1) (and also bring the computing expertise of CSU alongside that in the rest of GEA), and departmental

initiatives in the other (OR). In addition, as a wholly departmentally-oriented division, OR could be expected to strengthen its links with MD and FP2 in promoting efficient organisation in departments through assignment work.

18. The number and grades of staff transferred between OR and PAU1 would depend in part on the relative emphasis which the new department wished to give to domestic support as against assignment work in the future. In the first instance 8 or 9 staff (which would include CSU) might be involved in the transfer.

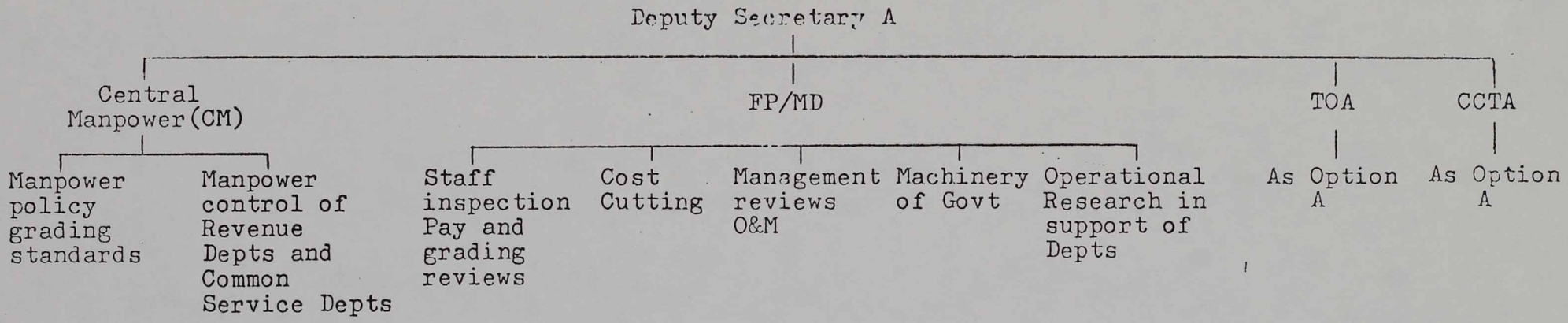
19. There are strong links between departmental control systems (which would become the responsibility of the TOA) and departmental organisation and structure (the FP/MD/MG command). There are also strong links between FP and manpower control (most of the work of FP being in support of the manpower control function), and between manpower and CCTA (eg trade-offs between manpower and computers). These links would be recognised by brigading the Manpower, FP/MD/MG, TOA and CCTA commands under the same Deputy Secretary. Much of the work of the GEA Group is, however, in support of Treasury Expenditure Divisions and the General Expenditure Policy Group. GEA would, therefore, be brigaded alongside GEP and the supply divisions in a separate Deputy Secretary command.

REORGANISATION: OPTION B

Organisation of Manpower and Expenditure Control Work

20. A chart showing the option B reorganisation is overleaf (Figure 4.2). The main objective of this reorganisation would be to bring together at operational level the centre's interest in the allocation of resources to, and the efficiency and effectiveness of, individual spending departments. This would involve removing the manpower control function from the Manpower Group and placing it with the specific expenditure divisions responsible for the appropriate expenditure programme. These mixed manpower/expenditure divisions might then also be expected to take the lead on on-going programmes such as Rayner Scrutinies and other efficiency exercises. Responsibility is this latter area currently rests with FP1 and there would therefore be implications for the organisation of some elements of the groups responsible for financial and management systems.

21. Under such an integration a requirement for manpower divisions dealing only with the manpower of individual departments would largely disappear. However, while the new "mixed" divisions could be expected to have a deeper insight into the policies and methods of operation of the particular departments for which they were responsible, they would not have the "read across" between departments currently available to manpower divisions. It would thus be necessary to establish a co-ordinating point for issues which can cut across departmental boundaries (eg. grading of senior posts, application of lessons learnt by a



Deputy Secretary B

As option A but with manpower control responsibilities for departments not covered by Central Manpower Group transferred from Deputy Secretary A to expenditure groups in the Public Services Sector and to groups with expenditure responsibilities in the Domestic Economy and Overseas Finance Sectors.

OPTION B

Figure 4.2

Rayner scrutiny to other departments). And, so long as the Government maintained a separate policy for Civil Service manpower there would be a continuing requirement for the general manpower policy functions currently performed by the Manpower Group. Accordingly, though the option B integration would as far as possible bring together at divisional level the control of manpower and expenditure for individual spending departments, it would also retain an Under Secretary command which would have responsibility for co-ordination and implementation of general manpower policy.

22. Paragraphs 23-33 below describe a possible allocation of manpower control duties on the basis suggested above. Drawing up this allocation has revealed a number of problems both in relation to linking the departmental control of manpower with the existing functional division of expenditure control between Treasury groups and coping with the additional load imposed on middle and senior management by manpower control responsibilities. Effective solutions to such problems may requre a far-reaching reorganisation of expenditure groups. The description is very much an illustrative outline of extensive integration, rather than a detailed blueprint. This outline has been used to derive some broad estimates of the level of staff savings which might be achieved under option B. It should be stressed, however, that these estimates are highly tentative and would almost certainly be subject to change in the light of further examination of the practical requirements of extensive integration.

(a) Central Manpower Group (CM)

23. This would be a newly constituted group comprising two Assistant Secretary commands. CM1 would cover the work on general manpower policy currently performed by Manpower 1 and FP's co-ordinating role in respect of Rayner and other efficiency exercises. In close co-operation with manpower/expenditure divisions it would be responsible for maintaining common grading standards as between departments, a function which is currently performed by the Manpower Group. It would also act as a manpower controller for those departments for which there is no suitable expenditure division such as DoI/DoT and Department of Energy..

24. CM2 would perform manpower/expenditure control functions in respect of:

(a) the common services department (HMSO, COI, PSA) which are, or are shortly expected to be, operating on repayment terms. Manpower and expenditure control for these departments are currently dealt with by FP2 (CSD) and SS1 (Treasury) respectively. With the switch to repayment there will be no separate expenditure programmes for these departments as the demands for their outputs will appear on user departments' programmes. SS1's duties in respect of the cost of Parliament and the Ordnance Survey might also be included.

(b) All the departments for whom the Chancellor would be directly responsible within a merged department, and miscellaneous departments such as the Cabinet Office and the Registrar of Friendly Societies, the expenditure of which is wholly or predominantly administrative in character. The major departments in this command would be the Inland Revenue and Customs and Excise for which policy responsibility would continue to rest with the Fiscal Policy Group (FP). The general arguments for brigading manpower and expenditure control alongside policy functions apply in these areas: indeed administrative considerations are increasingly important in taxation decisions. However, FP does not exercise an expenditure control function in relation to the Revenue Department: the Group is essentially concerned with taxation as an aspect of economic management. FP therefore stand in a different relationship to the Revenue Departments than normally exists between expenditure/manpower controllers and spending departments. An additional burden of work would be involved in introducing expenditure and manpower control skills where none exist at present.

(b) Defence Policy, Materiel and Aircraft (DM)

25. Defence expenditure is controlled by means of a block budget and a global cash limit. MOD are normally free to transfer money from one budget heading to another within this framework, and Ministers have agreed in particular that money freed by civilian manpower reductions may be spent on Treasury-controlled items of expenditure, ie equipment. CSD-controlled expenditure (mainly on civilian manpower) is large in absolute terms (some £2 billion) and constitutes around 16% of the total defence budget. Under the proposed integration DM would take over responsibility for the control of MOD civilian manpower thus bringing together within one group the main elements comprising the Defence Budget excluding pay and allowances. (See paragraph 26 below) This could be expected to give the Group a much more comprehensive grasp of the Defence Budget, with benefit to both monitoring and control. The extra workload involved would require the upgrading of the head of DM2 from the present Senior Principal level to Assistant Secretary and the addition of a Principal plus extra support staff. Under the proposed allocation of work manpower and expenditure questions would be brought together only at Under Secretary level and could therefore be expected to impose quite a heavy additional burden on the head of the group. The addition of manpower responsibility might also raise a question mark over the existing reporting arrangements under which the head of DM reports direct to the Second Permanent Secretary Public Services.

26. There is a separate question about the allocation of responsibility for the pay and allowances of the Armed Forces which is another major element in the Defence Budget (over 20% of the total). Responsibility for monitoring and commenting on MOD evidence to the

Armed Forces Pay Review Body, which makes recommendations to the Government on the rate of pay for the Services, currently rests with the CSD Pay Group, though the expenditure function (including oversight of numbers) falls to DM. Supply control of allowances rests with the Manpower Group. Under option B supply control for Service pay and allowances would therefore be concentrated in DM. It has been suggested that responsibility for setting Armed Forces pay and allowances should be placed alongside DM's expenditure functions. The arguments about the appropriate treatment of these items relate to, on the one hand, the improved control of the Defence Budget which such a change would bring, and, on the other, the requirement for a familiarity with pay systems and the need to maintain close links between rates of allowance for civil and military staff. These issues would require further study before any final decision was taken.

(c) Social Services (SS)

27. Expenditure on administering social security benefits represents a small proportion of the total benefit programme (7%). However, there is interdependence between changes in benefits policies (eg. the range of benefits paid, groups eligible) and administrative costs. Conflicts between manpower and expenditure policies do occur but there is a case for bringing together manpower and expenditure responsibilities to provide a more co-ordinated presentation of the manpower and expenditure implications of alternative benefits policies. On the health side, there is little linkage between policy and administrative costs. But control of health staff numbers would have to follow if control of the much larger social security manpower were to be integrated.

28. The proposed allocation of work would place responsibility for all DHSS manpower within SS1 though cross reporting to the head of SS2 on health would be possible. The additional load on SS1 is balanced by the loss of the expenditure functions in respect of the common services departments, the Ordnance Survey and Parliament to CM1. SS2 would take over responsibility for the manpower control for the Office of Arts and Libraries, departmental Museums and Libraries (borne on the OAL vote) and the Crown Estate Office. This additional work would be balanced by the transfer of responsibility for records and registration to HE group. Staffing levels might therefore be expected to remain unchanged.

(d) Home, Transport and Education (HE)

29. Within HE1, the proposed integration would bring together manpower and expenditure control for the Department of Transport (DTp), the Home Office and the Lord Chancellor's Departments (which are responsible for records and registration as well as the administration of justice). This could be expected to be of particular benefit to the consideration of the prisons programme by facilitating a more detailed and comprehensive analysis of the inter-relationships between Prison Service manpower and capital expenditure

on prisons. HE1 would also take the lead on manpower and expenditure control for the equivalent Scottish programmes since the functional links in these areas are judged to be stronger than territorial links. There would be a requirement for an extra Principal post plus some additional executive support. There might, however, be a problem of loading at AS (and perhaps US) level which might argue for the creation of a separate Senior Principal command to deal with the administration of justice and some aspects of the Home Office programme.

(e) Local Government Group (LG)

30. LG is currently responsible for co-ordinating the territorial expenditure programmes, as well as expenditure control for the Department of the Environment. Except in the case of the policy areas allocated to HE (prisons and administration of justice) there is no strong relationship between administrative expenditure and expenditure on policy for the territorial departments. The addition of manpower control for DOE and the territorial departments to an already heavily loaded group could cause problems of loading at Principal and higher levels, though this might be alleviated to some extent by the addition of executive staff. An alternative allocation would be to transfer responsibility for the territorial departments to HE and bring the roads programme into LG, thereby uniting manpower control of DOE and DTp. This would, however, break the existing links between co-ordination of territorial and local government expenditure which are of some importance. It would also be likely to cause loading problems in HE.

(f) Industry and Agriculture (IA)

31. There is some linkage between administrative expenditure and expenditure on policy in the agricultural field, particularly in relation to educational and advisory services. The transfer of manpower control for MAFF and IBAP to IA1's existing duties would probably require additional executive support and would add to existing problems of loading at Principal level and above.

(g) Industrial Policy (IP)

32. There is a close inter-relationship between Treasury and CSD interests in the employment field, particularly in relation to the grant-in-aid to MSC. The addition of manpower responsibilities to IP2's duties would probably require an SEO to deal with manpower questions. There would, however, be likely to be serious problems of loading at AS and US levels. The severity of this problem will depend on the prevailing pay climate. If work on the pay front were heavy and remained in IP it would be necessary to consider whether responsibility for expenditure and manpower control of the Department of Employment and its agencies should be transferred away from IP.

(h) Aid and Export Finance (AEF)

33. This would unite manpower and expenditure control of ODA, FCO and ECGD. Additional executive support would probably be required but there are not expected to be any major problems of loading within the group.

Organisation of Work on Financial and Management Systems and Cost Cutting

34. The reduction in loading at Under Secretary level which would follow the transfer of FP1 and FP2's work on control of the common service departments to the Central Manpower Group, would enable SIED to be returned to the FP(part)/MD/MG Group. This transfer would be justified on the basis that once the bulk of the manpower control function had been separated from the old Manpower Command, there would no longer be any significant advantage in locating SIED with this Group. In addition there would be positive advantage in returning SIED to the FP/MD/MG Group and placing it alongside the assignment staff in FP2, MD and OR.

35. The abridged FP/MD/MG Group, and the Central Manpower Group would remain alongside each other, together with TOA and CCTA (which would be unchanged). They would report as under option A. The GEA Group would remain unchanged - brigaded alongside GEP and the "mixed" manpower and expenditure divisions.

Summary of staffing implications of integration of policy areas

36. Under Option A there would be a reduction in the total number of Deputy Secretary posts from the present 10 in the two departments to 9 in the integrated organisation. There would also be a saving of one Under Secretary post arising from the amalgamation of the FP Group with three of the four divisions currently comprising M and O. The loss of one deputy secretary post and one under secretary post and their associated secretarial support would yield an annual saving of around £75,000.

37. Option B might produce additional savings in staffing levels within the integrated policy areas of up to 16 posts, ranging from clerical and secretarial staff to Assistant Secretary. On an annual basis these changes might result in a saving of up to a maximum of £200,000. These estimates are subject to the qualification set out in paragraph 22 above.

ANNEX 4.2

INTEGRATION OF COMMON SERVICES

The common services functions of the Civil Service Department and the Treasury are: financial control and accounting in relation to departmental expenditure; organisation and complementing of departmental functions; deployment, personnel management, training and remuneration of staff; office services such as accommodation, typing and messenger services; filing and records management; information and library services; and central coordination.

In the Civil Service Department these functions, together with that of providing a computerised payroll and personnel records service for a number of departments including the Treasury are discharged by Central Group under the direction of the Principal Establishment and Finance Officer. The organisation of Central Group is shown at Figure 1. Some 800 staff are providing centrally managed Common Services to 5,200 staff of the Civil Service Department and sub-departments.

Figure 1

CSD Central Group Organisation

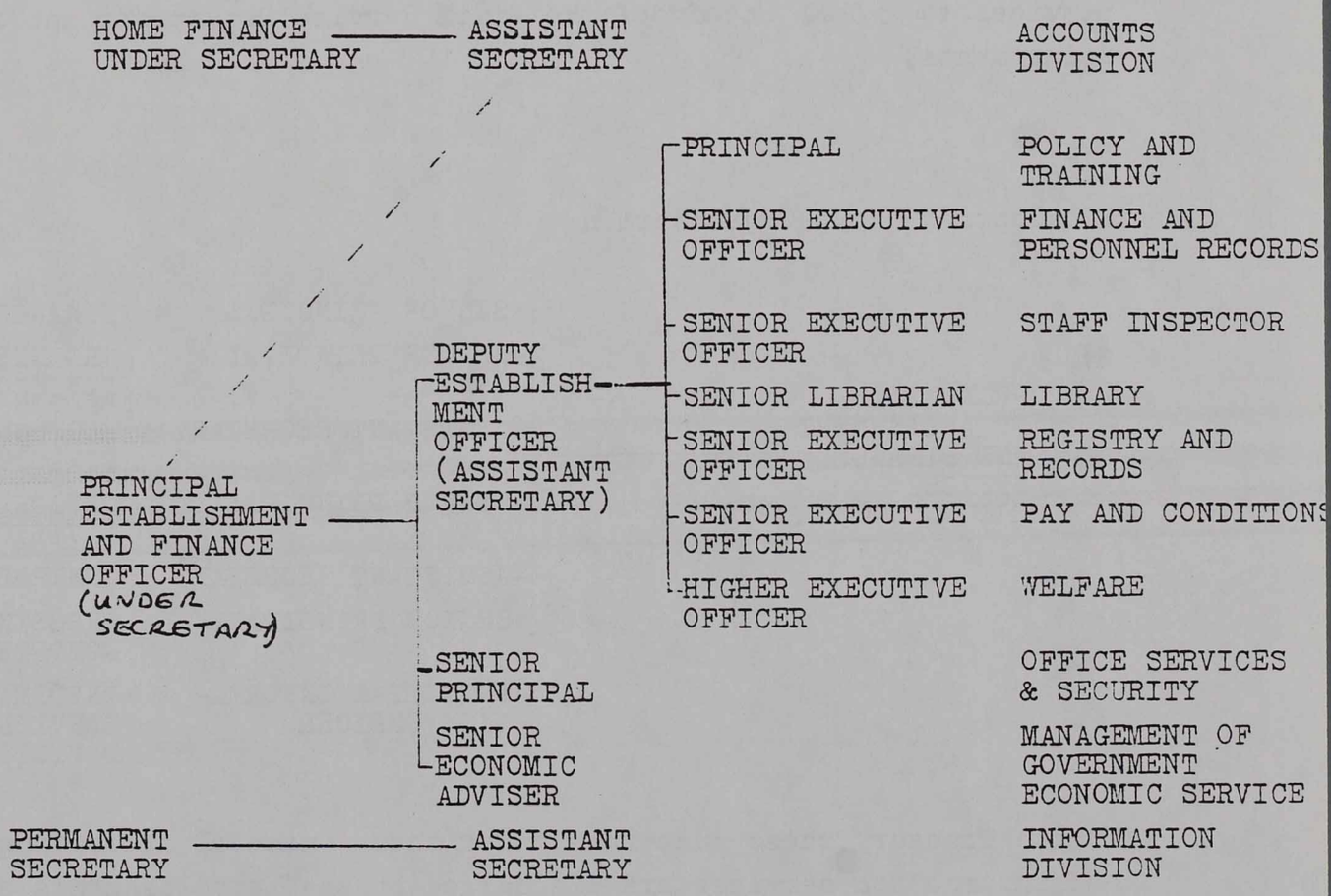
PRINCIPAL ESTABLISHMENT AND FINANCE OFFICER (UNDER SECRETARY)	SENIOR PRINCIPAL	FINANCE DIVISION
	SENIOR PRINCIPAL	ORGANISATION DIVISION
	ASSISTANT SECRETARY	PERSONNEL SERVICES DIVISION
	SENIOR PRINCIPAL	OFFICE SERVICES DIVISION
	ASSISTANT SECRETARY	CENTRAL DIVISION
	SENIOR PRINCIPAL	CHESSINGTON COMPUTER CENTRE
	PRINCIPAL INFORMATION OFFICER	INFORMATION SERVICES DIVISION

In the Treasury these functions other than financial accounting and information services are discharged by the Establishments and Organisation Group under the direction of the Principal Establishment and Finance Officer (PEO/PFO). Personnel management functions are shared amongst several members of the Group. The Senior Economic Adviser who is a member of the Group is responsible for managing the department's

economists and statisticians but the major part of his work is central management of the Government Economic Service (GES), on which he reports directly to the head of the GES. The financial accounting function is discharged by Accounts Division, whose head reports to the PEO/PFO on domestic and Civil List expenditure, Information Services are provided by Information Division whose head reports direct to the Permanent Secretary. The organisation of common services functions in the Treasury is shown at Figure 2. Some 500 staff are providing common services to 1,100 staff of the Treasury and sub-departments, and in the case of the Treasury Security Guard to a number of other departments.

Figure 2

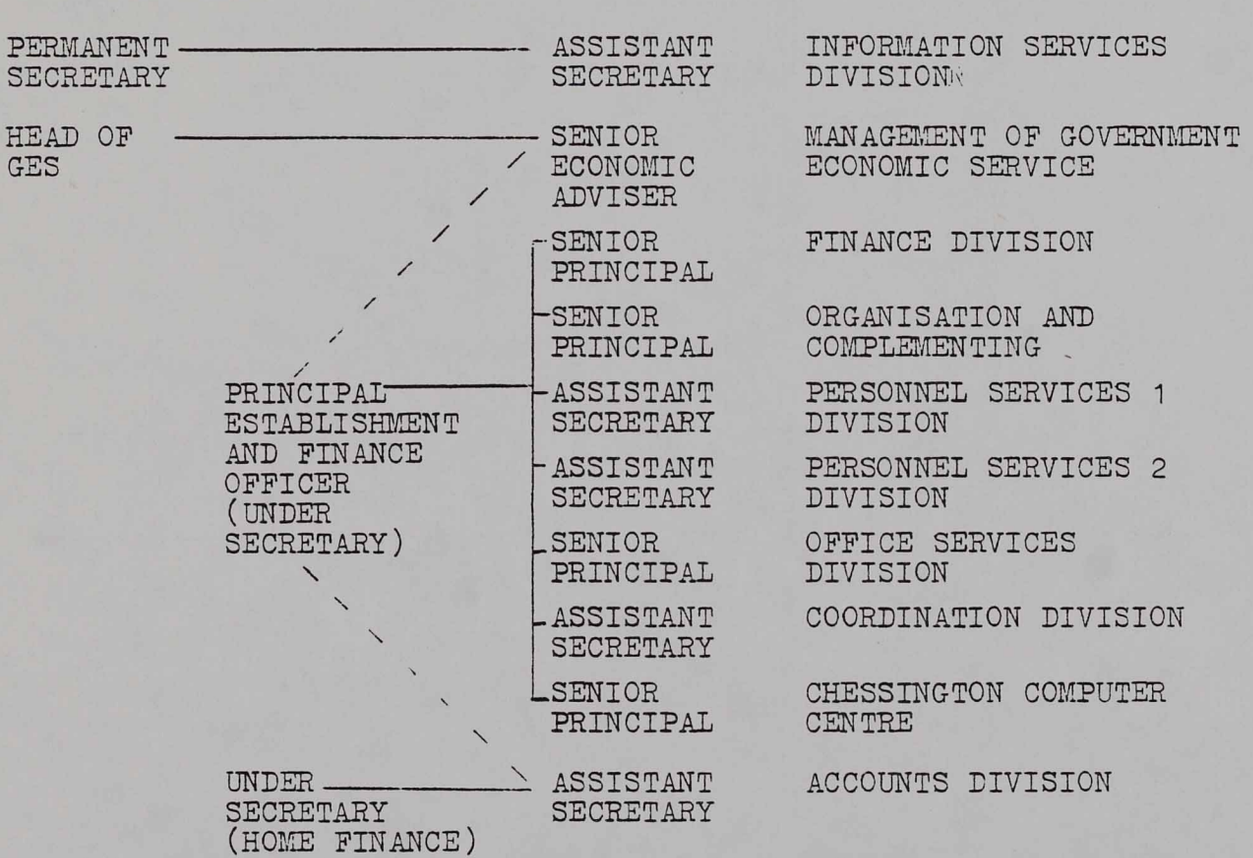
Treasury Common Services Organisation



The common services organisation which would be required to support the Principal Establishment and Finance Officer of an integrated department, who would carry a significantly heavier load than the PEO/PFO of either of the separate departments, is shown at Figure 3. Its staffing requirements relative to those of the two existing organisations are shown at Table 1. The following paragraphs describe the responsibilities of the component parts of the organisation.

Figure 3

INTEGRATED COMMON SERVICES ORGANISATION



NOTES:

1. Head of Accounts Division reports to PEO/PFO on the Civil List
2. Senior Economic Adviser reports to PEO/PFO on management of the department's economists and statisticians

Table 1

COMMON SERVICES STAFFING: PRE-AND POST-INTEGRATION

GRADE	CSD STAFF NO	TREASURY STAFF NO	COMBINED STAFF NO	INTEGRATED STAFF NO	SAVING FROM INTEGRATION STAFF NO.	SAVING FROM INTEGRATION STAFF COST (PER ANNUM)
UNDER SECRETARY	1	1	2	1	1	27,357
ASSISTANT SECRETARY	2	2	4	4	-	-
SENIOR ECONOMIC ADVISER	-	1	1	1	-	-
CHIEF INFORMATION OFFICER (B)		1	1	1	-	-
SENIOR PRINCIPAL	4	1	5	4	1	23,271
PRINCIPAL	7	2	9	10	-1	-19,002
ECONOMIC ADVISER	-	1	1	1	-	-
PRINCIPAL INFORMATION OFFICER	1	3	4	4	-	-
SENIOR EXECUTIVE OFFICER	16	7	23	18	5	75,835
SENIOR INFORMATION OFFICER	2	5	7	6	1	13,000
SENIOR LIBRARIAN	1	1	2	1	1	13,000
HIGHER EXECUTIVE OFFICER	31	9	40	36	4	51,032
HIGHER EXECUTIVE OFFICER(ADMIN'N)	1	-	1	1	-	-
INFORMATION OFFICER	-	2	2	2	-	-
LIBRARIAN	1	2	3	2	1	10,900
EXECUTIVE OFFICER	54	22	76	72	4	40,708
ASSISTANT LIBRARIAN	3	2	5	5	-	-
ADMINISTRATION TRAINEE	1	-	1	1	-	-
CLERICAL OFFICER	114	41	155	149	6	45,924
CLERICAL ASSISTANT	34	10	44	43	1	5,644
CHIEF SUPERINTENDANT OF TYPISTS	4	1	5	5	-	-
SENIOR SUPERINTENDANT	11	7	18	16	2	19,346
SUPERINTENDANT	12	-	12	12	-	-
SENIOR PERSONAL SERCRETARY	36	17	53	52	1	9,219
PERSONAL SECRETARY	106	62	168	168	-	-
TYPIST	124	79	203	203	-	-
CHIEF PHOTOPRINTER	2	1	3	2	1	10,839
ASSISTANT CHIEF PHOTOPRINTER	2	1	3	3	-	-
LEADING OPERATOR	2	-	2	2	-	-
PHOTOPRINTER 1	17	5	22	22	-	-
PHOTOPRINTER 2	7	7	14	14	-	-
DATA PROCESSOR	-	2	2	2	-	-
OFFICE KEEPER 1A	1	1	2	1	1	11,975
OFFICE KEEPER 1	1	-	1	1		-
OFFICE KEEPER 2	4	1	5	5	-	-
OFFICE KEEPER 3	4	-	4	4	-	-
SENIOR PAPERKEEPER	5	6	11	10	1	7,354
PAPERKEEPER	22	20	42	40	2	13,292
SENIOR MESSENGER	33	24	57	57	-	-
MESSENGER	73	46	119	117	2	12,292
SENIOR PORTER	1	1	2	2	-	-
SUB TOTAL	740	394	1134	1100	34	371,986

GRADE	CSD STAFF NO	TREASURY STAFF NO	COMBINED STAFF NO	INTEGRATED STAFF NO	SAVING FROM INTE-GRATION STAFF NO	STAFF COST (£PER ANNUM)
PORTER	14	6	20	20	-	-
WAREHOUSEMAN	3	-	3	3	-	-
GRAPHICS OFFICER IV	1	-	1	1	-	-
DRAWING OFFICE ASSISTANT	2	-	2	2	-	-
SENIOR TELEPHONIST	1	-	1	1	-	-
TELEPHONIST	4	-	4	4	-	-
SECURITY OFFICER 1	-	1	1	1	-	-
SECURITY OFFICER 2	-	1	1	1	-	-
SECURITY OFFICER 3	-	7	7	7	-	-
SECURITY OFFICER 4	-	37	37	37	-	-
SECURITY OFFICER 5	-	66	66	66	-	-
SENIOR CUSTODIAN	1	-	1	1	-	-
CUSTODIAN	9	-	9	9	-	-
SENIOR SECURITY GUARD	3	-	3	3	-	-
SECURITY GUARD	23	-	23	23	-	-
SUB TOTAL	61	118	179	179	0	0
SUB TOTAL OVERLEAF	740	394	1134	1100	34	371,986
TOTAL	801	512	1313	1279	34	371,986

NOTE:

A further [illegible] the Executive [illegible] will be [illegible]

An Integrated Finance and Accounts Structure

The area of overlap between the CSD and Treasury finance organisations is relatively small. The CSD domestic expenditure functions relating to CCTA computer procurement, CISCO restaurant accounting and the Chessington payroll operation have no Treasury counterpart. Equally, the Treasury functions of managing the central government accounts and of paying Consolidated Fund salaries and pensions and examining election expense claims have no CSD counterpart. The common functions are those of paying domestic bills, monitoring expenditure against budget, preparing Estimates, PES forecasts and Appropriation Accounts and controlling domestic expenditure.

Any integration of finance and accounting functions must bring together responsibility for the Vote-financed domestic expenditure of the integrated department. This means merging with the functions of CSD Finance Division at Basingstoke the finance functions of the Treasury Establishments and Organisation Group in London and those functions of Accounts (Grants) Section at Tolworth which relate to Treasury domestic expenditure, namely the work of the branches dealing with domestic bills and travel claims and with Treasury pay matters together with the accounting activities associated with these functions. Such an integration would require the addition to present CSD Finance Division numbers of one Principal post dealing with Estimates, etc preparation and monitoring and two Clerical Officer (CO) posts dealing with domestic bills and travel claims.

Adoption of the CSD's more selective checking procedures and abolition of Treasury manual pay records maintained at Tolworth as a check on the information held on the Chessington computer, and in support of the Treasury Accounting Officer's separate responsibility to ensure that the information processed by Chessington is correct, would enable one Executive Officer (EO) post and one CO post to be dispensed with. Grants Section at Tolworth would retain responsibility for European Assembly and other salaries met from the Consolidated Fund with the EO responsible for this work taking over responsibility for the reduced book-keeping branch workload, saving a further EO post. The financial control work of Treasury Finance Branch would be absorbed by the strengthened Finance Division; the personnel functions of this Branch are dealt with later in this Annex. Charts of the integrated organisation are at Figures 4 and 5.

Figure 4

AN INTEGRATED FINANCE DIVISION

96 STAFF

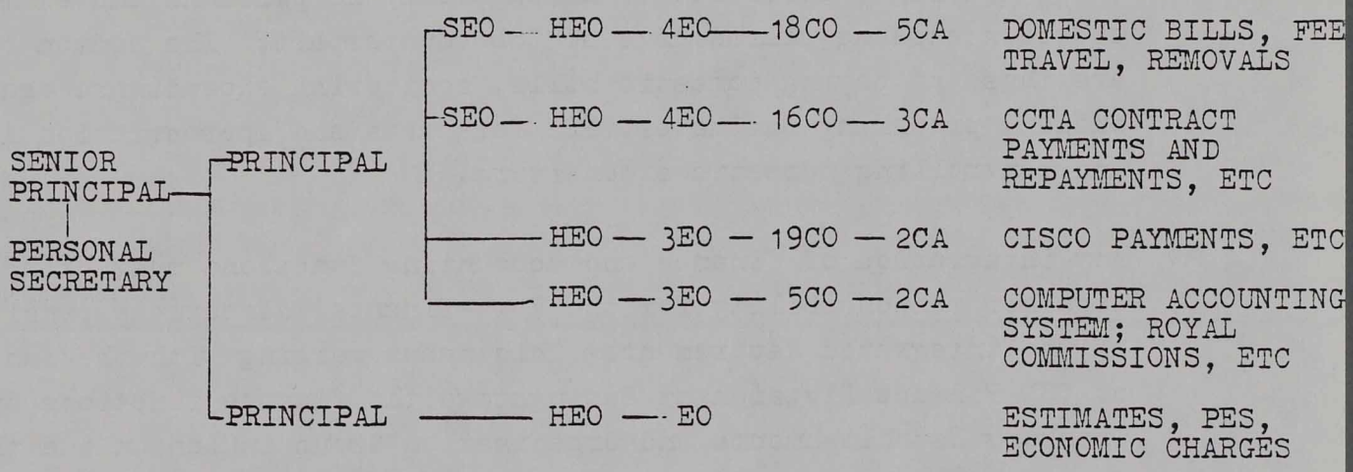
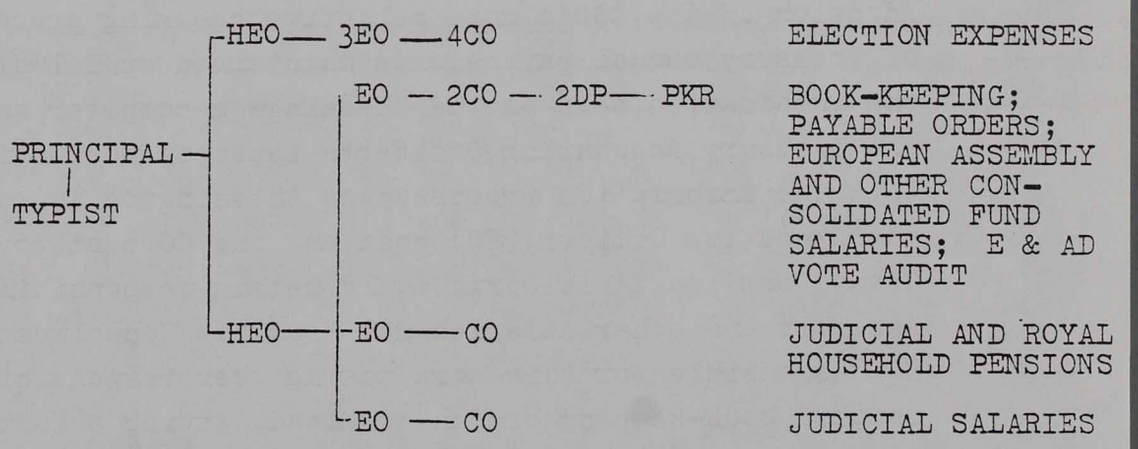


Figure 5

AN INTEGRATED ACCOUNTS (GRANTS) SECTION

21 STAFF



The integrated Finance Division would report to the Principal Establishment and Finance Officer. The slimmed down Grants Section would continue to report on its Consolidated Fund responsibilities to the head of Accounts Division, who would retain responsibility for Central Section's work in connection with the national funds and accounts and would in turn report to the Under Secretary heading Home Finance Group. Finance Division would have overall responsibility for the following Votes or their successors: Class XIII, 4 Treasury; Class XIII, 12 United Kingdom Coinage; Class XIII, 13 Central Management of the Civil Service; Class XIII, 14 Computers and Telecommunications; Class XIV, 5 Rates on Government Property; Class XIV, 7 Civil Service Catering Services. Accounts Division would have responsibility for the remaining funds for which the Treasury is currently responsible. This would leave one area of untidyness: Finance Division would have overall responsibility for expenditure currently borne on the Treasury Vote but Accounts Division would be responsible for Civil List expenditure, the major part of which is carried on a subhead of that Vote. The expertise in relation to Civil List expenditure currently resides in Accounts Division and would be difficult to separate out. This organisational anomoly might, however, be re-examined once integration of domestic finance had been achieved.

There would be no functional overlap between the work of the new model Finance Division and Grants Section and consequently no staff saving from integrating them further. In the short term Grants Section would represent a viable command at Tolworth and the balance of advantage at a time when departmental systems would be undergoing substantial change would lie with disturbing it as little as possible. Once the integrated systems have settled down, however, consideration might be given to relocating this section either in Basingstoke (the cheaper option)or in London. The costs of relocation and retraining would need to be weighed against the advantages in terms of cost and flexible operations of reducing the number of departmental locations.

With the heavy load on the Principal Establishment and Finance Officer which heading an integrated common services organisation would represent, he would need greater ease of access to the head of Finance Division than the latter's location at Basingstoke makes possible. There would, therefore, be advantage in locating the head of Finance Division and a small support team in London, with the rest of Finance Division under the day to day management of a Principal in Basingstoke.

The Integration Process

The disciplines of Estimates and PES preparation are common to both departments, so that integration of procedures in this area should present few problems. Procedures for monitoring expenditure against budget differ, however, not least in that the CSD has a computerised Management Information System while the Treasury operates a manually-based system. At the more detailed level there are differences in, for instance, travel claim forms and procedures which reflect the different accounting systems. A common system and set of procedures would need to be agreed and implemented before integration could take place and staff savings be achieved. This would take a minimum of three months. Changes would also be needed in the Vote structure of the two departments.

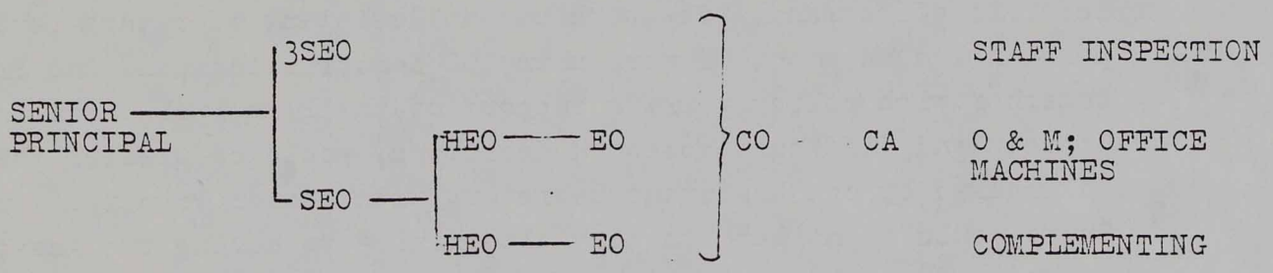
Integrated Internal Audit Functions

The existing CSD internal audit team of six would need some strengthening to cover the integrated department, perhaps an additional SEO and HEO in respect of current Treasury functions.

An Integrated Organisation and Complementing Structure

The current Treasury structure is essentially that of a small department predominantly in one location where direct personal knowledge of a wide range of the department's work is feasible and informal contact between a range of people operates smoothly. The CSD structure is that of a larger, geographically diverse department whose running requires more functional separation and more formalisation of procedures. To run an integrated department would require a structure more akin to that of the CSD than of the Treasury, including a distinct organisation unit as a repository of expertise in complementing and O & M. There is a close link between the appraisal of office machine requirements, working methods and complementing which in an integrated department would need to be recognised organisationally by brigading all 3 functions together in an integrated division. The routine supply and control of issue of office machinery would, however, remain an Office Services responsibility. A chart of the proposed organisation is at Figure 6.

Figure 6
AN INTEGRATED ORGANISATION AND COMPLEMENTING DIVISION
11 STAFF



The current CSD complement of staff inspectors is just adequate for a 4-year programme of staff inspection with some outside assistance. To maintain this sort of programme in an integrated department would require the combined staff inspection resources of CSD and Treasury. O & M and office machines work currently occupies the time of an HEO and an EO in CSD, with SEO supervision, and part of the time of an HEO in the Treasury. This work is of more of an ad hoc kind, with no fixed programme of reviews. It should be possible to manage this work in an integrated department with the existing CSD resources, though this would mean that some studies might have to be deferred until resources were available to carry them out. Responsibility for complementing would be centred on the integrated division and would require resources on the scale of those deployed in CSD with additiona; EO support to deal with the larger volume of work generated by a larger department. A marginal increase in clerical support would be needed for the integrated division.

The Integration Process

Staff inspection and O & M reviews and appraisals of office machine requirements are conducted on broadly similar lines in the two departments and should present no great problem in integrating working arrangements. Some effort will be required to integrate complementing procedures. The major impact on the division of integration is likely to arise, however, from the need to conduct more than the normal programme of staff inspection and O & M reviews in the year or so following a merger of the two departments in order to devise efficient working arrangements, particularly in the common services area. Unless external support can be provided by central staff inspection and management services resources, it would be necessary to train and deploy perhaps 2 additional SEOs with additional clerical support for a year following integration.

An Integrated Personnel Management Structure

In an integrated department personnel management would be a full-time responsibility and would need to be organised as such in a specialised command. The workload at Assistant Secretary level of personnel management of more than 200 Senior Principals and Principals, together with policy work in support of the Principal Establishment Officer and difficult casework decisions, would be greater than could be managed by one Assistant Secretary with Senior Principal support. There would be no satisfactory alternative to having two Assistant Secretaries dealing with personnel work even though this would create a requirement for close coordination and some cross-reporting between Assistant Secretary commands.

The separation of personnel management from complementing of particular grades would be at the cost of some of the operational flexibility which the Treasury currently enjoys. Apart from the workload problems which would be associated with continuing to combine personnel management and complementing, however, there is an argument in principle for having grading and numbers assessed and controlled independently of individual posting decisions. Clearly, however, there would be a continuing need for day to day contact at working levels between those responsible for complementing and posting.

Line management would be separated from personnel management. There is a potential conflict between short-term line management and longer term, wider personnel management interests which should be recognised in the organisational structure.

Personnel management structure and workloads outside London would be minimally affected by an integration of the two departments; a handful of extra staff at Basingstoke could be managed within the existing personnel management complements here. Integration would, however, create significant workload problems in the London personnel management area. A summary of the approximate numbers of staff managed though not all located in London in each grade is at ~~Figure~~ Table 2.

Table
~~Figure~~ 2

PERSONNEL MANAGEMENT: APPROXIMATE NUMBERS OF STAFF IN EACH LONDON GRADE MANAGEMENT BLOCK

	CSD	Treasury
Assistant Secretary and Under Secretary and equivalent	75	90
Senior Principal	30	10
Principal	125	80
SEO	90	25
HEO	130	65
HEO(A)/AT	20	25
EO	180	100
CO	265	155
CA	80	75
Ancillary staff: a. Typing/Secretarial	200	165
b. Other	230	230
Senior Principal Level Specialists	15	1
Principal Level Specialists and loan staff	140	60
(of whom, Economists and Statisticians)	(15)	(40)
SEO level Specialists and loan staff	165	15
(of whom, Economists and Statisticians)	(0)	(0)
HEO level Specialists and loan staff	100	35
(of whom, Economists and Statisticians)	(1)	(30)
EO level Specialists and loan staff	30	0

The volume of personnel management work, notably interviewing staff for career development purposes, identifying candidates for promotion boards, and arranging postings, is directly proportional to the number of staff to be managed; there is therefore little duplication of effort between the two departments which would be avoided by integration. The numbers of staff to be managed in an integrated department would be too large at some levels for a single personnel manager to handle effectively the whole grade management task. The alternatives are for two personnel managers to divide between them the number of staff in each of the more junior grades, or for one person to retain overall control of the personnel management task in relation to a particular grade and delegate to support staff the mechanics of arranging postings.

There is considerable advantage, especially during the difficult process of creating a unified department, in having a single personnel manager for a grade. This would represent a very onerous task for the grade managers of HEOs and EOs, dealing with some 200 and 300 staff respectively but could just be made manageable by delegating to support staff detailed posting arrangements. It would not, however be a manageable task in respect of the grade management of COs, of whom there would be some 400 in London in the integrated department. At this level there would be no alternative to dividing the work between two grade managers, who would each be responsible for particular blocks of divisions, liaising where necessary to provide career development opportunities.

A chart of an integrated personnel management structure is at Figure 7. PS1 division would be responsible for London personnel management of the department's own administration group and support staff and for exchanges of such staff with other departments. It would also coordinate with non-London locations such matters as the need for promotion boards. PS2 division would be responsible for personnel management of the department's specialist staff and of arrangements for securing administration group staff on loan by Civil Service-wide competition. This division would also be responsible for the development of aspects of personnel management systems such as flexible working hours and retirement policy, including negotiations on these with the trade unions, and for training and pay and conditions. The Senior Economic Adviser would report to the head of the Government Economic Service on the management of that Service and to the Principal Establishment Officer on the management of the department's economists and statisticians.

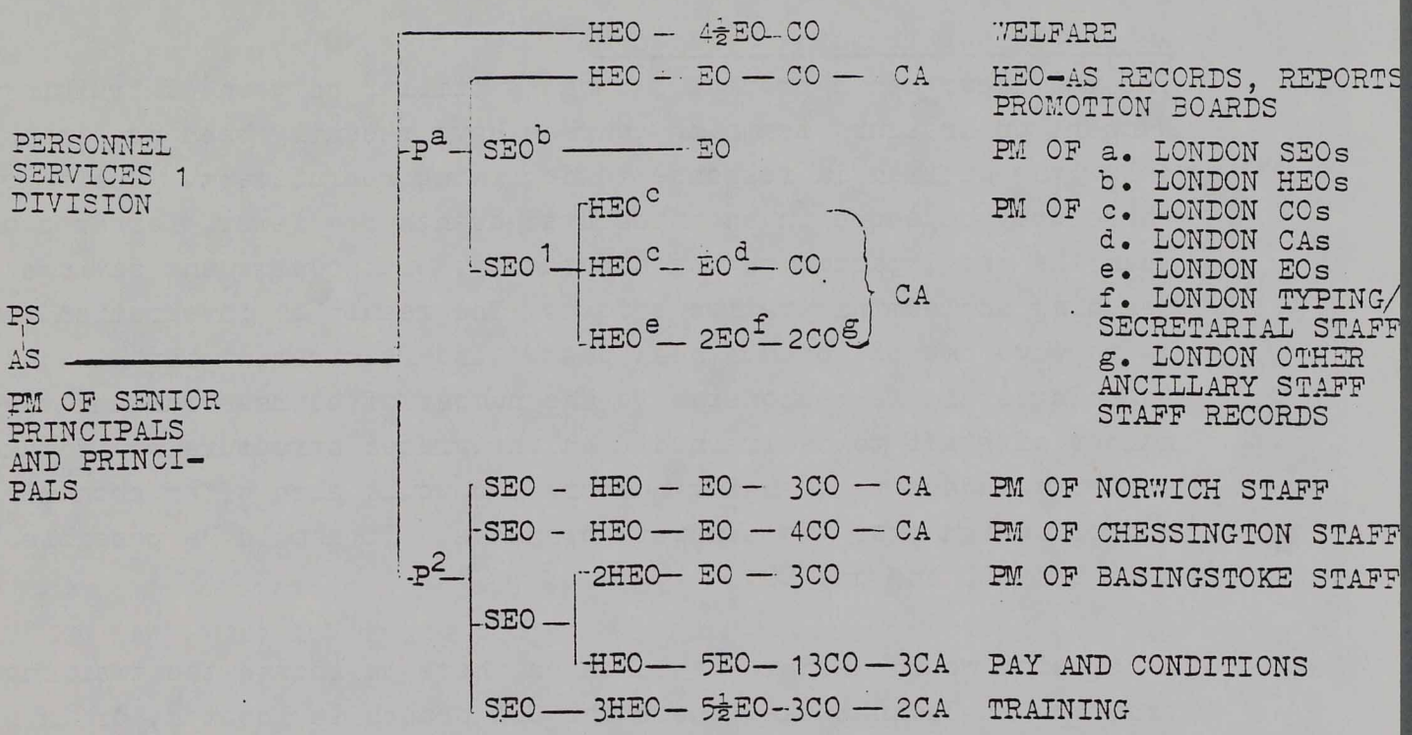
The Integration Process

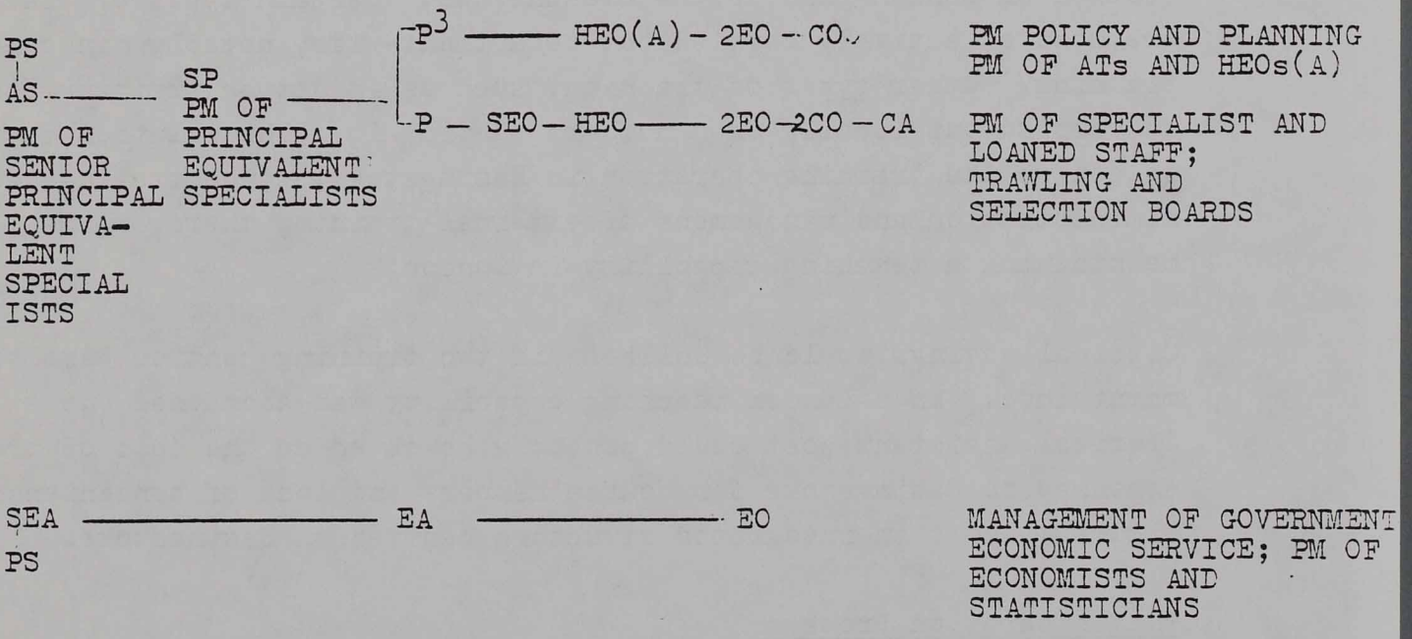
There are differences in personnel management practice between CSD and Treasury in a number of areas, including promotion procedures to Principal, Senior Principal and Assistant Secretary, record keeping and recruitment of typists. Common practices would need to be devised in consultation with departmental union representatives. This would need to take place in respect of the more important policies and practices before any integration of staff management could be achieved; until this integration was achieved, staff would need to be managed as at present, with no saving in staff numbers in personnel divisions. It would be a period of several months and perhaps more than a year from the decision to integrate before substantial

Figure 87

INTEGRATED PERSONNEL SERVICES STRUCTURE

106 STAFF





NOTES

1. Responsibility for day to day management of ancillary staff and recruitment of typing and secretarial staff is delegated to Office Services Division
2. Reports through Senior Principal to head of PS2 on Pay and Conditions and Training
3. Reports to head of PS1 on personnel management of ATs and HEOs(A)

integration could be achieved.

An Integrated Training Structure

The two departments provide a broadly similar pattern of training. Numbers on Treasury training courses have recently been declining below the optimum in response to declining recruitment. There would, therefore, be scope in an integrated branch for fewer, larger courses than the two departments run separately, with consequent savings in teaching and administrative effort. The result of integration would be to save one SEO branch head post. The requirement for HEO and EO teaching staff is responsive to the number of courses run and the number of staff to be trained. An integrated structure would make it easier to adapt to changing numbers and would also offer economies in course design over two separate branches. It should be possible to save one HEO and one EO.

A decision would need to be taken on where to locate the training branch: in Basingstoke, where the CSD branch is located, or in London, where the Treasury branch is located. The costs of operation in Basingstoke are lower but a merged department would be more heavily centred on London than is the present CSD. Certain types of training are most effectively carried out department-wide, notably management training. Other types of training, such as induction training, can be carried out locally when numbers justify it. The solution may be to centre the training operation in Basingstoke, concentrating course administration and management of external training there, while maintaining a teaching capability in London.

Clerical savings would be unlikely if two training centres were to be maintained. If a London teaching capability was abandoned one Clerical Assistant post could probably be saved at the cost of travelling expenses to Basingstoke for course members and loss of convenience. Figure 8 shows an integrated structure centred on Basingstoke.

The Integration Process

Since both departments work to a common National Whitley Council framework, merging courses should not create major problems. Some redesign would be needed, however, notably of induction and background courses to reflect the form of the merged department. There would also be a need to provide additional courses on the integrated department as an aid to the integration process. This would delay the achievement of staff savings by a year or more.

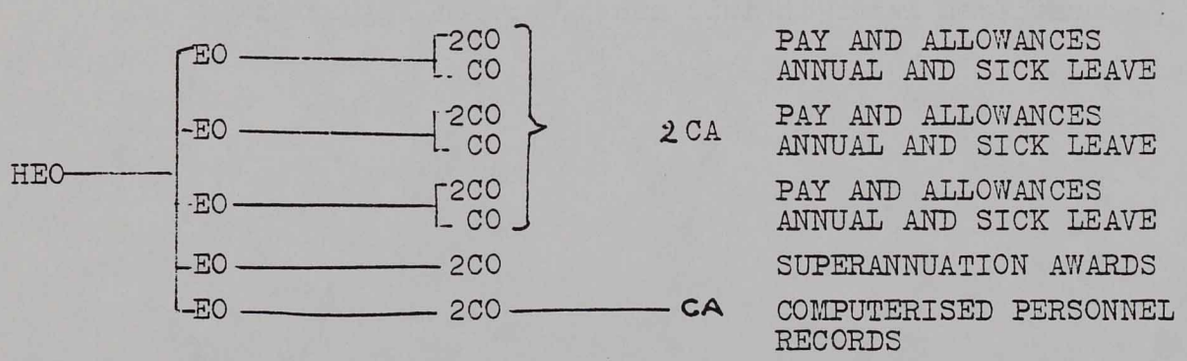
An Integrated Pay and Conditions Structure

An integrated Pay and Conditions branch would deal with pay, allowances, superannuation and leave. Travel and subsistence claims would be submitted direct to Finance Division and clerical support on recruitment, probation and promotion procedures would be provided by the various personnel management branches. Unless officials were to make their own foreign travel arrangements, a Clerical Officer would need to be retained and might be located with reception and enquiries staff. Colocating departmental computerised records with pay and conditions work is not essential, but much of the information needed for amending the record is required anyway by Pay and Conditions branch and there would be some benefit from such colocation. Pension awarding is about to be computerised in both departments, with consequent savings in staff. The staffing of an integrated branch would reflect savings from this source more than any savings from integration; of the saving of one Executive Officer and three Clerical Officer posts against present numbers, only the Executive Officer saving is attributable to integration. The staffing required in an integrated branch is a reflection both of numbers of staff in the integrated department and of patterns of overtime, movement and promotion. Figure 8 sets out a probable organisation but this would need to be reviewed in the light of workloads post-integration.

Figure 8

AN INTEGRATED PAY AND CONDITIONS BRANCH

22 STAFF



A decision would be needed on the location of the integrated branch. Operating costs and minimisation of dislocation argue in favour of locating it at Basingstoke, adding 3 staff to existing CSD numbers.

The Integration Process

The pay records of the two branches would need to be integrated. This would need to be carried out outside normal hours so as not to disrupt work flows but would otherwise create no great problem. More time consuming, the procedures operated by the two branches and their relations with personnel management branches would need to be reviewed and common procedures agreed.

An Integrated Welfare Structure

There would be no scope for staff savings from integrating welfare functions, but one of the HEO Welfare Officers would be replaced by an Execurive Officer reporting to the remaining Departmental Welfare Officer.

An Integrated Office Service Structure

There would be scope for savings at managerial levels from merging like office services functions and from the loss of Treasury personnel management functions to Personnel Services 1 Division and responsibility for controlling publications to the integrated Library. There would be few savings at lower levels, however, where staff requirements are related to factors such as the standard of service required, the volume of paper handled, the physical area covered or the number of people served, which are largely insensitive to departmental structure. Each of the major functional areas is considered in turn below. Charts of the managerial structure of the integrated division and of the operational branches, other than registry and records which is considered later in this annex, are at Figures 9 to 12.

Figure 9e

AN INTEGRATED OFFICE SERVICES DIVISION: MANAGERIAL STRUCTURE

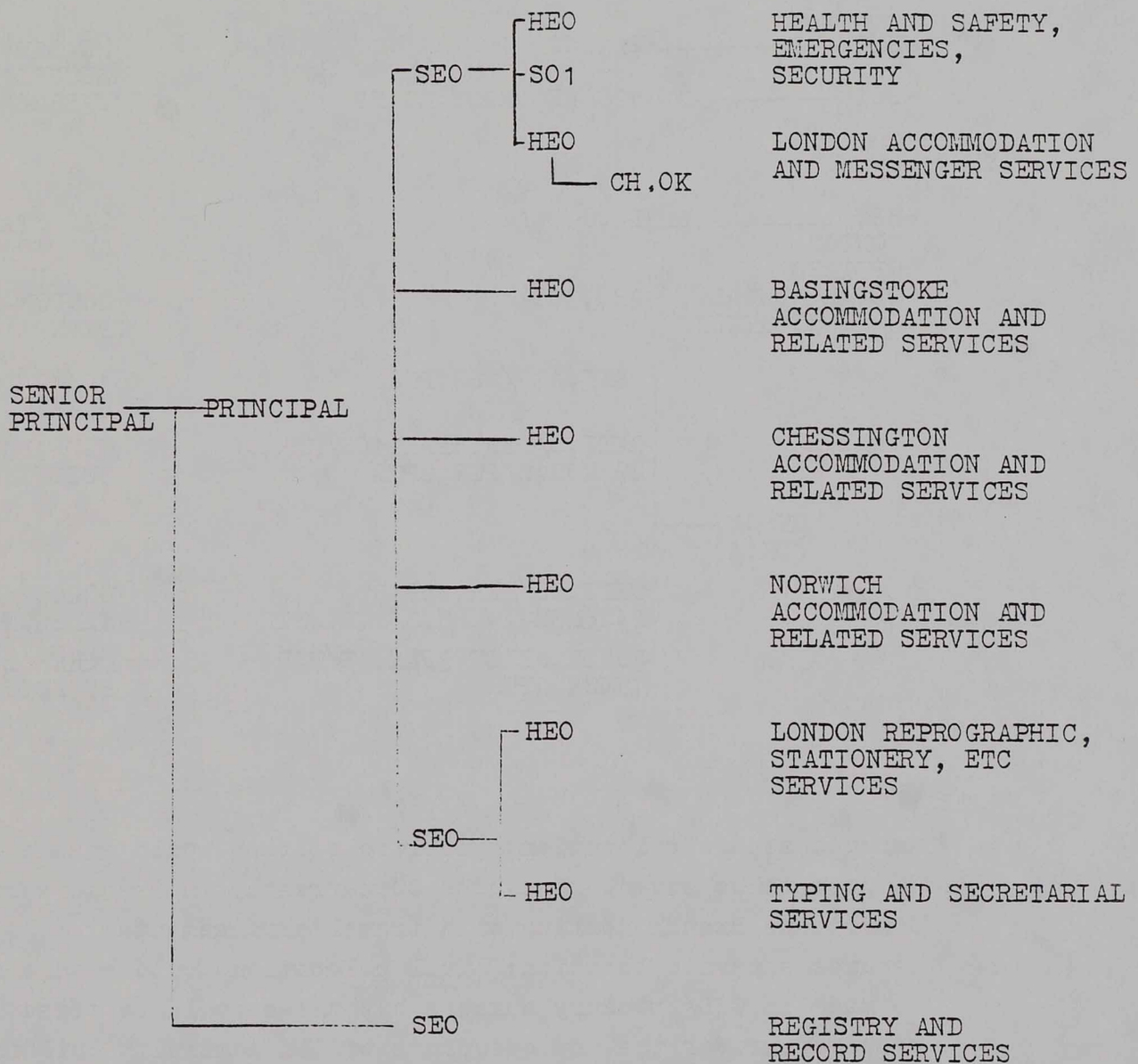
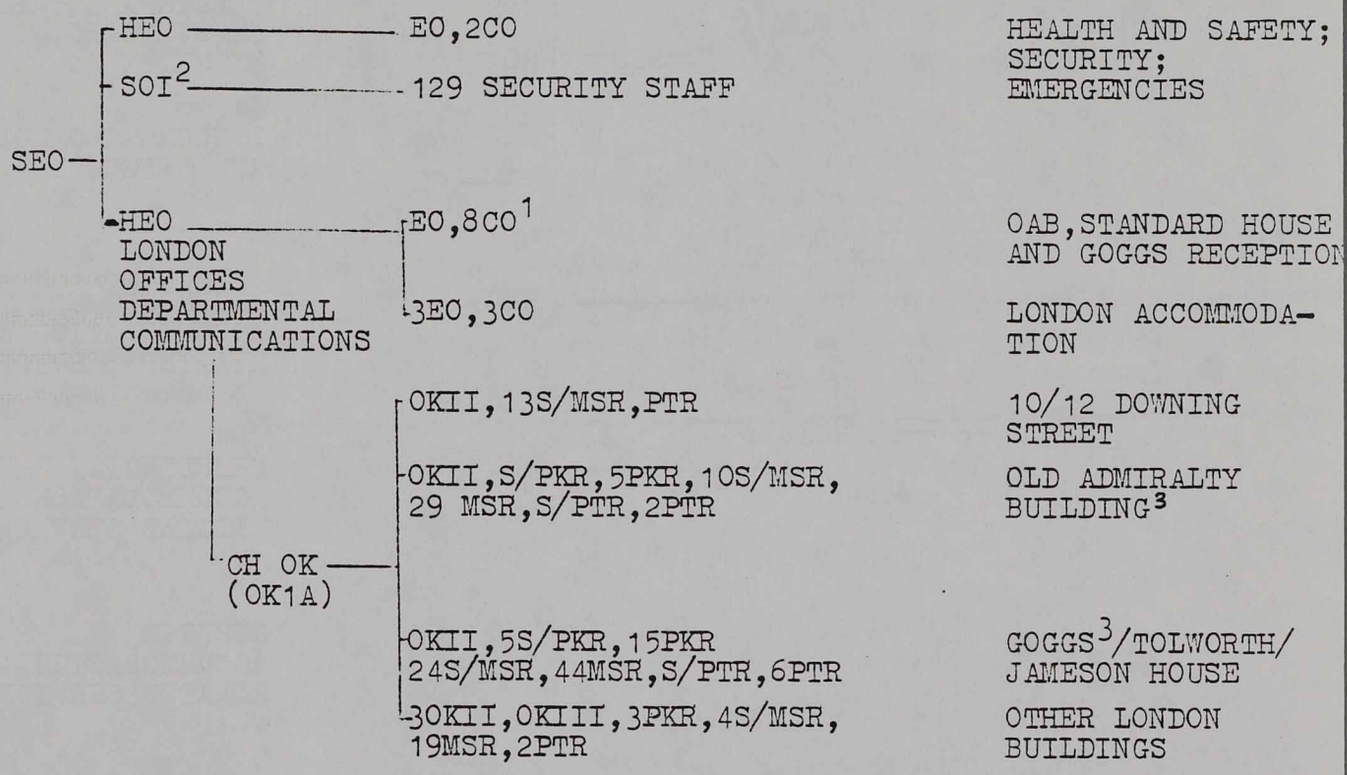


Figure 10

AN INTEGRATED OFFICE SERVICES DIVISION: LONDON SECURITY, ACCOMMODATION AND MESSENGER SERVICES

STAFF



NOTES:

1. Assumes separate location; full colocation would enable one further CO post to be saved. Includes CO currently in Treasury Pay and Conditions Branch dealing with travel arrangements.
2. Assumes separate location; full colocation would enable savings to be made in CSD/Treasury numbers but these would be offset by the requirement for the new occupants of Old Admiralty Building to provide security guards there, with no net saving across the two buildings.
3. In the event of full colocation, a full review of the messenger service would need to be undertaken, with possible small savings.

Figure 11

AN INTEGRATED OFFICER SERVICES DIVISION: NON-LONDON ACCOMMODATION AND RELATED SERVICES

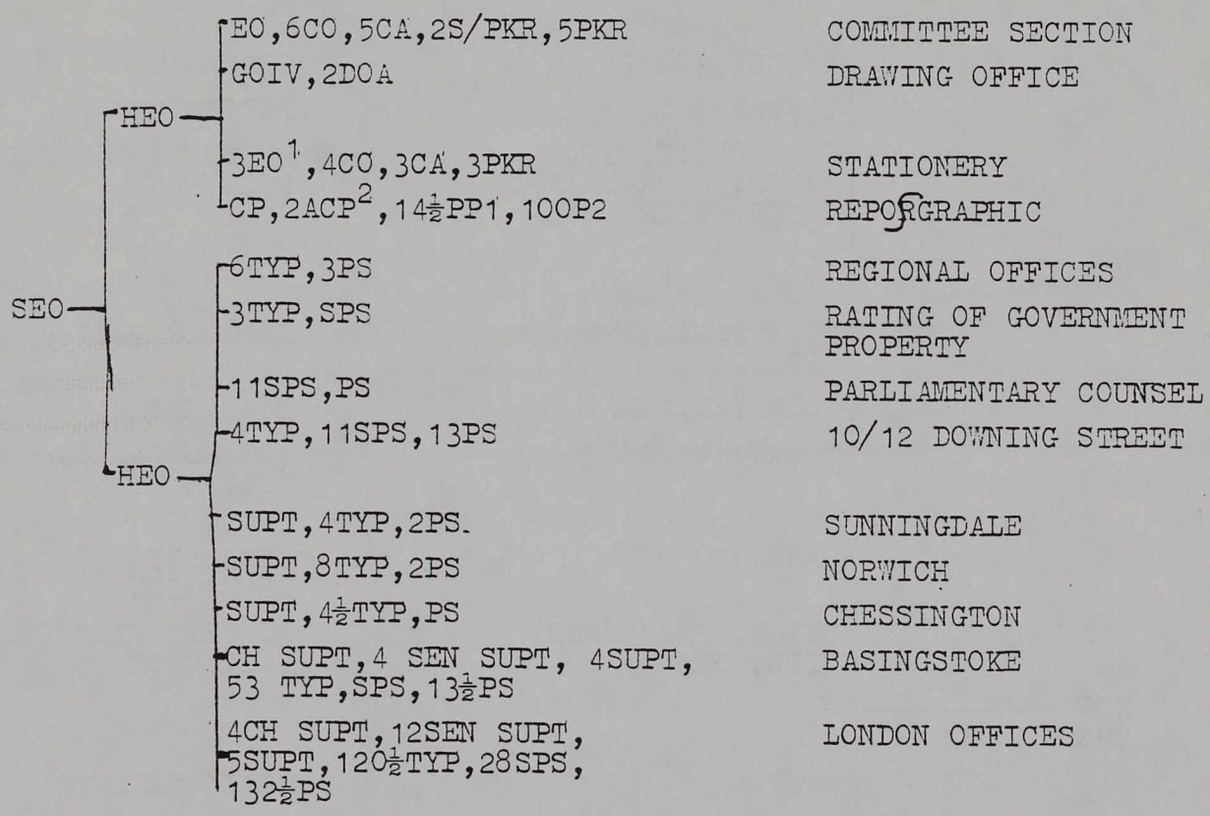
[redacted]

HEO BASINGSTOKE	S/CUST,9CUST	SECURITY
	2 SMSR	RECEPTION
	0KI, 0KIII, 2SMSR, 14MSR, 6PTR/DRVR, S/PKR, 2PKR	HOUSEKEEPING/MESSENGERS/ POST ROOM
	CP,ACP,2LO,7PP1, 4PP2,CA	REPROGRAPHIC
	CO,S/PKR,PKR	STATIONERY
	EO,2CO,CA,S/TP,4TP	ACCOMMODATION/ TELEPHONY
HEO CHESSINGTON	S/SG,7SG	SECURITY/ RECEPTION
	0KIII,S/MSR,6MSR, 3PTR,2PKR	HOUSEKEEPING/MESSENGERS/ POST ROOM
	2PKR	STATIONERY
	EO,CO	ACCOMMODATION
HEO NORWICH	MSR	RECEPTION
	S/MSR,5MSR,3WHM,PKR	HOUSEKEEPING/MESSENGERS/ POST ROOM
	PKR	STATIONERY
	EO,CO	ACCOMMODATION

Figure 12

AN INTEGRATED OFFICE SERVICES DIVISION: DEPARTMENTAL TYPING SERVICES AND LONDON REPROGRAPHIC, ETC SERVICES

STAFF



NOTES:

1. Assumes separate location; full colocation would enable one EO post to be saved.

2. Assumes separate location; full colocation would enable one ACP post to be saved.

a. Accommodation

Irrespective of colocation, there would be no significant scope for saving staff dealing with accommodation since the volume of work is broadly related to the area occupied.

b. Typing and Secretarial Services

One HEO would be able to handle overall management, including day to day personnel management, of the typing and secretarial services by delegating extensively to the Chief Superintendants. There would then be no scope for saving at Chief Superintendant level. The two Word Processing Units would be merged, saving one Senior Superintendant post. Outstationed typing pools dealing with non-urgent work for London staff would need to be rationalised. The CSD currently has an outstationed service at Basingstoke, consisting of 22 staff, which is served by the interdepartmental van service. The Treasury has an outstationed pool at Hove, consisting of 10 staff, which is served by two Treasury messengers travelling by train. The more cost-effective rationalisation would be to close the Hove pool, at a saving of one Senior Superintendant post, two Messenger posts and £14,000 a year in accommodation costs, and transfer all non-urgent work to Basingstoke. The remaining 9 Hove typist posts would need to be transferred to Basingstoke but could be absorbed within existing accommodation and supervisory capacity.

There are differences between CSD and Treasury in the organisation of typing work in London and in the level of supervision of typing pools. The Treasury uses larger pools supervised at Senior Superintendant level supplemented by allocated typists whereas the CSD has been moving towards smaller pools supervised at Superintendant level. In the event of colocation there would need to be an O & M review at the planning stage to identify the structure best suited to meet the requirements of the merged department. Without such a study it is not possible to identify possible savings below Chief Superintendant level but given little change in the basic requirements of the two departments after integration, savings are unlikely to be significant.

c. Reprographic Services

Integration of the two departments would require reorganisation of central reprographic facilities. With colocation there would be a single Central Reprographic Unit (CRU). Without colocation there would be a main CRU and a satellite unit in the other building dealing with urgent work. Integration would enable one Chief Photoprinter post to be saved; colocation might also enable one Assistant Chief Photoprinter post to be saved. A review would be needed of the central and dispersed reprographic requirements of the integrated department.

d. Committee Sections

The two Committee Sections, which support secretaries in the servicing of official committees and provide distribution services for the preparation and despatch of documents, would be merged with a saving of one Executive Officer post which would, however, need to be replaced by a clerical post. The organisation of the merged Section would need to be reviewed.

e. Stationery Services

The workload at HEO level in dealing with stationery services has been substantially increased by the change to repayment for HMSO supplies. Management at this level of an integrated stationery service would represent a heavy load for an HEO with responsibility also for the integrated Committee Section, the Drawing Office and reprographic services. He would need additional support in this managerial role at EO level. The alternative of an HEO full-time on stationery services and a second HEO on the other services is less attractive since the second post would be less than adequately loaded. With colocation it would be possible to save one Executive Officer level Clerk of Stationery to offset this increase.

f. Housekeeping and Messenger Services

One Chief Office Keeper (Office Keeper 1A) would head the housekeeping and messenger services for the London offices. Without colocation there would be no change in staffing requirements below this level. With colocation there would need to be a review of the most efficient way of providing the messenger service required by the integrated department.

It is not possible to anticipate the findings of such a review. The CSD and Treasury were already planning reviews of their own messenger services prior to the commissioning of this study.

g. Security Services

The Treasury Security Guard provides day and night security cover for all the occupants of GOGGS and for a number of other buildings. CSD security guards provide day time cover only in certain CSD buildings, including Old Admiralty Building, night time cover being provided by Department of the Environment custodians. Without colocation there would be no change in the present arrangements except that the Head of the Treasury Security Guard would take responsibility for the day to day management of CSD and Treasury guards. This would create a problem in relation to the management of two groups with different terms and conditions of employment. With colocation, the Treasury Security Guard would continue to cover the whole of GOGGS but arrangements would be needed for the new occupants of OAB either to take over the security staff serving that building or to receive an agency service from the combined CSD/Treasury guard. In neither case would there be any net saving across the two buildings. Integration of the exectuive and clerical functions associated with security would enable one Executive Officer post to be saved; there would be no saving at HEO level since the CSD post is primarily concerned with security at 10 Downing Street; this work would be unaffected by integration.

h. Enquiry Services

Without colocation there would be no change. With colocation there would be a marginal saving, perhaps of one Clerical Officer (CO) post. The enquiry services would need to be strengthened by one CO post to carry out travel bookings work currently handled by Treasury Pay and Conditions branch.

An Integrated Registry and Records Service

An integrated service would be headed by a single Chief Registrar and Departmental Records Officer who would report to the Controller of Office Services and would have line management responsibility for clerical sections but no wider personnel management responsibility, which would be discharged by Personnel Services Division. The combined

staffs of the two departments working on reviewing of files, the volume of whose work is largely related to the number of files to be reviewed and is unaffected by integration, would report direct to the Chief Registrar/Departmental Records Officer. There would probably be marginal savings at clerical and paperkeeping levels from integration of maintenance of the central registry index and of the archives. Exact staff requirements and organisation are, however, difficult to estimate in advance of determination of the registry system to be adopted. A chart of the proposed post-integration organisation is at Figure 13.

Figure 13

AN INTEGRATED REGISTRY AND RECORDS BRANCH
22½ STAFF

SEO Chief Registrar and Departmental Records Officer	3½EO,2CO,CA	RECORDS REVIEWING: ASSISTANCE WITH SEARCHES; TRANSFERS TO PRO
	2SPKR,9PKR,PTR	ARCHIVES
	2CO,CA	REGISTRY SYSTEM

NOTE:

Integrated structure assumes colocation of central registry and archives services; without colocation of archives one extra Senior Paperkeeper and two extra Paperkeepers would be needed

The Integration Process

The system which the Treasury proposes to adopt of clerical staff integrated into divisions supported by sectoral registries involves a significantly different filing and registration system from that currently operated in CSD. While there would be scope for local flexibility in application, the integrated department would need to operate the same basic system. There would, therefore, be a need to reappraise the requirements of the integrated department.

An Integrated Information Services Division

The proposed organisation of an integrated Information Services Division is shown at Figure 14. The functions of an Information division and those of a Library/Publications division are distinct

but related; both are concerned with communicating information about the department to the outside world and with providing staff of the department with information relevant to their work. The link between them is stronger than that between either and the other common services functions. The proposed organisation would reflect this relationship by brigading together the two functions at head of division level. The head of division would report to the Permanent Secretary.

a. Information Section

The CSD's Press Section is the smallest unit which can provide a viable press relations service to the department. Integration with the Treasury would allow some pooling of resources in relation, for instance, to providing out of hours cover and support services, though a small team specialising in CSD subject matter would be required.

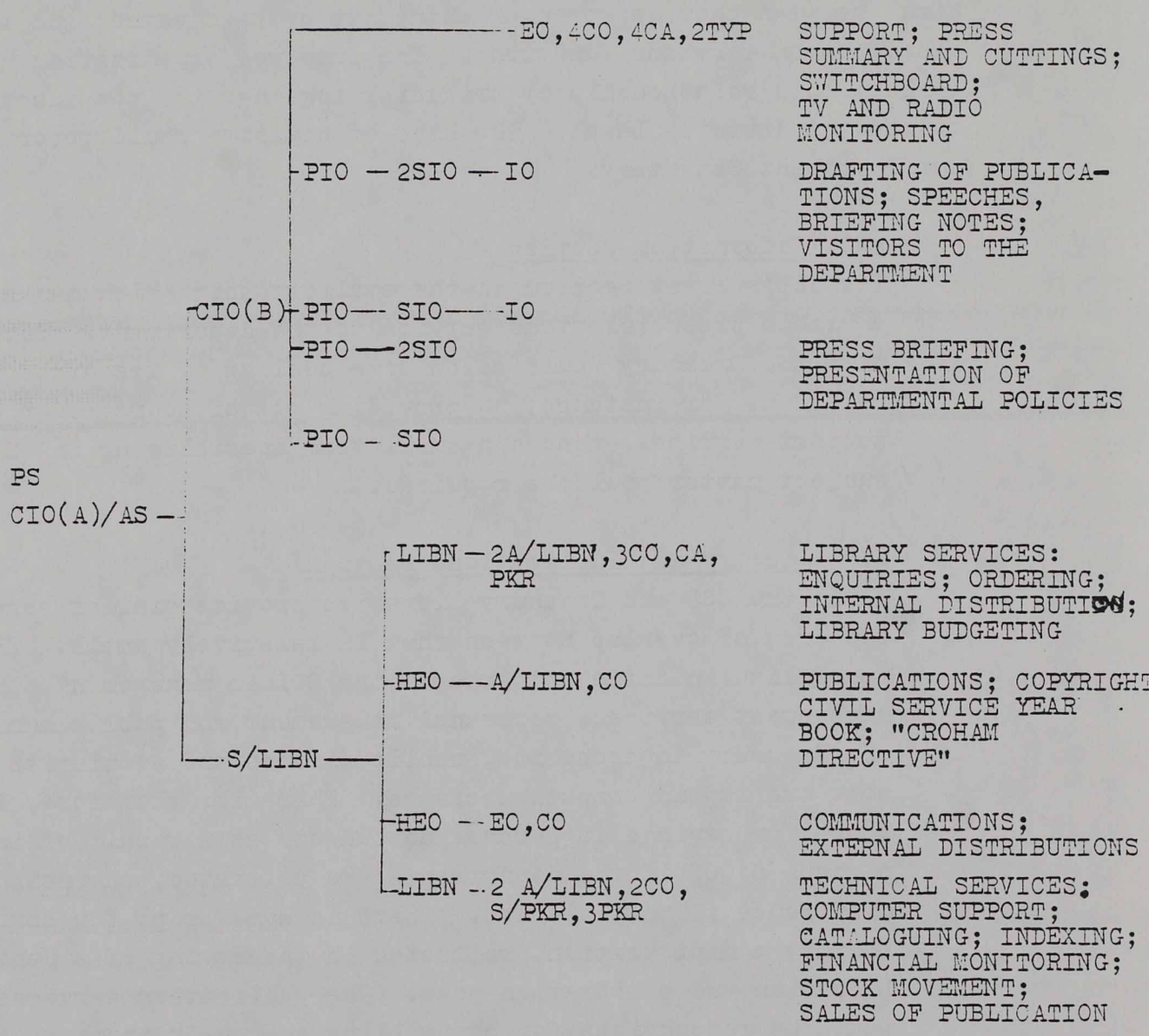
b. Library and Publications Section

While the CSD and Treasury libraries provide similar services, the area of overlap between them is relatively small. They specialise in different areas: the CSD in management, management services, personnel management and public administration; the Treasury in economics, public finance and statistics, with some overlap in computer science. There is, therefore, little scope for savings in purchasing budgets as a result of integration, perhaps £1000 if the departments are colocated, an insignificant difference if they are not. There is some scope for savings in library administration, reflected in the saving of a Senior Librarian and a Librarian post. The publication services branch would be responsible for controlling and co-ordinating departmental publications, taking over the Treasury Office Services branch responsibility.

Figure 14

AN INTEGRATED INFORMATION SERVICES DIVISION

50 STAFF



The Integration Process

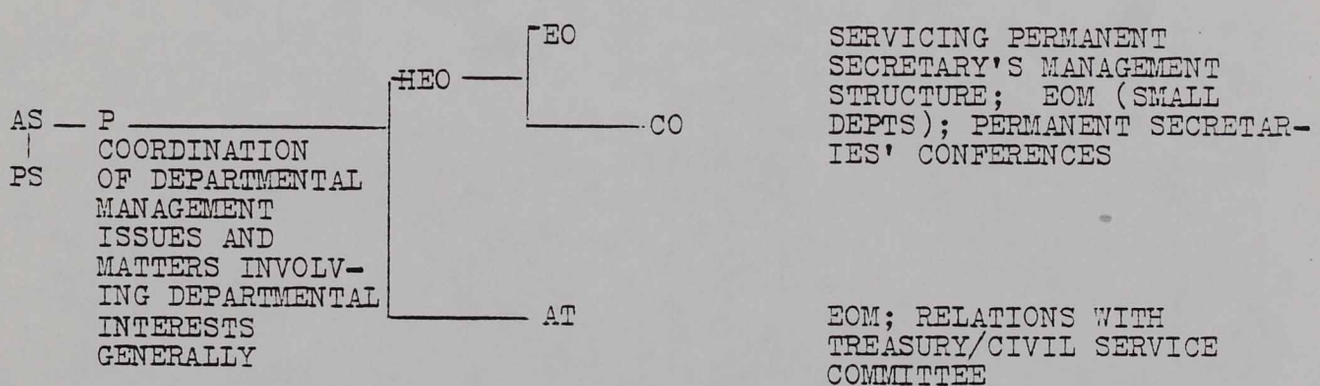
Relocation and reorganisation of the libraries would be a substantial planning and organisational task. In addition, to this, rationalisation of existing procedures and systems would take 6 months or more, during which time staff savings could not be achieved.

An Integrated Central Coordination Division

Central coordinating machinery would be needed to support the senior management of an integrated department on issues of department - wide interest, much as Central Division supports CSD management. Its function would be distinct from that of Treasury Central Unit of coordinating economic policy but it might assume responsibility for liaison with the Treasury and Civil Service Select Committee. It would act as secretariat to whatever form of management group the Permanent Secretary of the integrated department set established, and to Establishment Officers' Meetings and Permanent Secretaries' Conferences It would provide a suitable location for the project team set up to supervise integration of the two departments and would retain a residual interest in the creation of a unified department when the project team was disbanded. A tentative organisation chart of the division without the project team is at Figure 15, though its resource requirements would depend on the use made of it by the new departmental management.

Figure 15

AN INTEGRATED CENTRAL COORDINATION DIVISION
7 STAFF



LOCATION

The Civil Service Department (CSD) operates from 7 central London locations and 4 major locations outside Central London. In addition, the Civil Service Commission, the Medical Advisory Service and the Civil Service Catering Organisation operate 24 small regional offices. The Treasury operates from 3 central London and two other locations and has a small delegation in the United States of America.

Full Colocation

The principal policy divisions and the London-based common services divisions of the two departments are in two locations, the CSD in Old Admiralty Building (OAB) and the Treasury in Government Offices, Great George Street (GOGGS) and it is the relations between these which would be most affected by integration.

It would not be practical to accommodate all 1,850 CSD and Treasury staff in Old Admiralty Building; if the Ministry of Defence were to vacate the sections of the building they currently occupy this would not free sufficient space to house the more than 1000 Treasury staff from GOGGS. Figures of total office space occupied by CSD in Old Admiralty Building and by the Foreign and Commonwealth Office (FCO), the Cabinet Office, the Central Statistical Office (CSO) and the Northern Ireland Office (NIO) in GOGGS suggest that it might be feasible to create sufficient space in GOGGS by moving out the FCO, (400 staff) the Cabinet Office (35 staff) and one of the other two (CSO 235 staff, NIO 175 staff), though given the inflexible physical structure of the two buildings this possibility would need to be subjected to more detailed examination if the decision was taken to pursue the full colocation option.

The following considerations apply to moving FCO, CSO, and NIO from Great George Street.

i. Foreign and Commonwealth Office

The FCO has a policy of centralising the location of its staff, currently housed in 12 different buildings, on the Old Public Offices and so reducing its internal communications problems which have been

recognised by successive review bodies going back to the Plowden Report of 1964. The Department considers occupation of GOGGS, across King Charles Street from the Old Public Offices, an important element in this centralisation policy. The divisions housed in GOGGS are in general those at present outside the Old Public Offices which require to be closest to it. All the Department's economic divisions apart from those covering the European Community are located in GOGGS and find proximity to the Treasury useful. The FCO also considers that a move from GOGGS to OAB would hinder officials' access to Ministers and to the communications centre in the Old Public Offices and would be detrimental to the department's operational efficiency and its attempts to concentrate its staff.

~~The FCO is scheduled to occupy in late 1981 the section of the~~ Old Public Offices vacated by the Home Office. The possibility of avoiding the disadvantages of a move from GOGGS to OAB by moving the FCO occupants of GOGGS to the Old Public Offices instead would be removed by plans, which have yet to be put to Ministers, to vacate large sections of the Old Public Offices to allow major repairs to be carried out by the Property Services Agency. The area formerly occupied by the Home Office would then be needed to house Ministers and central divisions while these works were carried out, a period of at least 8 years. This possibility would also have implications ~~for FCO attempts to house more centrally other of their divisions.~~

ii. Central Statistical Office

By far the greatest part of the CSO's work centres on the national accounts and on the provision and interpretation of financial statistics for the Treasury. CSO staff need to sustain close contact with their Treasury counterparts in order to provide them with quantitative information and advice needed to manage and monitor the progress of the economy. The CSO also operates a joint computer facility with the Treasury, the Treasury being slightly larger users. Physical separation of either the CSO or Treasury users from the computer would be detrimental to the conduct of business. If the choice were to separate one or other from the computer then the Treasury, which has a greater demand for urgent, high-volume output, has a stronger claim to colocation than the CSO. Some 45 CSO Computer Branch staff would need to remain with the computer, occupying some 9,000 sq ft

of space. CSO estimate that to provide access to the computer for CSO users in OAB would involve capital expenditure of £8,500 and current expenditure of £7,500 per annum.

At present Computer Branch staff serve a dual function; discrete programming, operating and data preparation tasks and assistance to Treasury and CSO users who have terminal access to the computer. If CSO users were to move to OAB it would be necessary to colocate with them a handful of computer support staff. These would be additional to existing staff numbers and CSO estimate the requirement at 2 Senior Data Processors and 2 programmers, at a staff cost of some £37,000 per annum. In addition, large volumes of computer input and output would need to be transferred sometimes urgently between GOGGS and OAB. If this work could not be absorbed by the existing messenger and IDS service, to provide an additional messenger would cost £6,000.

iii. Northern Ireland Office

For operational purposes, OAB is an convenient as GOGGS for the Northern Ireland Office and a move would provide an opportunity for the department to regroup more closely than is currently the cases in GOGGS. The NIO would, however, have two particular requirements: physical security and telecommunications. The NIO regard as the minimum acceptable the level of security cover currently provided at GOGGS by the Treasury Security Guard. A broadly comparable level of security is provided in OAB by a combination of CSD and DOE security guards, so that no significant expenditure would be required to meet NIO requirements.

The facilities for secure communication which are currently available to the NIO in GOGGS would need to be transferred to OAB. NIO estimate the cost or relocating these at £35,000 excluding works costs; works costs recently incurred in installing equipment in GOGGS were £20,000 and given the similarities between the two buildings would probably be of a comparable order in OAB. Works would need to be carried out over at least a 3-month period in OAB and all equipment would need to be fully operational before NIO could vacate GOGGS.

Achievement of full colocation would be a major task. There is no vacant Government office accommodation in the Whitehall area which could be used as a staging post to house the contents of one building while the contents of the other were moved in to replace them; both ends of the move would have to be effected simultaneously. It would be possible to handle a move of this scale on this basis only if it were staged over a period of months, a block of staff at a time. Handled in this way, relocation might take 3 months. In order not to disrupt the work of the departments by blocking corridors and doorways moves would need to take place at weekends. Packing and unpacking the items to be moved would occupy the time of the staff to be moved for a day before and a day after the move.

Planning the move would take a further 3 months: blocks of staff to move at one time would have to be identified and the sequence of moves planned so as to minimise disruption to work; some reorganising of accommodation would need to be carried out within existing buildings so as to create manageable blocks to move; the organisation of Office Services functions in a single location would have to be planned, together with any changes in staffing and equipment. This work would occupy a significant part of the time of senior Office Services personnel during the planning stage. In each of the departments to be moved additional staff would be needed at junior executive and clerical levels to support this planning activity, which would take place alongside continuing routine activity. Management Services specialists would need to be brought in by CSD and Treasury to help plan the organisation of Office Services functions in a physically integrated department.

The estimated cost of full relocation, subject to a more detailed examination as part of the planning process, is as follows:

COST OF FULL COLOCATION OF THE INTEGRATED DEPARTMENT

		FIRST YEAR COST (£)	RECURRING COST (£ p.a)
1.	Additional staff to support planning and execution of relocation	60,000	
2.	Removal costs (staff, furniture, papers etc)	175,000	
3.	Essential works services in GOGGS associated with relocation of CSD stationery store, reprographic centre, computer equipment, library, archives, etc	345,000	
4.	Costs peculiar to relocation of NIO (including relocation of communications facilities)	80,000	
5.	Costs peculiar to relocation of CSO	60,000	50,000
Total cost if CSO do not move		660,000	
Total cost if NIO do not move		640,000	50,000

In addition to these cash costs, costs will arise in relation to the loss of working time from the disruption caused by packing and unpacking for the move. As a broad measure of the cost of this disruption, the cost of 2 working days for 1,500 staff is of the order of £150,000.

Lesser Colocation of Integrated Functions

An alternative to full colocation would be colocate in GOGGS staff concerned with the control of Civil Service manpower, those concerned with public expenditure control, and those concerned with improvements in the financial and management systems operated by departments and the scrutiny of departmental efficiency. This would involve accommodating some 200 staff from the Manpower, Functions

and Programmes and Management and Organisation divisions of the CSD in GOGGS. Some transfer of support staff, such as typists and messengers to GOGGS would also be necessary. The transfer to OAB of common services staff whose functions are not geared to occupation of GOGGS together with staff savings arising from common services integration, perhaps 60 in all, would not be sufficient to enable these policy staff to be accommodated in GOGGS without relocating in OAB all or part of one of the other departments currently occupying GOGGS. The move which would cause least disruption to established links would be to relocate the Northern Ireland Office in OAB.

A move of this magnitude would avoid most of the works costs at item 3 above and a proportion of the removal costs at item 2. Its planning and achievement could be handled more quickly and with fewer extra staff. The estimated cost is:

		FIRST YEAR COST (£)
1.	Additional staff to support planning and execution of relocation	15,000
2.	Removal costs	55,000
3.	Works associated with relocation of NIO	80,000
	TOTAL COST	150,000

Minimum Colocation of Integrated Functions

The final option would be to relocate Accountancy, Finance and Audit Division in GOGGS alongside the other divisions with which it is brigaded at Under Secretary level and to relocate in OAB those common services staff whose functions are not geared to occupation of GOGGS. These moves would broadly balance and the costs would be only those of transferring staff and records, less than £5,000.

Financial Provision

No financial provision has been made for any expenditure on relocation. The costs set out above would therefore represent additions to planned expenditure.

THE INTEGRATION OF HM TREASURY

AND THE

CIVIL SERVICE DEPARTMENT

WORKING PAPERS

OCTOBER 1980

WORKING PAPER 1

THE FUNCTIONS OF HM TREASURY AND THE CIVIL SERVICE DEPARTMENT

A DESCRIPTION OF THE FUNCTIONS OF THE TREASURY

1. This note describes briefly the main activities of the Treasury. These are carried out in:

a. Establishments and Organisation Group, Central Unit and Information Division

b. Chief Economic Adviser's Sector

c. Overseas Finance Sector

d. Domestic Economy Sector

e. The Public Services Sector

f. Rating of Government Property Department

Central Services

2. Central services are provided by Establishments and Organisation Group, the Central Unit and **Information Division (IDT).**

3. **Establishments and Organisation Group (EOG)** is responsible for departmental management policy and staff management including career development, training, welfare and pay and conditions of service. The Group includes the Library, the Chief Registrar (responsible for the organisation and maintenance of Treasury filing services and systems) and office services, including accommodation, furniture, equipment, etc and the management of the typing and secretarial services, office keepers, messengers, paperkeepers and photo-printers.

4. The **Central Unit (CU)** (including the **Economic Briefing (EB)** Division) is responsible for the co-ordination of policy advice especially on major reviews and policy options spanning the interests of several Divisions and for the preparation of the Budget and other packages of economic and financial measures and major statements of economic policy. The Unit provides general briefing on the economic and financial situation for Treasury Ministers and senior management and acts as the Treasury liaison point with the Select Committee on the Treasury and the Civil Service.

Chief Economic Adviser's Sector

5. The Chief Economic Adviser's Sector has general responsibility for forecasting the development of the economy and for providing economic advice to the other sectors and has general oversight of the work of the economists throughout the Treasury. It is made up of two Groups.

6. The Forecasting Group (which is made up of 3 divisions - **EA1, EA2 and EA3**) is responsible for economic forecasting and advice, in particular in relation to forecasts and analysis of output, the company sector, the public sector, taxation (other than oil), prices and incomes, balance of payments, the exchange rate; for domestic monetary forecasts and for research, model maintenance, data handling and computing.

7. The Macro Economic Policy Group (which is made up of 2 divisions - **MP1 and MP2**) is responsible for medium term analysis, the economic content of the Public Expenditure White Paper, macro-analysis of company sector behaviour

and supply side-issues, assessing the effects of policy measures and packages, model management and research and development on the model.

Overseas Finance Sector

8. The Overseas Finance Sector is concerned with balance of payments and exchange rate policy; the financial and economic aspects of European Community membership; and with the world financial and economic environment. It consists of four Groups, each headed by an Under Secretary.

9. International Finance Group, made up of 3 Divisions (**IG1, IG2 and IG3**), co-ordinates Treasury interests in internal and external economic and financial policies of the Economic Community and the UK contributions to and receipts from the European Budget; co-ordinates Treasury interests in international trade, monitoring developments in the world economy and world trade, forecasting world economic prospects and assessing the implications for the UK. The Group monitors developments and advises on the evolution of the international monetary system and participates as necessary, or advises UK representatives, in international discussions, liaising as appropriate with the Bank of England and other Departments.

10. The Finance Economic Unit **(FEU)** provides economic advice to the Overseas Finance Sector and the Home Finance Group, including advice on domestic monetary policy and on the European Budget. The Unit is responsible for the analysis of trade and competitiveness and has general responsibility for research management.

11. External Finance Group, with two Divisions (**EF1 and EF2**), monitors and advises on developments in the exchange markets, exchange rate policy (in close consultation with the Bank of England), and changes in the reserves - their valuation and their investment. The Group advises on external official financing strategy and public sector foreign currency borrowing, including monitoring and analysis of external official debts. It is also responsible for balance of payments policy, including the current and capital accounts; forecasts of flows and balance of payments; implications of North Sea oil; Euromarkets and the supervision of UK banks' activities in the international capital markets and advice on other international capital flows; and for residual exchange control questions.

12. Aid and Export Finance Group, consisting of three Divisions (**AEF1, AEF2 and AEF3**), acts as a focal point for Treasury interests in questions concerning developing countries, providing a Treasury view on major policy questions affecting the aid programme (including multilateral agencies such as the World Bank), contributing as necessary to international meetings and briefing senior officials and Ministers accordingly. The Group monitors developments in the international oil markets and, in conjunction with PE1, advises on the Government's relationship with the major oil producers and on UK policy in the International Energy Agency; it also deals with Treasury interests on issues arising in the UN or other international bodies. The Group also deals with export finance policy and the range of government support facilities for exports and exercises expenditure control functions over the aid programme, expenditure by the Foreign and Commonwealth Office, the Export Credits Guarantee Department, the British Council, information services overseas and expenditure on export promotion.

The Domestic Economy Sector

13. The Domestic Economy Sector is mainly concerned with macro-economic policies including monetary, fiscal and industrial policy. It consists of six Groups each headed by an Under Secretary. A number of these Groups have

public expenditure control responsibilities on which they report to the second Permanent Secretary Public Services.

14. Home Finance Group, comprising four Divisions (**HF1, HF2, HF3 and Accounts**), is responsible for providing advice on domestic monetary policy and on government policy towards the financial institutions, including legislation in the areas where Treasury Ministers have direct responsibility (eg the Banking Acts and the Building Societies Act); co-ordinating policy advice on public sector financing, both in relation to borrowing from the public (through gilts or national savings), on lending to others (eg the local authorities) and supervising the terms and mechanics of the issue of government securities; maintaining close links, including the operation of expenditure control functions where appropriate, with the Bank of England, the Registry of Friendly Societies, the Department for National Savings, the Royal Mint and the National Debt Office; and, in the Accounts Division, operating and accounting for the Consolidated Fund, National Loans Fund and other central accounts, and accounting for expenditure from Treasury Votes.

15. Fiscal Policy Group has responsibility for questions of taxation spanning Customs and Excise, Inland Revenue, motor vehicle taxes and the national insurance surcharge. The Group, made up of two Divisions (**FP1 and FP2**), provides advice on the economic and general aspects of taxation including the social and economic impact of tax changes and the relation between taxation and wider macro-economic policies. In addition they co-ordinate arrangements for implementing tax changes and for assembling candidates for Finance Bills and give advice on related procedures.

16. Industrial Policy Group, consisting of two Divisions (**IP1 and IP2**), provides a focal point for Treasury views on industrial and employment questions (including control of Department of Employment expenditure programmes) in the context of economic and financial policy and is responsible for ensuring that wider industrial questions are taken into account in government policy making. The Group advises on company financing, company legislation, inflation accounting and small firms policy; produces systematic quantified assessments of the short-term prospects of industrial sectors; deals with briefing, policy and administration for the NEDC and EDCs; advises on general pay questions; and co-ordinates Treasury interests in arrangements for dealing with civil emergencies.

17. Industry and Agriculture Group, consisting of two Divisions (**IA1 and IA2**), is concerned with policy and public expenditure on agriculture, fisheries and forestry, selective assistance to industry, the National Enterprise Board, shipbuilding and regional assistance. Their responsibilities are comparable to those of the expenditure divisions in the Public Services Sector; they control, monitor and advise on the total size of the programmes and on individual projects within the total, having regard to general policy on public expenditure and to the needs of specific services, and ensure that the resources allocated to each programme are used efficiently and economically to give value for money.

18. Public Enterprises Group, made up of three Divisions (**PE1, PE2 and PE3**), has overall responsibility for nationalised industry policy, briefing and advising Ministers on all general questions affecting the nationalised industries, and co-ordinating the preparation of annual reports to Ministers on nationalised industry investment and finance. The individual industries are allocated to the three Divisions whose responsibility it is to ensure that the nationalised industries make the optimum contribution to the economy within the framework set for them within their statutes and elsewhere and to control the claims on national resources which the industries make in pursuit

of their immediate industrial objectives. The work also includes the policy of development of the UK's oil and gas resources and (with Inland Revenue) questions on the related taxation policy.

19. The Domestic Economy Sector Economic Unit (made up of two divisions: **DEU 1 and DEU 2**) provides micro-economic support to divisions in the Domestic Economy Sector, advising on economic aspects of general policy issues and particular projects, including advice to FP on the economic aspects of taxation policy.

The Public Services Sector

20. The Public Services Sector is concerned with the planning, control and monitoring of public expenditure. The specific expenditure groups in the Public Services Command (Social Services (SS) Group; Local Government (LG) Group; Home, Transport and Education (HE) Group; Defence Policy and Materiel (DM) Group) are responsible for individual expenditure programmes, and the General Expenditure Groups (General Expenditure Policy (GEP) Group; General Expenditure and Analysis (GEA) Group; Accounts and Purchasing (AP) Group) are concerned with aggregate control; co-ordinating the work of specific expenditure divisions; and providing support services.

The Specific Expenditure Divisions

21. The basic role of Divisions concerns the allocation of financial resources to departmental programmes and monitoring and controlling expenditure through the Public Expenditure Survey, the Estimates and cash limits. They are responsible for the scrutiny of new proposals outside the departments' own delegated limits involving policy changes, legislation and large projects. The Financial Information System (FIS) helps Divisions to monitor spending and, where necessary, to promote corrective action. Drawing on the knowledge of departmental activities acquired in these processes, Divisions contribute to the promotion of efficiency, particularly in relation to departmental systems for financial control, cost effectiveness and value for money (working in close liaison with departmental finance branches). These expenditure control functions are exercised (in some cases together with other functions) by the Divisions in respect of individual programmes as follows:

a. **Social Security Division** (**SS1**) deals with expenditure on the social security programme and also with associated contributions and policy questions on poverty and low incomes. The Division also controls expenditure on a number of smaller programmes including accommodation, supplies, computers, environmental research, records and surveys.

b. **Health Services Division** (**SS2**) covers health, personal social services, welfare, arts, libraries and the National Heritage.

c. **Local Government Division** (**LG1**) deals with the overall control of local authority expenditure and finance, including the rate support grant, and with the water industry, local environmental services, urban development and the rating of government property.

d. **Housing and Territorial Government Division** (**LG2**) deals with the housing programme, expenditure in Northern Ireland, financial arrangements with the Isle of Man and the Channel Islands and co-ordinates the expenditure programmes of the Scottish and Welsh Offices.

e. **Home and Transport Division (HE1)** is responsible for surface transport policy co-ordination, the road programme, local transport, police, prisons, fire services and other Home Office services.

f. **Education Division (HE2)** deals with education, the Science Budget and the Sports Council.

g. **Defence Policy, Materiel and Policy Division (DM1)** deals with defence policy and the Defence Budget, defence procurement and general policy on the Royal Navy, RAF and civil aircraft matters.

h. **Defence Materiel (Pay, Works and Miscellaneous Services) Division (DM2)** deals with defence works services and questions on the size and structure of the armed forces.

The General Expenditure Divisions

22. General Expenditure Policy Group (divided into two Divisions **General Expenditure Planning Division - GEP1** and **General Expenditure Control Division - GEP 2**) manages and co-ordinates the planning of total public expenditure and advises on general expenditure policy including co-ordination of the public expenditure surveys and White Papers, Estimates and cash limits. The Group provides statistical support and advice and information on public expenditure control, including setting and monitoring of cash limits, and houses the Estimate Clerk's branch.

23. The two General Expenditure Analysis Divisions (**General Expenditure Statistics Division - GEA1** - and the **General Expenditure Computer Division - GEA3**) and the two Divisions of the Public Services Sector Analytic Unit (**PAU1** and **PAU2**) together make up a single Group. GEA1 provides statistical and analytical support and advice on public expenditure matters, dealing particularly with the maintenance and provision of public sector income and expenditure accounts for forecasting exercises; economic assumptions affecting public expenditure projections, international comparisons, local authority expenditure, manpower, regional analysis, shortfall and debt interest. GEA3 is the division responsible for the maintenance and presentation of financial information and expenditure statistics; development of the Financial Information System and liaison and data processing. PAU provides support services to Divisions in the public services sector, PAU1 covering operational research and PAU2 giving economic advice.

24. Accounts and Purchasing Group is headed by the Treasury Officer of Accounts. The **Treasury Officer of Accounts Division (AP1)** advises Divisions and other Departments on relations between Parliament and the Executive in financial matters. The Division acts as the channel of communication between Departments and the Public Accounts Committee, under the Treasury Officer of Accounts, and advises on the responsibilities of Accounting Officers and the maintenance of accounting and audit arrangements to secure Parliamentary control of expenditure. **The Management Accounting and Purchasing Policy Division (AP2)** advises Divisions and Departments on financial and accounting matters in relation to public or private sector bodies and on the form of accounts, costing, management accounting, fees and charges and public purchasing policy.

Rating of Government Property

25. Local rates are not payable on Crown property, but payments in lieu are made instead. The Rating of Government Property Department (a Treasury sub-department) is staffed by specialist Valuers, together with executive and

clerical support staff, and is responsible for the valuation of Crown Property and certain other property including diplomatic and consular premises and the assessment and payment of the appropriate contribution in lieu of rates. Payments may be recovered from occupiers other than government departments.

A DESCRIPTION OF THE FUNCTIONS OF THE CIVIL SERVICE DEPARTMENT

26. This note describes briefly CSD's main activities. These are:

a. Manpower Control;

b. Management and Organisation

c. Functions and Programmes;

d. Central Computer and Telecommunications Agency;

e. Pay;

f. Superannuation and Allowances;

g. Personnel Management and Public Appointments Unit;

h. The Civil Service College and Training Division;

i. The Civil Service Catering Organisation (CISCO);

j. Medical Advisory Service;

k. Recruitment;

l. Ceremonial Branch;

m. Common Services.

Manpower Control

27. The Manpower Group is made up of 3 divisions (**M1, M2 and M3**) under an Under Secretary, having in all 7 branches, 6 concerned with Civil Service manpower control on a departmental basis and a co-ordinating central branch. In addition, an 8th branch concerned with the manpower of the 3 large common service departments (Property Services Agency, Her Majesty's Stationery Office and the Central Office of Information) is located in the Functions and Programmes command.

28. The principal ways in which CSD's control of manpower and related costs is carried out are:

a. Scrutiny and recommendations to Ministers on the Civil Service pay bill and related expenditure to be included in public expenditure survey programmes and in Supply Estimates/Cash Limits (on the basis of levels of departmental staffing which are no more than adequate and financial provision consistent with these levels). Scrutiny covers departmental and overall government policies; any workload formulae; areas where a change of complementing is proposed or is to be expected. Changing requirements during the year may call for alterations to the Public Expenditure Survey (PES) figures and Estimates/Cash Limits.

b. Appraisal and approval of computer projects. CSD Manpower divisions exercise overall control of funds for administrative, computer and similar projects and are advised on the desirability of major elements of departmental expenditure on these projects (and on the realism of timetables and costings) by the Central Computer and Telecommunications Agency (CCTA). Within this overall control, and acting in close liaison with Manpower divisions, CCTA exercises the functions of technical appraisal and financial approval of individual projects which are outside departments' delegated authority.

c. Monitoring expenditure against plans (including checking that the Vota/Cash Limit profiles are reasonable; monitoring the Financial Information System (FIS) and quarterly expenditure returns; identifying potential over-runs and discussing remedial action with the department).

d. Control of departmental manpower levels and monitoring staff-in-post returns (received quarterly) against these levels.

e. Approval of posts at or above AS level (where the Principal Establishment Officer (PEO) is an Under Secretary), and at or above Senior Principal level (where the PEO is of lower rank).

f. Advising Ministers about the manpower implications of departmental proposals for new or expanded activities with the object of minimising their administrative cost and pressing for resources to be allocated from within existing provisions.

g. Monitoring the effectiveness of departmental manpower control systems and grading and complementing standards.

Management and Organisation

29. The Management and Organisation Group consists of 4 divisions under an Under Secretary. Their overall purpose is to help both central and departmental management to improve Civil Service efficiency and effectiveness in formulating policy and controlling resources. This includes the development of the organisation and management of departmental activities; planning and control systems; application of management systems and techniques. This work supports the supply control responsibilities of CSD and, because it bears on the management of resources generally, the Treasury.

30. **Machinery of Government Division (MG)** is responsible for questions on the overall structure of central government including fringe bodies and the allocation of responsibilities between departments. It is also responsible for freedom of information matters; for co-ordination of certain matters concerning the new Select Committees and the Parliamentary Commissioner for Administration; and other matters concerning the relationship between the Executive and the Legislature.

31. **Management Development Division (MD)** is concerned with the internal organisation of departments and their systems of control (including the Management Review programme; O & M assignments; the framework for accountable management).

32. **Accountancy, Finance and Audit Division (AFA)** is staffed predominantly by professional accountants and is concerned with promoting better financial management through management accounting systems and internal audit. It has been working with the Treasury to ensure that the overall government accounting system provides an appropriate framework for developing internal (departmental) systems.

33. **The Operational Research Division (OR)** promotes the application of OR techniques in government and helps departments to plan and control resources by developing models for them.

34. The individual M and O divisions carry out assignments on their own or in collaboration with other divisions and have been working closely with Functions and Programmes Divisions in providing support for pursuing the results of the programme of functional scrutinies instituted by Sir Derek Rayner.

Functions and Programmes

35. The Functions and Programmes Group was created in October 1979 with the aim of improving efficiency in specific functions and activities in government; all its work is in support of CSD's supply control role. It is made up of 4 divisions which include the **Chain of Command Review** (due to report next year).

36. **FP1** is responsible for co-ordinating and developing CSD interest in the Rayner scrutiny programme and in pursuing the results more widely by following up their implications for other similar functions. It takes the lead in interdepartmental studies where appropriate.

37. **FP2** is responsible for carrying out studies on achieving economy in areas common to most departments (eg messengerial, typing, reprographic, transport and mail services). Because of its concern with common services, it is also responsible for manpower control in PSA, HMSO and COI (see above paragraph 27).

38. **The Staff Inspection and Evaluation Division (SIED)** (through its CSD-trained inspectors) monitors the effectiveness of departmental manpower control systems (including departmental staff inspection) and grading and complementing standards with the aim of ensuring that work in departments is organised in the most economical and effective way. The CSD staff inspectors have a right of access to all departments.

Central Computer and Telecommunications Agency (CCTA)

39. **CCTA**'s main functions are:

a. to purchase administrative and scientific computers and telecommunications equipment for government departments in accordance with the government's procurement policy;

b. to exercise financial control over departmental expenditure exceeding certain predetermined limits on administrative computers and telecommunications equipment;

c. to appraise departmental arrangements for planning, managing and implementing computer and telecommunications projects;

d. to provide technical and consultancy advice to departments;

e. to advise departments on computer staffing and training;

f. to co-ordinate action within government for the development of standards and codes of practice;

g. to operate a computer centre providing a data processing service, primarily to departments with no capacity of their own, and a programme testing service.

40. CCTA has recently been reorganised so as to bring together responsibility for financial approval of projects and appraisal of departmental project implementation and control systems within a single division - **CT (Projects) (CT(P))**. Technical services have also been concentrated in a single division - **CT (Technical Services) (CT(TS))**. CCTA's telecommunications division has ceased to be a separate entity and its technical, financial and project activities merged with parallel work on computers. These divisions, along with **CT (Procurement and Computer Centre) (CT(PC))** and the **CT (Secretariat) (CT(S))** - which is responsible for overall policy, administration and ADP staffing - report to the Director of CCTA (a CSD Under Secretary).

Pay

41. The arrangements for settling the pay of non-industrial civil servants are normally governed by the Civil Service Pay Agreements of 1974 and 1977 but these have been suspended for the April 1981 pay settlement which will be determined on the basis of cash limits.

42. There are 4 divisions dealing with the pay of the non-industrial Civil Service:

a. **Pay 1** deals with general pay policy, the pay of the middle and higher grades in the Administration Group and the Higher Civil Service;

b. **Pay 4** deals with the pay of scientists, engineers and associated specialist groups;

c. **Pay 5** deals with the clerical, typing and similar grades, and pay in controlled fringe bodies;

d. **Pay 6** deals with the pay of messengers, typists, cleaners and similar grades; the pay of departmental police and fire service grades; annual leave; London Weighting overtime and other pay-related allowances; the rules related to progression through the pay scales.

43. **Pay 3** deals with the pay of Civil Service industrial grades and the pay of public service groups, including in particular nationalised industry board members and MPs and Ministers. The pay of industrials has tended to be negotiated on the basis of comparability, but separately from that of non-industrials. Where there is a specific outside analogue employing departments negotiate directly with the unions concerned; for the vast majority of industrials basic pay is negotiated by the CSD with the unions at national level, but productivity bargaining is conducted by departments at local level, subject to CSD control.

Superannuation and Allowances

44. The Superannuation Act 1972 gave the Minister for the Civil Service authority to make, maintain and administer pension schemes for Civil Servants. The main scheme made under the Act was the Principal Civil Service Pension Scheme. From November 1979, under the terms of the Social Security Pension Act 1975, public service pensions are increased at the same time and by the same percentage as the earning-related component of the State Pensions Scheme.

45. Authority to calculate and award most forms of Civil Service superannuation payment has been delegated to 10 major departments who act under detailed instructions from **Superannuation Division (S)**. Where authority has not been delegated, either for a type of award (eg injury benefits) or a particular group of staff, awards are made by S Division. Actual payment of pensions is made by the Paymaster General's Office.

46. In addition, the Minister for the Civil Service has consent powers over pension schemes of the staff in the control of fringe bodies and of various Board members and the Judiciary.

47. Allowances (such as subsistence, entertainment, mileage allowances and foreign service allowances), special leave and similar conditions of service are the responsibility of the **Home and Overseas Allowances Division (HOA)** which reports to the Under Secretary responsible for superannuation. This Division is also responsible for Armed Forces pay and allowances.

Personnel Management

48. The task of personnel management is shared between CSD and the individual employing departments in close consultation with the unions. Each department is responsible for the management of its own staff, but because of the need to maintain common standards, CSD takes the lead in drawing up rules and provides guidance on personnel management matters.

49. Because it is desirable to move members of certain specialist groups and classes between departments (particularly where the number of specialists in a department is too small to provide a proper career structure), the CSD exercises a measure of central management over areas such as recruitment, career development, promotion and training. Most of the main specialist groups have Management Committees, with a CSD secretariat and usually chaired by a senior professional, to advise CSD and departments.

50. The Personnel Management Divisions are:

a. **PM1** and the **Public Appointments Unit (PAU)**: PM1 deals with management questions concerning the Open Structure; personnel management of the Administration Group and the Secretarial Category. PAU - which is headed by a director (a CSD Under Secretary who undertakes this task along with other duties) is responsible for advising on membership of Royal Commissions, committees and public bodies. The division operates mainly through the Permanent Secretary and may either suggest names (or lists of names) or tender advice on names suggested by those responsible for the appointments.

b. **Industrial Relations Division (IR)**: industrial relations policy in the Civil Service including arbitration policy and the Civil Service Arbitration Tribunal;

c. **PM3**: questions of structure; the personnel management of specialist groups, including the P & T and Science Groups and those allied to the Administration Group; personnel management of Administration Group staff in functional specialisms; inter-departmental postings; promotion policy;

d. **PM4** the Job Satisfaction Team; PM Research Branch; general personnel management policy; catering policy; health and safety; welfare.

e. **PM5**: Civil Service conduct; discipline; retirement policy; security policy;

f. **Statistics Division: (Stats)**: provides statistical support for CSD divisions (in particular the Manpower Divisions).

The College and Training Division

51. The main aim of the **Civil Service College** is to improve Civil Servants' efficiency by providing that training which is more effectively or more economically done centrally. It provides some 3% of Civil Service training through a wide range of courses and seminars.

52. The Principal of the College is a CSD Under Secretary; included in his command is **Training Division (TD)** which is responsible for co-ordination and providing advice and guidance on training to departments. For this purpose, departmental training is monitored by TD's Training Liaison Officer (TLO) service. Each TLO maintains close touch with a number of departments allocated to him and is responsible for a specialism such as self-instructional techniques.

Civil Service Catering Organisation

53. **CISCO** was established in 1972 by the amalgamation of the two existing government catering organisations: the CSD Directorate of Catering and the Treasury Catering Advisory Service. CISCO operates a network of some 250 directly-run restaurants throughout the Civil Service. The staff of these restaurants are civil servants and are carried on CSD's manpower count. Not all departments have CISCO-run restaurants; some are run instead by internal committees of departmental and staff side representatives.

54. The Director of Operations is responsible for production and sales in CISCO restaurants through a network of Regional Catering Offices, and advises departments on the planning and management of Committee-run restaurants. The Director of Sales and Marketing carries out negotiations with departments and the PSA and evaluates customer requirements. The Director of Supplies and Services makes the basic purchasing arrangements of the whole organisation with national suppliers. The Director of Personnel and Administration administers all the management and much of the industrial workforce in CISCO restaurants. The Chief Accountant is responsible for forecasting and monitoring CISCO's performance. These five officers report to the CISCO Chief Executive.

Medical Advisory Service

55. **MAS** provides advice to CSD and other departments on medical issues (eg retirement on health grounds).

Recruitment

56. Central recruitment in the Civil Service and oversight of recruitment delegated to departments is undertaken by the Civil Service Commission. The Head of the Commission, the First Civil Service Commissioner, is responsible for the recruitment and selection of staff for permanent posts in the Home Civil Service and Diplomatic Service. He is also a CSD Deputy Secretary and as such, is responsible to CSD's Second Permanent Secretary for matters concerned with recruitment policy. The Commissioners (the First Commissioner and the four Second Commissioners) are appointment by the Queen in Council and in the exercise of their selection function, are independent of ministerial control.

57. The Commission has five recruitment divisions:

a. **Administrative Division (AD)**: which recruits Administration Trainees and direct entry Principals and similar staff in the Diplomatic Service, Economist and Statistician Group, and the Tax Inspectorate (selection of these staff is carried out through the **Civil Service Selection Board - CSSB**);

b. **Executive and Clerical Division (ECD)**: which recruits Executive Officers and clerical staff;

c. **Science and Technology Division (STD)**: which recruits scientists, engineers, architects, etc;

d. **General Competition Division (GCD)**: which recruits service-wide and departmental grades not dealt with by other divisions (eg accountants, lawyers, factory inspectors etc);

e. **Written Examination Unit (WEU)**.

These divisions are supported by the Common Service Units which include the Secretariat (which is responsible for co-ordinating general recruitment matters and for inquiries and recruitment statistics); and the **Careers Information Division (CID)** (which is responsible for advertising competitions, producing publicity material, and liaising with career services through the Commission's regional offices).

Ceremonial Branch

58. The Ceremonial Branch, under the direction of the Ceremonial Officer (a CSD Assistant Secretary), is responsible for the preparation of submissions (via the Permanent Secretary) to the Prime Minister and the Queen on awards of honours, decorations and medals. It is also responsible for arrangements in connection with various ceremonial matters and co-ordination of policy.

Common Services

59. CSD's Central Group is made up of seven divisions. These are:

a. **Central Division (CD)**: responsible for co-ordination of CSD activities and matters involving CSD interests generally (eg Treasury and Civil Service Select Committee); provision of secretariat to the inter-departmental standing committees of Establishment Officers and Permanent Secretaries;

b. **Organisation Division (ORG)**: domestic staff inspection, management services, staff estimates and complements;

c. **Information Services Division (INF)**: Press section and public relations; library and publication services;

d. **Personnel Services Division (PS)**; staffing and personnel management of CSD staff; domestic personnel management plans and policies; departmental training and pay and conditions; welfare;

e. **Finance Division (FIN)**: management accounts; book-keeping; other financial matters and control of expenditure; payments; internal audit;

f. **Office Services Division (OS)**: accommodation services, communications and security; reprographic, secretarial and messengerial services; stationery and office equipment;

g. **Chessington Computer Centre (CCC)**: payroll and staff record services for CSD and some other departments.

WORKING PAPER 2

ALLOCATED POSTS IN TREASURY AND CIVIL SERVICE DEPARTMENT

HM TREASURY : ALLOCATED POSTS AS AT 1.10.80

1.	Central Services:	404.5	EOG	:	367.5
			CU	:	15
			IDT	:	22
2.	Chief Economic Adviser's Sector:	47	EA1	:	14
			EA2	:	7
			EA3	:	10
			MP1	:	9
			MP2	:	7
3.	Overseas Finance Sector:	98	IG1	:	20
			IG2	:	9
			IG3	:	9
			FEU	:	9
			EF1	:	14
			EF2	:	4
			AEF1	:	18
			AEF2	:	7
			AEF3	:	8
4.	Domestic Economy Sector:	194	HF1	:	18
			HF2	:	6
			HF3	:	10
			Accounts	:	42
			FP1	:	14.5
			FP2	:	4
			IP1	:	18
			IP2	:	11
			IA1	:	17
			IA2	:	11
			PE1	:	17
			PE2	:	8
			PE3	:	4
			DEU1	:	8.5
			DEU2	:	5
5.	Public Services Sector				
	a. Public Services:	94	SS1	:	13
			SS2	:	11
			LG1	:	13
			LG2	:	10
			HE1	:	16
			HE2	:	7
			DM1	:	21
			DM2	:	3.5
	b. General Expenditure:	93	GEP1	:	11
			GEP2	:	20
			GEA1	:	11
			GEA3	:	23
			PAU1	:	1
			PAU2	:	5.5
			AP1	:	11
			AP2	:	10.5

6.	Senior Management and Private Offices:	107
7.	Rating of Government Property Department:	44
	TOTAL	**1081.5**

NB: Under Secretaries and common registry staff are included in the first division in each Under Secretary command.

CIVIL SERVICE DEPARTMENT : ALLOCATED POSTS AS AT 1.10.80

1.	Manpower Control:	50	M1	:	17.5
			M2	:	15
			M3	:	17.5
2.	Management and Organisation:	88.5	OR	:	29
			MD	:	28
			AFA	:	23
			MG	:	8.5
3.	Functions and Programmes:	90	FP1	:	12
			FP2	:	17
			SIED	:	50
			Chain of Command	:	11
4.	CCTA:	736			
5.	Pay:	109	Pay 1	:	22
			Pay 3	:	19
			Pay 4	:	18
			Pay 5	:	18.5
			Pay 6	:	31.5
6.	Superannuation and Allowances:	79	Superannuation	:	58
			Home and Overseas Allowances	:	21
7.	Personnel Management and Public Appointments Unit:	149.5	PM1) PM3) PM4)	:	94.5
			(Posts to be re-allocated following a reorganisation of the PM Divisions)		
			IR	:	11
			Stats	:	33.5
			PAU	:	10.5
8.	College and Training Division:	313	College	:	300
			Training Division	:	13
9.	CISCO:	1850			
10.	Medical Advisory Service:	43.5			
11.	Recruitment:	352	AD	:	30
			ECD	:	116
			SandTD	:	46
			GCD	:	24
			WEU	:	15
			CID	:	28
			Secretariat	:	32.5
			Regional Officers	:	35.5
			CSSB:		25

12.	Ceremonial:	12.5			
13.	Senior Management and Private Offices:	52			
14.	10 Downing Street	67.5			
15.	Common Services	1094	CD	:	8
			ORG	:	8
			INF	:	18.5
			PS	:	85
			FIN	:	99
			OS	:	421.5
			CCC	:	454
16.	Miscellaneous:	22	Civil Service Appeal Board	:	4.5
			Staff not elsewhere allocated	:	17.5
TOTAL:		**5108.5**			

NB: Under Secretaries are included in the first division in each Under Secretary command).

WORKING PAPER 3

SUMMARY OF CSD AND TREASURY DEPARTMENTAL RUNNING COSTS, 1980–81

£ million	CSD	CCTA	CISCO	HMT	TREASURY SECURITY GUARD	RGPD
1. Staff	24.422	7.466	0.965	10.944	1.023	0.452
2. Other Services	2.353	0.782	0.001	0.549	0.002	0.032
3. Personnel Overheads	2.011	0.550	0.362	0.288	0.010	0.031
4. Accommodation	8.798	1.633	0.074	3.008	0.016	0.122
5. Office Services	5.587	2.349	0.181	2.241	0.016	0.044
6. Other	-	-	-	0.317	-	-
TOTAL	43.171	12.780	1.583	17.347	1.067	0.681
Total CSD etc		57.534				
Total Treasury etc					19.095	

NOTES:

1. CSD costs include Office of the Parliamentary Counsel and Government Hospitality Fund.

2. The Treasury Security Guard provides a service to a number of other departments. The net cost of the service to the Treasury is £0.754 million.

WORKING PAPER 4

FUNCTIONS AND RESPONSIBILITIES OF CERTAIN DIVISIONS IN HM TREASURY AND THE CIVIL SERVICE DEPARTMENT

PART 1 : POLICY AREAS

FUNCTIONS AND RESPONSIBILITIES OF SPECIFIC EXPENDITURE DIVISIONS IN THE TREASURY

Functions

1. The main functions of Treasury staff with specific expenditure responsibilities are as follows:

a. to advise Treasury Ministers on programme allocations within Public Expenditure Survey (PES) totals;

b. to ensure that control totals (cash limits/Estimates) for the coming year are within approved PES plans;

c. to ensure that spending within the year is properly monitored using the Financial Information System, and where necessary to promote corrective action;

d. to ensure prior consultation on new policy proposals to prevent spending commitments outside an agreed programme;

e. to secure thorough examination of policy questions with expenditure implications which cut across departmental or programme boundaries;

f. to advise on and monitor correct observance of Parliamentary procedures and requirements concerning public expenditure;

g. to monitor and to promote effective departmental systems of financial control.

Organisation

2. The allocation of expenditure control responsibilities between Treasury expenditure groups is as follows:

	Group	Main Subjects Covered	Main Departments	Staffing*
A	COMPLETE GROUPS			
(a)	HE			1 US 1 Personal Secretary
	HE1:			
		Roads Local transport Financial aspects of broadcasting	Dept of Transport Scottish Office Welsh Office Home Office Public Trustee	1 AS 1 Personal Secretary 1 Principal 1 HEO 0.5 EO 1 CO

*Staff-in-post as at 1.10.80

	Group	Main Subjects Covered	Main Departments	Staffing*
	HE1 (Cont'd):	Police Prisons Civil defence Probation and after care Fire Immigration Community Services Administration of Justice	Home Office Scottish Home and Health Department Lord Chancellor's Departments Treasury Solicitor Lord Advocates Dept NI Court Services Queen's and Lord Treasurer's Rememb rancer	1 Principal 2 HEOs 1 EO
	HE2:			1 AS 1 Personal Secretary
		Higher education Teacher training Educational research Science	DES Scottish Education Department Research Councils	1 Principal 1.5 EOs
		Schools and further Education Sport	DES SED Welsh Office DOE Scottish Office	1 Principal 1 EO
	Clerical Section			1 EO 2 COs 3 CAs
(b)	DM			1 US 1 Personal Secretary
	DM1	Policy and Budget NATO Policy and supply for: Royal Navy RAF Army ROFs Civil Aircraft and Engines	MOD DOI	1 AS 1 Personal Secretary 4 Principals 4 HEOs 1 AT 1 Typist
	DM2:	Defence works MOD lands NAAFI Armed Forces pay (budget) Recruitment Rescues	MOD PSA	1 S. Principal 2 HEOs 0.5 EO
	Clerical Section			0.5 EO 4 COs 3 CAs

	Group	Main Subjects Covered	Main Departments	Staffing*
(c)	**SS**			1 US 1 Personal Secretary
	SS1:	Social security benefits and contributions Royal Commission on Civil Liability	DHSS	1 AS 1 Personal Secretary 1 Principal 1 HEO 1 AT
		Civil Accommodation Parliamentary accommodation and other costs of Parliament Civil Service Department Election expenses	PSA HMSO COI CSD Ordnance Survey	1 Principal 2 HEOs 2 COs
	SS2:	Hospitals and community health services Family Practitioner Service Personal Social Services Crown Estate	DHSS SHHD Welsh Office	1 AS 1 Personal Secretary 1 Principal 1 HEO 1 EO 1 HEO 1 EO 1 CO
		National heritage Historic buildings Royal palaces and parks Arts Museums and galleries Records and registration Treasure Trove	OAL Land Registry PRO DOE Scottish and Welsh Offices	1 SEO 1 HEO 1 EO 1 CO 1 CA
(d)	**LG**			1 US 1 Personal Secretary
	LG1:	Co-ordination of local authority expenditure and finance including RSG	DOE Scottish and Welsh Offices	1 AS 1 Personal Secretary 1 Principal 1 AT 1 CO

	Group	Main Subjects Covered	Main Departments	Staffing*
	LG1 (Cont'd):	Water Industry Local Environmental Services Urban Programme inc. UDCs	DOE Scottish and Welsh Offices RGPD	1 Principal 1 HEO 1 CO
	LG2:	Housing New Towns	DOE Scottish and Welsh Offices	1 AS 1 Personal Secretary 1 Principal 1 SEO 1 HEO 1 CO
		Northern Ireland Scotland and Wales: general expenditure policy and co-ordination Channel Islands Isle of Man	NI Dept of Finance NIO Scottish and Welsh Offices	1 Principal 1 HEO 1 CO
	Clerical Section			1 CO 2 CAs
(e)	IA			1 US 1 Personal Secretary
	IA1:	Agricultural support E C Agriculture Budget Capital grants Food subsidies	MAFF DAFS WO Agricultural Department	1 AS 1 Personal Secretary 1 Principal 1 HEO
		Educational Advisory and R&D services Livestock and Pest Control Land management Crofting Fisheries	MAFF DAFS WOAD Forestry Commission	1 Principal 1 HEO
	IA2:	Regional and rural policy	DOI Scottish Office and SDA Welsh Office WDA	1 AS 1 Personal Secretary 1 Principal 1 HEO 1 CO
		Selective assistance to industry Industrial R&D	DOI	1 Principal 1 AT

	Group	Main Subjects Covered	Main Departments	Staffing*
	IA2 (Cont'd):	Shipbuilding Civil space Shipping Films Tourism Companies regulation Consumer protection Law of the sea	DOI DOT OFT	1 Principal 1 HEO 1 CO
	Clerical Section			1 EO 4 COs 5 CAs 1 Typist
(f)	PE			1 US 1 Personal Secretary
	PE1:	Energy policy North Sea oil and gas	Dept of Energy	1 AS 1 Personal Secretary 1 Principal 1 EO 1 AT
		Nuclear energy Electricity Coal	Dept of Energy Scottish Office	1 Principal 1 HEO 1 CO
	PE2:	Surface transport rail road water	Dept of Transport Scottish Office	1 AS 1 Personal Secretary 1 Principal 1 AT
		Nationalised industry general policy Posts and Telecommunications	Sponsor depts for NIs	1 Principal 1 HEO 1 AT
	PE3:	BSC British Airways BAA	DOI DOT	1 AS 1 Personal Secretary 1 Principal 1 HEO
	Clerical Section			1 EO 4 COs 3 CAs
B	**PART OF GROUPS**			
(g)	IP			1 US 1 Personal Secretary
	IP1:	NEDO Estimates	NEDO	1 AS 1 Personal Secretary 1 Principal 1 EO

	Group	Main Subjects Covered	Main Departments	Staffing
	IP2:	Employment service	Dept of Employment MSC and agencies ACAS	1 Principal 1 HEO 1 CO
(h)	AEF			1 US 1 Personal Secretary
	AEF1:	Overseas aid	ODA	1 AS 1 Personal Secretary 1 Principal 1 HEO 1 EO
	AEF2:	Technical co-operation and international aid Overseas Information	FCO ODA	1 AS 1 PS 1 Principal 2 HEOs
	AEF3:	Export credits Export promotion	ECGD DOT	1 AS 1 Personal Secretary 1 Principal 1 EO
	Part of Clerical Section			1 EO 5 COs 4 CAs
(i)	HF			1 US 1 Personal Secretary
	HF2:	Debt management Coinage	Bank of England Royal Mint	1 Senior Principal 1 SEO 1 HEO
		National savings	DNS	1 Principal 1 EO
	Clerical Section			1 CO
(j)	IG			1 US 1 Personal Secretary
	IG2:	UK contribution to EC Budget		1 AS 1 Personal Secretary 1 Principal 1 HEO 1 EO

3. The total number of staff with expenditure responsibilities is as follows:-

Under Secretary	10
Assistant Secretary	17
Senior Principal	2
Principal	32
SEO	3
HEO/HEO(A)	30
EO/AT	24
Clerical and Secretarial staff	85
TOTAL	**203**

It should be noted, however, that few, if any, of the senior staff of the groups in part B of the list are engaged full-time on expenditure control.

FUNCTIONS AND RESPONSIBILITIES OF THE CSD MANPOWER GROUP

Functions

4. The principal ways in which CSD control of manpower and related costs are currently carried out are:

a. Scrutiny and recommendation to Ministers on Civil Service pay and related expenditure to be included in public expenditure survey programmes, and in the Supply Estimates/Cash Limits.

b. Appraisal and approval of computer projects.

c. Monitoring the progress of expenditure against profiles during the course of the financial year.

d. Specific control over departments' approved manpower levels and monitoring of staff numbers throughout the years.

e. Specific approval of individual posts above delegated levels.

f. Consideration of, and recommendations to Ministers about, the manpower implications of proposals for new or expanded activities, and contribution to the development of departmental policies with major manpower implications.

g. Monitoring the effectiveness of departments' manpower control systems, and grading and complementing standards.

Organisation

5. The work of the Manpower Group is divided between three Divisions under an Under Secretary, which between them have 6 Branches each with an allocation of departments together with a co-ordinating Central Branch. In addition, a seventh departmentally-orientated Branch is located in the FP command. Total staff, including this Branch, is 52*. The allocation of departments is as follows:

*Staff in post as at 1.10.80

	Main departments	Total staff covered	Branch Staff
Branch A (Manpower 1)	Home Office, MAFF, DES, Scottish, Welsh and NI Offices	95,000	1 Principal 2 HEOs 1 EO 1 CO
Branch B (Manpower 2)	MOD, FCO, ODA	261,000	1 Principal 2 SEOs 2 EOs 1 CO 0.5 CA
Branch C (Manpower 2)	Trade, Industry, Energy, Lord Chancellor's Dept.	41,000	1 Principal 2 HEOs 1 EO 1 CO 0.5 CA
Branch D (Manpower 3)	DHSS, Inland Revenue	186,000	1 Principal 2 HEOs i AT 1 CO 0.5 Typist
Branch E (Manpower 3)	Customs & Excise, Employment and agencies	84,000	1 Principal 2 HEOs 1 EO 1 CO
Branch F (Manpower 3)	DOE (excl PSA), Transport, DNS, CSD, Treasury	53,000	1 Principal 1 HEO 1 EO 2 COs
(FP 2)	PSA, HMSO, COI	48,000	1 Principal 1 HEO 1 CO

There is a considerable amount of variation in the ratios between departmental numbers and size of Branch. This results from the effort required to exercise basic control functions in respect of numerous, though individually small, departments.

6. In addition, Central Branch within Manpower 1 Division is responsible for general policy work, co-ordinating the activities of the other Manpower Branches, and the central collection and analysis of statistics of manpower numbers and administrative expenditure. It is staffed by 1 Principal, 1 SEO 1 AT, 1 HEO, 2 EOs, 1 CO, 1 CA and 0.5 Typist.

7. The total number of staff engaged on manpower control, including those in FP2 at or below Principal level, is therefore:

Under Secretary	1
Senior Personal Secretary	1
Assistant Secretary	3

Personal Secretary	3
Principal	8
SEO	3
HEO	11
EO	8
AT/HEO(A)	2
CO	9
CA	2
Typist	1
	52

FUNCTIONS AND RESPONSIBILITIES OF THE GENERAL EXPENDITURE ANALYSIS GROUP IN THE TREASURY

8. The General Expenditure Analysis (GEA) Group is made up of four divisions:

a. GEA1;
b. GEA3;
c. The Public Services Sector Analytic Unit 1 (PAU1);
d. PAU2.

The staffing of these divisions is shown in Figure 4.1.

GEA1

9. GEA1's main aims and tasks are:

a. to provide statistical assistance and advice in the design and conduct of the annual Public Expenditure Survey;

b. to prepare public expenditure estimates and projections for economic forecasts and for the Budget and to prepare public sector tables for the Financial Statement and the Budget Report;

c. to monitor public expenditure during the year;

d. to monitor outturn information on the Public Sector Borrowing Requirement and the main financial balances against the forecasts, to prepare analyses of changes in successive forecasts and of changes between the forecasts and the outturn;

e. to provide a general statistical service to the Public Services Sector (and the General Expenditure Policy Group in particular); this includes work on public expenditure statistics in the EEC, on local government financial statistics and employment, and on public sector pay.

GEA3

10. GEA3's main tasks are:

a. correction and scrutiny of statistical returns associated with the Annual Public Expenditure Survey and Supply Estimates; monitoring expenditure against pre-determined profiles;

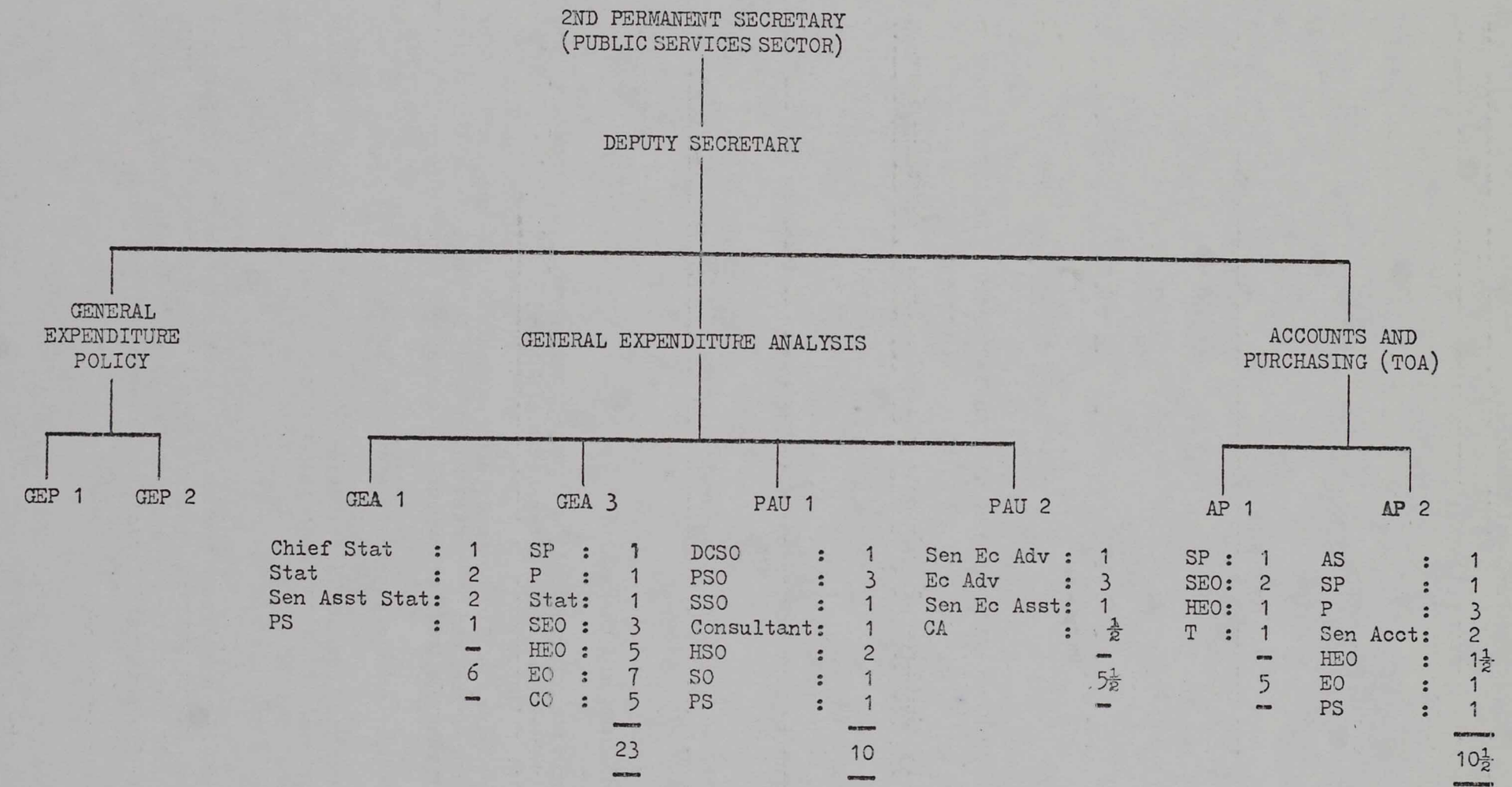


FIGURE 4.1

NB

1. The GEA Group share a clerical section of 2 COs and 1 CA
2. AP share a clerical section of 3 COs and 2 CAs
3. All the staff of PAU 1 (except for the PS) are borne on CSD's manpower count
4. Figures represent allocated posts as at 1.10.80

TREASURY
Present Organisation

b. computer processing of this information and production of documents and reports for Treasury/CSD divisions, the public expenditure White Paper etc.

11. GEA3 is responsible for the development of the Financial Information System to improve the quality and usefulness of reports for users. GEA3 is currently carrying out experiments in Treasury expenditure divisions with a view to installing terminals and VDUs which would give these divisions direct access to data.

12. In view of the growing interest in information systems for financial control, a sub-committee of the Public Expenditure Survey Committee has been reconstituted. This Committee is made up of representatives CSD (AFA), Treasury (including GEA3 and PAU1) and departments. Its new terms of reference are:

> "to keep under review the means of collection, the methods of processing and the forms of presentation of material for the Public Expenditure Survey, Estimates and the monitoring of expenditure and the development of management information and control systems; to foster interdepartmental collaboration in the development of computerised systems".

13. Concerned by the lack of information at the Centre about the current position on departments' financial arrangements, the Group has set up a small fact-finding study team. Because of the Treasury's experience in computerising financial information (and its interest in ensuring that departmental financial systems are compatible with its own) and the CSD's experience in management accounting, the study team is made up of members of CSD and Treasury. Its terms of reference are:

a. to examine the collection and use of financial accounting and management information in a range of central government departments;

b. in the light of this to identify areas of potential improvement bearing in mind the organisation of the department and central requirements;

c. to report on features which appear to offer scope for inter-departmental collaboration in developing computer systems.

The team has begun its work by visiting FCO and Department of Employment and hopes to visit six or seven departments in all.

PAU1

14. PAU1 (formerly the Operational Research Unit) was set up in 1972 and is funded jointly by Treasury and CSD. It has four main functions:

a. forecasting: this consists of general support to Treasury divisions in their analysis of departmental forecasts and bids for expenditure. This work often leads to the unit proposing a more formal forecasting system normally for use by departments which is developed and handed over to them. One such model was introduced in ECGD and has reduced forecasting errors from £300 million per annum to less than £50 million per annum. Current forecasting work is concentrated on UK contributions to the EEC.

b. within year monitoring: PAU1 helped identify the need for, and implement, the Financial Information System to forecast central government expenditure and identify programmes where major over- or

under-spending appeared likely. PAU1 has also built forecasting and monitoring models for local authorities and nationalised industries.

c. output measures: PAU1 is currently involved in government-wide discussions on the possible development of output measures for publicly financed programmes. Such measures could help the Treasury and departments to identify the benefits of spending more money on particular programmes and encourage departments to make better use of their resources.

d. value for money: PAU1 has carried out work in specific areas to try to improve efficiency. One example of this concerned a study of the causes and extent of cost and time overruns of defence projects. Another piece of work currently in progress involves building a model of the criminal justice system (police, courts, prisons etc) which should show the effects on the rest of the system of a change in the resources devoted to any one part; this should make for more realistic planning decisions.

PAU2

15. PAU2 advises Public Services divisions on the economic aspects of general policy issues and particular projects; carries out economic studies where necessary; and represents this area of the Treasury on issues where technical economic matters are of prime importance.

FUNCTIONS AND RESPONSIBILITIES OF THE ACCOUNTS AND PURCHASING GROUP IN THE TREASURY

16. The Under Secretary in charge of the AP Group is also the Treasury Officer of Accounts (TOA) and, as such, represents the Treasury at hearings of evidence by the Public Accounts Committee (PAC). He is supported by two divisions:

a. AP1;
b. AP2.

The staffing of these divisions is shown in Figure 4.1.

AP1 - Treasury Officer of Accounts Division

17. AP1's main aims and tasks are:

a. to advise other Treasury divisions and departments on relations between Parliament and the Executive in financial matters of all kinds;

b. to provide the main channel of communication between the Treasury, the CSD and the spending departments on the one hand, and the PAC on the other; and in particular to prepare Treasury Minutes on PAC reports and to issue advice to departments in the light of the reports;

c. to provide a channel of communication between the Treasury, the CSD and the spending departments on the one hand, and the Comptroller and Auditor General and his staff on the other;

d. to advise on the responsibilities and functions of Accounting Officers and Principal Finance Officers; to initiate formal action on the appointment of Accounting Officers;

e. to maintain the accounting and auditing arrangements designed to secure Parliamentary control of expenditure; to advise on the form of the Appropriation Accounts, White Paper accounts and commercial or trading accounts for departments; to advise on particular problems of Vote accounting;

f. to advise Treasury divisions on proposed financial provisions affecting public funds in draft Bills.

AP2

18. AP2's main aims and tasks are:

a. to advise other Treasury divisions on matters connected with interpretation of financial statements and on financial accounting matters (including setting targets; introducing performance indicators; project appraisal) in relation to public sector bodies operating on commercial lines and to private sector enterprises as they may arise;

b. to advise other Treasury divisions on cost accounting work and to liaise with the CSD as appropriate over management accountancy and management projects;

c. to advise Treasury divisions and departments on general financial aspects of developments in central government organisation eg hiving off, trading funds;

d. to supervise policy on fees and charges and costing arrangements for determining them; to advise divisions on case work eg proposals from departments for introducing or increasing fees and charges;

e. to formulate and co-ordinate public sector purchasing policy including general policy in the competitive field; international aspects of public purchasing, including representation of the UK in negotiations within the EEC;

f. technical work in deriving the formalae for profits on government contracts which are met without competition. These take the form of detailed accountancy conventions which are agreed by the Non-Competitive Government Contracts Board which meets every three years;

g. to draw up the details of the agreement between the Treasury (on behalf of the user departments) and the Post Office for the use of Post Office counter services.

FUNCTIONS AND RESPONSIBILITIES OF THE FUNCTIONS AND PROGRAMMES GROUP IN CSD

19. The Functions and Programmes Group is currently made up of four divisions:

a. FP1;
b. FP2;
c. The Staff Inspection and Evaluation Division (SIED);
d. The Chain of Command Review.

The staffing of these divisions is shown in Figure 4.2.

FP1

20. FP1 is responsible for CSD's role in the continuing programme of work by departments on efficiency reviews of particular functions and activities which the government launched in accordance with the recommendations of Sir Derek Rayner. The initial work of the division (which was set up, with FP2, in October 1979) was to provide support to Sir Derek Rayner's office in commenting on departmental proposals for scrutinies. As scrutinies are completed, FP1 takes the lead within CSD in pursuing the results of the programme, both directly in the department concerned (by working with the Manpower Divisions to ensure that savings are actually achieved) and more widely, by following up the implications for similar functions conducted elsewhere in government (eg the structure and organisation of local/regional office networks; central government relationships with local authorities).

21. FP1 also takes the lead as appropriate in interdepartmental studies such as the review of Government Statistical Services.

FP2

22. FP2 is responsible for carrying out studies designed to achieve greater economy in, notably, the house-keeping areas common to most departments. It has been examining areas such as messengerial, typing and reprographic services and expenditure on post; it also includes a unit concerned with the economical use of civilian transport in government. FP2 is also responsible for the control of manpower in the common services departments: the Property Services Agency, Her Majesty's Stationery Office and the Central Office of Information.

Staff Inspection and Evaluation Division

23. SIED undertakes four tasks:

a. staff inspection: an independent and direct examination of work to see that it needs to be done; that the organisational structure in which it is done is conducive to its most economical and efficient performance; and that staff numbers and gradings are correctly related to the needs of the work. CSD monitors the effectiveness of departmental staff inspection and seeks to achieve consistent standards of complementing and grading throughout the Civil Service. It contributes to this work by training some staff inspectors; by undertaking inspections in departments independently or by joining in departmental inspections; by providing advice and guidance.

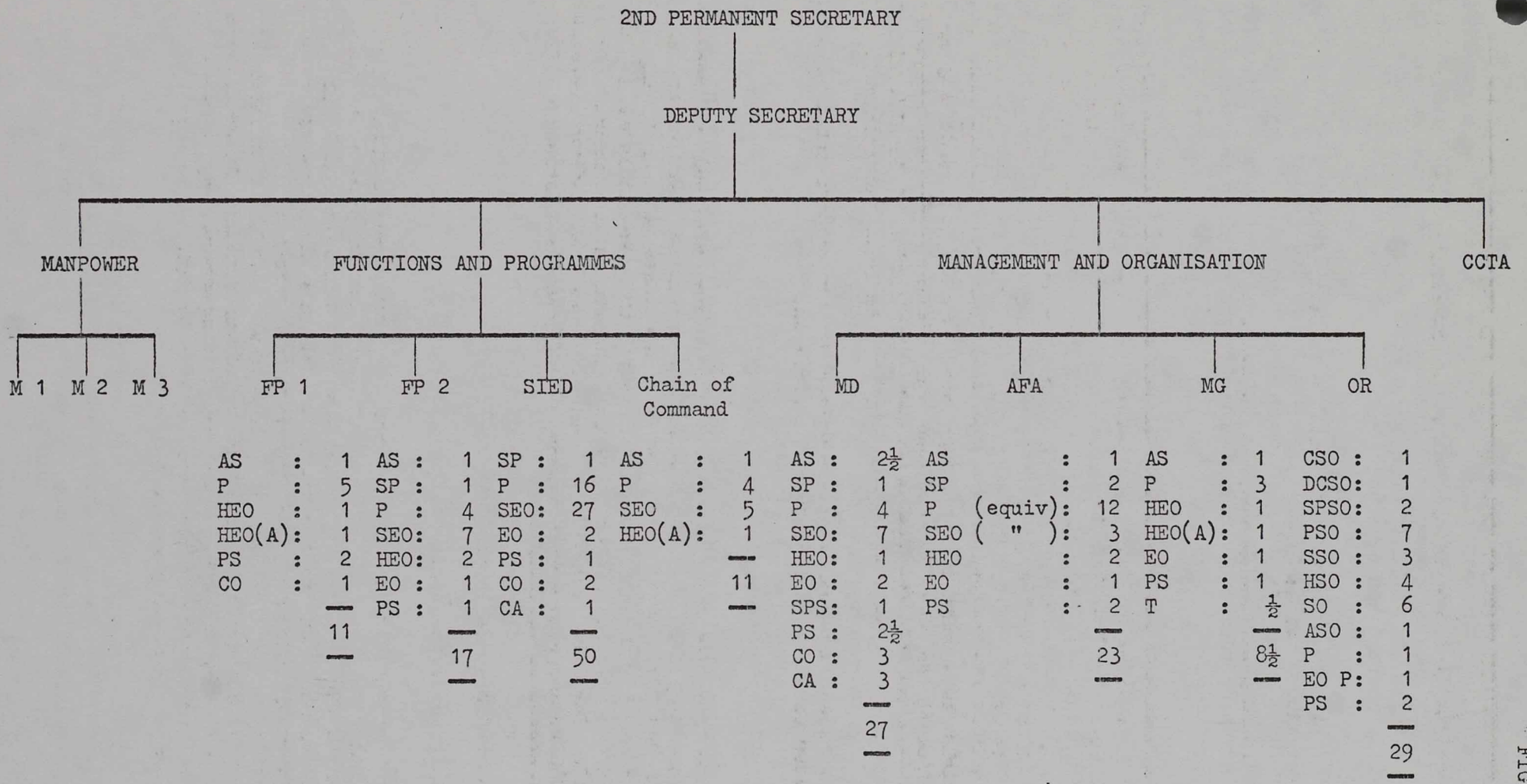


FIGURE 4.2

NB

1. MG Clerical Section is separately identified under the Chief Registrar and shared with PM. It consists of 1 EO, 5 COs and 1 CA.

2. Figures represent allocated posts as at 1.10.80

CIVIL SERVICE DEPARTMENT
Present Organisation

b. pay reviews: the pay of some civil servants for whom external analogues do not exist have their pay assessed by comparison within the Civil Service. The comparisons are made by job evaluation methods, in which the weight of different facets of a job are compared; the fieldwork is carried out by SIED.

c. Structure Reviews: following the Fulton Report, major exercises known as Structure Reviews were mounted which led to the creation of the Open Structure, the Administration Group and so on. The work has continued since the Fulton Report, but is now on a somewhat smaller scale. A recent review covered all the inspectorates in the Health and Safety Executive.

d. grading: work is being done in support of staff inspection activities to produce comprehensive guidance on grading standards.

Chain of Command Review

24. Following suggestions by Sir Derek Rayner and others that the Civil Service management hierarchy is too long, Ministers agreed that CSD should mount a review of the chain of command. Initially the review will concentrate on the work of the Open Structure and of the Administration Group and certain related groups and classes. Much of the review will be taken up in fieldwork involving a number of detailed studies of different types of work. The aim will be to examine the contribution of different management levels and, in the light of that, to consider the case for shortening the chain of command by abolishing grades and by restricting the number of management levels in particular areas of work. The fieldwork is planned to start in early November and to be completed about Easter of next year. The final report will be submitted later in the Spring.

FUNCTIONS AND RESPONSIBILITIES OF THE MANAGEMENT AND ORGANISATION GROUP IN CSD

25. The Management and Organisation (M&O) Group is made up of four divisions:

a. Management and Development (MD) Division;
b. Machinery of Government (MG) Division;
c. Accountancy Finance and Audit (AFA) Division;
d. Operational Research (OR) Division.

The staffing of these divisions is shown in Figure 4.2.

Management Development Division

26. MD's primary aim is to promote the development of good management practices and organisational frameworks within departments. MD is responsible for the management review programme which aims to examine the efficiency and the effectiveness of each department's organisation and management, with particular attention on the planning and control of resources. Each review is commissioned by the departmental Minister and carried out by a review team led by a senior official from the department and with members from both CSD (MD) and the department.

27. MD also carries out other assignment work in departments, ranging from reviews of efficiency in large organisational units within departments to O & M studies on behalf of departments who have no O & M capability of their own.

28. A significant part of MD's work is to draw together experience gained from assignment work to assist those carrying out future assignments and to develop CSD's own policies. This has resulted in a series of papers and a programme of seminars given by members of MD for staff in CSD and the Treasury. MD have also undertaken work in conjunction with the Treasury in clarifying the responsibilities of Accounting Officers, Principal Establishment Officers and Principal Finance Officers.

Machinery of Government Division

29. The organisation of government departments and the allocation of responsibilities between Ministers is a matter for the Prime Minister. The Prime Minister may look to the Head of the Home Civil Service for advice and MG would provide him with any support he required. MG also provides advice to departments on procedures to be followed in seeking changes in responsibility and often becomes involved in interdepartmental discussions on the proper allocation of functions.

30. MG, in consultation with the Treasury, is in the lead on all matters concerned with the follow-up to Sir Leo Pliatzky's Report on Non-Departmental Public Bodies (Cmnd 9797).

31. MG, in consultation with the Cabinet Office, offers central advice and guidance on matters arising from the creation of the new departmental Select Committees. It also deals with general questions about the Parliamentary Commissioner for Administration system and Schedule 1 to the House of Commons Disqualification Act 1975.

32. In addition to these responsibilities, MG has recently taken over the CSD lead in matters concerned with freedom of information.

Accountancy Finance and Audit Division

33. AFA has four main functions:

a. developing an improved accounting framework: AFA has developed the outline of an improved financial framework which should assist better financial management in departments while improving the value to Central departments of PES and Estimates. It would, for example, seek the attribution of common service and administrative costs so as to demonstrate the full costs of departmental activities. The next stage will be to develop these proposals to meet the particular circumstances of each spending department. AFA is also working with the Treasury and departments on identifying areas across departments where common computerised financial control systems could be introduced (see description of GEA3).

b. Increasing the number of qualified accountants in departments: AFA have been working on behalf of Training Division (and with PM3 and the Government Accountancy Service) in encouraging a better supply of trained accountants in Government. AFA have developed a method of identifying posts requiring accountants and have been deeply involved in the running of training schemes.

c. Consultancy Services to departments: AFA provides a consultancy service to departments too small to have their own management services staff. It also advises departments and other

parts of CSD on matters such as the review of the financing of CISCO and the move from allied services (ie the department supplying the service pays the bill) to repayment (ie where the department receiving the service pays).

d. Internal audit: AFA have been working to improve the quality of internal audit in departments and to increase senior management's understanding of the need for good internal audit (through seminars for PFOs; amendments and additions to Government Accounting etc). The work undertaken by AFA in improving audit includes a major review of the audit function in the Foreign Office; distribution of information on fraud to Finance Officers; the preparation of an audit manual.

Operational Research Division

34. The work of OR Division has "inward" and "outward" looking features. The first category includes:

a. the Pay Data System which is a computer system for costing pay negotiations. It brings together information on staff numbers and pay points to enable the Pay Divisions to cost different patterns and sizes of pay increases during negotiations with the unions and calculates and prints out the new scales once the settlement has been reached.

b. the Departmental Data System and the Cash Limits System are used with the PDS (described above) to enable the manpower divisions to revalue cash limits following a pay settlement;

c. also for manpower, an investigation of the complementing systems in large employing departments.

35. Some examples of the "outward-looking" work being done by OR are:

a. for the Lord Chancellor's Department, models developed to assist examination of the cost implications of changes in the use of legal aid and alternative ways of administering different parts of the scheme;

b. costing and option-scanning model built for use by the Committee on Public Records;

c. on repayment, a study made for the Mint of the consequences of likely developments to the UK coinage.

PART 2: COMMON SERVICES ORGANISATION

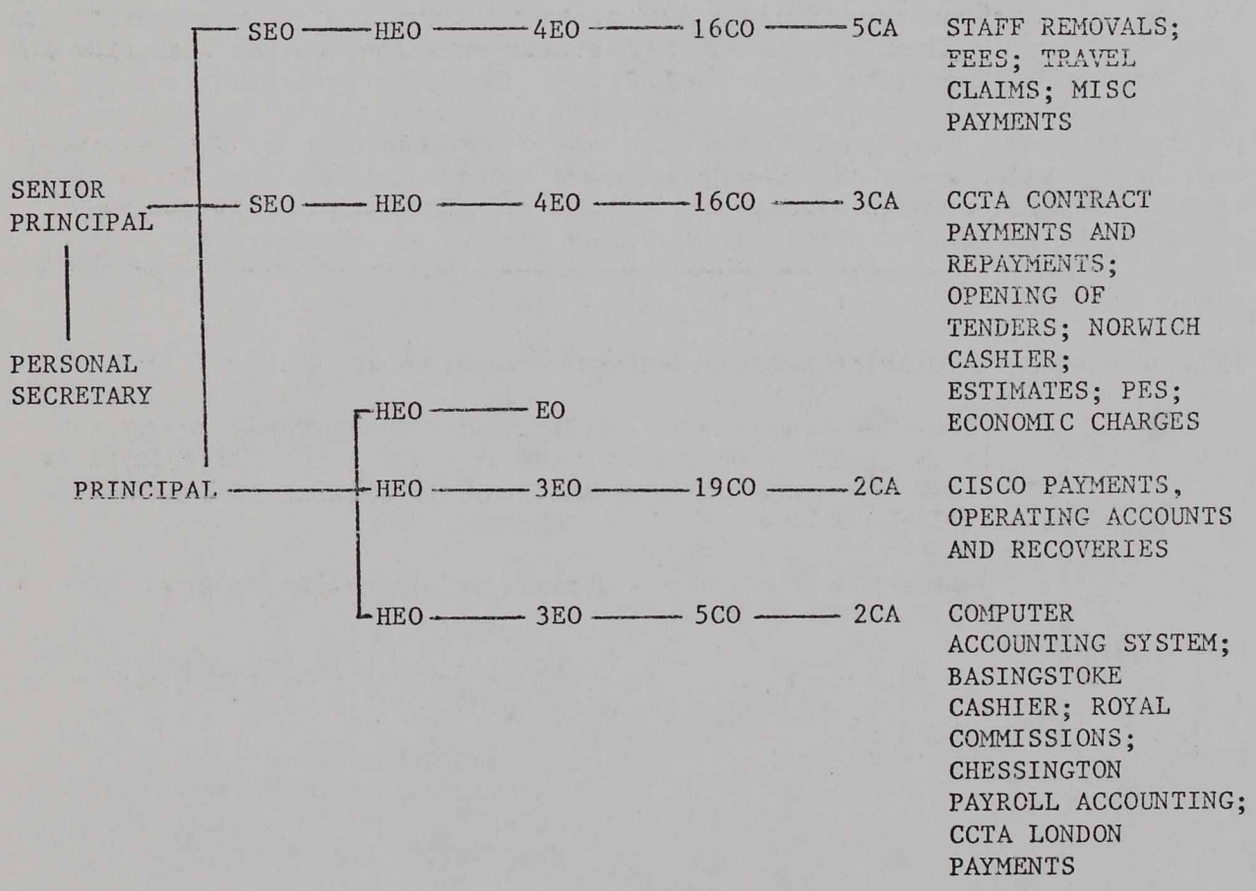
FINANCE AND INTERNAL AUDIT

CSD Finance Division

36. Finance Division is responsible to the Principal Establishment and Finance Officer for overall financial control over departmental and Royal Commission expenditure, including authorisation of expenditure for which divisions do not have delegated authority; for compiling CSD Estimates and PES forecasts; for control of the department's Vote accounting and management information system and production of the Appropriation Accounts; for payment of domestic bills and various staff-related expenditure; for production of CISCO Restaurant Operating Statements and CCTA computer procurement statistics; and billing of departments whose payroll is processed by Chessington Computer Centre. The division has 93 staff of whom 69 are located at Basingstoke and 24 at Norwich alongside CCTA Contracts Division. Payments are made and accounts processed through the Chessington Computer Centre. A chart of the present organisation is at Figure 4.3.

Figure 4.3

CSD FINANCE DIVISION: PRESENT ORGANISATION



CSD Internal Audit

37. Internal audit is currently carried out by a team of 6 whose head reports direct to the Principal Establishment and Finance Officer. Four of the team are located at Basinstoke alongside Finance Division, the other two at the Chessington Computer Centre.

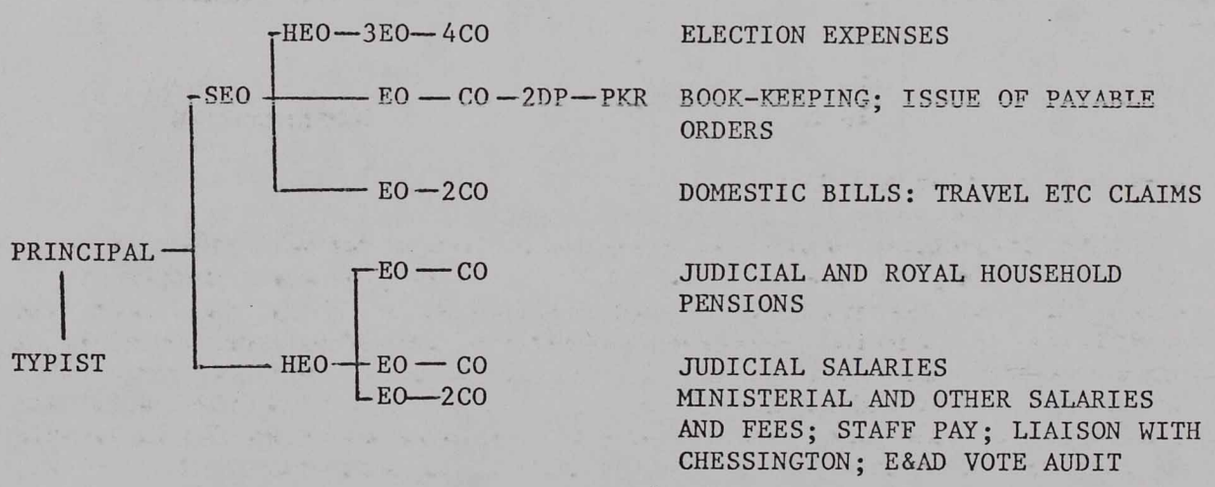
Treasury Finance Branch and Accounts Division

38. Finance Branch of the Establishments and Organisation Group is responsible to the Principal Establishment and Finance Officer through the Deputy Establishment Officer for overall financial control over departmental expenditure, including the allocation of budgets and monitoring of expenditure against budgets; for submitting Treasury Estimates and PES forecasts, and for manpower control. The branch is located in London and consists of an SEO, an EO and 2 COs and is also responsible for departmental personnel records and the Office Directory. The SEO is also responsible for grade management of staff at EO level. A Principal who reports separately to the Deputy Establishment Officer is responsible for the management information system; a change of organisation is under consideration so that Finance Branch would report to this Principal.

39. Accounts (Grants) Section is responsible to the Accountant (Assistant Secretary) for payment of domestic bills and various staff-related expenditure of the Treasury, Rating of Government Property Department and NEDC; for processing information for the Chessington Computer Centre relating to the payment of salaries to Treasury and NEDC staff; for auditing the Vote of the Exchequer and Audit Department; for paying judicial and certain other salaries and pensions payable from the Consolidated Fund; and for authorising payment of Parliamentary and European Assembly election expenses which are also met from the Consolidated Fund. The section also prepares Estimates and PES forecasts for submission to Finance Branch and Appropriation Accounts for the Accounting Officers. Domestic payments and Consolidated Fund salary and pension payments are made through the use of two accounting machines which are due for replacement. Book-keeping and election expenses work is currently handled manually. Grants Section is located at Tolworth and has 27 staff. A chart of the present organisation of Grants Section is at Figure 4.4.

Figure 4.4

TREASURY ACCOUNTS (GRANTS) SECTION: PRESENT ORGANISATION



40. The remainder of the work of Accounts Division, carried out in Central Section located in Great George Street, stems from the Treasury's central government accounting for responsibilities and is concerned inter alia with accounting for receipts and payments on such central funds and accounts as the Consolidated Fund, the National Loans Fund, the Exchange Equalisation Account and the Contingencies Fund; forecasting and monitoring central government financial transactions contributing to the borrowing requirement; advising on the Civil List and other financial aspects of the Monarchy and

auditing the Royal Household accounts; assisting with Budget work, in particular editing the Financial Statement and Budget Report; monitoring the Bank of England's cash limit; and maintaining the UK Accounts for the European Communities.

Treasury Internal Audit

41. The Treasury currently has no internal audit unit independent of its finance/accounts organisation since its domestic expenditure is small, comprising mainly wages and salaries paid by the CSD's Chessington Computer Centre. The need for such a unit is, however, under consideration.

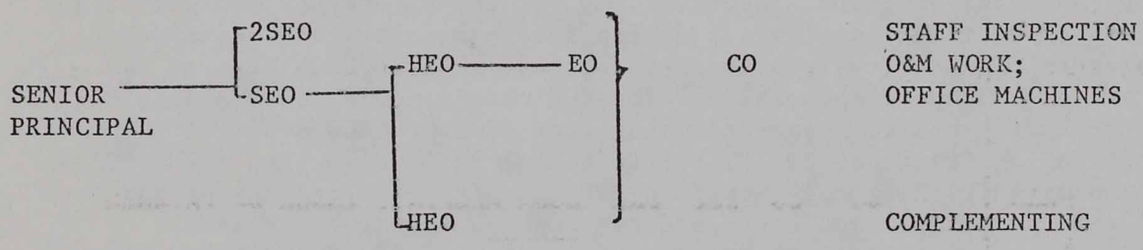
ORGANISATION AND COMPLEMENTING

CSD Organisation Division

42. The functions of Organisation Division are domestic staff inspection; scrutiny of organisation and methods (O&M); application of office machines to the work of the department; complementing and the staffing input to PES and Estimates preparation. The division has 8 staff located in the Old Admiralty Building. Its head reports directly to the Principal Establishment Officer. A chart of current organisation is at Figure 4.5.

Figure 4.5

CSD ORGANISATION DIVISION: PRESENT ORGANISATION

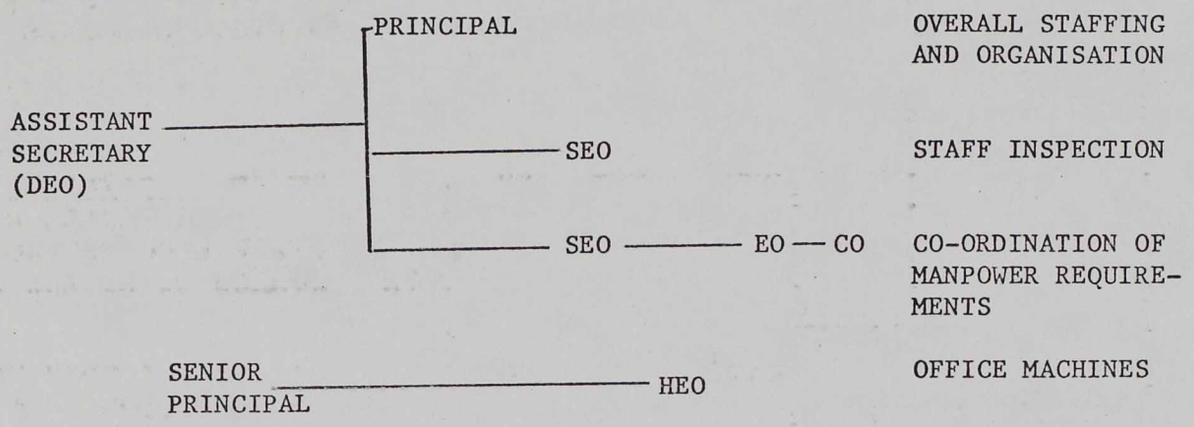


Treasury Organisation and Complementing

43. Staff inspection, which has moved away from a formal 4 year cycle to ad hoc inspections, is the responsibility of a single staff inspector. A Principal in the Establishments and Organisation Group has part-time responsibility for general management questions including overall staffing and organisation. Both report to the Deputy Establishment Officer (DEO). Complementing of individual grades is the responsibility of the particular grade manager, of whom there are 10, and is co-ordinated by an SEO in Finance Branch with the assistance of an EO and a CO (all part-time on this work). Assessment of possible applications of office machines is the responsibility of an HEO who reports to the Controller of Office Services. The Deputy Establishment Officer and the Controller of Office Services report to the Principal Establishment Officer. A chart of the current organisation is at Figure 4.6.

Figure 4.6

TREASURY ORGANISATION AND COMPLEMENTING: PRESENT ORGANISATION



PERSONNEL SERVICES

CSD Personnel Management

44. CSD Personnel Services Division (PSD) is responsible for the personnel management of some 3,300 staff of the Civil Service Department, 10 Downing Street and a number of sub-departments of which the largest is the Parliamentary Counsel Office. The principal personnel management functions of the division are: recruitment (directly or through the Civil Service Commission), deployment and career development of staff, including manpower planning, maintenance of staff records, control of reporting arrangements, conduct of promotion boards, disciplinary action, formulation and application of personnel management policy, and industrial relations. The division delegates to Office Services Division responsibility for the day to day management and deployment of ancillary staff such as typists, messengers and paperkeepers and for recruitment of typists and secretaries. It also delegates to the Civil Service College responsibility for the arrangements for trawling for College lecturing staff. Personnel management of some 1800 staff of the Civil Service Catering Organisation (CISCO) in the field is delegated to CISCO's own personnel unit. Personnel Services Division is functionally specialised to deal with personnel management and the related training, pay and conditions of service and welfare matters which are considered below. The organisation of the division reflects the fact that the CSD operates in 4 major locations (London, Chessington, Basingstoke and Norwich, with staff at Sunningdale co-managed with London staff). There are 50 staff deployed on personnel management in the 4 locations, of whom 27 are located in London. The head of the division, who is Deputy Establishment Officer (DEO) reports to the Principal Establishment and Finance Officer. An organisation chart is at Figure 4.7.

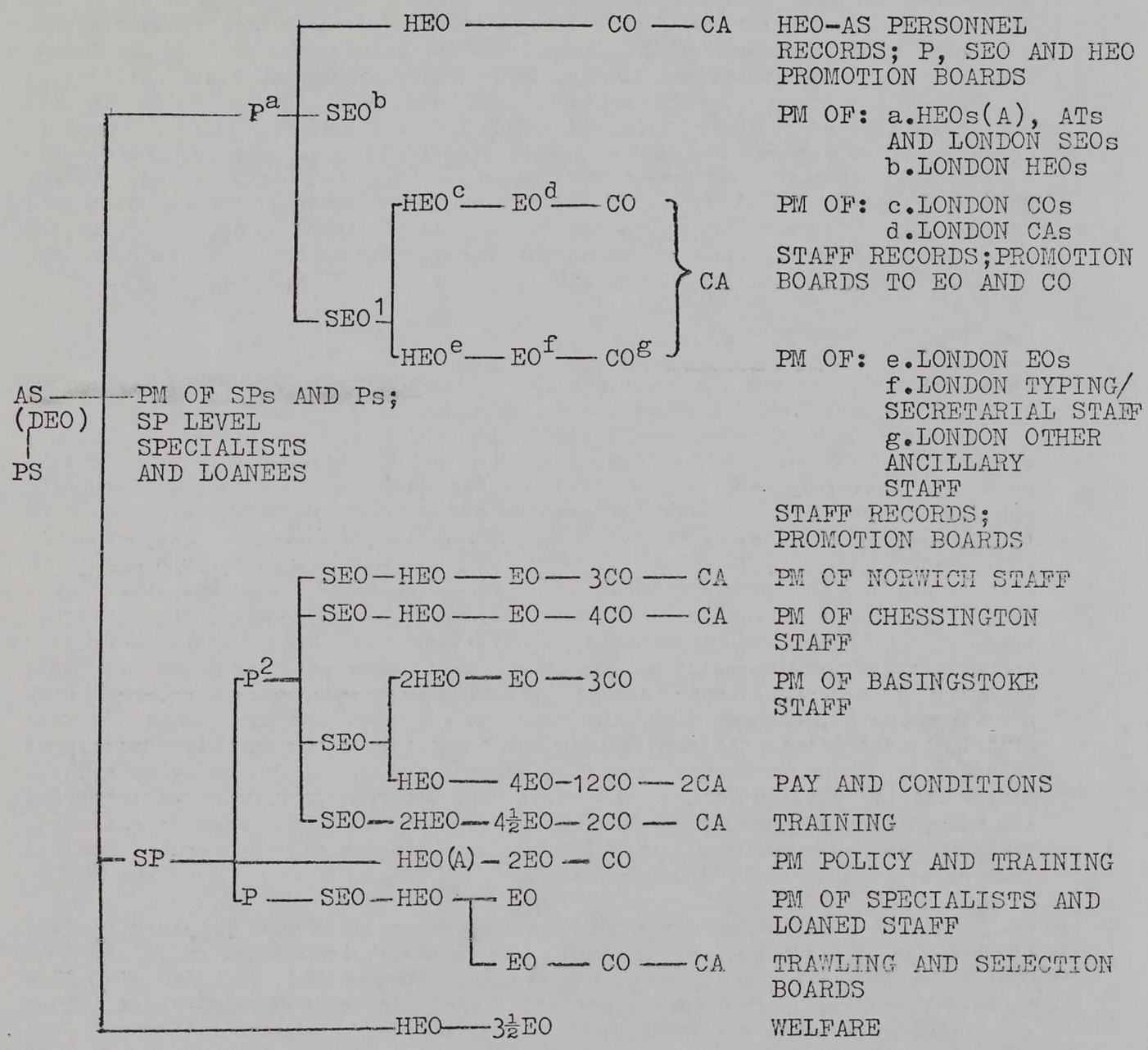
Treasury Personnel Management

45. The Treasury Establishment and Organisation Group (EOG) is responsible for the personnel management of some 1100 staff of the Treasury, UKTSD, Treasury Security Guard and the Rating of Government Property Department. Its personnel management functions are similar to those of the CSD's PSD. Unlike PSD, however, it is not functionally organised to deal with personnel management matters. At present individual staff carry personnel, grade complementing and other establishments responsibilities and management of the smaller numbers in each grade is not a full-time task. Personnel management of clerical and ancillary staff is associated with their line management; personnel management of other staff is associated with functions such as

Figure 4.7

CSD PERSONNEL SERVICES DIVISION: PRESENT ORGANISATION

84 STAFF



NOTES:

1. Responsibility for day to day management and deployment of ancillary staff (typists, messengers, paperkeepers, etc) is delegated to Office Services Division who are also responsible for recruitment of typing and secretarial staff. Personnel Services Division retains responsibility for career management and other aspects of personnel-management such as discipline, retirement, probation and recruitment.

2. This Principal reports to the Senior Principal on Pay and Conditions of Service and Training matters and to the Assistant Secretary on personnel management matters.

financial control, co-ordination of complementing, organisation and central management of the Government Economic Service (GES). Consideration has already been given, however, to a reorganisation of EOG which would separate personnel management responsibilities from the other functions of the Group. The Treasury is predominantly located in central London with small outstations in Tolworth, Brighton and Washington DC and this is reflected in its centralised personnel management structure. There are 23 staff deployed to some degree on personnel management, all located in Great George Street. The Deputy Establishment Officer, Controller of Office Services and Senior Economic Adviser responsible for the GES report separately to the Principal Establishment Officer, with the Deputy Establishment Officer responsible for the overall co-ordination of personnel management matters. A chart of the current organisation is at Figure 4.8.

CSD Training Branch

46. Training branch provides non-specialised training for CSD staff up to Higher Executive Officer (HEO) level. It provides induction courses for new entrants to the department and training in skills such as effective writing, management, job appraisal reviews, promotion and selection board interviewing, committee secretaryship, public speaking and numeracy. In the last training year 74 courses were run for 836 members and a total of 3190 trainee days of training were provided.

47. The branch is responsible also for authorising the use of further education by CSD staff and has direct responsibility for such other external training as is not delegated to line divisions. The branch budgets for and authorises external training for the Civil Service Commission and the majority of the divisions located in Old Admiralty Building, though some divisions have delegated control over the expenditure of their allocated training budgets and the Central Computer and Telecommunications Agency, the Chessington Computer Centre, the Civil Service Catering Organisation and the Civil Service College budget for their own external training and authorise individual training courses within the budget approved by Finance Division. Training branch handle all non-ADP nominations for Civil Service College courses other than AT/HEO(A) courses.

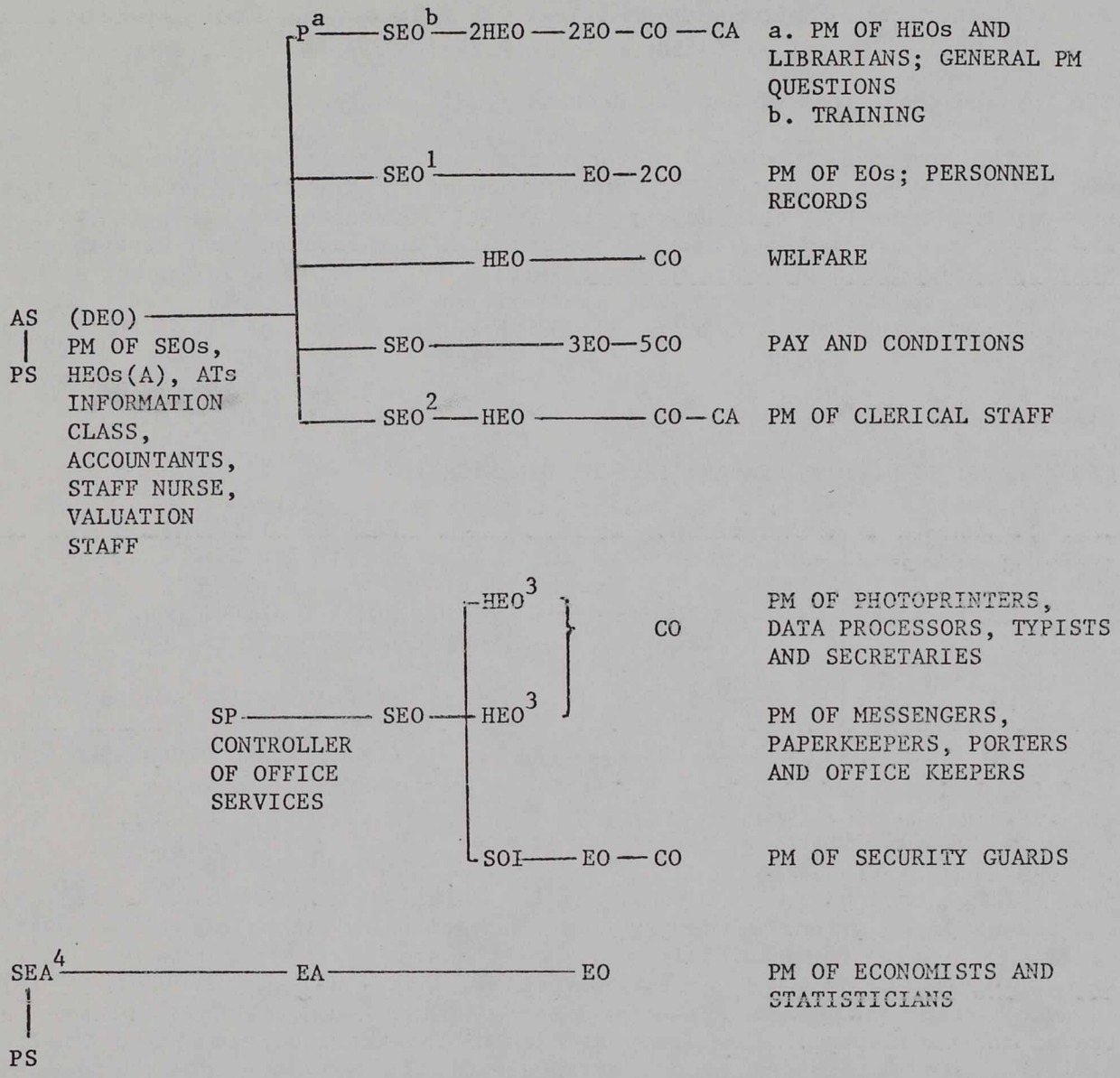
48. The branch, whose staff numbers are shown at Figure 4.7 has 11 staff of whom one is part-time on this work. The majority are located at Basingstoke where the bulk of departmental training is carried out, but one full-time Executive Officer (EO) covers training, largely induction training, at London and Chessington and a second EO is part-time on similar duties at Norwich.

Treasury Training Branch

49. The branch provides departmental training for Treasury staff up to HEO level. It provides a broadly similar range of courses to CSD Training branch and in addition a few courses directed at specifically Treasury needs (public expenditure control; basic accountancy). In the last training year the branch provided 94 courses for 485 members and a total of 913.5 trainee days of training. Places on Treasury courses are offered to departments associated with the Treasury, particularly NEDO, to CSO which is too small to meet all its own training needs, and to other departments such as FCO. In recent years the branch has put some effort into developing self-instruction packages; last year self-instruction provided the equivalent of 62 days' training for 84 students.

Figure 4.8

TREASURY PERSONNEL SERVICES STRUCTURE : PRESENT ORGANISATION



NOTES:

1. Responsible also for PES and Estimates co-ordination.

2. Responsible also for registry system and line management of registry staff (and for line management of records staff not shown).

3. Responsible also for line management of these grades and for management of Office Services.

4. Responsible also for central management of Government Economic Service.

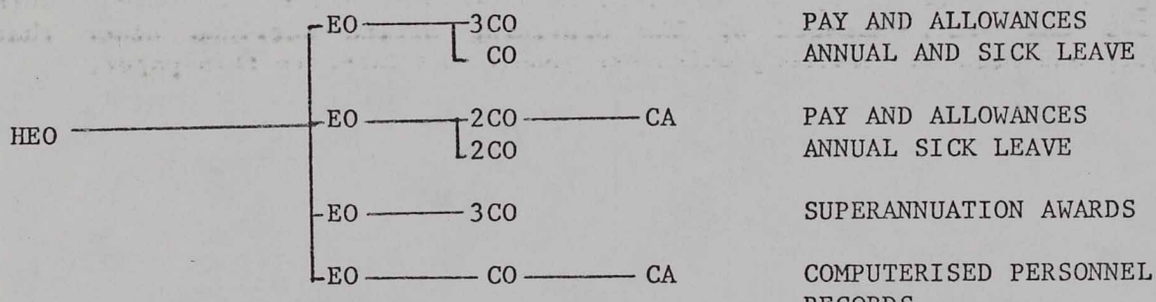
50. The branch is also responsible for authorising external training, including training provided by other government departments and the Civil Service College. The branch, whose staff numbers are shown at Figure 4.8, has 7 staff other than the Departmental Training Officer, a Principal who spends some 10% of his time on training, and is located in Great George Street.

CSD Pay and Conditions of Service Branch

51. The branch is responsible for the authorisation of and changes in pay and allowances of about 3,500 staff processed by the Chessington Computer Centre; for recording sick and special leave; for calculating superannuation and short service awards; and for maintaining the computerised Departmental Staff Record. The branch has 19 staff headed by an HEO and is supervised by an SEO who spends 15-20% of his time on pay and conditions work. It is located in Basingstoke. A chart of the branch's organisation is at Figure 4.9.

Figure 4.9

CSD PAY AND CONDITIONS BRANCH: PRESENT ORGANISATION

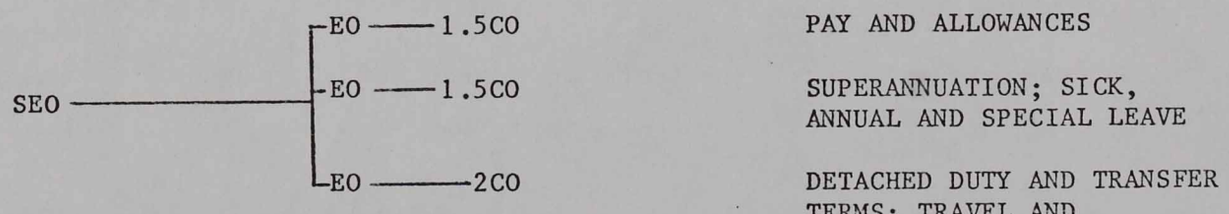


Treasury Pay and Conditions of Service Branch

52. This branch has responsibilities similar to those of its CSD equivalent in relation to the pay, superannuation and leave of 1100 Treasury staff. It has no responsibility for maintenance of the Departmental Staff Record, which is handled by the personnel records/finance branch. It is, however, responsible for authorising and dealing with staff enquiries on travel and subsistence, functions which in CSD are carried out by the Finance Division, and for making travel arrangements. It also provides support on recruitment, probation and promotion board procedures, which in CSD is provided by the personnel management branches of Personnel Services Division. The branch has 9 staff headed by an SEO and is located in Great George Street. A chart of its organisation is at Figure 4.10.

Figure 4.10

TREASURY PAY AND CONDITIONS BRANCH: PRESENT ORGANISATION



Welfare

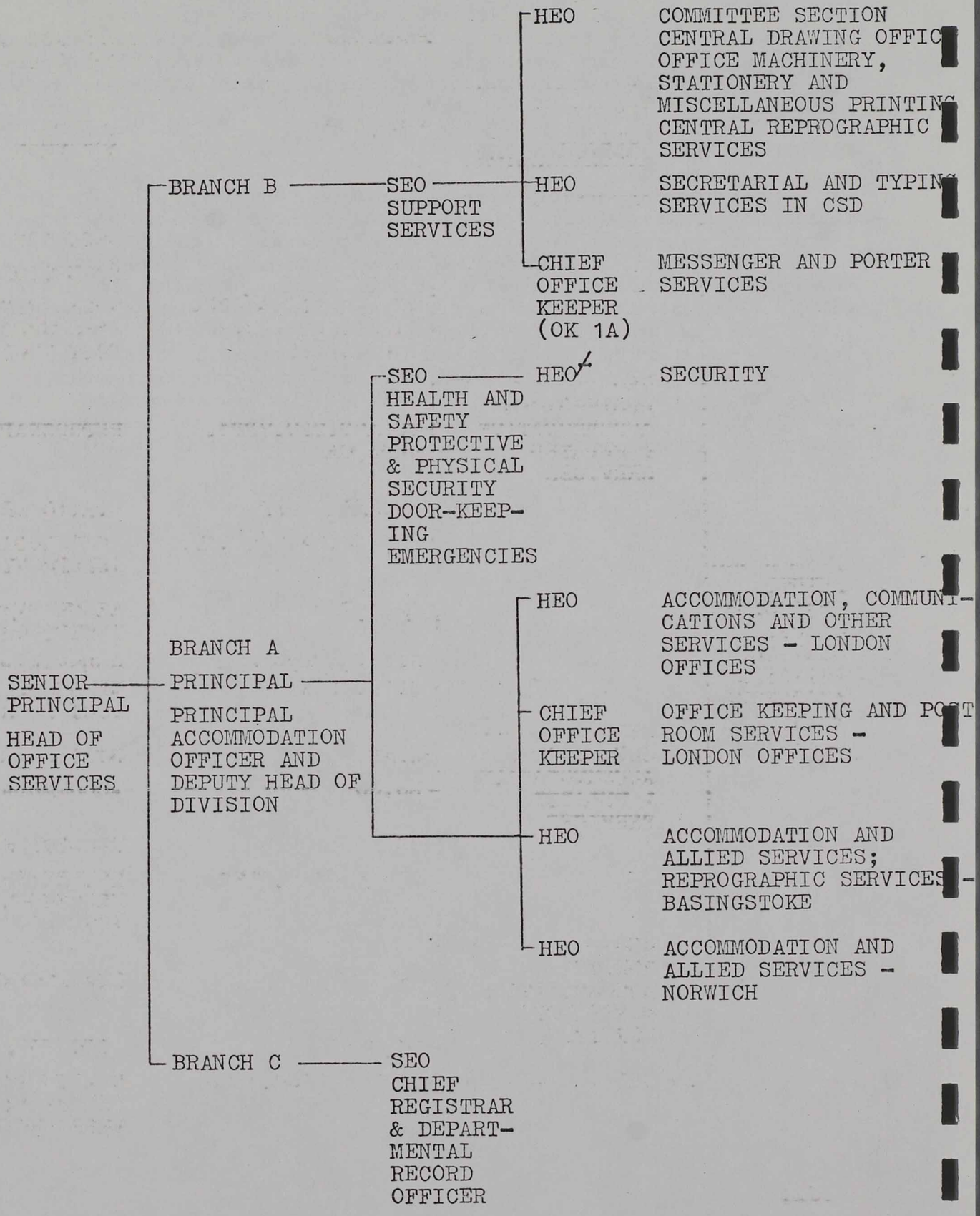
53. The CSD Welfare Officer, a Higher Executive Officer, (HEO), assists CSD staff with personal, financial and health problems. He is based in London and is assisted by 4 Executive Officers, one of them part-time, at London, Basingstoke, Chessington and Norwich. The Treasury Welfare Officer, also an HEO, has similar responsibilities towards Treasury staff and is assisted by a Clerical Officer.

CSD Office Services Division

54. The Division provides office services (security; accommodation and housekeeping; messengerial and paperhandling; typing and secretarial; reprographic; stationery supply; and committee support) for CSD buildings in London, Basingstoke, Chessington and Norwich. Charts of the organisation of the division's management structure and of branches A and B are at Figures 4.11, 4.12, 4.13. Certain of the staff shown, notably typing and secretarial staff, are not formally part of Office Services Division (OSD) but are centrally managed by the division. Office Services, other than typing services, at the Civil Service College, Sunningdale are controlled by the College Secretariat not by Office Services Division and are not shown. There are 575 CSD staff managed by OSD providing office services other than registry and records services, which are considered later in this paper.

Figure 4.11

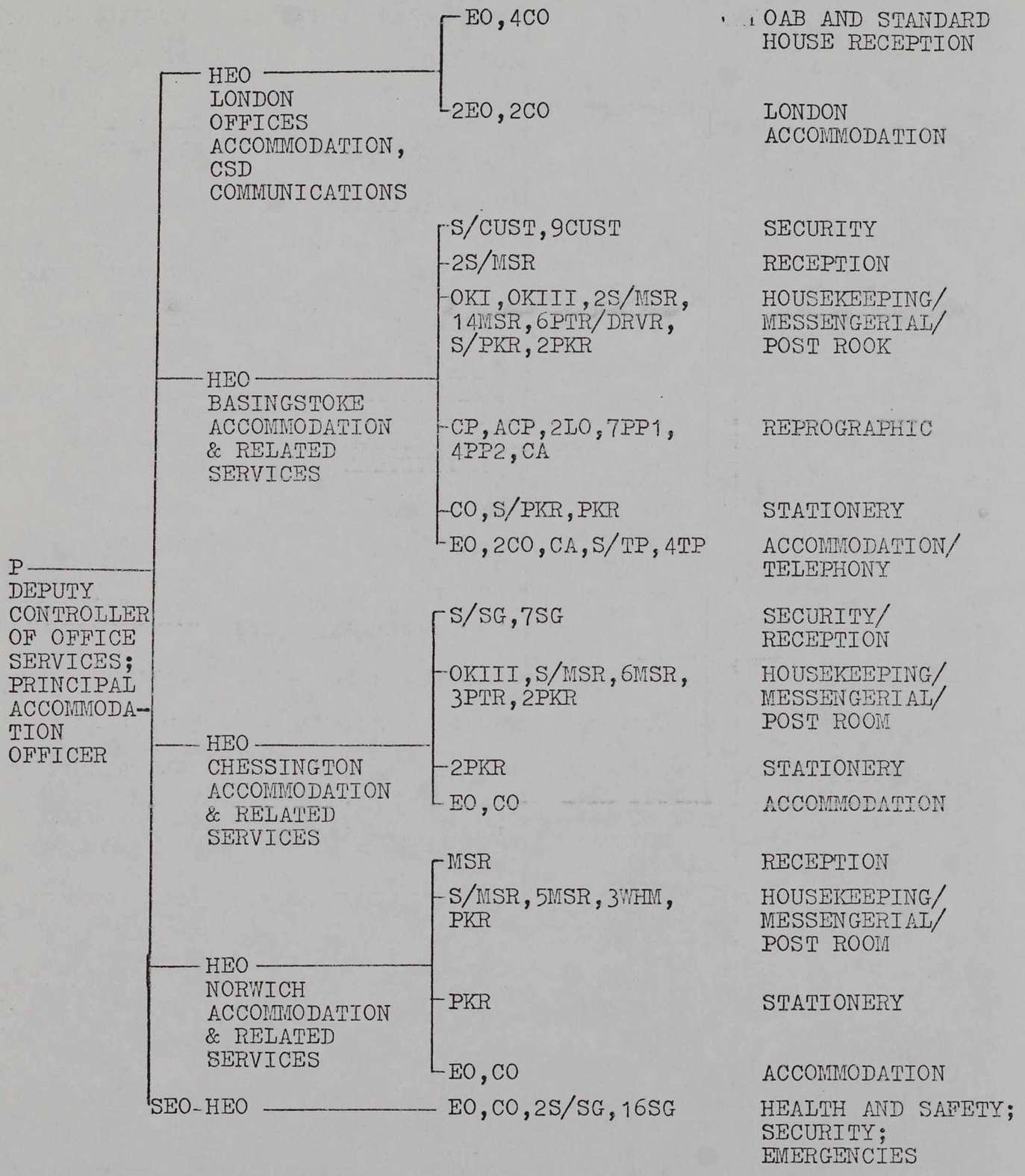
CSD OFFICE SERVICES MANAGEMENT STRUCTURE: PRESENT ORGANISATION



/ Reports direct to the PEO on personnel security

Figure 4.12

CSD OFFICE SERVICES DIVISION, BRANCH A: PRESENT ORGANISATION

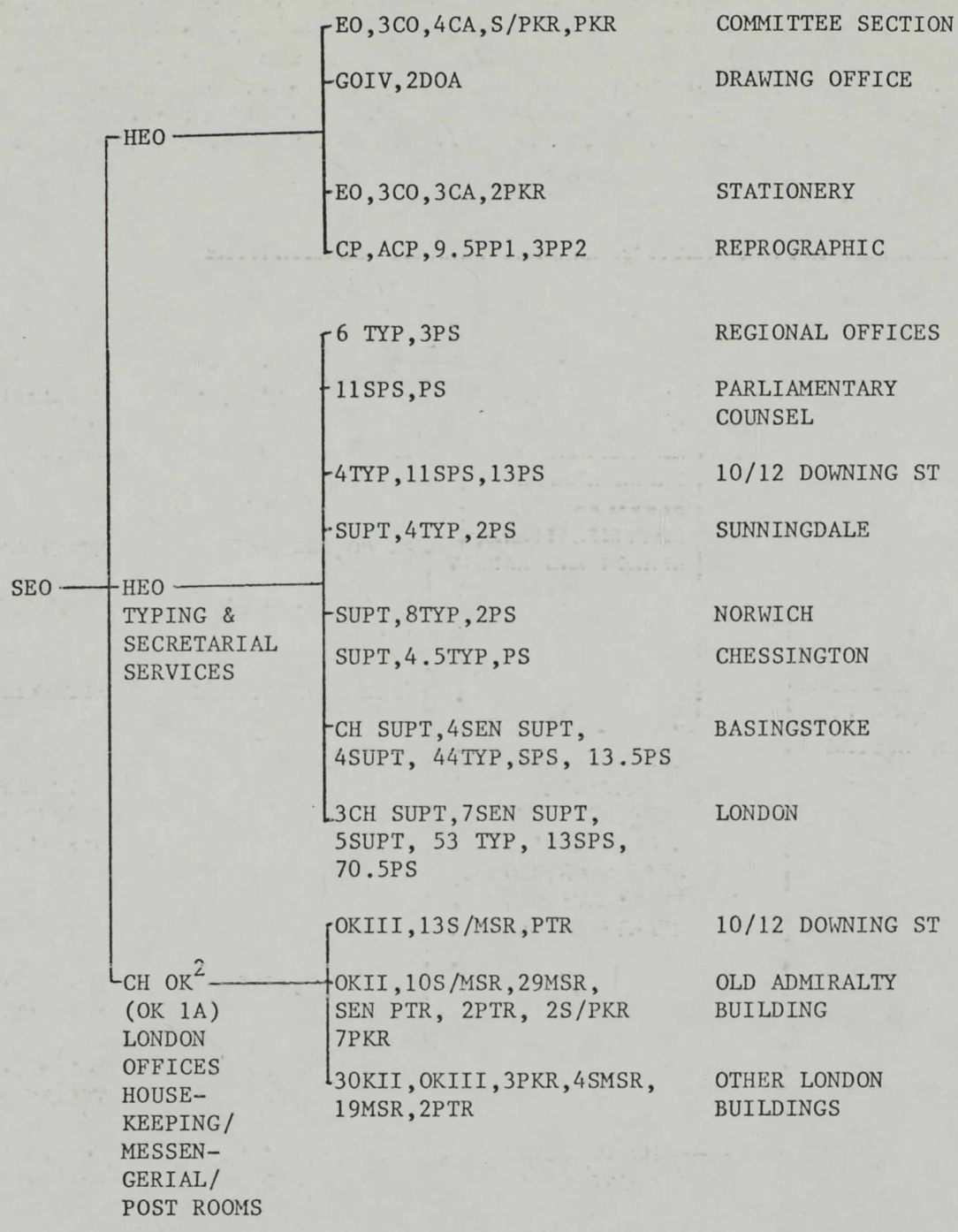


NOTE:

This chart shows staff centrally managed by Office Services Division, including those carried on other divisions' budgets.

Figure 4.13

CSD OFFICE SERVICES DIVISION, BRANCH B: PRESENT ORGANISATION



NOTES:

1. Chart shows staff centrally managed by Office Services Division, including those carried on other divisions' budgets.

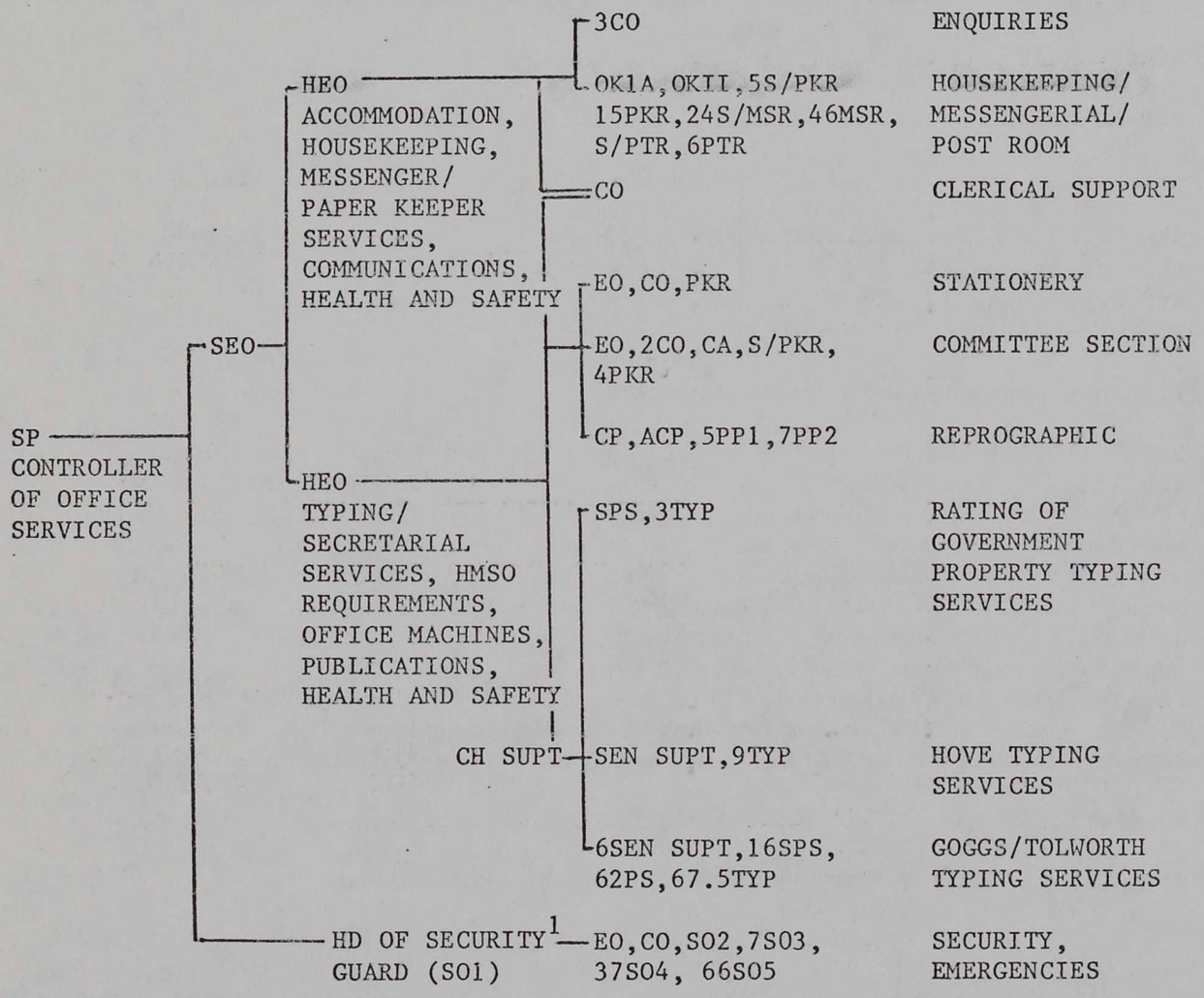
2. Reports to HEO London (Branch A) on matters relating to accommodation and housekeeping.

Treasury Office Services Branch

55. The branch provides similar services for Treasury-occupied parts of buildings in London, Hove and Tolworth to those provided by CSD's OSD, though they are differently organised. Typing and secretarial services, for instance, are formally part of Office Services branch. It is also responsible for the personnel management, and not just the day to day management, of the branch's ancillary staff. Twenty-four hour security services are provided for the whole of Great George St building, not just that part occupied by the Treasury, and for certain other buildings. A chart of the branch's structure is at Figure 4.14. There are 414 Treasury staff providing office services.

Figure 4.14

TREASURY OFFICE SERVICES BRANCH: PRESENT ORGANISATION



NOTES:

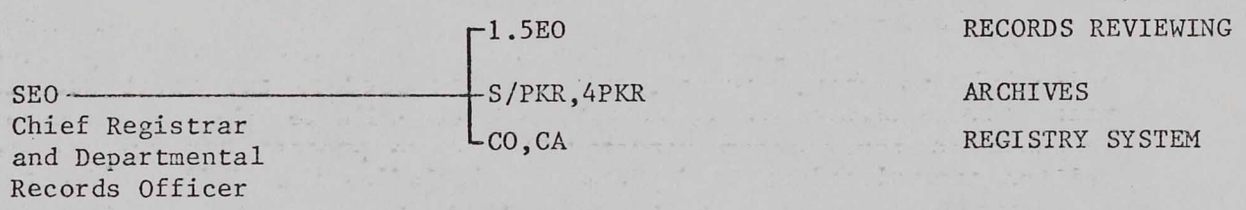
1. The Treasury provide security cover for other occupants of GOGGS and for the Parliamentary Counsel Office, Rating of Government Property Department, Cabinet Office and Chequers.

CSD Registry and Records Services

56. The functions of the Chief Registrar and Departmental Records Officer and his 8.5 staff are control of the departmental registry system, including line management responsibility by the Chief Registrar for 48 staff in 6 clerical sections; maintenance of the central file index; maintenance of and retrieval from the departmental archives; obtaining files from the Public Record Office; applying the Official Seal of the Minister for the Civil Service to legal documents; and reviewing files for preservation in the Public Record Office or destruction. The Chief Registrar reports to the head of Office Services. A chart of the current organisation of the branch is at Figure 4.15. The CSD operates a mixed system of clerical sections in some areas of the department and clerical staff integrated into divisions in other areas, with the latter coming under the line management of divisional staff.

Figure 4.15

CSD REGISTRY AND RECORDS BRANCH, PRESENT ORGANISATION

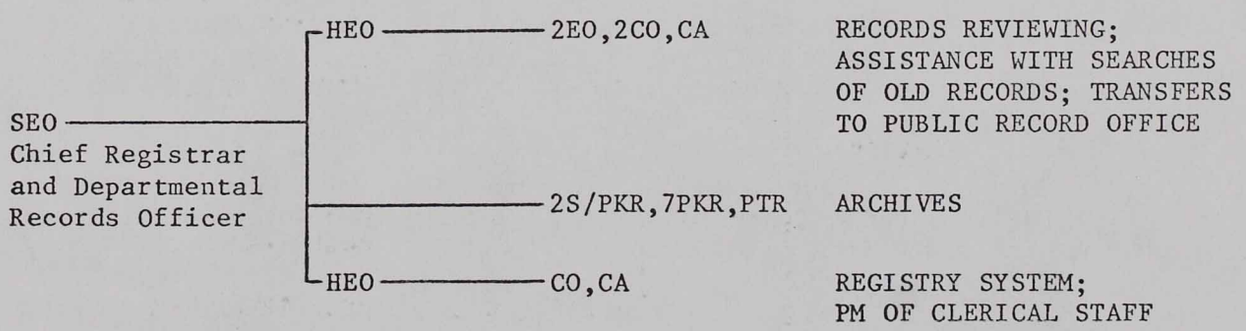


Treasury Registry and Records Services

57. The functions of the Chief Registrar and Departmental Records Officer and his 19 staff are similar to those of his CSD equivalent except that in addition to line management responsibility for 101 staff in 13 clerical sections the Chief Registrar, assisted by his deputy, has personnel management responsibility for all Treasury clerical staff. The Chief Registrar reports to the Deputy Establishment Officer. Treasury Ministers have approved plans for re-organising the Treasury registry system so as to integrate registry staff into divisions, supporting them from sectoral registries. This plan would involve changes in the system of indexing and filing papers. Its execution has been suspended pending decisions on the results of this study. A chart of the branch organisation is at Figure 4.16.

Figure 4.16

TREASURY REGISTRY & RECORDS BRANCH, PRESENT ORGANISATION



CSD Information Services Division

58. a. **Press Section**

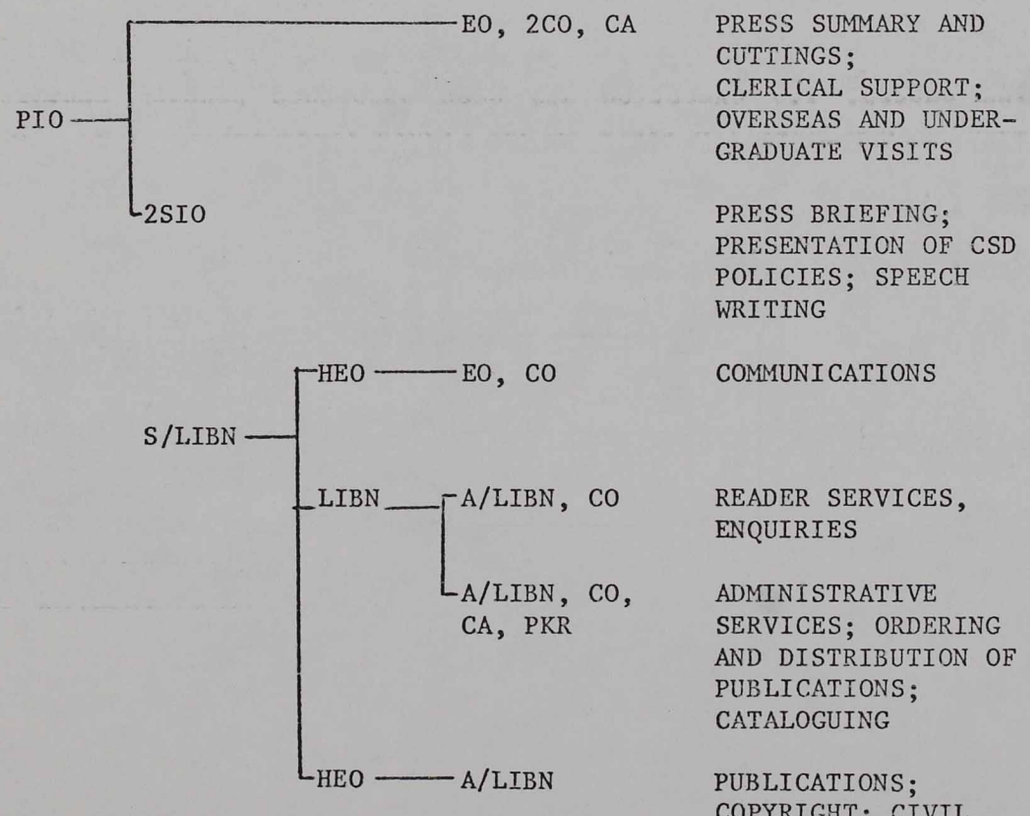
The functions of Press Section are to advise Ministers and officials on the public presentation of CSD business; to provide a contact point for newspapers, TV and radio staff interested in CSD business; to present CSD policies to the media; to inform Ministers and officials of media interest in CSD business; and to arrange programmes for undergraduate and foreign visitors to the department. The section has 7 staff and its head reports to the Principal Establishment Officer. Its organisation is shown at Figure 4.17.

b. Library and Publications Section

The principal functions of the section are to provide access through the Central Management Library to published information to the staff of the CSD (other than the Civil Service College which has its own libraries in London and Sunningdale), the Parliamentary Counsel Office and a number of sub-departments; to provide similar access to other libraries, academics, overseas visitors and others interested in the CSD's work; to control, co-ordinate and process CSD publications other than Civil Service Commission recruitment literature and to provide editorial and design advice; to edit and produce the Civil Service Year Book, advise on copyright and co-ordinate the departmental response to the "Croham Directive"; and to process and co-ordinate written communications to departments, including the Civil Service Pay and Conditions Code and the Establishment Officers' Guide. The section's budget in 1980/81 is just over £0.5 million, of which £150,000 is allocated for purchases by the Central Management Library. The section has 13 staff and its head reports to the Principal Establishment Officer. Its organisation is shown at Figure 4.17.

Figure 4.17

CSD INFORMATION SERVICES DIVISION, PRESENT ORGANISATION

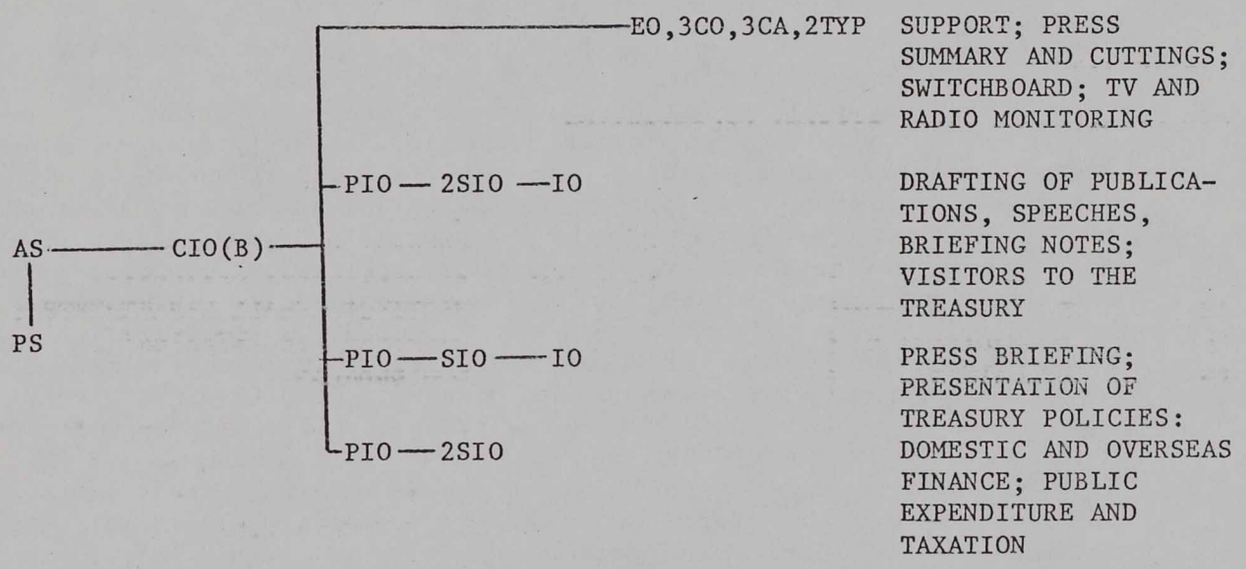


Treasury Information Division

59. The division's functions are similar to those of the CSD Press Section though it operates on a larger scale, reflecting greater public interest in the work of the Treasury than in that of the CSD. The division has 22 staff and its head reports direct to the Permanent Secretary. Its organisation is shown at Figure 4.18.

Figure 4.18

TREASURY INFORMATION DIVISION, PRESENT ORGANISATION

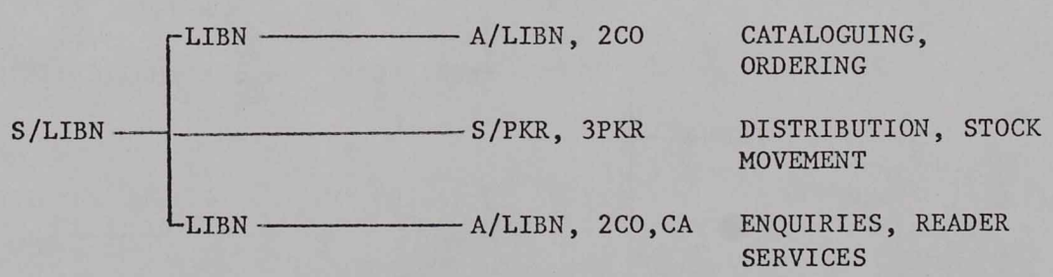


Treasury Library

60. The library provides access to published information to the staff of the Treasury and the Cabinet Office. It has no responsibility for control or co-ordination of Treasury publications or Treasury communications with other departments; the former function is carried out by Office Services branch. The library's budget for purchases of publications in 1980/81 is £163,000. It has 14 staff and its head reports to the Deputy Establishment Officer. Its organisation is shown at Figure 4.19.

Figure 4.19

TREASURY LIBRARY, PRESENT ORGANISATION



NOTE:

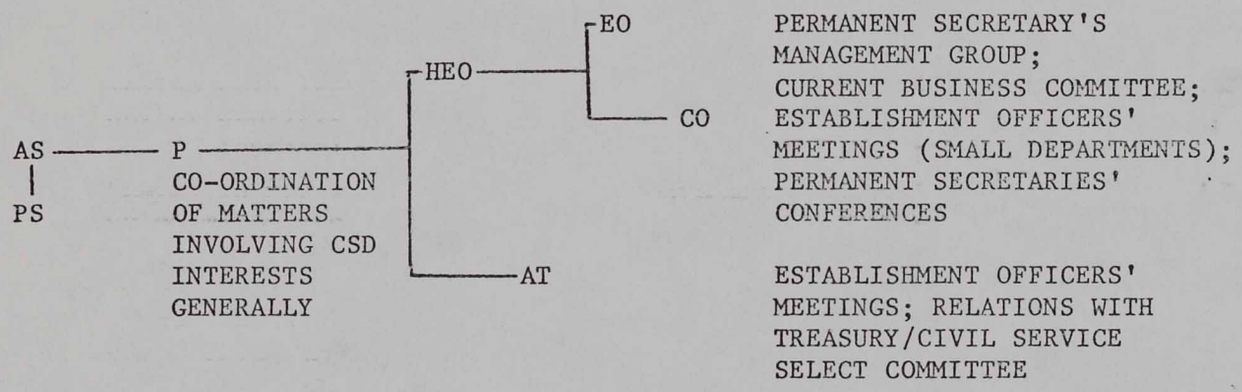
Excludes part-time Assistant Librarian and full-time Clerical Officer employed temporarily to handle merger of CSO and Treasury stock.

CSD Central Division

61. The division co-ordinates on behalf of senior management matters on which a CSD departmental view is needed. It acts as secretariat to two senior management committees, the Permanent Secretary's Management Group and the Current Business Committee, and to regular meetings of Establishment Officers and annual conferences of Permanent Secretaries. It also co-ordinates the CSD's dealings with the Treasury and Civil Service Select Committee. The division has 7 staff. A chart of its organisation is at Figure 4.20.

Figure 4.20

CSD CENTRAL DIVISION, PRESENT ORGANISATION



Treasury Central Co-ordination

62. Treasury domestic policy is considered in the Management Group, to which a Principal in the Establishments and Organisation Group acts as secretary. This Principal also represents the domestic Treasury on the Chancellor's Departments Co-ordinating Group which co-ordinates management issues affecting Inland Revenue, Customs and Excise, Department for National Savings and Treasury. Distinct from domestic co-ordination arrangements, Central Unit co-ordinates Treasury economic policy and services the Permanent Secretary's Policy Co-ordinating Committee. It also has responsibility for liaison with the Treasury and Civil Service Select Committee.

WORKING PAPER 5

LOCATION OF WORK AND OCCUPATION OF BUILDINGS

TABLE 1: LOCATIONS OCCUPIED BY TREASURY AND CSD

DEPARTMENT	LOCATION	OCCUPANTS
H M TREASURY	1. GOVERNMENT OFFICES GT. GEORGE STREET, SW1	PRINCIPAL POLICY DIVISIONS COMMON SERVICES DIVISIONS
	2. 54 PARLIAMENT ST	BANKING APPEALS TRIBUNAL
	3. JAMESON HOUSE W11	RATING OF GOVERNMENT PROPERTY DEPARTMENT
	4. TOLWORTH TOWER TOLWORTH	ACCOUNTS DIVISION
	5. MEDINA VILLAS HOVE	ESTABLISHMENTS AND ORGANISATION DIVISION
	6. WASHINGTON DC	UK TREASURY AND SUPPLY DELEGATION
CIVIL SERVICE DEPARTMENT	7. OLD ADMIRALTY BUILDING SW1	PRINCIPAL POLICY DIVISIONS; CENTRAL COMMON SERVICES
	8. RIVERWALK HOUSE SW1	CENTRAL COMPUTER AND TELECOM-MUNICATIONS AGENCY (CCTA); OFFICE SERVICES DIVISION
	9. STANDARD HOUSE SW1	CIVIL SERVICE COMMISSION; WELFARE DIVISION
	10. BELGRAVE RD SW1	CIVIL SERVICE COLLEGE
	11. TILBURY HOUSE SW1	MEDICAL ADVISORY SERVICE
	12. MURRAY HOUSE SW1	MEDICAL ADVISORY SERVICE
	13. CARLTON GARDENS SW1	GOVERNMENT HOSPITALITY FUND
	14. CHESSINGTON	CSD COMPUTER CENTRE
	15. BASINGSTOKE, ALENCON LINK AND LODDON HOUSE	CIVIL SERVICE COMMISSION; PERSONNEL SERVICES DIVISION; FINANCE DIVISION, CIVIL SERVICE CATERING ORGANISATION (CISCO); SUPERANNUATION DIVISION
	16. NORWICH, GILDENGATE HOUSE AND SOVEREIGN HOUSE	CCTA AND FINANCE DIVISION
	17. SUNNINGDALE PARK	CIVIL SERVICE COLLEGE
	18. REGIONAL OFFICES	CIVIL SERVICE COMMISSION (10) MEDICAL ADVISORY SERVICE (3) CISCO (11)

TABLE 2: MAJOR TREASURY AND CSD OCCUPATIONS AND OTHER MAJOR OCCUPATIONS OF GOVERNMENT OFFICES GREAT GEORGE STREET (GOGGS) AND OLD ADMIRALTY BUILDING (OAB)

	Net Office Space (sq ft)	Net Storage Etc Space (sq ft)	Number of Staff Accommo-dated	Rent And General Rates £m	Mainten-ance, Heating and Lighting £m
1. GOGGS: TREASURY	145,384	44,902	1020	2.114	0.546
: FCO	85,590	12,707	403	1.086	0.282
: CSO	35,225	4,903	235	0.433	0.115
: CABINET OFFICE	7,201	13,825	35	0.239	0.060
: NIO	27,494	3,340	174	0.341	0.088
: MOD	3,479	10,196	55	0.151	0.039
2. TOLWORTH TOWER: TREASURY	3,634	-	27	0.025	0.010
3. JAMESON HOUSE: TREASURY	8,028	547	48	0.106	0.027
4. 54 PARLIAMENT STREET: TREASURY	1,917	-	9	0.023	0.006
5. MEDINA VILLAS, HOVE: TREASURY		3,506	10	0.005	0.009
6. OAB: CSD	114,734	27,330	830	1.891	0.481
MOD	82,348	41,151	653	1.459	0.384
7. RIVERWALK HOUSE: CSD	50,967	-	313	0.809	0.156
8. STANDARD HOUSE: CSD	28,458	519	109	0.468	0.091
9. TILBURY HOUSE: CSD	4,236	681	30	0.062	0.015
10. MURRAY HOUSE: CSD	2,429	245	7	0.030	0.007
11. CHESSINGTON CC: CSD	50,010	17,296	560	0.349	0.192
12. BELGRAVE ROAD: CSD	50,695	5,579	147	0.866	0.170
13. 2 CARLTON GARDENS: CSD	2,676	303	14	0.046	0.010
14. ALENCON LINK, BASINGSTOKE: CSD		89,034	450	0.735	0.074
15. LODDON HOUSE, BASINGSTOKE: CSD		43,325	208	0.341	0.034
16. GILDENGATE HOUSE, NORWICH: CSD		44,300	285	0.148	0.036
17. SOVEREIGN HOUSE, NORWICH: CSD		32,020	131	0.089	0.203
18. SUNNINGDALE PARK: CSD		53,457	164	0.287	0.108

NOTES:

1. CSO accommodation includes some 9,000 sq ft occupied by the CSO/Treasury computer suite and staff.

2. Sunningdale Park accommodation figures include residential accommodation.

PHYSICAL CHARACTERISTICS OF GOGGS AND OAB

1. The Government Offices, Great George Street building (GOGGS), built about 70 years ago, is solidly constructed of brick and stone. Non-load bearing internal walls are in most cases some 9 inches thick and their removal necessitates the insertion of a steel support for the ceiling, an expensive process. The building is regarded as of historical and architectural interest by the Department of the Environment Directorate of Ancient Monuments and Historic Buildings, which limits alterations. Other characteristics of the building are wide corridors, high ceilings and rooms of a variety of shapes and sizes. This makes it difficult to apply Civil Service space standards while meeting the requirements of operational divisions.

2. The Old Admiralty Building (OAB) was built at the end of the last century. Its construction (materials used, thickness of floor slabs and dividing walls, most of which are load bearing) similarly makes modification of room sizes difficult and costly. Doors, panelling and ceilings are non-standard and have to be specially constructed. Certain sections of the building are listed. Similar constraints exist in relation to adapting occupancy to space standards and divisional needs as apply to GOGGS.

2-E.O.3/010
2-E.O.826/4/01

O.N.(68)59
25th October, 1968

H.M. TREASURY

OFFICE NOTICE

Relations between the Treasury and the Civil Service Department

When it is established on 1st November the Civil Service Department will assume responsibility for a number of important functions which have hitherto been the responsibility of the Treasury. Questions on which consultation has hitherto been a simple, informal and automatic matter between Divisions within a single Department will therefore become matters for discussion between two central but separate Departments. This will on occasion call for a more conscious effort to secure co-operation and exchange of information. In general, it is essential that there should be the closest contact, both formal and informal, between the two Departments. This Notice sets out the arrangements which must be observed after 31st October.

Responsibilities of the Civil Service Department and of the Treasury

2. The Civil Service Department will take over the functions of the present Pay and Management Groups from the present Treasury together with the functions of the Civil Service Commission. These functions can be broadly classified as follows:-

(a) Personnel Management - policy and central arrangements for the selection and recruitment, training, promotion, posting and general career management of civil servants, together with welfare, security and retirement policy; responsibility for advising on "top level" appointments.

(b) The development and dissemination of administrative and managerial techniques; general oversight of departmental organisation, inter-departmental arrangements and the machinery of government, and the provision of central services including O and M, computers and Operational Research.

(c) The control of numbers in the Civil Service, and oversight of departmental grading standards.

(d) The control of rates of pay, procedures for re-imbursing expenses incurred in the public service, and allowances in the Civil Service, and of its structure in terms of grades and occupational groupings: the co-ordination of Government policy in relation to pay etc. in the public services generally including the approval of salaries, allowances etc. for the members and staff of non-departmental bodies.

(e) Administration of Civil Service pensions and the provision of machinery for the determination of pension rates; co-ordination of pension arrangements throughout the public sector.

(f) Particular complementing and grading questions in the Armed Forces - though the Treasury will exercise responsibility for manpower policy relating to the overall size and structure of the Armed Forces.

So far as the Civil Service is concerned, the Department's objective will be to exercise these functions in such a way as to foster increasing efficiency and productivity in the Civil Service in the performance of its tasks.

3. The Treasury will continue to exercise its present responsibilities in the economic and financial fields. In the field of public expenditure, where contact with the Civil Service Department will be most frequent, the Treasury will also continue to exercise its present responsibilities, subject only to the arrangements set out in the rest of this Notice.

Contact between the two Departments

4. For most day to day purposes, interchange will mainly take the form of informal contact between the members of the two Departments at all levels. All such contacts must be kept as open and free as possible, and, as an earlier Notice made clear, there will be no embargo on the passing of files between the two Departments in suitable cases. In addition it will often be appropriate to exchange briefs (or otherwise co-ordinate briefing) for Ministers and senior officials.

5. On immediate issues of day to day concern, each Department must ensure that there is proper and timely consultation on new proposals, or on changes in existing proposals, projects, etc. which have implications of concern to the other Department. The staff of the Civil Service Department will keep the appropriate Public Sector Division in the Treasury in touch with any such proposals which give rise to new public expenditure, increases on agreed Votes or Subheads etc. Similarly, the Treasury will keep the Civil Service Department in touch with any proposals which have implications for the staffing, management and organisation of departments.

6. Where longer term proposals, or significant changes of policy, practice, or approach with implications for both Departments are concerned, each Department must ensure that the other is aware of what is proposed and is properly consulted. In terms of the broad definition of responsibilities described earlier, this means that the Civil Service Department must:

(a) Keep the Treasury informed of significant developments in the field of conditions of service and personnel management whether in the short or the long-term and of specific new proposals with major expenditure implications;

(b) Ensure that the Treasury is kept informed of such developments in the field of administrative and managerial techniques, and take steps to see that the Treasury is associated - to the extent necessary - with reviews of departmental organisation and inter-departmental arrangements which may have implications in the fields of financial and economic management, and control of public expenditure;

(c) Keep the Treasury in touch with significant changes in Civil Service manpower and with other developments in this area;

(d) Inform the Treasury of the financial implications of proposals for changes in pension schemes in the public sector, and also of proposals for new measures (or methods) of pensions increase.

So far as pay in the public sector is concerned there are three main categories to be considered. First there are pay claims relating to the Civil Service or bodies maintaining parity with Civil Service pay scales. This includes at present, and perhaps for some time to come, the Post Office together with the non-industrial part of the Atomic Energy Authority. Secondly there are pay questions relating to the Armed Forces, and the remainder of the public services as commonly understood viz. the National Health Service, Local Authority staff and associated groups, and Local Authority Services including the police and teachers, together with university teachers. In all such cases the Civil Service Department will keep the Treasury informed about negotiations in the same way as Pay Divisions at present pass on information to other Divisions concerned with incomes policy or public expenditure. The third group relates to the nationalised industries. Here a distinction can be drawn between Board Members in respect of whose pay the existing statutory responsibility for approval passes from the Treasury to the Civil Service Department, and the remainder of the staff of the industries. In the latter case the Treasury will, as between the two Departments, have the prime responsibility for the application of incomes policy but, bearing in mind the implications for the public services of changes in rates of pay in the public sector, the Treasury will keep in close touch with the Civil Service Department which will, of course, be concerned with such cases through the normal processes of inter-Departmental secretary, e.g. Cabinet Committees. At the same time the Civil Service Department will be available as a source of information on the detailed pay scales of Civil Service grades carrying out functions comparable to those in similar grades in the nationalised sector. The Treasury will retain responsibility for the application of incomes policy to the Bank of England.

7. The Treasury, for its part, will keep the Civil Service Department informed on the area of work covered by the Public Expenditure Survey Committee (on which the Civil Service Department will be represented), e.g. general movements in public expenditure, (including medium-term expenditure forecasts), and expenditure survey information. The Treasury will also inform and/or consult as appropriate with the Civil Service Department on major developments which may have significant, though incidental, manpower implications for the Civil Service. This includes new proposals in the taxation field when their manpower implications are appreciable. In addition - to the extent that this is in their field of responsibility - the Treasury will keep the Civil Service Department informed on developments in the field of manpower outside the Civil Service, with particular attention to information which would not otherwise come to the notice of the Civil Service Department.

8. There will be many areas in which there will be mutual exchanges of information, for example on the appointment of Principal Finance Officers and in the field of financial decision techniques and

management accounting. (In the latter case there will be a certain amount of work shared jointly by the two Departments.) In many of these areas, the form of the contact between the two Departments will be governed by the needs of the situation and may change from time to time. So long as the need for exchange in both directions is borne in mind by all concerned it is not necessary to establish in advance precise procedures covering the whole of this area.

Special arrangements for particular cases; Estimates, PESC and Project Control

9. Special arrangements may be necessary in relation to the Civil List. This apart, the two Departments will each be responsible for approving the other's Estimates (i.e. those covering their own domestic expenditure and any other Votes, such as the Miscellaneous Expenses Vote, the Royal Commissions Vote, for which one of them is directly responsible). This will in the normal course of events be done at Deputy/Third Secretary level. Once the Estimates have been approved, the Civil Service Department will operate exactly like any other department, in the sense that expenditure from the Votes for which it is responsible will be authorised without further reference to the Treasury.

10. The Estimates of other departments will continue to be addressed to the Treasury who will be responsible for co-ordinating and presenting the Estimates including those of the Civil Service Department. The Treasury will send copies of appropriate Estimates to the Civil Service Department which will scrutinise, and when satisfied approve, those elements for which it is responsible.

11. The Treasury, while remaining free to query a project on policy grounds (e.g. overall costs) will rely on the decision of the Civil Service Department on the scale of staffing etc. required for the project (or Vote) in the form in which it is put forward. Thus it will not be open to the Treasury to argue in any particular case that, though the level of expenditure involved is acceptable, the scale of staffing is too lavish - that is the job of the Civil Service Department. It will however be open to the Treasury to argue that, in the light of the cost of the staffing thought necessary for a policy or project, its scope or scale - or indeed the whole case for it - should be re-examined. It follows that the Treasury will not concern itself with the detail of Votes or Subheads which have been approved by the Civil Service Department. It will in many cases be appropriate for the two central Departments to examine proposals together, and perhaps to hold joint discussions with the departments whose Estimates or proposals are under examination.

Relations with Parliament

12. A separate Notice will in due course be circulated to the staff of the Civil Service Department, setting out the arrangements for dealing with Parliamentary Questions, Ministerial correspondence with Members of Parliament etc. This apart, relations between the two Departments and Parliament will hinge principally on the links with the Public Accounts Committee and the Estimates Committee. So far as the Public Accounts Committee is concerned the senior Treasury Officer of Accounts will continue to exercise an overall responsibility for advising the Committee. There will, however, be occasions on which the Committee will wish to have advice from the Civil Service

Department on the staffing and organisational implications of reports from the C. and A.G. An officer of the Civil Service Department will therefore be designated to work alongside the senior Treasury Officer of Accounts in this field. There will be a central Civil Service Department interest in this field and there will in due course be an accumulation of expertise on PAC doctrine and pronouncements in the field of staffing, management and organisation.

13. Similar considerations apply in relation to the Treasury's Third Secretary Liaison Officer with the Estimates Committee. Here again it may be necessary in due course to appoint a Civil Service Department Liaison Officer for this Committee. This too will be determined in the light of events, depending in particular on the extent to which the Estimates Committee wish to have advice on staffing and organisational problems which are sufficiently detailed for it to be unreasonable to expect the Treasury Liaison Officer to answer them, but yet not of a kind on which it would be appropriate to summon the Head of the Department concerned. Similar arrangements are likely to be necessary in relation to other Parliamentary Committees.

Formal inter-departmental arrangements

14. A Committee will be established, comprising Deputy/Third Secretaries, Establishment Officers, and Under Secretaries as appropriate in both Departments. Chairmanship of the Committee will alternate between the Civil Service Department and the Treasury. The tasks with which this group will be concerned will vary from time to time; initially, however, it seems likely that the Committee will be largely concerned with the consideration of specific problems arising out of the split.

15. In addition to these problems there will be formal consultation at a senior level on major machinery of government questions affecting both Departments, and the planning of future operations in fields of common interest; for example, where major departmental reorganisations are under consideration. Discussions in this field will be at Deputy/Third Secretary or higher level as appropriate, and will provide important opportunities for improving the performance and management of departments.

W.A. D.A.V.A.

THE INTEGRATION OF HM TREASURY

AND THE

CIVIL SERVICE DEPARTMENT

REPORT OF THE STUDY TEAM

OCTOBER 1980

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INTEGRATION OF HM TREASURY AND CIVIL SERVICE DEPARTMENT

Report by the Study Team

1. TERMS OF REFERENCE

The terms of reference for the Study, as approved by the Prime Minister on 26 August, were:

> "1. To consider the organisational changes that might be made to bring about an integration of the Civil Service Department and HM Treasury into one Department, such integration having as its aims:
>
> a. a more co-ordinated and effective central control over public expenditure and Civil Service manpower;
>
> b. the promotion of greater efficiency in the Civil Service; and,
>
> c. a reduction in the administrative effort and resources of manpower and money currently expended by the two Departments.
>
> 2. To analyse the case for and against a merger of the two Departments compared with the present organisation.
>
> 3. To assess both the immediate costs arising from an integration, including the relocation of certain parts of the two Departments, and the implications for the saving of manpower and other costs in the longer run; and,
>
> 4. to prepare a factual and analytical report."

2. The terms of reference thus exclude two recognised options* for the organisation of the functions discharged by the Treasury and the Civil Service Department (CSD), namely:

> a. to split the Treasury, merging its public expenditure control functions with the CSD, leaving the rest of the Treasury as a separate Department, and;

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* See for example, Minutes of Evidence taken before the Treasury and Civil Service Sub-Committee, Session 1979-80: The Role and Powers of the Civil Service Department; Wednesday 18 June 1980, Q.770; Wednesday 2 July 1980, Q818 and Annex P.203.

b. to split the CSD, transferring its manpower, organisation and efficiency divisions to the Treasury, leaving the rest of CSD as a separate Department.

Accordingly, this report reviews the analytical and factual considerations involved in an integration of the two departments and the case for and against such a merger as compared with the present arrangements. We have not felt precluded from drawing attention to measures likely to strengthen further the co-ordination and co-operation between the Departments were they to remain separate. We have not seen it as part of our remit to try to allocate responsibilities at the very top of the Departments or between Ministers.

2. THE FUNCTIONS OF THE CENTRE

3. Setting to one side the central secretariat functions of the Cabinet Office, the policy functions of the Centre of government have always been discharged within the Treasury, except insofar as they have been re-allocated from time to time in respect of economic affairs, and to the CSD after 1968. The Treasury stands out as one of the enduring landmarks of the departmental machinery of government. Few other countries have concentrated central functions in a single department. In reality, however, the appearance of stability and harmonious integration of functions under one roof is misleading. First, the extent of integration of responsibility between the management side of the Treasury and its financial, economic and supply work has been variable. Since 1962 management work has been entirely separate at all official levels. Second, there has been more or less continuous organisational change - and a measure of turbulence as a result. But over the years the considerations that have prompted change in administrative arrangements have themselves remained remarkably constant. (Annex 1). Meanwhile the environment in which the Centre operates has itself altered. Among those changes which add to the complexity of the Centre's task we draw particular attention to two factors. The first is the load now carried by the Centre in respect of the management of the national economy. Second, the management of the Civil Service has now to take account of developments in the employer/employee relationship in the country at large. For instance,

Ministers as employers must have regard to legislation applying generally to industrial relations, and have to respond to the way in which civil servants have organised themselves to represent their views as employees.

4. The functions of the Centre today may be summarised as covering:

a. the management of the national economy, including its international dimensions, and of national financial policy, including fiscal and monetary matters;

b. oversight of the public sector, including the allocation of resources of all kinds to the public sector and between competing areas within it; and monitoring, controlling and reporting accordingly;

c. advising government departments on economic, financial and management matters, and assisting them to maintain practices that are economical, efficien t and have due regard to propriety in the expenditure of public money and the deployment of staff;

d. the management of the government's own servants, including the setting of common standards for the Civil Service and the negotiation and settlement of pay and conditions of service.

5. The way the Centre undertakes these functions is shaped by the policies of the Government of the day. The Centre operates in partnership with spending departments, with decisions about the allocation of resources resting ultimately with Ministers collectively. Each departmental Minister is responsible for the efficient use of the resources allocated to him. But the Centre must be concerned with value for money spent and be so organised as to promote the efficient use of resources by departments and foster adequate systems within departments to monitor and control expenditure. It needs, too, to retain an interest in the control of manpower as a particular kind of resource, subject as circumstances demand to num erical as well as financial control, and must know enough about each department's work and plans to contribute constructively to effective control. The Centre has long held the functions of managing the government's direct employees as a unit. And in doing so it must be organised to ensure that the standards set by central management - to prevent, for example public money being wasted on staff who are not up to the job - are effectively linked with its interest in the efficiency of spending departments' administrative machinery.

6. The organisation of the Centre in these respects turns on the answe to two questions:

a. how far and at what points is the central management of the government's own staff linked to the other central functions, particularly when questions of manpower-related expenditure are involved, and at what level should responsibility for these functions be united?

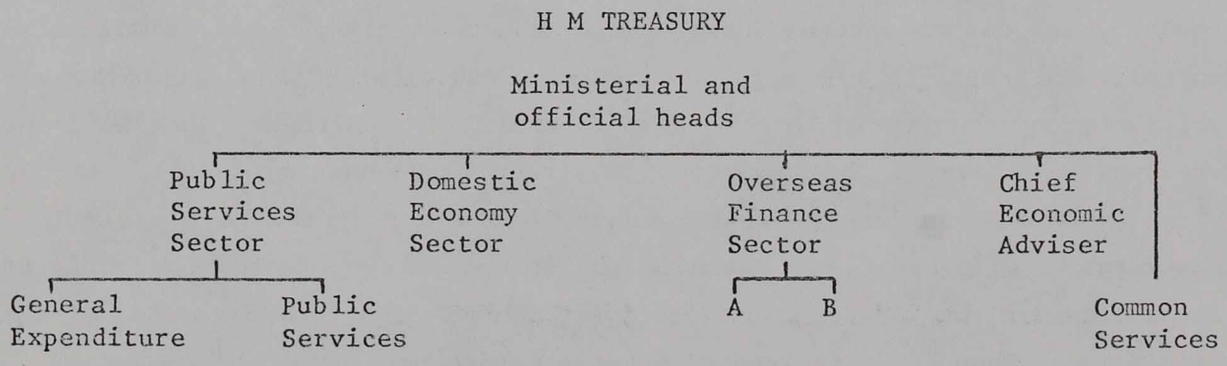
b. how far and at what points does the Centre's interest in regulating and improving the quality of systems within departments for controlling departmental expenditure relate to its responsibilities for the aggregate of public expenditure and for public accounting and how should these responsibilities be allocated within the Centre itself?

3. THE PRESENT ORGANISATION OF THE TREASURY AND THE CIVIL SERVICE DEPARTMENT

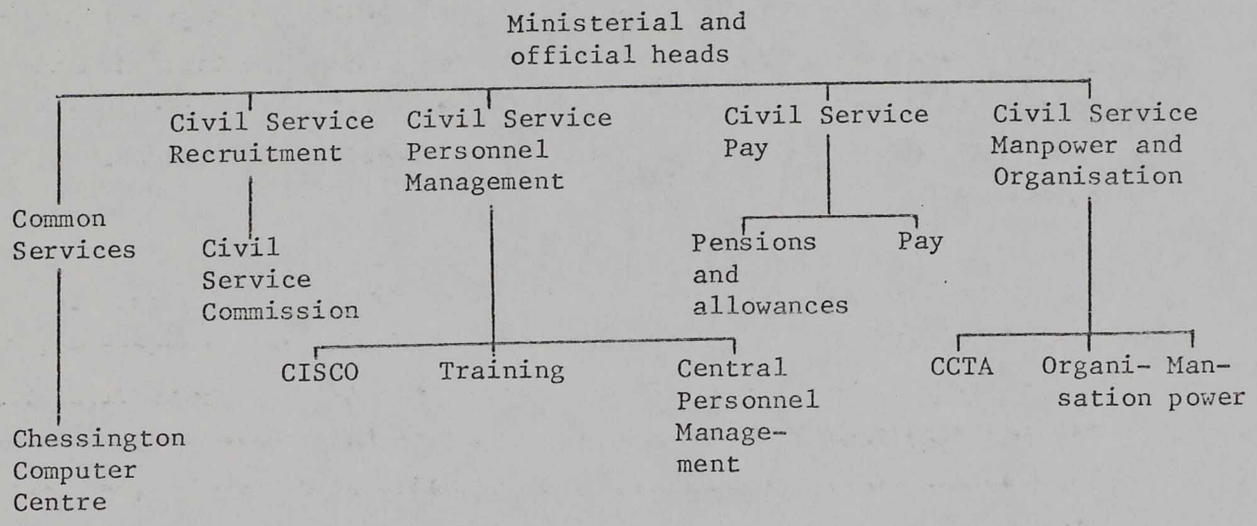
7. The policy functions of the Centre are at present divided between the two central Departments so that those at a. (paragraph 4 above) fall to the Treasury and those at d. to CSD. The functions at b. and c, which cover the Centre's interest in the allocation of resources and in the way departments undertake the work for which they are responsible, are assigned to both Treasury and CSD, and were recognised in 1968 as constituting points of contact between the two.

8. The present organisation of the two central Departments may be illustrated in outline as follows:

Figure 1



CIVIL SERVICE DEPARTMENT



Full charts at Annex 2

9. Our consideration of the functions laid on the Centre and of the present structure of the two Departments leads us to three observations of considerable significance for this report.

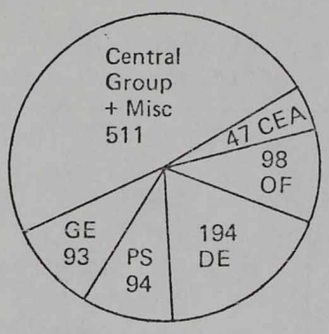
10. First, the two Departments are organisationally similar in separating their activities at a high level into discrete functional areas, but the nature of these functions is very different. The 1081 staff of the Treasury are virtually all employed (common services only excepted) in advising on policy and have little or no direct responsibility for executive tasks. In this respect the Treasury is homogeneous, and it is organised and run accordingly. The CSD, on the other hand, deploys only a small minority of its 5108 staff inside the central policy core. The remainder of the staff constitute the executive arm of the central management of the Service and are closely linked to the core. Some of them are concerned at first hand with the formulation of policy in the sense applicable to the Treasury and to the centre of CSD itself, but the majority are not. In terms of absolute size and range of functions the management task of organising and running CSD is consequently far larger and more diversified than that of managing the Treasury. The contrast in structure is illustrated in Figure 2.

11. Second, the scope for the integration of functions accordingly includes only the common elements of policy formulation and of domestic establishments work (common services). The CSD manpower at present deployed

Figure 2

TREASURY

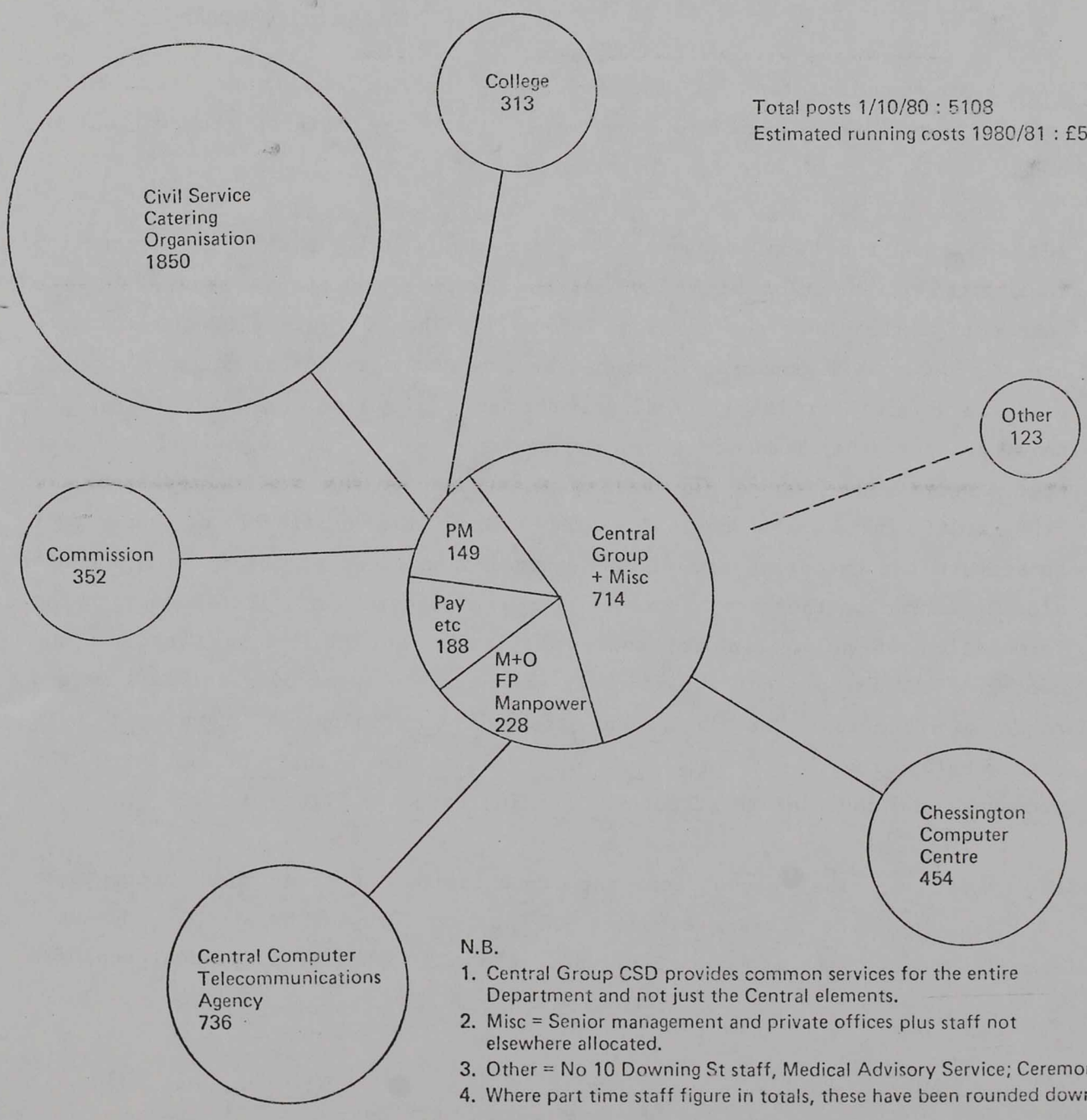
CEA : Chief Economic Adviser
OF : Overseas Finance
DE : Domestic Economy
PS : Public Services
GE : General Expenditure
RGPD: Rating of Government Property Department



RGPD 44

Total posts 1/10/80 : 1081
Estimated running costs 1980/81 : £19.1m

CIVIL SERVICE DEPARTMENT



Total posts 1/10/80 : 5108
Estimated running costs 1980/81 : £57.5m

N.B.
1. Central Group CSD provides common services for the entire Department and not just the Central elements.
2. Misc = Senior management and private offices plus staff not elsewhere allocated.
3. Other = No 10 Downing St staff, Medical Advisory Service; Ceremonial
4. Where part time staff figure in totals, these have been rounded down.

on the policy functions at b., c. and d. in paragraph 4 above may be summarised (to the nearest 10 staff) as:-

Table 1

Manpower Control	50
Management and Organisation	90
Functions and Programmes (excluding Staff Inspection)	40
Pay, Allowances and Superannuation	190
Personnel Management (including part of CS College)	160
Ministers and top management	10
	540

In addition some staff at the Civil Service Commission and at the Central Computer and Telecommunications Agency (CCTA) exercise policy functions. But in all, less than one eighth of CSD's present manpower are involved in policy work comparable to that of the Treasury*.

12. Third, even where the policy functions of the two Departments are comparable, they are not discharged in the same way. For example, the organisation for handling manpower control is arranged internally in CSD on a

---

*Direct manpower comparisons with the past are difficult. Staffing requirements have responded, for example, to the great increase in the use and technical complexity of computers. But it is instructive to note that the number of staff in 1966 working in policy areas comparable to the present policy work of the CSD was 323 to whom must be added clerical support (included in Table 1 above) of, say, 100. Source: The Civil Service (The Fulton Report) (Cmnd 3638) Vol 5(i) Memorandum No. 14.

"client" or departmental basis, while the organisation of the equivalent Treasury function (expenditure control) is concentrated by contrast on functional programmes - expenditure on this or that subject or service - which may not always be co-terminous with the boundaries of one or more spending departments. In addition, whereas all manpower control is concentrated in a single Deputy Secretary command, the Treasury expenditure divisions are located in five different Deputy Secretary commands, although the Under Secretaries concerned report on public expenditure to the Second Permanent Secretary in charge of the Public Services Sector.

4. ORGANISATION OF AN INTEGRATED DEPARTMENT

13. In developing an integrated departmental structure for the Centre we have taken into account the aims of such a step as expressed in paragraph 1 of our Terms of Reference, the way in which central policy functions are at present divided between the Treasury and CSD and the extent to which we could detect overlap. We have assumed that all the functions of the two departments would continue to be discharged by the combined department.

14. There will need to be a single common services organisation in an integrated structure. On the other hand, the spread of policy functions is wide and may of them evidently do not overlap as between the two Departments. To put the point in extreme terms, there is no value in planning to integrate responsibility for CSD's policy functions in relation to recruitment with those of the Treasury on o verseas finance except at the very top of the new Department. We have examined the scope for integration in three main areas of policy work:

a. manpower and expenditure control

b. financial and management systems and organisation in departments;

c. pay in the public services and Civil Service.

15. Some of the general considerations that we have taken into account are set out at Annex 3. The most appropriate organisation for the control of manpower and administrative costs in departments involves particularly difficult and contentious issues. These concern the relative strength of the links between related kinds of work. The control of manpower and administra-

tive costs may be brigaded either with the control of public expenditure on the Government's policies or with the other elements of the central management of the Civil Service. We have assumed that a decision to merge Treasury and CSD would imply a decision to give greater priority to the unified control of public expenditure than to the unified management of the Civil Service; that the Government's manpower target may be regarded not simply as a component of public expenditure policy, but also as part of policies relating to the place of government in the community; that the tasks and skills required of those responsible for manpower and expenditure control share a number of common elements but that the methods of approach are in many respects distinct; and that there is no set of criteria which clearly and consistently separates one group of spending departments from another in terms of the way the Centre is organised to deal with their expenditure on administration and on policies.

16. On management and financial systems, we have assumed that in an integrated department work on financial control systems would be brought together and that the organisational arrangements would preserve as far as possible the important links which this has with the work on the management and organisation of departments.

17. On pay we have assumed that in an integrated organisation, the function of pay negotiations for the Civil Service would remain on the personnel management side of the Department. Close co-ordination would continue to be necessary with those responsible for economic management and the control of public expenditure. Whether or not the two Departments are integrated, organisational arrangements in respect of the pay of the public services should be clarified.

18. Accordingly, our model for integration involves the following organisational changes:

a. the common services of the two departments - dealing with establishments, finance, personnel, domestic organisation, office services etc - would be merged into a single group headed by an Under Secretary who would be the new department's Principal Establishment Officer and Principal Finance Officer.

b. the CSD's present work on the control of Civil Service manpower (both numbers and administrative costs) would be separated from direct responsibility for Civil Service management (pay, personnel, superannuation etc) and brought alongside public expenditure control responsibilities, in what is at present the Public Services Sector of the Treasury;

c. the CCTA, which has procurement and financial control functions, would continue to be brigaded within the same Deputy Secretary command as manpower control;

d. the work done at the Centre in pursuit of improvements in the financial and management systems operated by departments, and the scrutiny of departmental efficiency, would be brought together and brigaded under the Deputy Secretary with responsibility for manpower control.

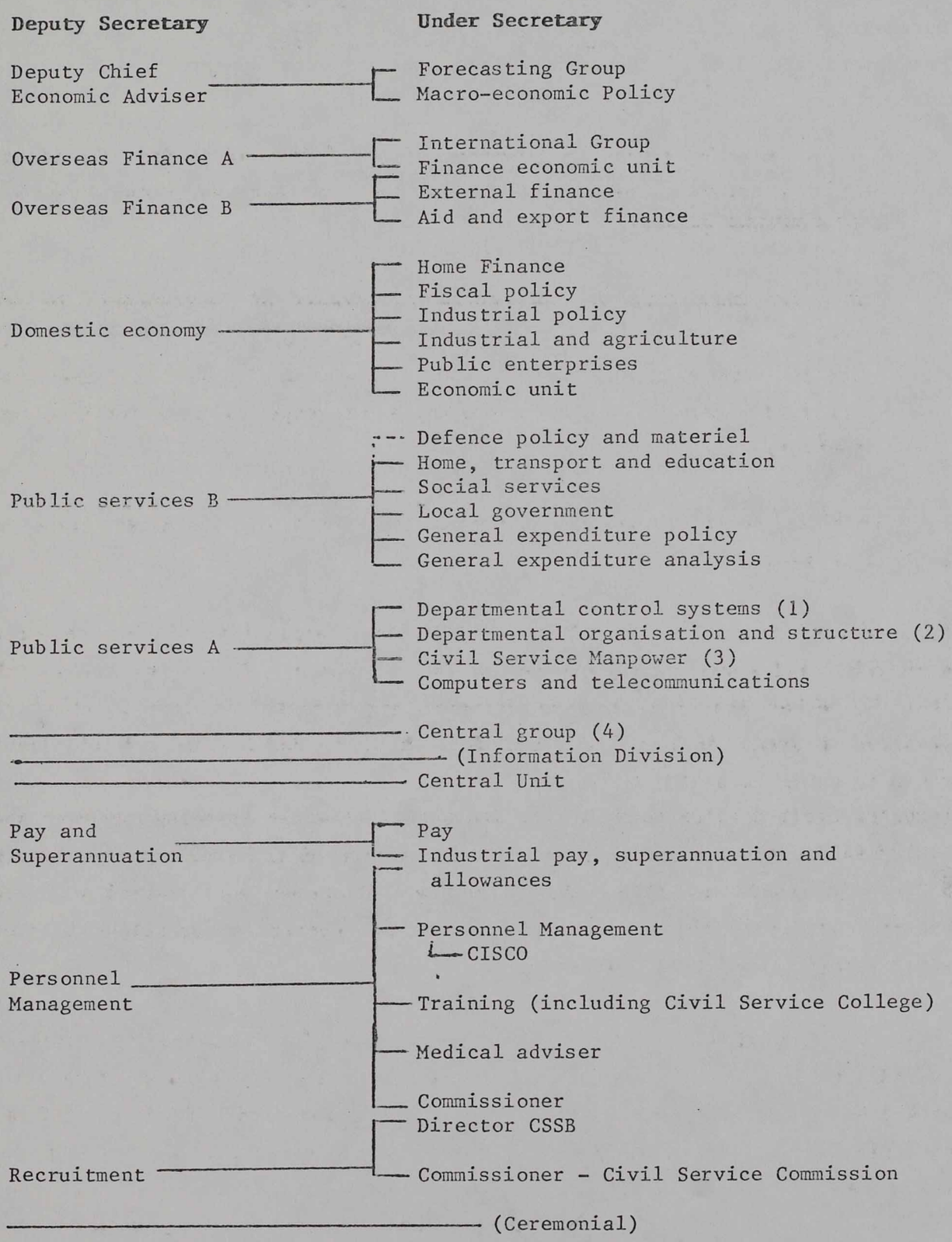
The organisation of a single integrated department on the above lines is shown in Figure 3.

19. This structure (Option A) would unite responsibility for resource allocation and control of manpower and associated administrative costs with that for other resources at top official and Ministerial level. It would preserve a group of staff dealing with manpower control as a specialised subject across departments and responsible for the Government's policy on reducing Civil Service numbers. It would go further in bringing manpower and expenditure control together than the organisation of the Treasury immediately before the split in 1968, where the two functions were united only at Ministerial level. But manpower and expenditure control at operational level would remain separate see Figure 4.

20. We have therefore developed another model for illustrative purposes (Option B). This Option provides an outline of a more extensive integration of the manpower control function, which as far as possible would bring together at divisional level responsibility for manpower and expenditure control of individual spending departments. It is based broadly on the present Treasury organisation since this already handles over 90% of public expenditure and the addition of the small proportion represented by manpower and associated costs cannot reasonably be the determining organisational factor. A new Under Secretary command would have responsibility among other things, for the maintenance and operation of the general manpower

Figure 3

ORGANISATION OF THE INTEGRATED DEPARTMENT



Notes:

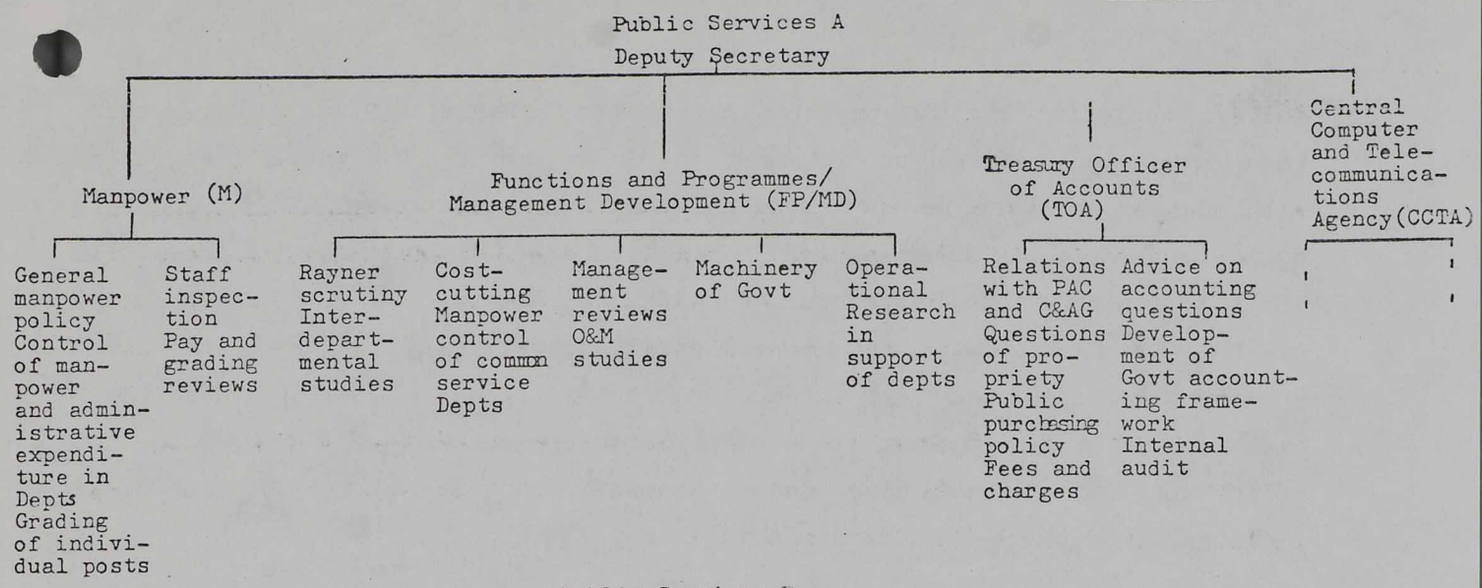
1. Departmental control systems consists of the Treasury Accounts and Purchasing Group plus Accountancy, Finance and Audit (AFA) Division from CSD Management and Organisation Group, plus the work on departmental financial systems from Treasury General Expenditure Analysis Group.

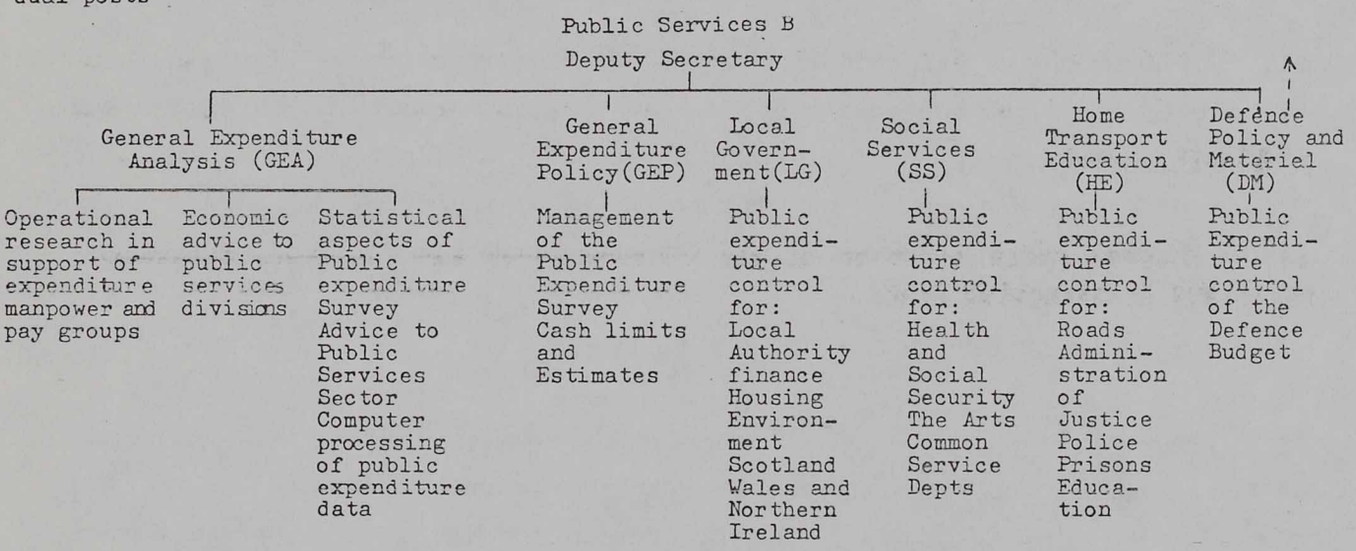
2. Departmental Organisation and Structure consists of FP1 and FP2 Divisions from CSD Functions and Programmes Group plus CSD Management and Organisation Group except for AFA Division.

3. Civil Service Manpower Group consists of the CSD Manpower Group plus Staff Inspection and Evaluation Division (SIED) from CSD Functions and Programmes Group.

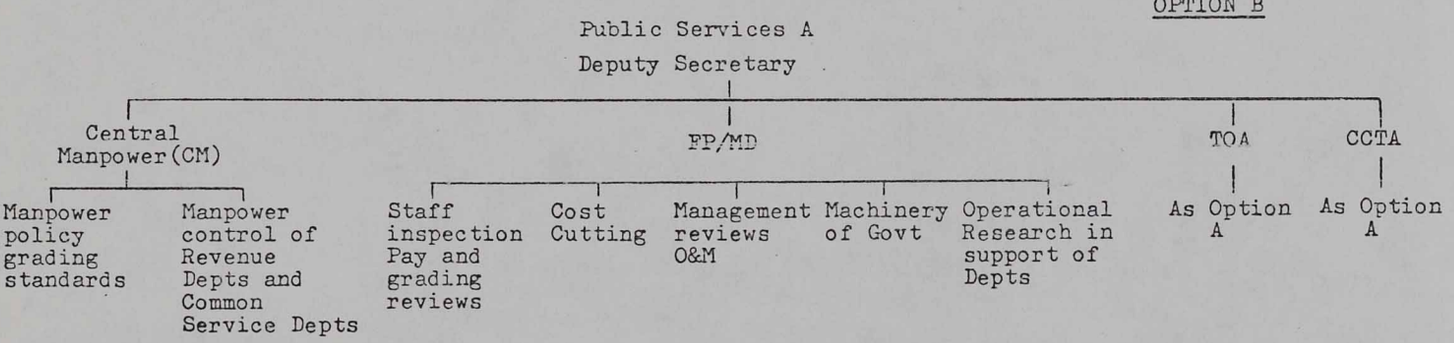
4. Central Group consists of CSD Central Group plus Treasury Establishments and Organisation Group.

OPTION A





OPTION B



Public Services B
Deputy Secretary

As option A but with manpower control responsibilities for departments not covered by Central Manpower Group transferred from Deputy Secretary A to expenditure groups in the Public Services Sector and to groups with expenditure responsibilities in the Domestic Economy and Overseas Finance Sectors.

Figure 4

policy, including the Government's target for reducing Civil Service numbers to 630,000 and control of manpower in those departments where integration with the expenditure control function was not appropriate. This structure would involve some consequential change in the distribution of responsibilities to the groups concerned with the improvement of departmental financial and management systems and efficiency scrutiny. It would represent a much more radical change in present responsibilities. It has its advantages but involves greater risks to the efficient prosecution of the Government's policy objectives. We have doubts about its suitability for immediate implementation which are discussed further in Section 7 below.

21. A detailed description of the suggested integration is given in Annex 4: Part 1 deals with the policy areas, covering both the limited Option A and the more extensive Option B integration above, and Part 2 deals with the common services. Our analysis of the policy areas indicates that instances of simple duplication of work between the two Departments are rare.

5. LOCATION OPTIONS FOR AN INTEGRATED DEPARTMENT

22. There are three possible approaches to location of the principal policy divisions of the integrated department currently housed in the Old Admiralty building (OAB) and the Government Offices, Great George Street (GOGGS):

a. full colocation;

b. colocation of staff of the Public Services A and B Deputy Secretary commands (as shown in Figures 3 and 4), except the CCTA which would continue to be located elsewhere.

c. colocation of staff of the expanded command of the Treasury Officer of Accounts who would be responsible for departmental control systems.

The implications and costs of these options are described in Annex 5.

23. The first option of full colocation is significantly the most costly. It is the only option, however, which would place no physical barriers in the way of the development of an integrated approach to go with the formal structure. Full colocation would have to be in the Great George Street building which the Treasury at present shares with the Central Statistical Office (CSO), the Northern Ireland Office (NIO) and parts of the Foreign and Commonwealth Office (FCO) and Cabinet Office. To achieve this option the FCO, Cabinet Office and one other department would have to be relocated elsewhere. In the case of the FCO divisions concerned, this would increase to some degree their separation from the department's centre in the Old Public Offices. The operational links between CSO and Treasury argue in favour of relocating the Northern Ireland Office rather than the CSO.

24. The second, less costly, option would ease communication between those divisions whose collaboration it would be a prime purpose of integration to foster. It would remove physical barriers between the components of the integrated Public Services commands. Without this degree of colocation the reality as distinct from the form of integration would take longer and be more difficult to achieve. This option would, however, erect a physical barrier between the Public Services commands and the Pay, Personnel Management, Superannuation and other divisions of the CSD. The links forged since 1968 between these divisions and the divisions to be relocated in GOGGS are probably strong enough to survive separate location for some time, but over a period of years would weaken.

25. The third option is the least costly. Some relocation would be necessary to house together staff discharging the same common service functions and to colocate Accountancy, Finance and Audit Division with the other divisions under the Treasury Officer of Accounts. It would be the option least likely to affect current working practices: but if the aim of integration is to improve collaboration between CSD and Treasury policy divisions, this is the location option which would most impede this aim by maintaining barriers to easy informal communication.

6. IMPROVEMENTS IN THE PRESENT ARRANGEMENTS

26. Before turning to a comparison with Options A and B, we consider what improvements might be made to the present organisations.

27. On the Centre's interest in the promotion of good financial management and organisation in departments, we have found wide agreement that the present division of responsibility has resulted in some lack of central

impetus to the development of departmental systems compatible with the central accounting and public expenditure framework.

28. Under separate Departments, the options for improvement are either arrangements for joint reporting across departmental boundaries, or some adjustment in responsibilities. We would favour the latter. Specifically we suggest consideration should be given to transferring the CSD's Accountancy, Finance and Audit (AFA) division, which is concerned with the development of financial systems in departments, to the Treasury, so as to concentrate the central responsibility for promoting the development of departmental financial systems in that department alongside the responsibilities of the Treasury Officer of Accounts. There would be a price in separating AFA from the Management Development (MD) work of the CSD, and arrangements would need to be made to allow MD to draw on the accounting skills of AFA, but we believe that on balance the transfer would be beneficial.

29. In the area of manpower and expenditure control, we suggest the main need is to foster greater mutual understanding and awareness of the other's objectives, so as to spot potential opportunities for policy co-ordination at the earliest stage and present a united front to spending departments. Our impression is that the degree of consultation between the expenditure and manpower divisions is patchy; that it may sometimes be very good indicates that the departmental boundaries do not in themselves constitute a barrier to concerted action. Experience since 1968 suggests that it would be unrealistic to expect much from exhortations directed at improving communications between the Departments. Accordingly, we suggest that specific steps should be taken to develop arrangements for regular discussion and the exchange of information, for example by strengthening the remit of the CSD Manpower Under Secretary who attends the weekly meeting of expenditure controlUnder Secretaries; by considering representation in the reverse direction at the weekly meeting of the Manpower Assistant Secretaries, and by ensuring that both these representatives are fully briefed by their respective organisations. Copying of internal minutes and notes of meetings as a matter of routine should also be encouraged.

30. On common services it would be possible to introduce a common establishments organisation such as exists for the Departments of Trade and Industry and for the Departments of Environment and Transport. This would involve all the disruption to existing systems identified in Annex 4.2

whereas in the case of Trade and Industry, and Environment and Transport, common service arrangements were maintained in order to avoid disruption of established procedures and against the background of a developed departmental identity. The Under Secretary head of a common CSD/Treasury Establishments organisation would find himself reporting to Permanent Secretary heads of two distinct departments.

31. A lesser form of commonality would be achieved by retaining separate establishments organisations but creating common citizenship: staff would be eligible for postings and promotion in either department. But it would encounter severe problems, particularly in relation to competition for able staff, without any machinery other than inter-departmental negotiation to resolve conflict.

32. A third possibility, and this is one which we would favour, is more exchanges of staff between the two departments. Given impetus from the top levels of the two departments this is an option which would confer most of the benefits of cross-fertilisation without the difficulties of the two alternative approaches considered above.

7. COMPARISON BETWEEN AN INTEGRATED ORGANISATION AND THE PRESENT ARRANGEMENTS

33. Paragraph 2 of the Terms of Reference requires us to analyse the case for and against a merger as compared with the present organisation. The paragraphs below review some of the arguments, taking our model for integration which retains a unified manpower command (Option A), the more extensive integration which involves dispersal of manpower control to expenditure divisions (Option B), both described in Section 4, and the present arrangements improved in the way we have suggested in Section 6.

Control of Public Expenditure

34. At present, public expenditure control is split between the two departments, with CSD being responsible for the 10% accounted for by departmental manpower and related administrative costs. Integration would bring together in a single Department the central functions for economical planning and management of Civil Service manpower costs and of other public resources. It might strengthen the position of the Centre in relation to spending departments. This could be particularly important in areas where

expenditure on administration and on policies are closely inter-related and where the borderline between Treasury and CSD controlled expenditure is difficult to draw. On these matters separate departments will not be able to co-operate and consult as effectively as an integrated department which is not subject to organisational and physical separation. Option A would, however, unite manpower and expenditure control near the top of the organisation; its benefits at operational level would depend on the extent to which concentrating responsibility within a single department (and, if chosen, colocation) lead to closer co-operation between the separate groups dealing with manpower and public expenditure matters. Option B would unite these responsibilities lower down the organisation. This might improve central expertise and knowledge about the whole range of a spending department's affairs, and would remove the limited duplication of effort between Treasury and CSD that at present exists in relation to departmental operations and policy proposals. On the other hand a single central controller would have to deal in the majority of cases with two contact points in each department, on establishments and finance respectively. There might accordingly be organisational implications for departments.

Civil Service Manpower Numbers

35. The combined Department would have the task of achieving the reduction in Civil Service numbers to 630,000 by 1984. This policy, which is closely related to the Government's general objectives on public expenditure, is not expressed in financial terms but in numbers of staff. Thus the success of the policy is measured in a non-money currency. This distinction may well have to be recognised in organisational terms. The objective of reducing numbers will generally go together with that of restraining public expenditure, but there will be occasions when conflicts arise, with public expenditure or other objectives of government policy. These conflicts could sometimes involve the direct responsibilities of the Ministerial head of the integrated Department, since the Chancellor of the Exchequer is himself responsible for about one fifth of the Civil Service.

36. Two issues arise:

a. does the manpower policy need the undivided attention of a separate Minister, and department?

b. are priorities between this policy and other Government policy objectives more appropriately resolved in collective Ministerial

discussion (as under the present arrangements) or within a single Department?

37. Option A would keep together expertise on manpower control methods, including organisation and staffing methods, staffing formulae and a common approach to grading standards. Any important policy conflicts would be resolved at a high level. Option B would mean that advice on policy objectives in relation to a particular department would be considered at a lower level. But it would involve fragmentation of the manpower control function and dilution of expertise, particularly in relation to the efficient use of manpower and the effective deployment of specialised skills, such as central staff inspection. The complication of day to day operations might place at risk the achievement of the Government's overall manpower policy.

Financial and Management Systems and Organisat ion in Departments

38. The CSD is in the lead on questions of departmental organisation and financial control and management systems and the Treasury is in the lead on financial policy and the Government accounting framework. This division is held to have inhibited the Centre's ability to promote good financial management and organisation in departments. We think the transfer of work suggested in paragraph 28 above would lead to a better allocation of responsibilities within the framework of separate departments. But integration, which would bring together related expertise under a single Deputy Secretary, might well enable the Centre to achieve a greater impact. Under Option B, where operational responsibility for all the affairs of a department would be concentrated in one place, the department concerned would come under a more focussed scrutiny than under Option A where the distinction between manpower and expenditure control would be maintained.

The Central Management of the Civil Service

39. Integration would reverse the explicit departmental distinction between the central management of the Civil Service as an entity and the management of the economy and public sector, which has existed since 1968. Both Options A and B would go further than many of the arrangements adopted within the Treasury in the years before 1968 in that the Deputy Secretary command handling Civil Service manpower and management systems would be separated from the closely related management functions, such as pay

negotiation, personnel, recruitment etc. The task of co-ordinating management policies would be complicated (since they would be separated at all but the very top level) as would dealings with the unions. Management issues might receive less attention under a combined department. Problems of lateral co-ordination would be increased under Option B, where manpower control responsibilities would be widely dispersed.

The Load on Top Management

40. The combination of the full range of central functions under one Department is bound to create an exceptionally heavy load on the Chancellor of the Exchequer, who would have to cover a wide span of policy issues whatever the arrangements for division and delegation of responsibilities.

Behavioural Considerations

41. Our consultations have indicated that, in spite of the detailed arrangements for co-ordination and consultations which were made at the time of the split, informal links have tended to weaken over the past twelve years. Our proposals to improve co-ordination may be no more successful while the Departments' organisation and locations remain separate. On the other hand, as we have shown, integration would bring together two departments quite different in size and structure, with a rather limited area of policy contact.

Staff Specialisation

42. An important reason for the establishment of CSD as a separate department in 1968 was the view that management of the Service's human resources required specialised skills which generally differed from those required to advise on economic and financial policy. The intervening years have seen an increase in specialisation in both departments. Whatever the merits of specialisation it would not be precluded by integration, but it might be more difficult to sustain within a combined Department. If a broader outlook is required in relation to those functions which are the direct subject of integration, it might be achieved by the kind of interchange of personnel we have proposed as an improvement in the present arrangments.

Comparison between Option A and Option B

43. The paragraphs above compare the present arrangements, as improved, with both our possible models for integration. They suggest that the case for Option A involves balancing relatively clear advantages and disadvantages. The organisational changes needed would be comparatively limited and the structure which would result should be capable of subsequent adaptation to meet new demands.

44. We have taken the development of Option B as far as we can. But extensive integration of this kind places more extreme and contentious considerations in the balance, particularly those related to the combination of manpower and expenditure control responsibilities and the consequent diffusion of manpower control expertise. These are complex issues on which we have encountered a fundamental conflict of views. We do not see a sufficiently firm basis for moving immediately to a more extensive integration on the lines of Option B. It would first be necessary to clarify the full implications of the arguments involved. Only then could a detailed and soundly-based organisation be worked out. These processes will take some time. But the prospect of a more extensive integration would remain open once Option A had been undertaken. The experience gained from operating Option A might help to clarify the arguments relating to extensive integration.

8. COSTS, SAVINGS AND TIMING

45. Paragraph 3 of the Terms of Reference requires us to assess the costs and savings arising from integration.

46. The main quan tifiable savings arise from the staffing consequences of integration. In the case of either Option staff savings are identified throughout the hierarchy including a reduction from 3 to two in the number of Deputy Secretary posts in the integrated Public Services area. But Option B offers up to 13 more posts. The bulk of savings arise from the integration of common services. The number of staff and savings are:

Table 2

		Posts	£'000 p.a
Common Services		34	370
Policy Areas:			
i.	Option A	4	75
Total A		38	445
ii.	Option B (in addition to savings under Option A)	13	150
Total B		51	595

Associated with these staff savings would be savings in accommodation costs of nearly £15,000 a year.

47. Even under Option B the staff savings which we expect to follow directly from merger are only a very small proportion of total staff costs. This reflects our finding that there is limited overlap and little duplication between the work of the two Departments; and our assumption that the present functions of the Departments would continue to be discharged by the new combined organisation. It is not possible to predict how the integrated Department would develop and how this might affect staff levels.

48. The main quantifiable costs arise from locating the two departments together. The costs of the three options in Section 5 are estimated as follows:

Table 3

		COSTS	
		First Year £'000	Recurring £'000 p.a
a.	full colocation (depending on whether CSO or NIO are relocated)	640 - 660	0-50
b.	lesser colocation	150	0
c.	minimal colocation	5	0

In addition, costs will arise in relation to the loss of working time caused by the disruption involved in any moves.

49. The implementation of integration would involve considerable administrative effort. It would call for the merging of different systems and working practices which have developed over a period of years and which reflect the difference between a moderately large, geographically diverse Department and a small, geographically concentrated one. This merging of systems would take time to achieve, perhaps a year for essential integration and a longer period to tidy up smaller differences. During this year few savings would be achievable, perhaps only at the highest levels, because both Departments' common service expertise will be needed to develop workable merged systems. During this time too, some staff increases would be needed, notably in the organisation and complementing division which will be faced simultaneously with several system reappraisals. In addition, a small project team would be needed to direct and co-ordinate the process of integration in support of the Principal Establishment and Finance Officer. These additional staff costs might amount to £100,000 for the first year only.

50. Table 4 summarises the costs and savings arising from integration on the basis of Option A, and on the assumption that full colocation involves the transfer of NIO staff to OAB in preference to moving the CSO.

TABLE 4: SUMMARY OF COSTS AND SAVINGS FROM INTEGRATION

	ADDITIONAL COSTS (+) AND SAVINGS (-)	
	YEAR 1 £'000	YEAR 2 AND SUBSEQUENT YEARS £'000
1. Staff etc Saving from Integration	*	- 460
2. Additional Staff Cost of Planning and Executing Integration	+ 100	
3. Cost of		
a. Full Colocation	+ 660	
b. Lesser Colocation	+ 150	
c. Minimal Colocation	+ 5	
4. Additional Staff Saving from Full Colocation		- 25
Total Annual Additional Costs and savings from integration		
a. with Full Colocation	+ 760	- 485
b. with Lesser Colocation	+ 250	- 460
c. with Minimal Colocation	+ 105	- 460

* Few staff savings likely in first year, see paragraph 49 above.

51. Experience with other integration exercises shows that considerable unquantifiable disruption will arise. This will be much greater in the case of more extensive integration (eg Option B) which would involve very significant changes in job descriptions and the patterns of reporting on manpower in particular which could lead to a loss of effectiveness and control at the time of changeover. Any integration will absorb a good deal of time and effort in the two Departments which cannot be measured but which must to some extent be at the expense of their policy and management concerns. The costs and savings arising from integration itself may well be far outweighed by the way reorganisation eventually affects the implementation of the policies for which the Centre is responsible.

52. The lead times for integration depend on the choice of Option A or Option B and the decision on colocation. As we have mentioned, Option B requires further work before a more extensive integration could be put into effect. Under Option A, on the other hand, the new lines of responsibility at Under Secretary level and above could be introduced quite quickly after a decision had been taken. Maximum colocation would require at least six months between decision and implementation (three months for planning and three months for implementation). The time required to achieve the other two location options would be significantly less. The period during which the new organisation would be settling down would extend for some months or longer after the physical arrangements had been completed.

9. SUMMARY

Scope for Integration

a. The extent of integration between the management and financial sides of the Treasury has in the past been variable. The organisation has frequently been adjusted. Over the years movement has been towards

the complete separation of these functions at all official levels which was reached in 1962;

b. there are now major differences between the Treasury and the CSD in relation to their size, to the range and kind of functions they perform, and to the management problems they pose;

c. the areas of overlap between the two Departments are relatively small:

- the two common service organisations;
- control of Civil Service manpower and control of public expenditure;
- the development of financial and management systems in departments and at the Centre;

d. instances of simple duplication of work in these areas are rare.

Options for Integration

e. The study describes two Options for the integration of the areas identified at c. above which differ according to the treatment of the manpower and expenditure control functions:

Option A - transfer responsibility for manpower control from the Civil Service management side to the expenditure control side, while maintaining a specialist group of manpower controllers in one Under Secretary command;

Option B - place responsibility for manpower control of specific departments as far as possible with expenditure control divisions, leaving responsibility for the overall manpower target with a separate Under Secretary command.

Under both Options common services would be integrated under a single Principal Establishment Officer (Under Secretary), and the Centre's role in improving financial and organisational systems would be unified at Deputy Secretary level;

f. Option B has not been worked out as a blue-print - it is offered simply to illustrate the form that more extensive integration might take. Extensive integration involves a balance of more extreme advantages and risks than does Option A, and would require further examination before it could be implemented.

Location

g. The study describes three options for the colocation of the central elements of the combined Department. Full colocation is the only option that would place no obstacles in the way of the development of an integrated department, but would be significantly more costly than the other possibilities.

Improving the Present Arrangements

h. The study identifies a number of measures intended to improve performance in the areas where policy overlaps, if the two Departments remain separate.

Comparison with Present Arrangements

i. The study identifies and analyses a number of considerations to be taken into account when comparing Options A and B with the present arrangements as improved at h. above.

Costs and Savings

j. The study identifies once and for all quantifiable costs ranging from about £0.1m to £0.75m depending on the option for colocation; there will also be unquantifiable costs. Continuing savings arising from staff reductions amount to nearly £0.5m a year with the possibility of further savings of up to £0.15m a year should more extensive integration prove possible. The costs and savings arising from integration itself may well be far outweighed by the way reorganisation eventually affects the implementation of the policies for which the Centre is responsible.

ANNEX 1

OUTLINE HISTORY OF THE ORGANISATION OF THE CENTRE IN RELATION TO THE MANAGEMENT OF THE CIVIL SERVICE, THE CONTROL OF DEPARTMENTAL EXPENDITURE AND THE PROMOTION OF EFFICIENCY IN DEPARTMENTS

Introduction

This Annex reflects the Study team's understanding of the way the Centre has been organised, and is not a full or "official" history. It has been compiled with two questions in view:-

a. how far has the organisation of the Centre integrated responsibility for its Civil Service management work with responsibility for its other tasks, for example, in the fields of finance and economic management?

b. what general or policy considerations have been regarded as important in deciding how the Centre should organise lines of responsibility as between the task of managing the Civil Service and its role in financial and economic management?

2. Setting to one side the secretariat functions of the Cabinet Office, the organisation of the Centre has generally been synonymous with the organisation of the Treasury. For a number of years the Treasury co-existed with a Minister for Economic Affairs presiding over an Economic Planning Staff in the Cabinet Office (1947) and with the Department of Economic Affairs (1964-1969); for the last twelve years the Civil Service Department has had a spearate existence. But these examples of institutional separation appear as the exception. Few other countries possess a similar administrative tradition of concentrating central matters within one department of government. But the existence of a single comprehensive Department may give a misleading impression of integration at operational level. In addition, the Treasury has frequently been reorganised internally but it is arguable that the problems that prompted reorganisation have nonetheless remained remarkably constant in character while developing considerably in complexity and scale. The rest of this Annex reviews some of the historical material that bears on these points.

The organisation of the "classical" Treasury

3. The classical Treasury organisation existed before the First World War. Each Treasury division dealt, by departments, with every aspect of that department's activity - policy, supply control, complementing and pay (there were many departmental pay groups and few general Service classes whose pay was negotiated centrally). There was by 1910 already a functional flavour. Pensions were handled centrally, and in a separate division, as were general financial matters, which nonetheless still had a departmental bias (see Figure 1).

THE ORGANISATION OF THE TREASURY, 1908

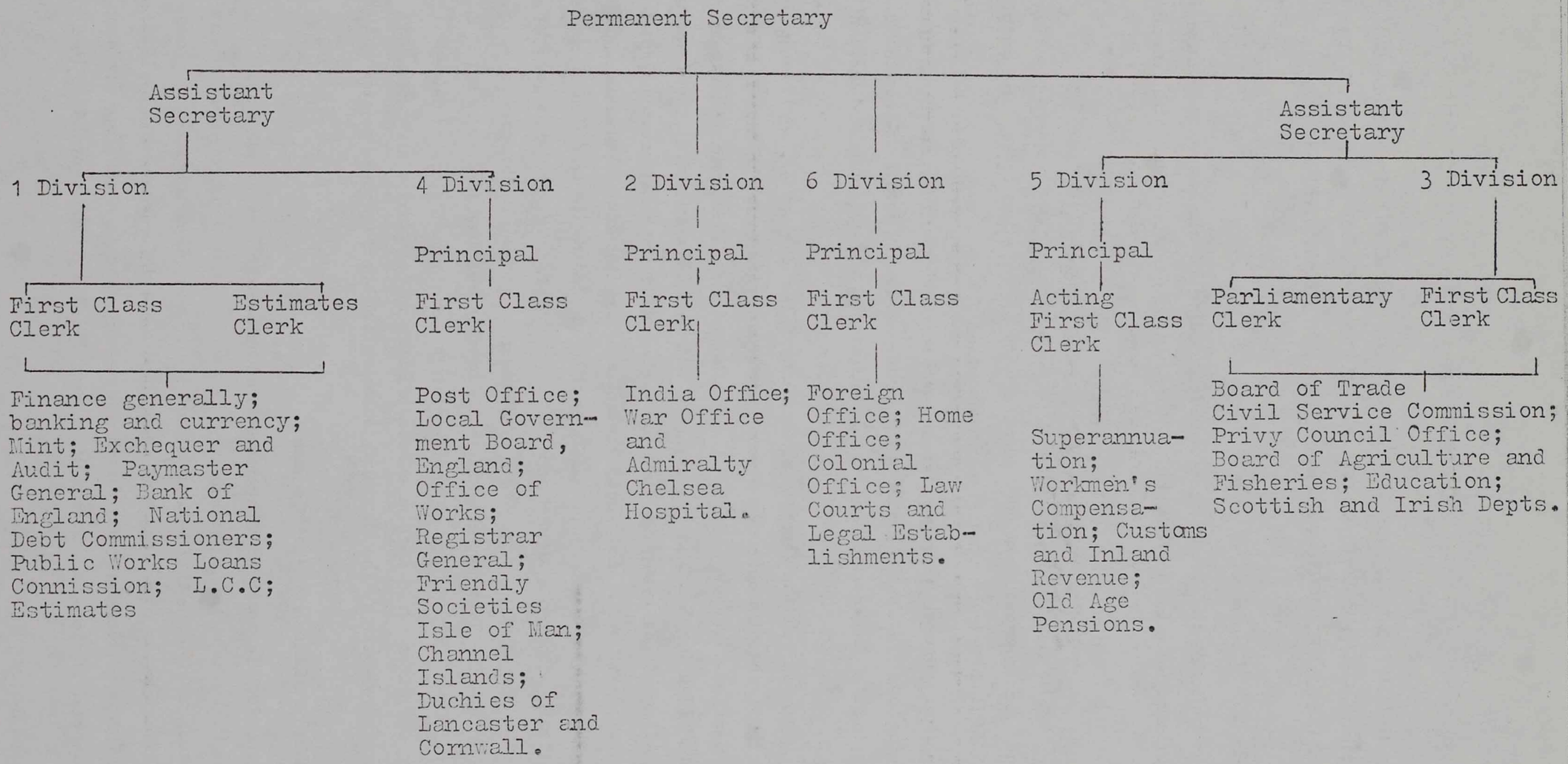


Figure 1

Source: adapted from Roseveare "The Treasury" (1969), p.230.

This system of man to man marking was never regarded by those outside the Treasury as satisfactory. Much of public expenditure was on the cost of the operations of government and the Treasury's approach to control was described by Sir Warren Fisher as "confined to the negative, because they had not got enough numerical strength to deal with the positive".[1] The positive activity that was consistently considered to be lacking was the ability constructively to promote efficiency within spending departments. It is striking that there was general agreement that this function genuinely existed and was one for which the Treasury should be responsible. The constant re-iteration of the point testifies to the Treasury's failure to find a successful mode of operation.

4. For example, the Ridley Commission in 1888 had noted that the Treasury was unable to promote organisational uniformity in departments without creating friction.[2] In its report of 7 July 1903 the Select Committee on National Expenditure recommended that the Treasury should at fixed periods (perhaps once in 5 years) exercise the right to review and revise the staffing of departments.[3] Clause 12 of the Order in Council of 1910 authorised the Treasury to inquire "into the pay and numbers of officers employed by any department of State". The Fourth Report of the "MacDonell" Royal Commission on the Civil Service of 1912-14 considered that control fell short of the desirable level and recommended "the creation within the Treasury, and subject to its administrative orders, of a special section for the general supervision and control of the Civil Service."[4] The germ of the idea that control of departmental expenditure on administration (ie in the language of the time, on the Civil Service) should be organised separately at the Centre from the control of expenditure on policy was just emerging. And it was doing so at a time when the scale of policy functions undertaken by spending departments was relatively small by today's standards, and when the central management of the economy was still thirty years away.

The Reconstruction of 1919

5. The proposals of the MacDonnell Commission would probably have led to the Treasury being reorganised, if they had been implemented, but they were overtaken by the onset of war. The Treasury emerged in 1918 as the subject of sharp criticism. The Department was widely held to have failed to control the rapid and extensive increase in the civil staff of departments that had been brought about by wartime conditions generally and in particular by the creation of new spending departments (Munitions, for example). The remedy was seen very largely in organisational terms. The formal powers already existed (though the 1910 Order in Council was strengthened and clarified by its 1920 successor) and what was needed were arrangements to translate them into action.

6. The post-War Reconstruction of 1919 rested on the reports of the Haldane[5] and Bradbury[6] Committees. The subsequent organisation of the Civil Service and the Treasury's management role probably owes more to these reports than to any other study, internal or external.

7. Haldane defined the functions of a Finance Department and prescribed their relative weight: the management of the Civil Service was ancillary to and less important than the regulation of taxation, the control of public expenditure, the handling of funds and public debt, and the rendering of account.[7] Spending Departments were naturally in a superior position to know what was required in terms of expenditure for the execution of the services for which they were responsible. The Treasury's role of expenditure control was accordingly not solely one of "restrictive authority" but one of amendment and improvement; the intention should be to get a greater return for outlay rather than simply to reduce expenditure.[8] Turning quite specifically to those departments where "there is a considerable amount of business of a routine character to be transacted", the Haldane Committee recommended that efficiency could be improved by concentration on establishments work.[9] Each department "where the staff are sufficiently numerous" should appoint an officer charged with the special duty of studying all such questions.

8. The Committee had in effect isolated a function that was to be found in every large spending department, that could be marked out from other functions and that could be allocated as a responsibility in its own right. They followed their own logic by identifying a central counterpart:

> "In the Treasury there should be a separate branch specialising in this "establishment" work, and studying all questions of staff, recruitment, classification etc and routine business generally".[11]

9. The establishments function should thus be a separate unit; separate, that is, from the Treasury's financial responsibilities. The thought that the function was so distinct that it should be discharged outside the Treasury's boundaries was raised and dismissed, on pragmatic grounds:-

> "there are several /functions/ which have no special connection with Finance, but we think that, as a matter of convenience, it will be desirable to make no change as regards the Department with which the general control of the personnel of the Civil Service is to rest. Much of this work depends directly on the control of expenditure generally, and for the remainder no other Department suggests itself as more suitable."[12]

10. What the Haldane Committee had sketched in outline the Bradbury Committee considered in depth. Called into existence specifically to review the numbers of civil servants employed in departments at the end of the First World War, the Committee followed Haldane in noting that the essential condition of economy and efficiency was that there should be "genuine co-operation between the Treasury and other departments".[13] The reconciliation of departmental autonomy and the central interest in overall economy should be achieved not by negative control but by partnership.

11. The Committee made firm recommendations concerning the organisation and the operating methods of the Centre; there should be:-

> "a special Establishment Division at the Treasury, manned by a sufficent number of picked officers and under the charge of an official of high rank, which should maintain close personal relations with the establishment officers of the various departments, acquire full knowledge of their office methods and act as a clearing house for information on all staff questions."[14]

12. The work of this Division should include not simplythe oversight of efficiency in departments but also management of a unified Civil Service. It would include:-

> "all general questions of recruitment, grading, promotion and transfer between different classes. It would also have to keep comparative statistics of staff".[15]

13. They noted that staff numbers had increased most and with least regard to efficiency in those departments that had been allowed the greatest discretion to operate free of Treasury control. They confidently expected that Treasury control asserted or reasserted on the new terms they had laid down would be welcomed by spending departments, ready to take advantage of the best available practice.[16]

14. Like Haldane, too, Bradbury felt that there was a case to be answered in respect of the location of the Establishments Division:-

> "We have considered whether this staff could be separated from the Treasury, but its functions are essentially those which should be performed by the Treasury and the intervention of any third authority would entail friction and duplication of work. We therefore recommend that a general Establishment Division on the above lines should be attached to the Treasury....."[17]

15. The issues discussed in 1919 are of recognisable importance today:-

a. the interest of the Centre in the efficiency of spending departments, particularly as to their use of administrative resources, conflicts with the autonomy of those departments and arguably, is best resolved by means of partnership;

b. the means available to the Centre in pursuing efficiency lie in the system provided by control of the Civil Service. One of the ways of controlling Civil Service numbers is to promote the pursuit of efficiency within departments and, conversely, the imposition of manpower control encourages economy and thus, arguably, leads to efficiency in administrative procedures;

c. the pursuit of these aims has organisational consequences for the Centre

i. should manpower control, the pursuit of efficiency and the other "management" functions of the establishments work of the Centre be pulled out

from the rest of the Treasury structure as a separately identifiable unit?

and,

ii. if such a unit were established should it remain in the Treasury, or should it be located outside?

16. What neither Committee had elucidated, however, was exactly how the Establishments function within the Treasury was to be separated from the Department's other tasks. Clearly, the abandonment of the all-purpose divisions marking all aspects of the policy and administration of one spending department was intended. And some of the functions to go to the new Division had been specified. But the precise arrangements were left to the Treasury itself.

17. In February 1919 an Establishment Division was set up, but it was immediately overtaken by the reorganisation of the whole Treasury on 4 September of the same year. The Establishment Division was replaced by a complete Establishments Department of five Divisions intended to cover the entire range of Civil Service pay and organisation. This included the subject then known as "Routine", that is, questions of office machinery, the keeping of registers, records and statistics, and the employment of labour saving appliances. Alongside the Establishments Department two further Departments were set up for Finance and for Supply; each Department was headed by a Controller with the status of Head of a first class department. All three reported direct to the Head of the Treasury, who, in the following year was also formally designated Head of the Civil Service.

18. The intention was that each Department should be very largely self-contained, particularly in respect of its own internal personnel management and posting policies. The clear separation of roles at the top was not, however, fully reflected below. While some of the old mixed divisions lost their Establishments functions and became pure supply divisions marking the policy expenditure of particular spending departments, others retained their mixed character in some or all respects. Moreover, the new Head of the Department, Sir Warren Fisher, claimed that the 1919 reorganisation presented him with a fait accompli with which he had no sympathy.

The Inter-War Years

19. Dissatisfied as he was with "an extremely unwieldly and top-hampered" arrangement,[18] Sir Warren Fisher found that he had to live with it substantially unaltered for more than 10 years. In 1927 he made a minor adjustment and brought Supply and Establishments together under one Controller, but seems not to have initiated further changes within that command. Others too were uneasy. The emergent National Staff Side criticised arrangements from a different direction.

20. They argued that "Treasury control of staff numbers is severe", that departments should be given wider powers to determine the numbers and grading of their staff and that "a new Department should be set up under a Minister with the right of direct access to the Cabinet; to this Department should be transferred the main functions at present performed by the Establishments Department of the Treasury".[19]

21. The Tomlin Commission, called into being in 1929 to review the Civil Service as a whole, paid most of its attention to the immediate issues of the day, but spent some time on the organisation of the Centre. It explicitly rejected the Staff Side's view, stated that Treasury control as exercised was in the main satisfactory and declared that the proposal for a new Department was impracticable, because it would lead to overlapping. Nonetheless it urged that greater latitude should be given to departments in detailed staffing matters.[20]

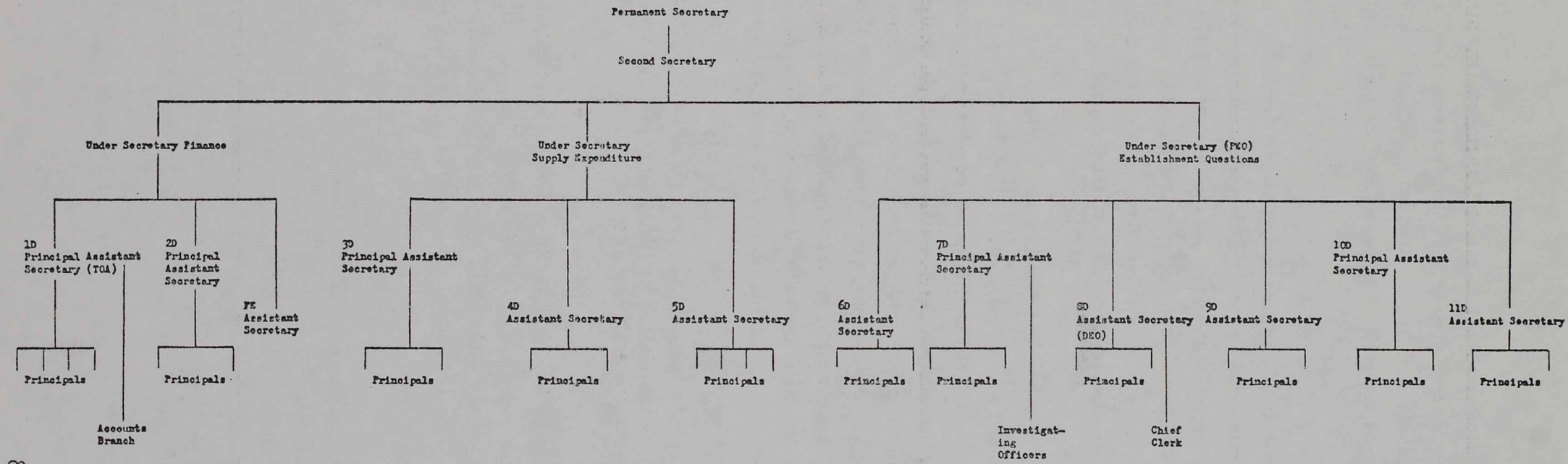
22. Tomlin's most positive recommendation was directed towards the familiar task of seeking improvement in the internal organisation of spending departments. "The Treasury is already regarded as a clearing house for questions concerning improved organisation, labour saving devices and the like."[21] Accordingly, there should be "continuous overhaul of the machinery of government by a small specially trained staff recruited from the Service generally..... borne on the Treasury Vote ..... In recommending the creation of this machinery we aim at promoting efficiency and economy by securing that problems of departmental organisation are studied by minds specially trained in dealing with them....."[22] The Report then went on to recognise the constitutional realities which may well have rendered their recommendation as nugatory as its predecessors:

> "We do not intend by this recommendation to suggest any arrangement which would detract from or diminish the authority or responsibility of Heads of Departments sin the management or direction of their Departments."[23]

23. The upshot of this recommendation was that an Organisation and Methods team was associated with the Treasury, by means of supervision exercised by the Principal Assistant Secretary in charge of the Establishments Division, responsible for general Civil Service questions. But in fact the team took their day to day direction from an advisory team of business experts - an arrangement that gave rise to confusion and acrimony.

24. In 1932 staff changes at the top of the Department gave Sir Warren Fisher the long awaited opportunity to reorganise as he wished. Four years later he described his arrangements to the Public Accounts Committee; Figure 2 is based on his evidence. If anything, the tripartite distinction is clearer than Fisher himself seemed ready to admit. The posts of Controller had gone, however, and all three sectors brought under one Second Secretary. The distinctions at Assistant Secretary and Principal level between Establishments and Supply interested the PAC.

The Organisation of the Treasury. 1936



∞

1D Home Finance Finance

2D Foreign Finance*

*4 Assistant Secretaries serving overseas

FE Financial Enquiries Branch

3D Matters relating to Social Services ie Health, Labour, Insurance (Health and Unemployment), Unemployment Assistance, Pensions (War, Old Age, Widows Etc), Housing and Exchequer contributions to Local Revenues, Transport, Police, Prisons Etc.

4D Matters relating to Education, Scientific and Industrial Research, Board of Trade services, Agriculture, Fisheries, Forestry and Crown Lands

5D Matters relating to Defence, Dominions and Colonies, Foreign Services etc

6D Superannuation Questions

7D General Civil Service Questions

8D Personnel Questions in the Defence Departments

9D All matters relating to Post Office, Office of Works and Stationery Office

10D and 11D Shared between them the Establishment Questions relating to the remaining Departments. In addition 10D dealt with non-Establishment Questions relating to Museums, Galleries etc; 11D with similar Questions relating to the Legal Departments.

	Finance	Supply	Establishments
Principal Assistant Secretary	2	1	2
Assistant Secretary	1+4	2	4
Principal	6	8	12

Total Treasury Establishment = 318

Source: adapted from First and Second Reports from the Committee of Public Accounts, Session 1935-36, Appendix 8

Figure 2

25. Some of the Establishments Divisions were mixed. D9 for example dealt with all matters arising in the Post Office. But most were more or less completely functional. 8D, however, while it had no responsibility for Defence policy expenditure (which was handled in 5D, a Supply division) handled establishment matters including pay on a departmental basis. The Service-wide questions of establishments came to 7D which Fisher described as "the regulative division for the Civil Service as a whole..... it would deal with the broad issues that are not departmental in character, but all Service in character."[24]

26. The position of Establishments work in relation to Supply was not as fixed during the 1930's as Fisher's evidence suggested. Finance and Supply were at one point brigaded together and establishments was left on its own, notwithstanding the link between for example, the two Divisions interested in Defence. At the beginning of the next decade, however, the position was reversed and Establishments and Supply were under one Second Secretary while Finance on its own reported to another. This arrangement is shown in outline in Figure 3(1942).

27. The exclusively Establishments Divisions were: Establishments (General Services), (Superannuation), and (Departmental) - the last dealing not Service-wide but with particular departments, like Health and Defence Personnel. Also under the Establishments Under Secretary were two mixed Divisions: Governmental and Allied Services dealt with the Post Office and HMSO etc, and the Law and Order Division with the Home Office and legal departments. These two Divisions reported to the Supply Under Secretary on matters involving policy and expenditure. The three Supply Divisions which had mixed functions were: Social Security - whose Establishments functions related to small departments and not eg to Health, Trade and Industry, and Imperial and Foreign. These three Divisions reported on Establishment matters to the Establishments Under Secretary and were required to keep in line with general policy as enunciated by Establishments (General Services).

28. The allocation of responsibilites appears today to be confused. The attempt in 1919 to impose a functional organisation on a departmentally constructed set of Divisions seems to have progressed so far, and then stopped. Meanwhile the top structure above the split was from time to time adjusted and readjusted. That it worked at all may be due to the very small size of the undertaking and the relative importance of Establishments work. As Figure 2 shows the total number employed in the mid-1930s just exceeded 300 and of the forty or so at Principal level nearly half were on Establishments work.

29. The Treasury's performance of its functions was the subject of bitter and largely unfounded attack during the late 1930s. The comments of the contemporary Expenditure Committee were by contrast dispassionate and accurate though critical. They subjected the Establishment Divisions to close enquiry and published their conclusions during the 1941-42

Outline of the Organisation of the Treasury, 1942

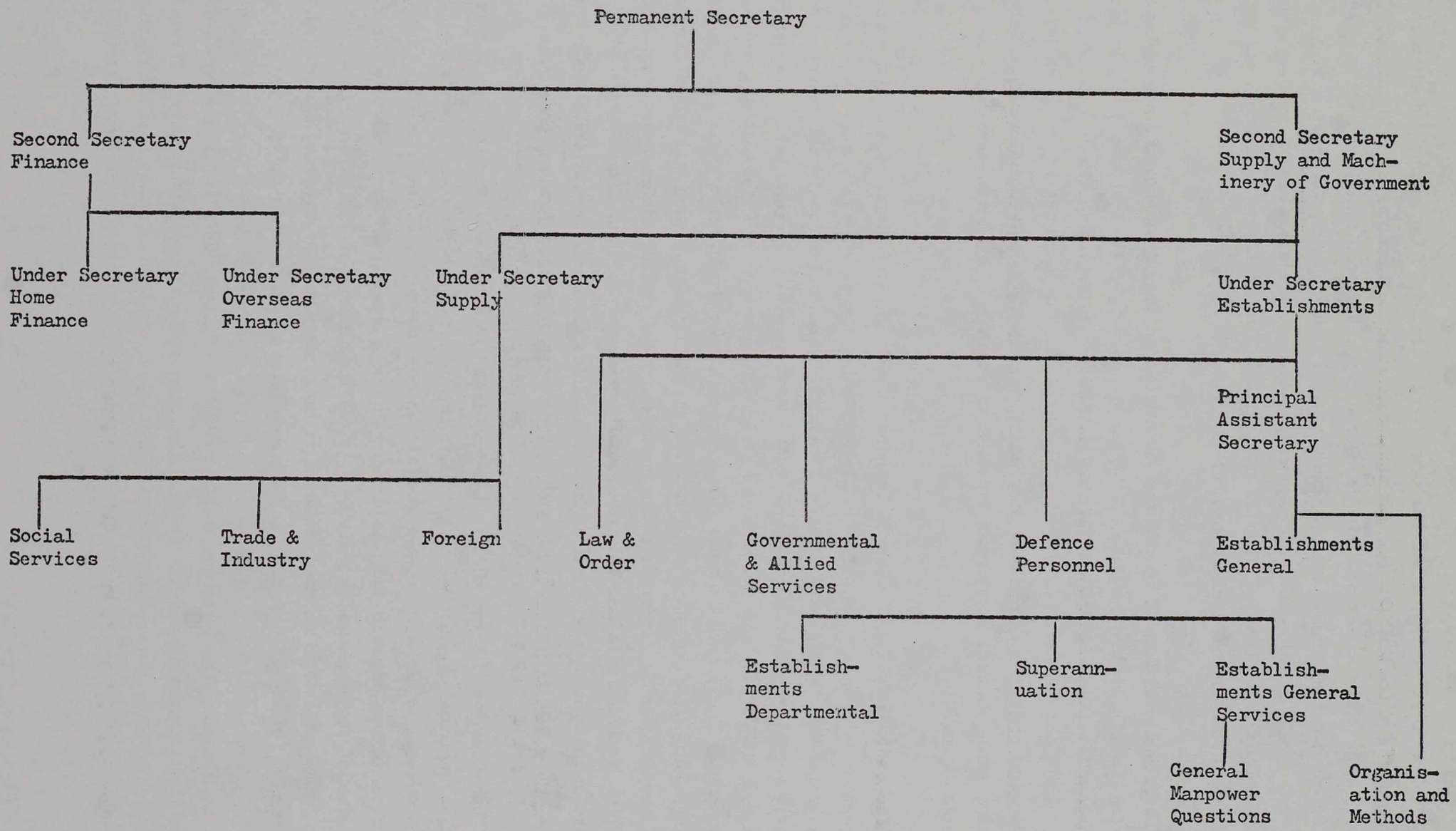


Figure 3

Session. The Committee's sternest structures were directed at the shortcomings of the Treasury's role in relation to spending departments. Despite the stimulus given by the Tomlin report:

> "the outbreak of war found the Treasury insufficiently equipped to deal with the problems of administrative organisation which were forced upon it."[25]

30. The Committee went on to urge that departments should not be defensive in allowing their internal organisation and methods to be scrutinised, notwithstanding the constitutional position. Reviewing the location of central control of Establishments, the Committee came down firmly in favour of retaining a unified Treasury:

> "... even if general control of the Civil Service was entrusted to another Department, the Treasury's control of expenditure on Establishments, as of all other forms of Government expenditure would still remain. To that extent the interposition of a new authority between Departments and the Treasury might result in duplication and waste."[26]

31. But they were equally clear that within the Treasury "Establishment work should be separated from Supply at all levels below that of Permanent Secretary .... There would thus in effect be a return to the position which existed from 1919 to 1932 .... the importance of the Machinery of Government demands the undivided attention of an officer possessing the status of the Head of a first class Department."[27] The Committee then pushed their argument further:

> "... those divisions of the Treasury which at present handle Establishments as well as Supply questions arising in the Department with which they are concerned would hand over their Establishment work to purely Establishment Divisions..."[28]

32. There should be a re-organised "Machinery of Government" sector in which O and M should have equal status with Establishments work; it "ought to be the determining factor in the control of Establishments" and it should be fully incorporated in the Treasury machine, thus setting aside the panel of advisers.[29]

33. The Treasury that went into the Second World War was very differently organised from that which had gone into the First. Many issues remained the same, for example, how to get theCentre involved with efficiency in departments. But new answers had emerged - O and M if only it were properly articulated to the Treasury could prove the key to efficiency. The pressure begun in 1919 to achieve a full functional distinction between Establishments work on the one hand and supply on the other remained, had from time to time been achieved in terms of responsibility at the top but had not been carried through at divisional level,

despite the growing recognition of Establishments work as a separate control task. The question of a separate Department, however, was answered by the desire to keep responsibility for expenditure on Establishments together with that for all other forms of government expenditure.

The changes of the 1940s

34. The Treasury of 1939 was still a very small organisation: its total complement, including sub-departments, scarcely exceeded 400. Establishments work was the dominant if less glamourous activity and the costs of the operations of central government still constituted a significant proportion of public expenditure and of the Government's total budget. That the Treasury's control mechanisms never met the expectations of its critics is not altogether surprising given the resources available and the continuing reluctance of departments to seek advice or of the Treasury to make determined efforts to provide it.

35. The impact of the decade after 1940 was profound, not in the sense that the Treasury's organisation was designed au fond as it had been in 1919, but because the sheer size of the task changed to the extent that it took on a qualitatively different character. That the War played a part is evident, but it was the Treasury's role in economic management that changed most dramatically. The change may be typified by the budget of 1941, which was the first to be based upon the concept of national (as opposed to government) expenditure and resources, or by the avowal in 1944 of full employment as the official goal of public policy, or by the nationalisation of the Bank of England in 1945, or, most plausibly in terms of organisation, by the Treasury's assumption in the years after 1947 of the statistical and administrative apparatus of national economic planning.[30] What is quite clear is that the Treasury that emerged into the post-War world of the 1950s and '60s had grown enormously, and that the growth was such as to overshadow the Establishments side of the Treasury. In 1945 the Treasury and its sub-departments had 1150 staff; in 1950, 1700: and 1960, 1460. The nature of the change is most effectively shown by the relative deployment of senior staff between Establishments work and Supply/Finance:

	Supply/Finance	Establishments	
1936	54%	46%	Principal and above
1963	66%	34%	Assistant Secretary and above

From a position of broad equality the Establishments side had dropped to being outnumbered 2 to 1. Finance and Supply became the dominant forces within the Treasury and questions of efficiency in the Civil Service - now a relatively small part of a rapidly growing public

sector - took a back seat. Secondly, the assumption of new tasks of the magnitude implied by national economic management, imposed a wholly new load at the top of the Department. Nonetheless despite dissatisfaction with the way it worked and some superficial attempts to change it the Treasury's fundamental structure in 1960 was recognisably that of 1940.

Developments between 1945-68

36. The load at the top of the Treasury was widely regarded as nearly insupportable. The response was to divide responsibility between joint Permanent Secretaries on Sir Edward Bridges' retirement in 1956. The allocation of responsibilities between the Permanent Secretaries followed that of the existing organisation, and did not lead to more thoroughgoing reappraisal: one was responsible for financial and economic policy and the other for the work concerned with the control and management of the Civil Service.

37. At the end of 1957, a sub-Committee of the Estimates Committee examined Treasury control of expenditure.[31] As Lord Bridges himself interpreted their conclusions "the old theory of candle-ends economy had not wholly been abandoned and the new theory of departmental responsibility and partnership might not have been whole-heartedly accepted".[32] They recommended the appointment of a small independent Committee to report on the theory and practice of Treasury control of expenditure.

38. The Government did not accept the idea of an independent inquiry, but set up instead an internal review under the Chancellor of the Exchequer on the principles and practice which govern the control by the Executive of public expenditure. Sir Edwin Plowden (later Lord Plowden) was appointed Chairman of the Committee; members were drawn from outside and inside the Civil Service. Their Report was published in June 1961[33] and included the following recommendations:

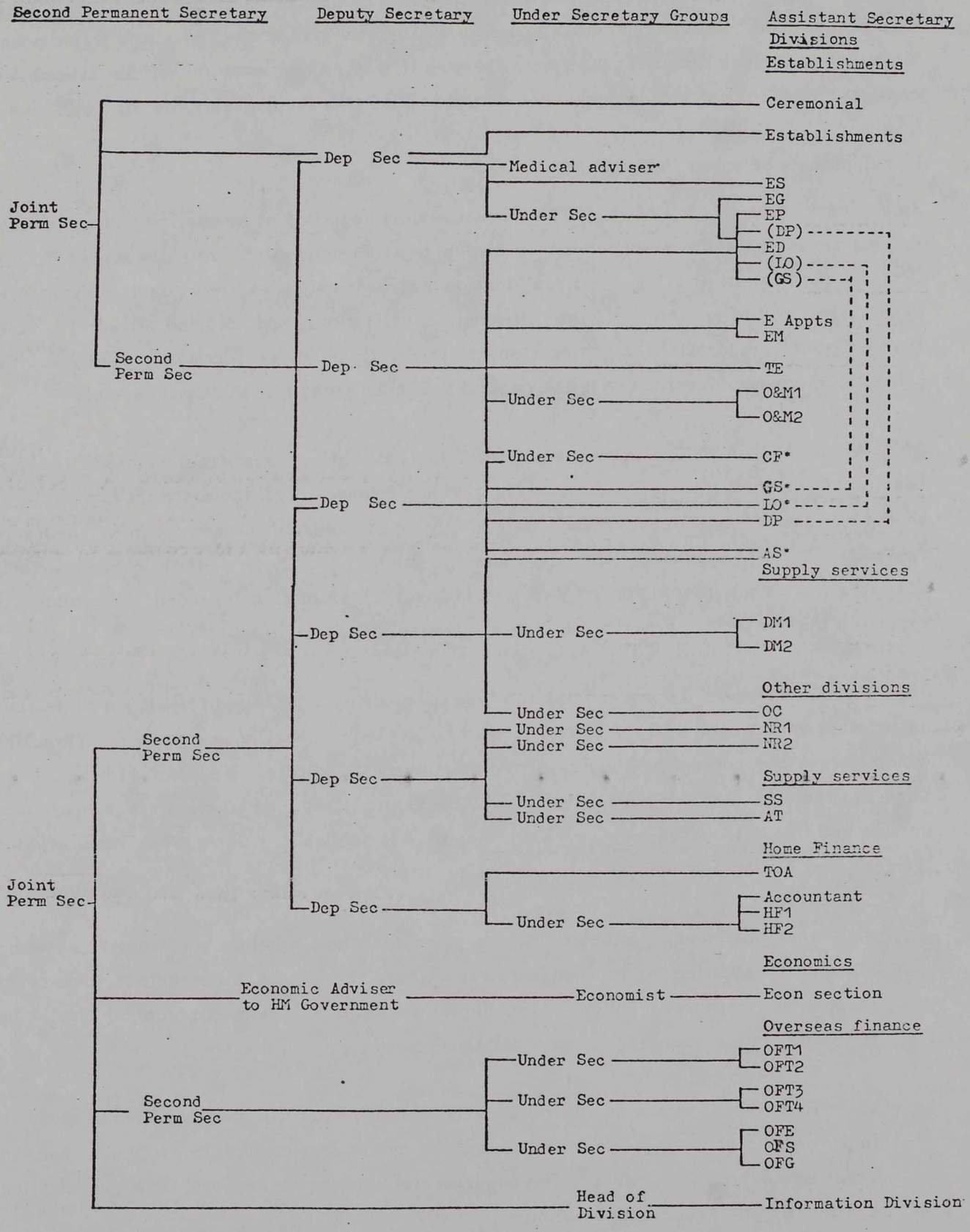
a. that public expenditure should be considered as a whole, over a period of years ahead. In addition to surveys on expenditure, there should be regular surveys of prospective resources and new techniques of administration and control should be developed in the Treasury to carry out these surveys;

b. that there was a need for greater attention to be given to the systematic improvement of management throughout the public service and, in particular, for the Treasury to provide a service for departments seeking to improve their organisation and tackling new problems of administration;

39. The Government accepted these recommendations and a major review of the Treasury's organisation was immediately undertaken. The structure that underwent review is shown in Figure 4.

TREASURY ORGANISATION - 1961

Figure 4


Second Permanent Secretary
Deputy Secretary
Under Secretary Groups
Assistant Secretary
Divisions
Establishments
Joint Perm Sec
Second Perm Sec
Joint Perm Sec
Second Perm Sec
Second Perm Sec
Economic Adviser to HM Government
Second Perm Sec
Head of Division
Dep Sec
Dep Sec
Dep Sec
Dep Sec
Dep Sec
Dep Sec
Under Sec
Under Sec
Under

40. Of particular importance are the remaining "mixed" divisions responsible for control of expenditure and establishment matters, including complementing. These divisions were: Arts, Science and Lands, Government and Allied Services, Commonwealth and Foreign; and Law and Order. The last three were lineal descendants of Divisions existing at the outbreak of the Second World War. Also remaining in the Treasury in 1961 was the Defence Personnel Division which handled pay questions as they concerned staff in the Service departments and for the Armed Forces, as well as allowances for the Forces and for home civil servants serving abroad. This too had its predecessor in the 1930s. The 1962 reorganisation abolished the mixed divisions and created a series of supply divisions responsible only for departmental expenditure; the separation between supply and Establishment work (or "management" as it had become known) which had been implicit in the 1919 structure was at last carried through to operational level. And at the very top of the official structure the distinction was recognised in the continuance of the Joint Permanent Secretary arrangements. Within the Supply side of the Treasury emphasis was placed on the need to obtain a wide field in order to compare like departments' intentions and to relate them to central policy. Accordingly supply divisions were organised so as to link together the Treasury interest in departments of like character; in some instances this process was assisted by the existence of earlier groupings like that in the Social Service field. Within the Management side separate pay and management groups were set up with complementing falling in the latter; Defence pay continued to be dealt with on a departmental basis but by a Division within the pay group - this Division also took control of Defence manpower and reported on these matters to the personnel management group.

41. In addition to these changes, a completely new division was set up - Management Services (General) - which had the task of developing Management Services within the Civil Service. This built on the O and M expertise of the Treasury which had found its entrée to departments much eased by the exigencies of wartime and had then and subsequently developed an enviable reputation, both inside and outside government.

42. There were few major changes in the expenditure and management divisions between 1962 and 1968 although some adjustments in divisional responsibilities were made necessary by the creation of two new departments - for instance DES and ODM. The responsibilities of one of the pay divisions for the affairs of small departments were re-allocated to a new division in the Management Personnel Group called the Establishments (Administrative Reviews) Division. This division also took on a new responsibility for "reviews of administrative grading and complementing" as well as part of the work of the Establishments Complementing Division (in particular complementing and grading questions concerning the Ministry of Public Buildings and Works and the Board of Trade). In 1963, the Centre for Administrative Studies was set up as an offshoot of the Training Division which had had a well-publicised existence for some years. The organisation as it had developed by 1967 on

the eve of the next change is shown in Figure 5. The complete division between Establishments works and Supply and Finance is readily evident.

43. But the total size of the Treasury had been greatly affected by the setting up in 1964 of the Department of Economic Affairs (DEA). On the face of it the separation of many of the Treasury's economic functions should have lightened the load at the top; whether this benefit occurred in practice is a more open question. The absence of the functions given to the DEA accounts for the smaller size of the non-management sector shown in Figure 5 (1967) as compared with Figure 4(1961).

The division of the Treasury in 1968

44. In 1963/4 the Estimates Committee reviewed Treasury control of Establishments, raised a number of questions about Civil Service structure and management and, in particular, considered whether recruiting policy and management should remain in a Treasury whose primary responsibility they considered was for finance.[34] They recommended that the question of Civil Service structure and management should be referred to an internal government inquiry. The government accepted this proposal and in February 1966, appointed such a Committee under Lord Fulton. The terms of reference were:

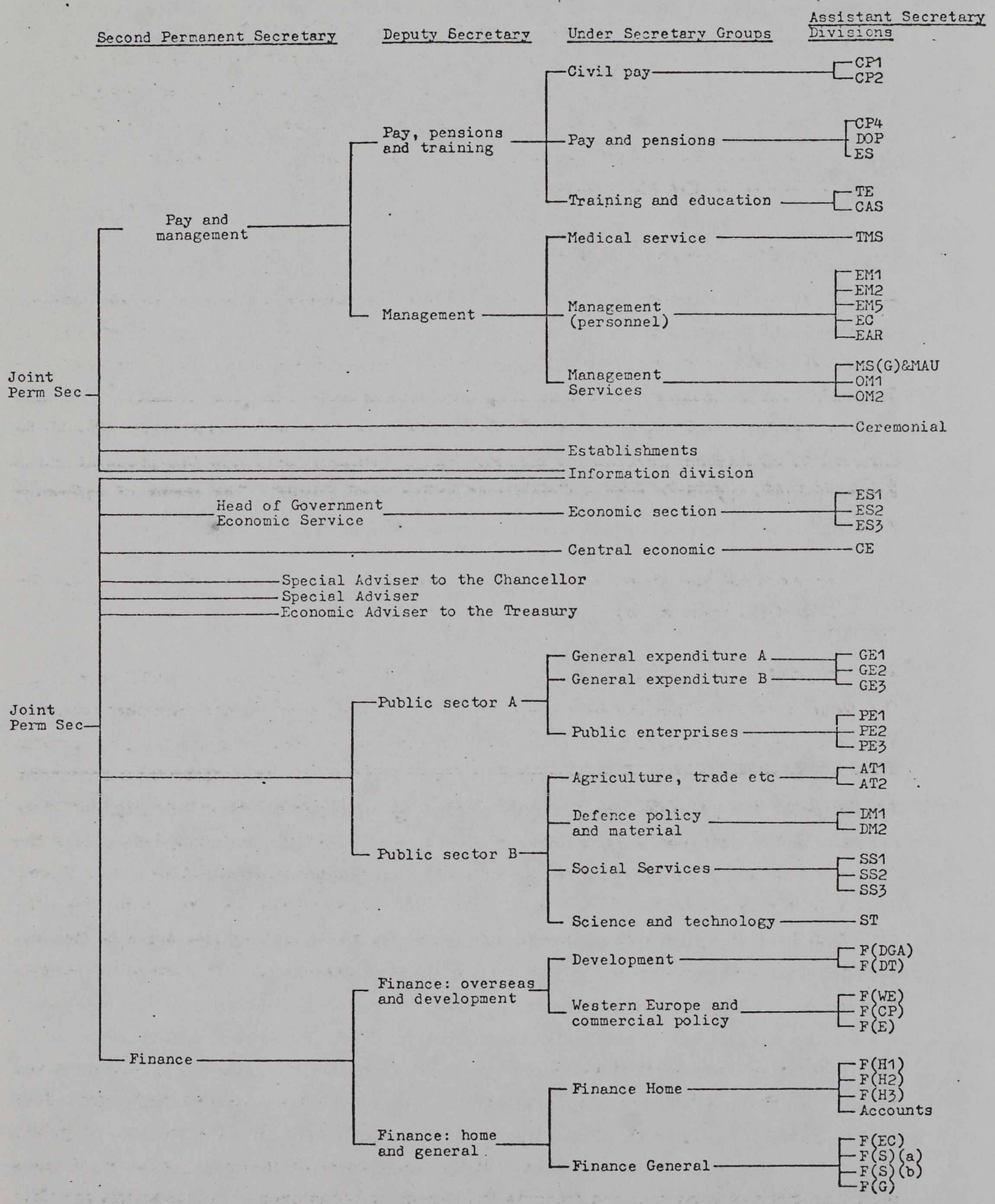
> "to examine the structure, recruitment and management including training of the Home Civil Service, and to make recommendations".

45. The Fulton Committee reported in June 1968.[35] The main recommendation was for the creation of a new department - the Civil Service Department - under a Cabinet Minister, and based on the management side of the Treasury, which would be able to give greater emphasis to more positive management policies and better use of departmental resources. At the same time it would give central leadership to departments in carrying out their personnel and career management responsibilities. There had been a strong feeling that the Treasury had not given sufficient emphasis to the development of management techniques. The Committee lacked confidence in the Treasury's willingness to undertake the management of the government's direct employees with the enthusiam and single mindedness that was considered necessary to induce departments to participate in the overall pursuit of efficiency.

46. The Fulton Report recognised the implications for public expenditure inherent in the split and stressed that it would be necessary for CSD to be given a real base of independent authority without impairing Treasury's ultimate responsibility for the control of public expenditure as a whole. The Report set out the proposed relationship in a number of areas including manpower control and financial management techniques. On manpower, the CSD

TREASURY ORGANISATION - 1967

Figure 5



would assume responsibility for ensuring that departments were efficiently and economically staffed and for determining the scale of staff necessary for any particular function; and on financial management techniques, Treasury would retain overall responsibility, leaving it to CSD to supervise departments' implementation of improved systems of financial control.

47. The Report also recommended that the Civil Service Commission should cease to be a separate and independent organisation and should instead become part of the new Civil Service Department.

48. The split was made on 1 November 1968 and the proposed relationship between the two Departments was set out in Office Notice (68)59 on 25 October; this become known colloquially as "The Concordat".[36] It stressed the need for close liaison and consultation between the two Departments and proposed the establishment of certain formal links which did not, in fact, materialise. The "Concordat" was an attempt to repair any disadvantages arising from the Treasury/CSD split. There was never any doubt that CSD's personnel management functions could be carried out without an overriding need for close contract with the Treasury but it was recognised that close co-operation would be necessary in the public expenditure field. It was hoped that the "Concordat" and interchange of staff between Treasury and CSD would lessen any complications in this area.

49. In terms of organisation, all that had been done was to split the Treasury along a pre-existing fissure and to place each part under separate Cabinet Ministers

Developments after 1968

50. The Treasury

The shape of the Treasury was radically altered when its management side was moved to become the foundation of the Civil Service Department. The joint Permanent Secretary and Second Permanent Secretary post on the Establishment Side went with this work.

51. The next significant development in the Treasury's responsibilities came in October 1969 with the disbandment of the Department of Economic Affairs. DEA had been made responsible for long term economic forecasting, for policies of growth, for incomes policy and for the coordination of external economic policy. When it was abolished these functions reverted to the Treasury. This brought the Treasury back to broadly the shape it had had before 1964 but minus the management side and with the neater supply division structure dating from 1962. It is significant that the CSD was taken out of a Treasury that was already "missing" the DEA functions. Were establishments functions to go back to a Treasury that has re-assumed the DEA work, the questions of loading that were asked during the years 1964-1969 and even more insistently in the years 1956-1964 might arise again.

52. The Treasury's internal structure was brought under scrutiny by a Management Review Team who reported in 1975. The structure as it is today reflects this review (Annex 2 shows the present Treasury structure).

The Civil Service Department

53. The years since 1968 have, if anything, affected CSD's organisation more profoundly than that of the Treasury. From being little more than a relatively small policy department, the CSD has acquired a wide range of central executive and control tasks.

54. When CSD came into existence it took over the Treasury's functions in respect of the pay and management of the Civil Service. Under the Minister for the Civil Service Order 1968, these functions were vested in the Minister for the Civil Service - a new office, which has been held since 1968 concurrently with the office of Prime Minister.

55. The Civil Service Commission, which had previously been a separate Department, was incorporated into CSD in 1968; the Commissioners retained their independence in the actual selection of staff, but the Commission reported to senior management and CSD Ministers on recruitment policy matters in the normal way. CSD was originally located alongside the Treasury, but moved to the Old Admiralty Building in February 1971 (the Commission having already moved to Basingstoke in July 1970).

56. The Civil Service College at Sunningdale was formally opened in June 1970, the London centre having opened its doors in April of that year. The College absorbed the functions of the Centre for Administrative Studies. The College's Edinburgh centre opened in November 1970, but was closed down in March 1977 following a management review in 1976.

57. The Central Computer Agency (CCA) was set up on 1 April 1972 following the report of the Select Committee on Science and Technology. CCA brought together within CSD the old Management Services (Computer) Division (responsible for the financial control of administrative computer projects); HMSO's Computer Procurement Division and Central Computer Bureau; and DTI's Technical Support Unit. On 1 January 1973, CCA was made responsible for central policy on the provision and use of telecommunications for administrative purposes.

58. CCA was reorganised on the 2 January 1980 and was renamed the Central Computer and Telecommunications Agency (CCTA). This reorganisation took account of the recommendations of the Longer Term Review of Administrative Computing in Central Government. The aim of the reorganisation was to enable CCTA to devote more attention to new technological developments and undertake regular reviews of the efficiency of computer systems; to extend consultancy services; to delegate so far as possible small and

medium value projects to the departments concerned; to integrate telecommunications and computer work.

59. Two further units were set up within CSD in 1972: the Chessington Computer Centre, which provides a payroll and staff record service for CSD and some 60 other departments and which was transferred to CSD from MOD (Procurement Executive); and the Civil Service Catering Organisation which replaced the former Directorate of Catering. The Directorate of Catering had been transferred to CSD from the Ministry of Technology in 1969 where it had been responsible for managing 150 directly-run staff restaurants. A catering advisory service had existed in the Treasury since 1947 and advised those departments which had Committee-run restaurants; CISCO took over those advisory services with the functions of the Directorate of Catering. From 1 April 1973, Vote responsibility for pay and other expenditure and receipts of the directly-run restaurants was transferred to CSD's Civil Service Catering Vote.

60. CSD's manpower and management services divisions were re-organised in 1970 and brigaded with Machinery of Government under a separate Deputy Secretary command. In December 1971, CSD's Staff Inspection Evaluation Branch was created by amalgamating the inspection functions of the manpower, pay and structure review divisions.

61. In October 1979, a new Under Secretary command - Functions and Programmes - was created alongside the manpower and management services groups. This group is aimed at providing a clear focus within CSD for reviewing the cost of individual departmental functions and activities and of the provision of common services and for encouraging cost consciousness generally (Annex 2 shows the present CSD structure).

62. **Conclusion**

a. The history of the organisation of the Centre is one of continuous re-adjustment of the administrative structure;

b. the extent of integration between the management side and the expenditure control and financial side of the Treasury has been variable. The point of contact for the last twenty years and more has never exceeded some 4 or 5 Assistant Secretary Divisions where cross reporting arrangements existed;

c. adjustments to the internal organisation of the Treasury before 1968 never ran counter to the fundamental lines of functional division set up in 1919;

d. over the years the movement has been towards the complete separation between management and other functions at all official levels that was reached in 1962, and that was followed in 1968 by separation at Ministerial level;

e. the problems that present themselves for solution today - the control of administrative expenditure, the Centre's interest in the efficiency of spending departments, the place of the management of a unified Civil Service, the level at which these tasks are integrated in the central machinery - are recognisably those faced throughout the last 60 years.

A Note on Sources

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3. Report from the Select Committee on National Expenditure, 1903 (P.P. 1903 Vol VII), p.iv.

4. Fourth Report of the Royal Commission on the Civil Service (Cd 7338), p.86 paragraphs 96-9.

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6. Final Report of the Committee appointed to inquire into the organisation and staffing of Government Offices (Cmd 62): "Bradbury".

7. Haldane: Part II, Chapter 1, paragraph 3.

8. Haldane: Part II, Chapter 1, paragraph 14.

9. Haldane: Part II, Chapter 1, paragraph 19.

10. Haldane: Part II, Chapter 1, paragraph 20a.

11. Haldane: Part II, Chapter 1, paragraph 20c.

12. Bradbury: Part II, Chapter 1, paragraph 22.

13. Bradbury: paragraph 14.

14. Bradbury: paragraph 15(2).

15. Bradbury: paragraph 18.

16. Bradbury: paragraph 22.

17. Bradbury: paragraph 18.

18. PAC, 1935-6, Q 4443.

19. Report of the Royal Commission on the Civil Service 1929-31 (Cmd 3909), p.169 paragraphs 587 and 588: "Tomlin".

20. Tomlin: p.170-171, paragraphs 590-593.

21. Tomlin: p.172, paragraph 596.

22. Tomlin: p.172, paragraphs 595 and 597.

23. Tomlin: p.172, paragraph 597.

24. PAC, 1935-6, Q 4593.

25. Sixteenth Report from the Select Committee on National Expenditure, 1941-2: Organisation and control of the Civil Service (HC 120), p.26, paragraph 82.

26. Expenditure Committee, 1941-2: page 31, paragraph 99.

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30. See Roseveare p.258.

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32. Lord Bridges: The Treasury (1964) (Vol No 12 in the New Whitehall series) p.138.

33. The Control of Public Expenditure: Report of the Plowden Committee (Cmnd 1432).

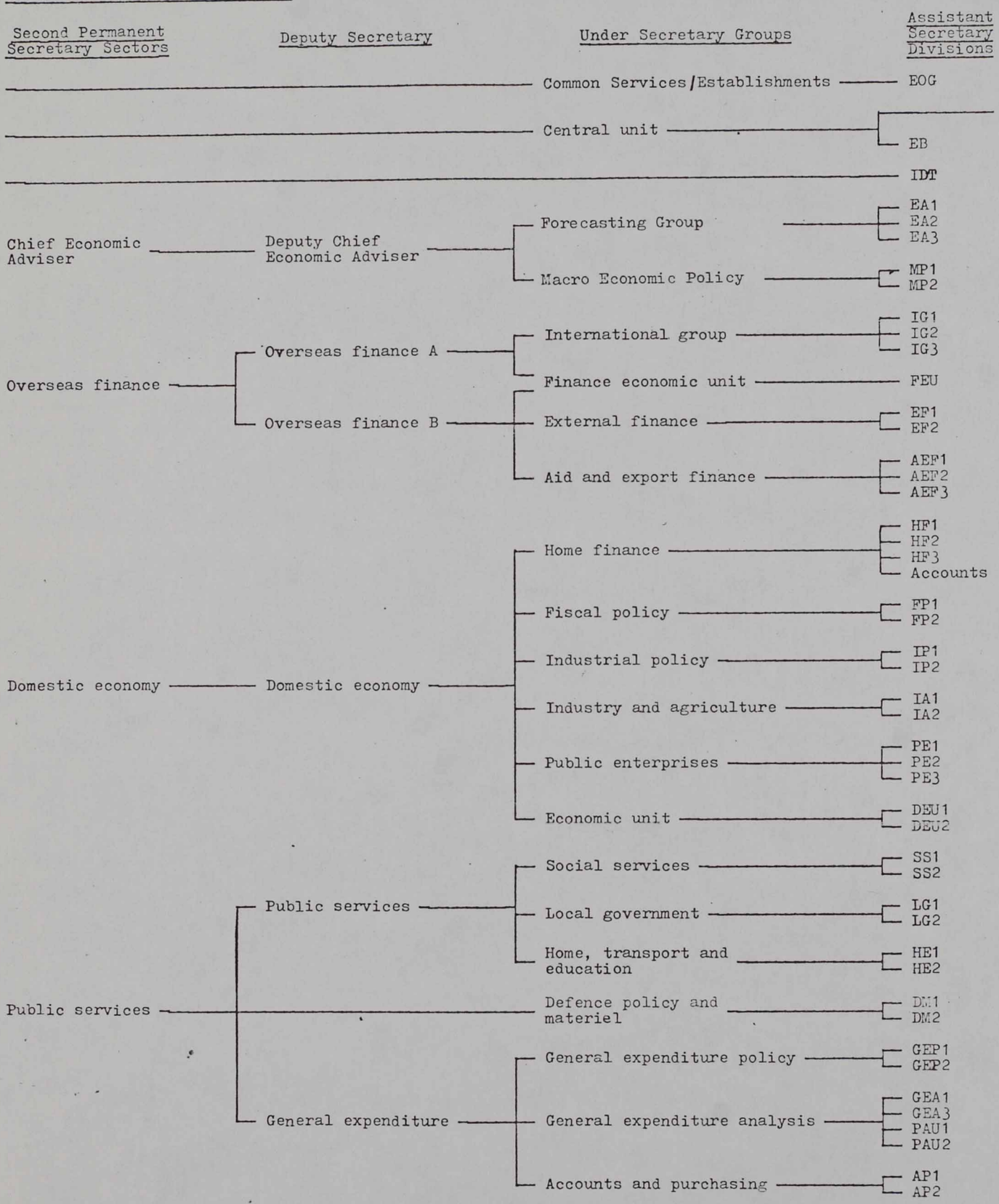
34. Fifth Report from the Estimates Committee, 1963-64.

35. The Civil Service: Report of the Committee, 1966-68 (Cmnd 3638).

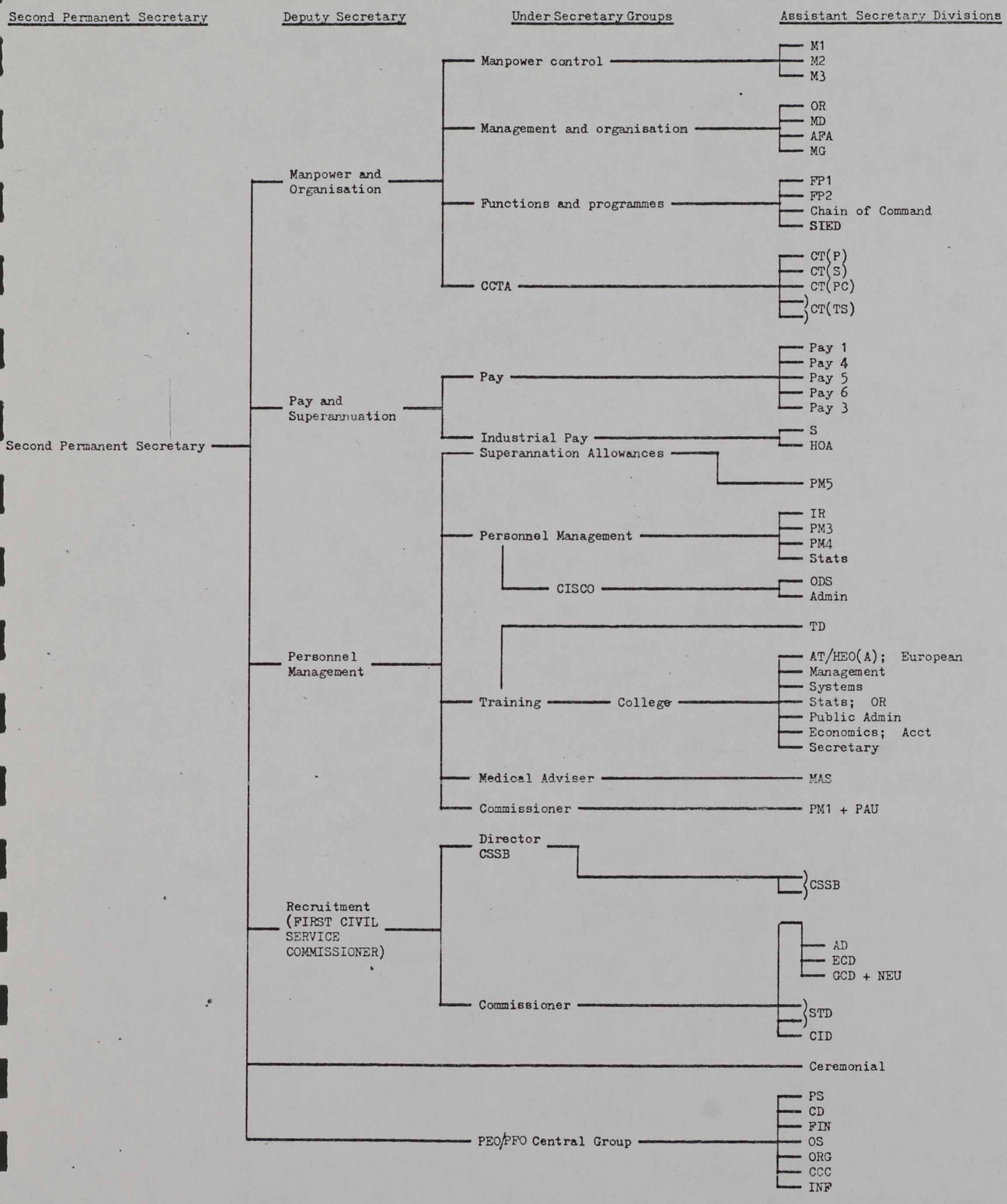
36. See Working Paper 6, below.

ANNEX 2

HM TREASURY ORGANISATION CHART



CIVIL SERVICE DEPARTMENT ORGANISATION CHART
OCTOBER 1980



ANNEX 3

SOME GENERAL CONSIDERATIONS AFFECTING THE FORM OF INTEGRATION

1. This Annex reviews the general considerations involved in the integration of those functions of the Centre which are the present discharged separately, and the consequences they may have for the form of a unified Department.

MANPOWER AND EXPENDITURE CONTROL

Links between manpower control and other functions

2. The first consideration concerns the relative benefits of maintaining the existing links between the functions of manpower control and other aspects of central management of the Civil Service as compared with the benefits to be gained from bringing manpower control closer to public expenditure control. On the one hand, since the Government attaches importance to ensuring an efficient and effective Civil Service it is arguable that all functions which contribute to the achievement of this objective should be contained within one organisational unit. These functions include those discharged by the Manpower Group within CSD. To remove manpower from its present relationship with those Divisions within an integrated Department may have two harmful effects:

a. it could weaken the ability of those at the Centre responsible for Service-wide efficiency to exercise control over departments, because of the divorce of manpower control from the other instruments for encouraging the effective use of resources;

b. it would break the very important link which exists between responsibility for grade structure (covered by the Manpower Group and FP) and Civil Service pay which taken together are determinants of the cost and efficiency of administration.

3. On the other hand it is arguable that the control of manpower is essentially one aspect of the control of resources employed by spending departments. If the objective is to improve and enhance the Centre's ability to exercise control over spending departments' use of resources then it is necessary for the controller to have a complete picture of departmental activity. This picture should include the cost of a department's operations as well as expenditure in direct pursuit of its policies. This points to the maximum possible degree of integration of the manpower and expenditure control function so as to create for each department a focal point at operational level within the integrated organisation through which the Centre's interest in the efficient and effective use of resources can be exercised. CSD controlled expenditure amounts to less than 10% of total public expenditure. On the assumption that the Treasury's organisation for controlling the remainder continues in its present form this would indicate the dispersal of the manpower control function exercised by the CSD Manpower Group to the existing Treasury specific expenditure divisions.

Civil Service Manpower Numbers

4. The second consideration on the integration of expenditure and manpower control concerns the Government's manpower target. The Government has adopted a target for a reduction in the size of the Civil Service which is a policy in its own right; this manpower policy may not always be complementary to or in harmony with expenditure policies; the number and

severity of conflicts between manpower and expenditure policies might well increase over the target period. (An analysis of the kind of conflicts which can arise is given in paragraphs 20 and 21 below). It is arguable that as a policy in its own right manpower control requires the existence of an organisational unit responsible for its achievement, able to devote its undivided attention to that end, and with the means to do so directly under its own hand. Moreover, the sums involved as a consequence of manpower savings are usually rather small when compared with expenditure on policies. If manpower were transferred to expenditure divisions there could be two dangers. First, that in the event of a policy conflict expenditure priorities would take precedence over manpower policy. Second, that the policy conflict would be settled at too low a level. The Government's manpower target would be more difficult to achieve and might well be compromised. Thus, it may be argued, responsibility for manpower policy should remain as a unit within an integrated Department.

5. The counter arguments are that as a major policy objective the reduction in Civil Service manpower will command the time and attention required to achieve the target wherever responsibility for it is located. Expenditure divisions are not strangers to the problem of conflicts between policy objectives and are, arguably, well able to deal with conflicts as they arise. Integrating manpower control into supply divisions would allow manpower and expenditure issues to be brought together at an earlier stage and any conflicts to be identified and resolved at the lowest appropriate level.

Tasks and Skills

6. The **third** consideration is that the extent to which manpower and expenditure control may be brought together in an integrated Department depends partly on whether or not the tasks and skills required of the two kinds of controller are the same, or at least compatible. Arguments can be adduced to show that the control task and skills are quite distinct, not least because the maintenance of a specific manpower target necessitates emphasis on manpower numbers and a control system that operates through a non-monetary currency. The day-to-day work and techniques in the manpower and expenditure divisions are reviewed in paragraphs 22-38 below.

Composition of Expenditure

7. The **fourth** consideration is that the general case for integration of manpower and expenditure is affected by practical considerations and, arguably, is likely to be strongest in relation to those departments where administrative and policy expenditure cannot be readily separated for control purposes (for example, the Ministry of Defence block budget) or where important links exist between manpower and policy expenditure (for example, as between expenditure on social security benefits and manpower in local offices, or between the number of prison officers and capital expenditure on prison buildings). On the other hand, there are always some links between administrative and policy expenditure and once the unity of manpower control has been broken in order to match the instances where strong links exist, it is arguable that there is nothing to be gained by stopping short of a complete realignment.

Conclusion

8. For the purpose of this part of the study, which is directed in the first instance towards preparing a model for integration, we have assumed that:

a. a decision to merge Treasury and CSD implies a decision to give greater priority to the unified control of public expenditure than to the unified management of the Civil Service.

b. the Government's manpower target may be regarded not simply as a component of public expenditure policy, but also as part of policies relating to the place of government in the community.

9. In respect of tasks and skills, we have had regard to the conclusions of the study described in paragraphs 22-38, namely that these share a number of common elements but that the methods of approach are in many respects distinct.

10. On the relationship between expenditure on administration and policies, we have been unable to find a set of criteria that would clearly and consistently separate one group of departments from another, in the sense that departments in one group would have their manpower and policy expenditure dealt with separately at the Centre, and departments in the other would have their manpower and policy expenditure dealt with together.

FINANCIAL AND MANAGEMENT SYSTEMS AND ORGANISATION IN DEPARTMENTS

11. At present, the activities of the Centre in promoting good financial management and organisation in departments are divided between CSD and Treasury, with CSD in the lead on questions of departmental organisation and financial control and management systems, and the Treasury in the lead on financial policy and the Government accounting framework.

12. It is arguable that this split of responsibility has given rise to problems. To be effective, the Government accounting framework needs to promote high standards of financial management within departments, but the present organisational arrangements may have inhibited the effective development of either. The need for effective control systems in departments has arguably become more pressing as the Treasury has moved away from direct involvement in detailed expenditure decisions. To bring together responsibility for the expertise existing in both Departments would arguably create a stronger focus for developing central and departmental systems which are mutually compatible. Examination of these issues has been the subject of recent consultations between the two Departments.

13. On the other hand, it is arguable that financial control systems are an integral part of departmental management and that transferring responsibility for financial systems away from that part of the organisation which deals with the overall structure of departmental management (currently CSD's Management and Organisation Group) would mean that there was no longer a focus for the development of effective management practice in departments.

Conclusion

14. We have assumed that in an integrated Department work on financial control systems would be brought together, and that the organisational arrangements would preserve as far as possible the important links which this has with the work on the management and organisation of departments.

PAY IN THE PUBLIC SERVICES AND CIVIL SERVICE

15. Under the present arrangements, the CSD Pay Group undertake several tasks in respect of pay:

a. Civil Service pay - a clearly defined management function embracing responsibility for negotiating and settling pay rates;

b. Staff of certain fringe bodies - the role, usually but not invariably imposed by statute, of dealing with pay proposals submitted by sponsor departments;

c. Armed Forces - monitoring and commenting on Ministry of Defence evidence to the Armed Forces Pay Review Body. The location of this function is closely related to the question of the location of manpower control of the Ministry of Defence and is discussed further in Annex 4 (paragraph 26);

d. Other public service pay (for example National Health Service and local authority employees) - advice on repercussions on Civil Service pay, and general briefing on proposals as necessary. Little staff time is involved in the latter aspect.

16. The Treasury is concerned with the macro-economic and public expenditure implications of public service pay (the Civil Service represents less than one seventh of this area). There are at present three areas of the Treasury which have an interest in public service pay settlements:

a. the Industrial Policy Group, which need to consider, as part of their general concern with the macro-economic aspects of pay, the impact of public service pay settlements on the private sector and the economy generally, and have a co-ordinating role in this area;

b. the general expenditure side, which is concerned with the general policy on the interaction between public service pay settlements and cash limits;

c. the specific expenditure divisions, which have an interest in the implications of pay settlements of groups of workers covered by the expenditure programmes for which they are responsible.

17. Negotiation of the pay of its own Civil Service employees is the responsibility of the Government as employer and manager. Most pay rates are set on a Service-wide basis. This task represents a distinct executive function, requiring detailed knowledge of pay systems, particular agreements and bargaining procedures.

18. There is, however, a question of identifying which part of the Centre's organisation is responsible for forming policy in respect of the pay of the public services as a whole. There is at present no significant duplication here between the two Departments, since little CSD staff time is involved in the general briefing tasks at paragraph 15d. above. But there is widespread agreement that the lead interest at the Centre should rest with the Treasury because public service pay settlements have important implications for public expenditure and economic management; and that the responsibility should continue to be carried on the economic management side, if the two Departments are integrated.

Conclusion

19. We have assumed that in an integrated organisation, the function of pay negotiations for the Civil Service would remain on the personnel management side of the Department. Close co-ordination would continue to be necessary with those responsible for economic management and the control of public expenditure. Whether or not the two Departments are integrated, organisational arrangements in respect of the pay of the public services should be clarified.

TENSIONS BETWEEN MANPOWER AND OTHER POLICY OBJECTIVES

20. Paragraph 35 of the report refers to possible conflicts between the control of manpower and public expenditure and other objectives of government policy. There may be situations where a reduction in expenditure or an increase in revenue would lead to an increase in manpower and conversely a reduction in manpower may lead to an increase in expenditure or a reduction in revenue. Reductions in manpower may be achieved:

a. by cutting out a function altogether:

b. by carrying it out to a lower standard or in a cruder way; or

c. by finding ways to increase the efficiency with which the work involved is done.

21. These are some of the situations which arise:

a. **Reductions in manpower leading to increase in operating costs**

In some situations, a department's operating costs may be increased by reducing its manpower. For example, where a function is being continued and lower standards cannot be introduced (perhaps because of a legislative requirement), the choice may be between increasing numbers (or avoiding a cut in them) and having to spend more money as a result of increased overtime.

b. **"Privatisation" of support services**

In some cases, it may be less costly for Government departments to provide a supporting service themselves than to have it carried out on their behalf by outside contractors. This may involve a straightforward comparison of costs, eg providing a car and driver to reduce the use of external car hire services. Or, it may be a question of the better use of existing capital equipment, eg making greater use of "in house" printing facilities, thus reducing overhead costs on the other work already being done on them. In such cases, a decision to make manpower reductions would need to pay regard to any adverse financial effects.

c. **Work by common services departments for nondepartmental clients**

There may be cases where through carrying out work for nondepartmental clients (eg HMSO printing telephone directories for the Post Office, or PSA carrying out construction work for USAF) overhead costs for similar activities by a common service supplier on behalf of Government departments are reduced. In a sense the extra manpower could be said to be paying for itself by creating savings. But a decision to do so is not only a decision to retain staff it is also a decision to maintain or expand activity by Government departments in competition with the private sector.

d. **Impact on tax revenue**

In some cases it is arguable that the capacity of government to raise the revenue it requires would be damaged by making a cut in manpower or by withholding an increase in it. There will always be cases where an increase in staff engaged on tax collection can be shown to pay for itself, often many times over. The need to raise taxes cannot be called in question as a function. But the methods used have to be reviewed in order to make sure that they are as economical as possible, sometimes at the expense of loss of refinement and sophisticated equity in the system. Nonetheless manpower reductions may still be considered appropriate even where they result in a decrease in revenue collected greater than the cost of manpower saved.

e. **Functions financed by fees or charges**

In some cases a Government function is provided to the community on the basis of a fee or charge and it can be shown that an increase in staff will "pay for itself" through increased revenue. This position is different from that arising in the Revenue departments (d) above. Because a Government activity "pays for itself" out of fees or charges it does not follow that it should necessarily be continued. For example, it might be concluded that it was not an appropriate function for Government to perform or that it had a lower priority than some other function. Manpower could be saved and revenue lost. There may be situations in which it is helpful to use a fee charge as a method of regulating demand for a particular service where it has been decided that it is appropriate for central government to provide this. But it is not possible simply to accept as a justification for maintaining a level of manpower involved or increasing it, the fact that the costs are covered by fees or charges, since the function itself and the standard to which it is performed must first be called in question.

f. **Payment of benefits**

It may be argued that the level of payments which has to be made by Government under particular schemes of assistance (eg social security) can be reduced by increasing the manpower devoted to checking on claims and detecting fraud. Here again, the fact "the staff pay for themselves" in a reduction in the level of payments made by departments to their clients is not in itself a sufficient argument. It has to be demonstrated that the cost of the scheme cannot be more satisfactorily reduced by alternative means through altering procedures or improved efficiency. And here, as also in the tax field, there is a judgement to be made about the level of enforcement and control that should be undertaken.

g. **"Demand-led areas"**

A change in demand for a government service has sometimes to be accepted at the time and the resources made available to meet it straight away. Sometimes this may arise **ad hoc**, eg arrangements to receive refugees from overseas. In other cases, it may well be a recurring phenomenon, eg the requirement for extra staff to pay out unemployment benefit when there is an increase in the number of unemployed. But in these recurring situations, compulsion is simply temporary until the way in which the function is performed can be

reviewed and the scope for reducing its cost can be determined. What is special about these "demand-led" areas therefore is the difficulty of holding the level of resources devoted to them without making the necessary changes in a scheme and its procedures first. The issue therefore is one of timing not of principle. There will be other areas of "demand" for government services, however, where the option of lowering the level of service presents itself, for example, by allowing waiting time to grow. Where there is no legal requirement to maintain the service in a particular way, then what is involved is a question of judgement as with all other government functions.

h. **Effect on manpower cuts on the Superannuation Vote**

Manpower reductions can have two effects on the level of expenditure from this Vote. In the first place they may require redundancy payments to be made, and cause the bringing forward of superannuation payments; and secondly they will reduce the future number of pensioners. These expenditure effects have to be borne in mind in calculating the net effect of manpower reductions on public expenditure as a whole.

THE METHODS OF WORK OF THE EXPENDITURE AND MANPOWER CONTROL DIVISIONS

Branch Heads in Treasury Expenditure Divisions

22. Within the 8 Expenditure Divisons of the Public Services Sector there are 18 Branches, headed normally by Principals, each exercising expenditure control functions over a specified area, consisting of a single main spending programme or a number of small programmes. These functional programmes do not necessarily correspond with Departmental areas of responsibility. For example DHSS spans the health programme and the social security programme, dealt with by separate Branches the expenditure of the Scottish and Welsh Offices is divided among a number of Branches according to function.

23. In a typical Branch the Principal is in charge of two executive staff and receives additional clerical support from a clerical section serving several Branches. The Principal reports as necessary to an Assistant Secretary at the head of a Division consisting of two or three Branches.

24. The Treasury's interest is the effective management and control of public expenditure both in aggregate, in relation to economic and financial policies, and in the allocation of resources to particular programmes having regard to the cost-effectiveness of expenditure and value for money. The role of the Branches is to bring these interests to bear on their particular programmes, scrutinising planned expenditure and the related policy issues and contributing to the control of total expenditure. Some Branches deal with programmes where the expenditure is under the direct control of central government departments, but others are dealing with policies affecting the expenditure of other public authorities, including public corporations and local authorities, which operate with varying degrees of independence from central government.

Public Expenditure Surveys, Estimates and Cash Limits

25. The annual public expenditure surveys and Estimates and the associated cash limits represent the basic financial control machinery and account for a substantial proportion of the work of the Principal and the support staff. The consideration of expenditure proposals requires close liaison with

departments, especially the finance divisions, involving detailed analysis and scrutiny of the costings, the justification for any changes in previous estimates, examination of underlying assumptions and questioning both existing policy and any new policy developments. The Principal contributes to the preparation of the texts for the programme chapters in the Public Expenditure Survey Report and Public Expenditure White Paper ensuring that Treasury interests are covered and contributes to the identification and presentation of policy for consideration by Ministers in the course of the survey.

Policy Issues

26. Although Departments themselves are responsible for the management of their agreed programmes, any policy developments, new legislation or other changes in the programme are referred to the Treasury if there are significant expenditure consequences. In such cases the Principal ensures that the proposals have been satisfactorily costed and needs to be satisfied that resources are available either from within the existing programme or elsewhere. He also considers the justification for the expenditure in policy terms against the particular objectives of the programme and wider economic objectives, and possible consequences or repercussions elsewhere. The Principal may resolve issues of this kind himself or submit advice to senior officials or Ministers.

Monitoring

27. Branches are responsible for monitoring the progress of expenditure against the agreed programme totals and cash limits during the course of the year, drawing on the regular reports from the Financial Information System (FIS) and any other available information. The initial scrutiny of FIS reports is normally undertaken by the executive staff who themselves follow up any apparent divergence from plans, referring to the Principal only those cases where it may be necessary to initiate some corrective action.

Casework

28. Within the agreed expenditure allocation departments generally have delegated authority to proceed with individual projects or to make certain payments within specified limits. Outside these limits Treasury approval is required. Cases are judged according to precedent or in consultation with other Divisions if necessary and may be approved subject to certain conditions if appropriate. This casework helps Branches to maintain contact with the more detailed elements of the programme.

Other Matters

29. The involvement with departmental policy, necessary to manage expenditure, extends in many Branches to policy which may not be directly related to the public expenditure programme itself. For example the Branch dealing with social security is concerned with the income to be raised from national insurance contributions and with social policy affecting poverty, taking account of wider economic and financial considerations. Similarly Branches responsible for local authority expenditure are involved in local authority finance especially through the rate support grant.

Branch Heads in CSD Manpower Divisions

30. The three Manpower Divisions are made up of seven Branches headed by Principals. One has a general co-ordinating function and the others are each

responsible for control of manpower and related resources in a number of government departments or related bodies, ranging from four organisations in one case to more than twenty small organisations in another. Each Branch deals with the whole of each body in its command regardless of the fact that its expenditure may fall into a number of different public expenditure programmes. Manpower control of the common services departments (PSA, HMSO and COI) is operated separately by FP2 Disision.

31. On average the Principal at the head of a manpower Branch is supported by 4 executive staff and 1 or 2 clerical staff. Each Principal reports to an Assistant Secretary responsible for 2 or 3 Branches.

32. The Manpower divisions are responsible for the Civil Service Department's functions in relation to manpower control, both in aggregate and in individual departments, in terms of numbers, gradings and organisation and the consequent expenditure on wages and salaries and related administrative expenditure. The CSD's interest is largely confined to the Civil Service and, therefore, the central government departments, although some controlled fringe bodies (such as the Research Councils) closely linked with central government administration are also covered. Generally, though, the CSD is not concerned with other parts of the public sector.

Public Expenditure Surveys, Estimates and Cash Limits

33. The annual public expenditure surveys and Estimates and the associated cash limits form the control framework for scrutinising departmental plans and agreeing manpower totals and expenditure programmes. Scrutiny of departmental proposals normally begins with the examination of staffing numbers, rather than expenditure, and involves discussion with departments, especially Establishment Divisions. It seeks to ensure that the projections are consistent with the Branches' own understanding of the department's functions and tasks and questions any changes from previous plans; progress on the implementation of any staff inspections, management reviews or other manpower studies; the application of any staffing formulae; and the continuation of existing policy and any new policy developments as they affect department staffing and administration. The Principal participates in the preparation of manpower options for consideration by Ministers, drawing on his own knowledge and experience of the department's administration.

Policy Changes

34. The manpower implications of any new departmental policies, legislation or other changes, have to be approved by the CSD. The Principal needs to satisfy himself that the manpower effects have been properly assessed by examining support material such as organisation charts and job descriptions and may be involved in departmental policy formulation where the manpower element is a significant factor. He may call on specialist support, for example staff inspection, in forming his judgement. If appropriate he may initiate review procedures to monitor the effectiveness of any new organisation.

Monitoring

35. The Branch monitors the performance of the Department during the course of the year both in financial terms (through the Financial Information System) and in terms of staff numbers on the basis of separate quarterly reports from departments. Any significant departure from the control totals

requires investigation and possibly corrective action. For example the emergence of a shortfall in recruitment may enable allocations to be reduced.

Control Systems

36. The Principal is responsible for ensuring that Departments have satisfactory internal staff inspection arrangements and that the programme of inspections gives effective coverage of the department and that there are satisfactory arrangements for the implementation of recommendations. Accordingly the Principal examines the annual inspection programme and may arrange for CSD staff inspectors to participate in particular inspections. Through this involvement he forms a judgement about the effectiveness of the department's system and implementation procedure. He may be similarly involved in other exercises such as management reviews or O&M studies, briefing the CSD assignment officers as appropriate and monitoring the implementation of any recommendations.

Casework

37. One specific responsibility is the examination of any new or regraded posts in departments above the delegated limits. Approval is normally required for posts at Assistant Secretary level and above. Assessment of the case involves the examination of changes in workload and organisation and, to the extent that the changes result from new policy initiatives, involvement in the policy consideration. Various other types of casework are dealt with in the Branches enabling them to monitor administration and in the process to improve their own knowledge of the Department.

Conclusion

38. a. Manpower and expenditure controllers both work within the same public expenditure control framework and therefore need to know about the main instruments of control ie PES, Estimates and FIS.

b. They both need knowledge of the policies which determine the nature and level of a department's activities. But expenditure controllers generally need to have a much greater depth of knowledge of policies than manpower controllers. On the other hand manpower controllers generally need a much more detailed insight into the organisation and working methods of a department.

c. There are a number of techniques relating to the analysis of staff requirements which are needed by manpower controllers but not by expenditure controllers.

ANNEX 4

INTEGRATION OF CERTAIN POLICY AREAS AND COMMON SERVICES

1. INTEGRATION OF POLICY AREAS

PRESENT ORGANISATION

Expenditure and Manpower Control

1. The Treasury's task in relation to the control of public expenditure comprises two main elements:-

(i) The "general expenditure" task ie. the planning and management of total public expenditure through the Public Expenditure Survey (PES) and cash limits;

(ii) The "specific expenditure" role i.e the scrutiny and provision of advice on expenditure allocations to and within a particular public expenditure programme.

2. The first of these functions is the responsibility of the General Expenditure Policy Group (GEP) which, together with GEA and AP (see paragraph 4 below), form the General Expenditure Deputy Secretary command within the Public Services Sector. The second, specific expenditure function is performed within 10 Under Secretary Groups:-

(a) **Complete Groups**

HE (Home, Transport and Education)

DM (Defence, Aircraft)

SS (Social Services, Health, the Arts)

LG (Local Government, Territorial)

IA (Industry and Argiculture)

PE (Nationalised Industries)

(b) **Part of Group**

IP (NEDC, Employment)

AEF (Aid, FCO, ECGD)

HF (Debt management, currency, coinage)

IG (EEC contributions)

The first four groups in list (a) are within the Public Services Sector. PE, IA and IP and HF are within the Domestic Economy Sector and AEF and IG are within the Overseas Finance Sector, though on public expenditure questions staff within these sectors report to the Second Permanent Secretary Public Services. A list of the public expenditure responsibilities of these groups and a summary of the staff employed is given in Working Paper 4 paragraphs 1-4.

3. Within CSD prime responsibility for the control of manpower and other staff-related expenditure rests with the staff of the Manpower Group, and, for the common services departments, the Functions and Programmes (FP) Group. A description of the allocation of work on manpower control and the staffing levels involved is given in Working Paper 4 paragraphs 4-6. Together with the Management and Organisation Group and the Central Computer and Telecommunications Agency, Manpower and FP comprise a single Deputy Secretary command within CSD.

Financial and Management Systems and Cost Cutting in Government

4. At present, the activities of the Centre in promoting good financial management and organisation in government are concentrated in four Under Secretary commands: the

General Expenditure Analysis (GEA) Group and the Accounts and Purchasing (AP) Group in the Treasury and in the Management and Organisation (M and O) Group and the Functions and Prgrammes (FP) Group in the CSD. CSD is in the lead on questions of departmental organisation and of financial control and management systems; the Treasury is in the lead on financial policy and the government accounting framework.

5. GEA and AP share the same Deputy Secretary in the Treasury; M and O and FP, the same Deputy Secretary in CSD. A detailed description of the work of the divisions which make up these groups and charts showing their organisation and staffing are in Working Paper 4 paragraphs 8-35.

INTEGRATION: OPTION A

6. Figure 4.1 shows the Option A reorganisation of the responsibilities in these policy areas. The main aims of this reorganisation would be:-

(i) to promote a more co-ordinated approach to the use of all types of resources used by central government while minimising any disruption to the implementation of the government's existing expenditure and manpower policies;

(ii) to bring together central work on systems of financial control in departments with responsibility for the government accounting framework so as to provide a focus for their development.

Organisation of Manpower and Expenditure Control Work

7. In order to meet the first aim it would be necessary to unite at Second Permanent Secretary level responsibility for public expenditure control and the control of manpower and other staff related expenditure, which is currently divided between the two departments. This would be achieved by the transfer of the present Deputy Secretary command responsible for inter alia manpower control into the Public Services Sector. The Manpower Group and the specific expenditure groups would remain unchanged.

Organisation of work on Financial and Management Systems and Cost-Cutting

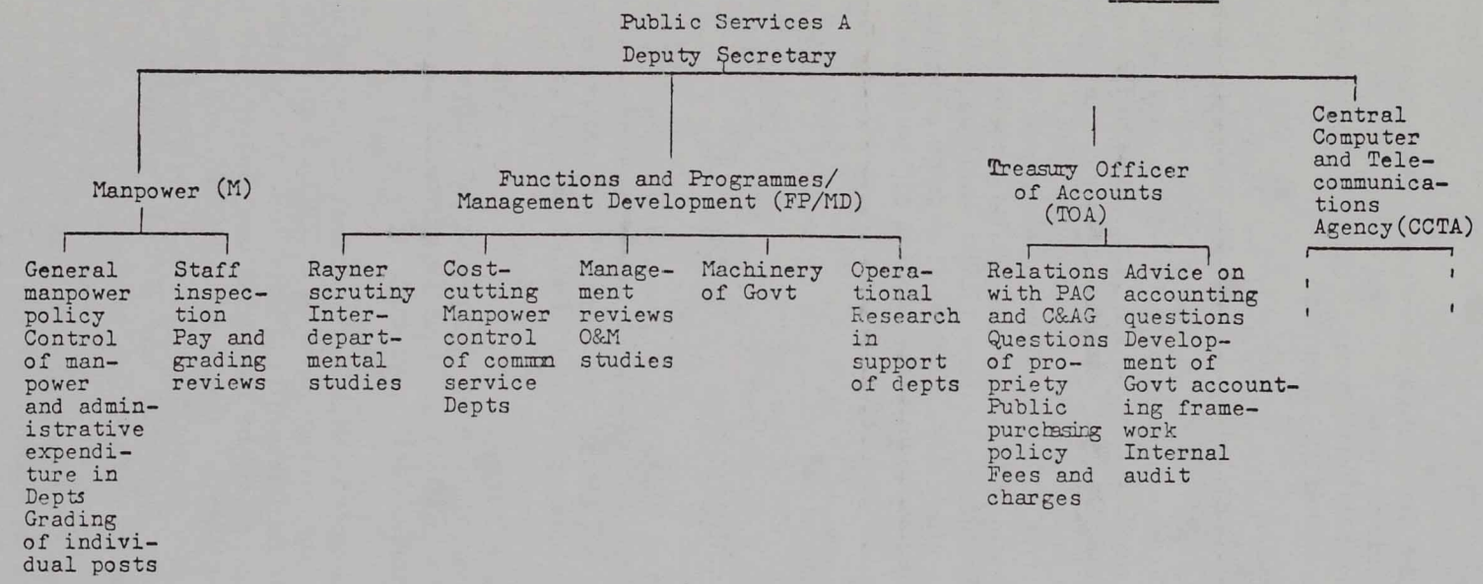
8. To achieve the second aim would require a reallocation of duties between those groups currently responsible for financial and management systems and cost cutting so as to brigade together CSD and Treasury expertise in these areas. In practice this would mean putting the Accountancy, Finance and Audit (AFA) Division (currently part of CSD's M and O Group) alongside AP1 and AP2: divisions which support the Treasury Officer of Accounts (the AP Group).

9. The resulting Under Secretary command would be heavily loaded and consideration has been given to removing some or all of the more freestanding parts of AP2 (such as fees and charges or the commercial accountants) to Under Secretary commands elsewhere in the merged department. It has been concluded, however, that because of their operational links with the work of the Treasury Officer of Accounts and because they do not, in themselves, add significantly to his load, there would be little advantage in so doing.

10. There is currently some small overlap of interest between AFA and AP2 on matters concerned with repayment for common services and the establishment of trading funds. There is, however, considerable room for development of the work in the area which might be expected to make increasing demands on the staff resources of an integrated command dealing with financial systems and propriety. Some adjustment of responsibilities between AFA and AP2 might, however, be necessary as the new organisation settles down. And MD would continue to need specialist advice from AFA on matters concerned with the development of management practice in departments.

11. AFA are currently working with GEA3 on the development and computerisation of financial information systems in departments. (This work - described in Working Paper 4 paragraphs 10 and 33 - is being carried out through the PESC(D) Sub-Committee). There is, however, a distinction between, on the one hand, work on departmental control

OPTION A



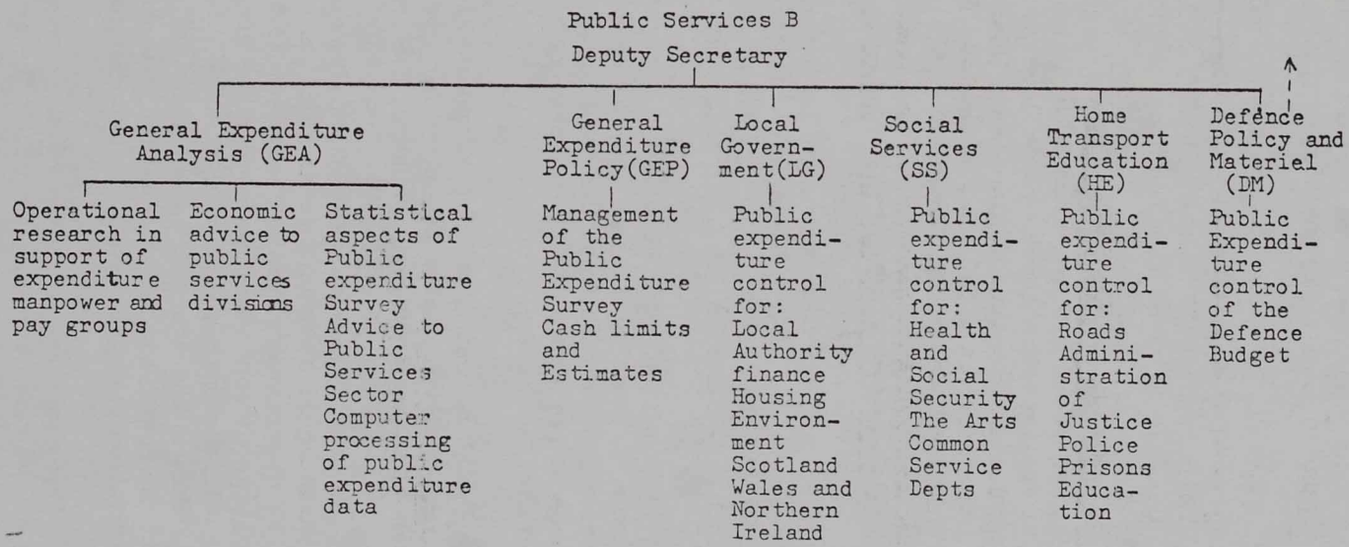


Figure 4.1

arrangements and the organisation of their PES programmes and Votes and, on the other hand, work on the computerisation of systems and the promotion of standard computing methods. The first group of functions would be carried out by AFA (and AP2 as appropriate), but because of the need to ensure that the computerisation of departmental systems was compatible with that at the Centre, the second group of functions would remain with GEA3.

12. As issues arose (in GEA3, in expenditure divisions, or elsewhere) which impinged on the quality or organisation of the systems themselves, these would be pursued in AFA and not in GEA3. The amount of work that GEA3 currently undertakes in this area is small and would not appear to justify any transfer of staff between GEA3 and AFA.

13. AFA having been transferred to TOA, the remainder of the M and O Group (the Management Development (MD), Machinery of Government (MG) and Operational Research (OR) Divisions) would be merged with FP1, FP2 and the Chain of Command Review (which now make up most of the Functions and Programmes Group) to form a new and enlarged Under Secretary command. This grouping would recognise the links between FP2 and MD in promoting economical and effective organisation of work and management practice in departments, whilst retaining the links between MD and MG in achieving effective organisation at the service-wide level and in the allocation of responsibilities between departments. Because of the heavy load which these responsibilities would place on the Under Secretary, the Staff Inspection and Evaluation Division (SIED) would be transferred to the manpower command. In addition, as is currently the case, it is to be expected that on classic machinery of government matters and on some other aspects of the Division's work, MG would report directly to the Head of the Home Civil Service.

14. CSD and Treasury expertise in operational research is concentrated, at present, in two centres - CSD's OR division and the joint CSD/Treasury team in PAU1 (formerly the Operational Research Unit). The Computer Support Unit (CSU) provides general computing support to OR and PAU1; organisationally, CSU is part of the OR Division.

15. Most of the work of OR is in support of CSD's pay and manpower divisions. There is, however, a team of four officers who undertake assignment work and other studies for departments. In addition, the head of OR is assisted by a Senior Principal in performing a number of personal duties in respect of the management of OR staff in the Civil Service generally.

16. PAU1 is mainly concerned with providing support to Treasury divisions but like OR division, PAU1 has also taken on project work in individual departments (eg its present activities in constructing a model of the criminal justice system).

17. As part of the reorganisation, the work of OR division in support of pay and manpower divisions would be transferred (along with the management of CSU) to PAU1. In return, PAU1's departmental project work would be transferred to OR division. This would have the advantage of concentrating support to divisions at the Centre in one unit (PAU1) (and also bring the computing expertise of CSU alongside that in the rest of GEA), and departmental initiatives in the other (OR). In addition, as a wholly departmentally-oriented division, OR could be expected to strengthen its links with MD and FP2 in promoting efficient organisation in departments through assignment work.

18. The number and grades of staff transferred between OR and PAU1 would depend in part on the relative emphasis which the new department wished to give to domestic support as against assignment work in the future. In the first instance 8 or 9 staff (which would include CSU) might be involved in the transfer.

19. There are strong links between departmental control systems (which would become the responsibility of the TOA) and departmental organisation and structure (the FP/MD/MG command). There are also strong links between FP and manpower control (most of the work of FP being in support of the manpower control function), and between manpower and CCTA (eg trade-offs between manpower and computers). These links would be recognised by

brigading the Manpower, FP/MD/MG, TOA and CCTA commands under the same Deputy Secretary. Much of the work of the GEA Group is, however, in support of Treasury Expenditure Divisions and the General Expenditure Policy Group. GEA would, therefore, be brigaded alongside GEP and the supply divisions in a separate Deputy Secretary command.

INTEGRATION: OPTION B

Organisation of Manpower and Expenditure Control Work

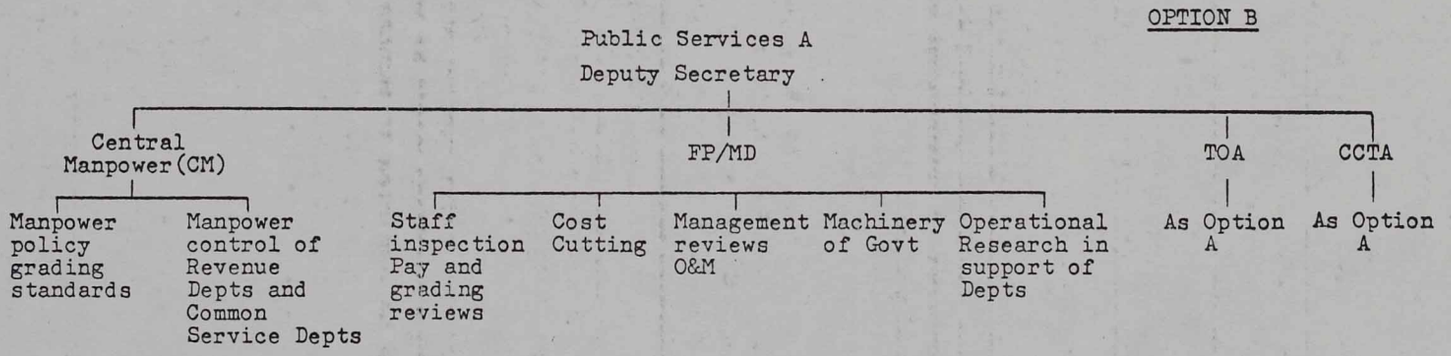
20. A chart showing the option B reorganisation is overleaf (Figure 4.2). The main objective of this reorganisation would be to bring together at operational level the Centre's interest in the allocation of resources to, and the efficiency and effectiveness of, individual spending departments. This would involve removing the manpower control function from the Manpower Group and placing it with the specific expenditure divisions responsible for the appropriate expenditure programme. These mixed manpower/expenditure divisions might then also be expected to take the lead on on-going programmes such as Rayner Scrutinies and other efficiency exercises. Responsibility in this latter area currently rests with FP1 and there would therefore be implications for the organisation of some elements of the groups responsible for financial and management systems.

21. Under such an integration a requirement for manpower divisions dealing only with the manpower of individual departments would largely disappear. However, while the new "mixed" divisions could be expected to have a deeper insight into the policies and methods of operation of the particular departments for which they were responsible, they would not have the "read across" between departments currently available to manpower divisions. It would thus be necessary to establish a co-ordinating point for issues which can cut across departmental boundaries (eg. grading of senior posts, application of lessons learnt by a Rayner scrutiny to other departments). And, so long as the Government maintained a separate policy for Civil Service manpower there would be a continuing requirement for the general manpower policy functions currently performed by the Manpower Group. Accordingly, though the option B integration would as far as possible bring together at divisional level the control of manpower and expenditure for individual spending departments, it would also retain an Under Secretary command which would have responsibility for co-ordination and implementation of general manpower policy.

22. Paragraphs 23-33 below describe a possible allocation of manpower control duties on the basis suggested above. Drawing up this allocation has revealed a number of problems both in relation to linking the departmental control of manpower with the existing functional division of expenditure control between Treasury groups and coping with the additional load imposed on middle and senior management by manpower control responsibilities. Effective solutions to such problems may require a more far-reaching reorganisation of expenditure groups. The description is very much an illustrative outline of extensive integration, rather than a detailed blueprint. This outline has been used to derive some broad estimates of the level of staff savings which might be achieved under option B. It should be stressed, however, that these estimates are highly tentative and would almost certainly be subject to change in the light of further examination of the practical requirements of extensive integration.

(a) Central Manpower Group (CM)

23. This would be a newly constituted group comprising two Assistant Secretary commands. CM1 would cover the work on general manpower policy currently performed by Manpower 1 and FP's co-ordinating role in respect of Rayner and other efficiency exercises. In close co-operation with manpower/expenditure divisions it would be responsible for maintaining common grading standards as between departments, a function which is currently performed by the Manpower Group. It would also act as a manpower controller for those departments for which there is no suitable expenditure division such as DoI/DoT and Department of Energy.



Public Services B
Deputy Secretary

As option A but with manpower control responsibilities for departments not covered by Central Manpower Group transferred from Deputy Secretary A to expenditure groups in the Public Services Sector and to groups with expenditure responsibilities in the Domestic Economy and Overseas Finance Sectors.

Figure 4.2

24. CM2 would perform manpower/expenditure control functions in respect of:

a. the common services departments (HMSO, COI, PSA). Manpower and expenditure control for these departments are currently dealt with by FP2 (CSD) and SS1 (Treasury) respectively. With the switch to repayment there will be no separate expenditure programmes for these departments as the demands for their outputs will appear on user departments' programmes. SS1's duties in respect of the cost of Parliament and the Ordnance Survey might also be included.

b. All the departments for whom the Chancellor would be directly responsible within a merged department, and miscellaneous departments such as the Cabinet Office and the Registrar of Friendly Societies, the expenditure of which is wholly or predominantly administrative in character. The major departments in this command would be the Inland Revenue and Customs and Excise. The Treasury's interest in the policy aspects of the work of these departments would continue to rest with the Fiscal Policy Group (FP). The general arguments for brigading manpower and expenditure control alongside policy functions apply in these areas: indeed administrative considerations are increasingly important in taxation decisions. However, FP does not exercise an expenditure control function in relation to the Revenue Departments: the Group is essentially concerned with taxation as an aspect of economic management. FP therefore stands in a different relationship to the Revenue Departments than normally exists between expenditure/manpower controllers and spending departments. An additional burden of work would be involved in introducing expenditure and manpower control skills where none exist at present.

(b) Defence Policy, Materiel and Aircraft (DM)

25. Defence expenditure is controlled by means of a block budget and a global cash limit. MOD are normally free to transfer money from one budget heading to another within this framework so that money freed by civilian manpower reductions may be spent on Treasury-controlled items of expenditure. CSD-controlled expenditure (mainly on civilian manpower) is large in absolute terms (some £2 billion) and constitutes around 16% of the total defence budget. Under the proposed integration DM would take over responsibility for the control of MOD civilian manpower thus bringing together within one group the main elements comprising the Defence Budget excluding pay and allowances (see paragraph 26 below). This could be expected to give the Group a much more comprehensive grasp of the Defence Budget, with benefit to both monitoring and control. The extra workload involved would require the upgrading of the head of DM2 from the present Senior Principal level to Assistant Secretary and the addition of a Principal plus extra support staff. Under the proposed allocation of work manpower and expenditure questions would be brought together only at Under Secretary level and could therefore be expected to impose quite a heavy additional burden on the head of the group. The addition of manpower responsibility might also raise a question mark over the existing reporting arrangements under which the head of DM reports direct to the Second Permanent Secretary Public Services.

26. There is a further question about the allocation of responsibility for the pay and allowances of the Armed Forces which is another major element in the Defence Budget (over 20% of the total). Responsibility for monitoring and commenting on MOD evidence to the Armed Forces Pay Review Body, which makes recommendations to the Government on the rate of pay for the Services, currently rests with the CSD Pay Group, though the expenditure function (including oversight of numbers) falls to DM. Supply control of allowances rests with the Manpower Group. Under Option B supply control for Service pay and allowances would therefore be concentrated in DM. It has been suggested that responsibility for setting Armed Forces pay and allowances should be placed alongside DM's expenditure functions. The arguments about the appropriate treatment of these items relate to, on the one hand, the improved control of the Defence Budget which such a change would bring, and, on the other, the requirement for a familiarity with pay systems and the need to maintain close links between rates of allowance for civil and military staff. These issues would require further study before any final decision was taken.

(c) Social Services (SS)

27. Changes in benefits policies eg. the range of benefits paid, groups eligible, do have an important impact on administrative costs (which currently amount to well over £0.7 billion a year). Conflicts between manpower and expenditure policies do occur but there is a case for bringing together manpower and expenditure responsibilities to provide a more co-ordinated presentation of the manpower and expenditure implications of alternative benefits policies. On the health side, there is little linkage between policy and the costs of central government administration. But control of health staff numbers would have to follow if control of the much larger social security manpower were to be integrated.

28. The proposed allocation of work would place responsibility for all DHSS manpower within SS1 though cross reporting to the head of SS2 on health would be possible. The additional load on SS1 is balanced by the loss of the expenditure functions in respect of the common services departments, the Ordnance Survey and Parliament to CM1. SS2 would take over responsibility for manpower control for the Office of Arts and Libraries, departmental Museums and Libraries (borne on the OAL vote) and the Crown Estate Office. This additional work would be balanced by the transfer of responsibility for records and registration to HE group. Staffing levels might therefore be expected to remain unchanged.

(d) Home, Transport and Education (HE)

29. Within HE1, the proposed integration would bring together manpower and expenditure control for the Department of Transport (DTp), the Home Office and the Lord Chancellor's Departments (which are responsible for records and registration as well as the administration of justice). This could be expected to be of particular benefit to the consideration of the prisons programme by facilitating a more detailed and comprehensive analysis of the inter-relationships between Prison Service manpower and capital expenditure on prisons. HE1 would also take the lead on manpower and expenditure control for the equivalent Scottish programmes since the functional links in these areas are judged to be stronger than territorial links. There would be a requirement for an extra Principal post plus some additional executive support. There might, however, be a problem of loading at AS (and perhaps US) level which might argue for the creation of a separate Senior Principal command to deal with the administration of justice and some aspects of the Home Office programme.

(e) Local Government Group (LG)

30. LG is currently responsible for co-ordinating the territorial expenditure programmes, as well as expenditure control for the Department of the Environment. Except in the case of the policy areas allocated to HE (prisons and administration of justice) there is no strong relationship between administrative expenditure and expenditure on policy for the territorial departments. The addition of manpower control for DOE and the territorial departments to an already heavily loaded group could cause problems of loading at Principal and higher levels, though this might be alleviated to some extent by the addition of executive staff. An alternative allocation would be to transfer responsibility for the territorial departments to HE and bring the roads programme into LG, thereby uniting manpower control of DOE and DTp (which have a common establishments organisation). But this would break the existing links between co-ordination of territorial and local government expenditure which are of some importance. It would also be likely to cause loading problems in HE.

(f) Industry and Agriculture (IA)

31. There is some linkage between administrative expenditure and expenditure on policy in the agricultural field, particularly in relation to educational and advisory services. The transfer of manpower control for MAFF and IBAP to IA1's existing duties would probably require additional executive support and would add to existing problems of loading at Principal level and above.

(g) Industrial Policy (IP)

32. There is a close inter-relationship between Treasury and CSD interests in the employment field, particularly in relation to the grant-in-aid to MSC. The addition of

manpower responsibilities to IP2's duties would probably require an SEO to deal with manpower questions. There would, however, be likely to be serious problems of loading at AS and US levels. The severity of this problem will depend on the prevailing pay climate. If work on the pay front were heavy and remained in IP it would be necessary to consider whether responsibility for expenditure and manpower control of the Department of Employment and its agencies should be transferred away from IP.

(h) Aid and Export Finance (AEF)

33. This would unite manpower and expenditure control of ODA, FCO and ECGD. Additional executive support would probably be required but there are not expected to be any major problems of loading within the group.

Organisation of Work on Financial and Management Systems and Cost Cutting

34. The reduction in loading at Under Secretary level which would follow the transfer of FP1 and FP2's work on control of the common service departments to the Central Manpower Group, would enable SIED to be returned to the FP(part)/MD/MG Group. This transfer would be justified on the basis that once the bulk of the manpower control function had been separated from the old Manpower Command, there would no longer be any significant advantage in locating SIED with this Group. In addition there would be positive advantage in returning SIED to the FP/MD/MG Group and placing it alongside the assignment staff in FP2, MD and OR.

35. The abridged FP/MD/MG Group, and the Central Manpower Group would remain alongside each other, together with TOA and CCTA (which would be unchanged). They would report as under Option A. The GEA Group would remain unchanged - brigaded alongside GEP and the "mixed" manpower and expenditure divisions.

SUMMARY OF STAFFING IMPLICATIONS OF INTEGRATION OF POLICY AREAS

36. Instances of simple duplication of work in these areas were found to be rare.

37. Under Option A there would be a reduction in the total number of Deputy Secretary posts from the present 10 in the two departments to 9 in the integrated organisation. There would also be a saving of one Under Secretary post arising from the amalgamation of the FP Group with three of the four divisions currently comprising M and O. The loss of one Deputy Secretary post and one Under Secretary post and their associated secretarial support would yield an annual saving of around £75,000. Option B might produce additional savings in staffing levels within the integrated policy areas of up to 13 posts, ranging from clerical and secretarial staff to Assistant Secretary. On an annual basis these changes might result in a saving of up to a maximum of £150,000. These estimates are subject to the qualification set out in paragraph 22 above.

INTEGRATION OF COMMON SERVICES

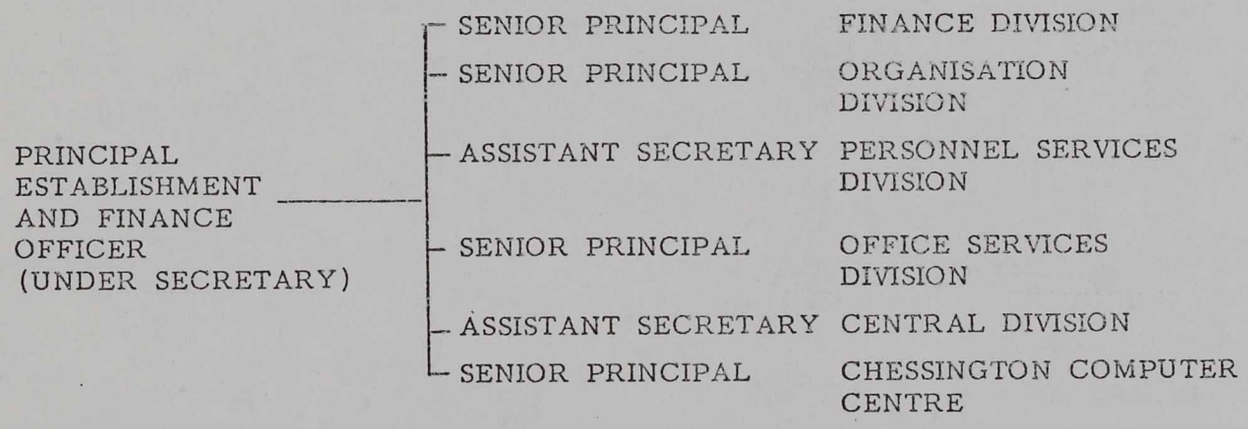
PRESENT ORGANISATION

38. The common services functions of the Civil Service Department and the Treasury are: financial control and accounting in relation to departmental expenditure; organisation and complementing of departmental functions; deployment, personnel management, training and remuneration of staff; office services such as accommodation, typing and messenger services; filing and records management; information and library services; and central co-ordination.

39. In the Civil Service Department these functions, together with that of providing a computerised payroll and personnel records service for a number of departments including the Treasury, are discharged by Central Group under the direction of the Principal Establishment and Finance Officer. The organisation of Central Group is shown at Figure 4.3. Some 800 staff are providing centrally managed Common Services to 5,200 staff of the Civil Service Department and sub-departments.

Figure 4.3

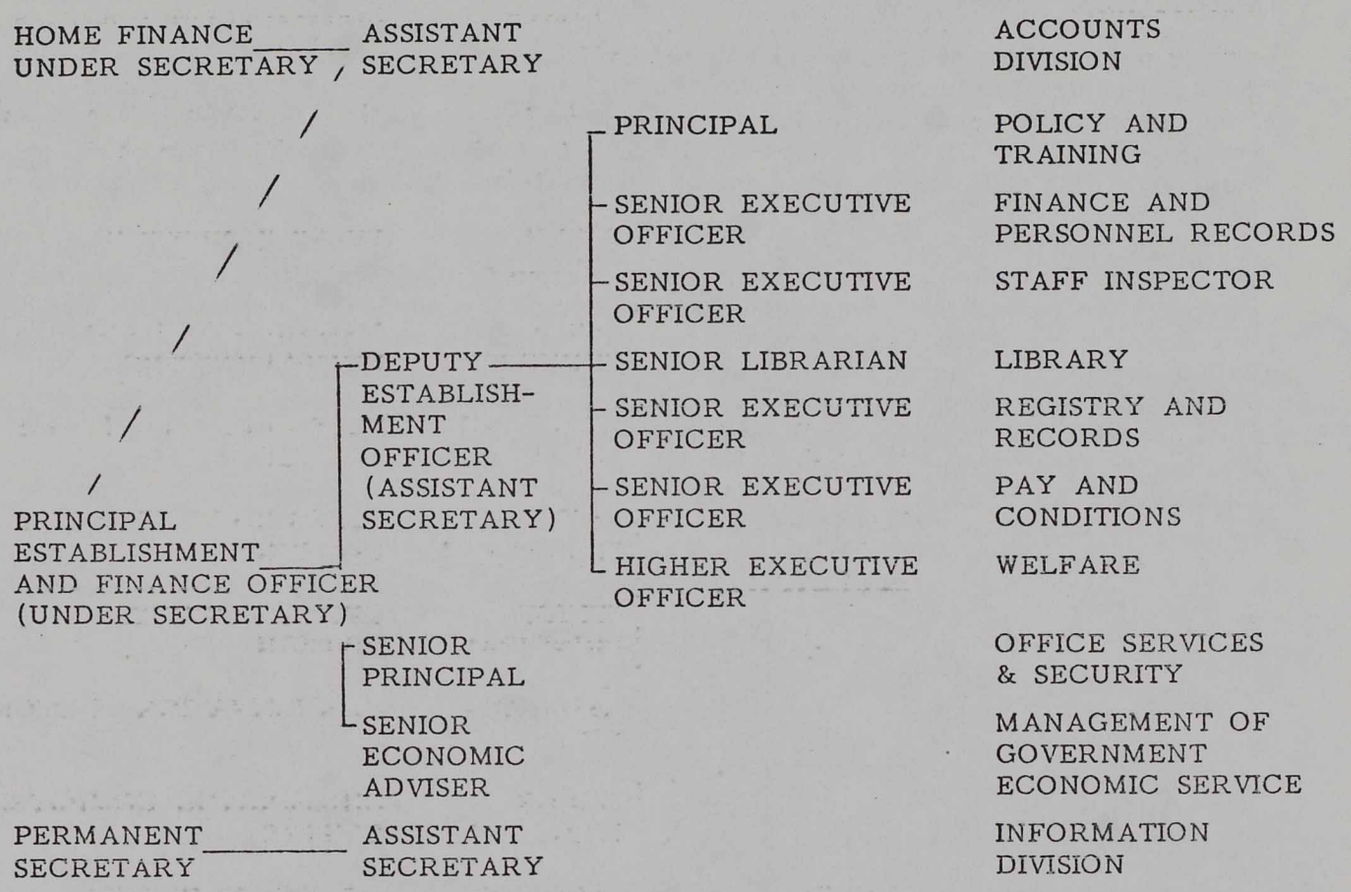
CSD Central Group Organisation



40. In the Treasury these functions other than financial accounting and information services are discharged by the Establishments and Organisation Group under the direction of the Principal Establishment and Finance Officer (PEO/PFO). Personnel management functions are shared amongst several members of the Group. The Senior Economic Adviser who is a member of the Group is responsible for managing the Department's economists and statisticians but the major part of his work is central management of the Government Economic Service (GES), on which he reports directly to the head of the GES. The financial accounting function is discharged by Accounts Division, whose head reports to the PEO/PFO on domestic and Civil List expenditure. Information Services are provided by Information Division whose head reports direct to the Permanent Secretary. The organisation of common services functions in the Treasury is shown at Figure 4.4. Some 500 staff are providing common services to 1,100 staff of the Treasury and sub-departments, and in the case of the Treasury Security Guard to a number of other departments.

Figure 4.4

Treasury Common Services Organisation

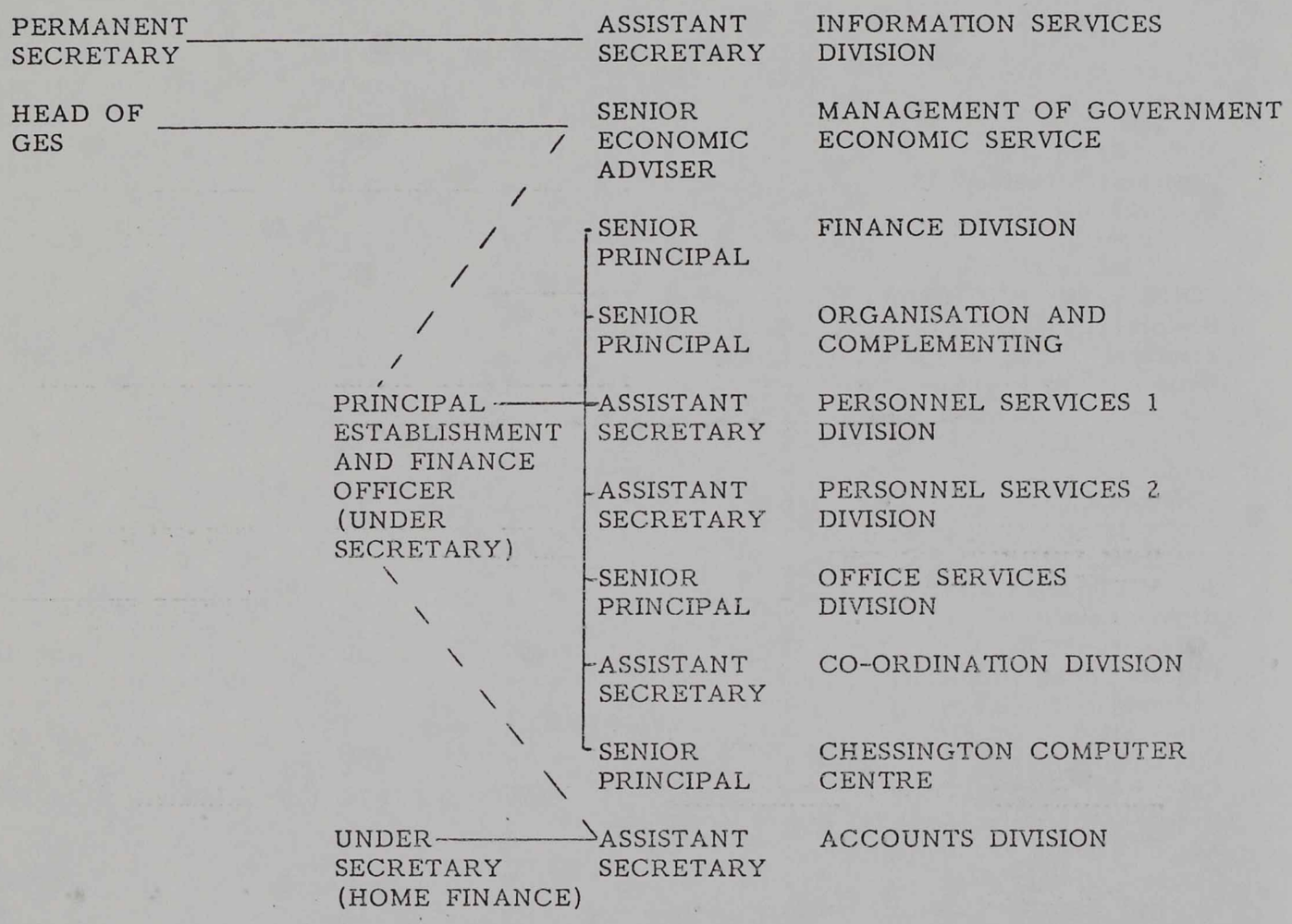


INTEGRATION

41. The common services organisation which would be required to support the Principal Establishment and Finance Officer of an integrated Department, who would carry a significantly heavier load than the PEO/PFO of either of the separate departments, is shown at Figure 4.5. Its staffing requirements relative to those of the two existing organisations are shown at Table 1. The following paragraphs describe the responsibilities of the component parts of the organisation.

Figure 4.5

INTEGRATED COMMON SERVICES ORGANISATION



NOTES

1. Head of Accounts Division reports to PEO/PFO on the Civil List
2. Senior Economic Adviser reports to PEO/PFO on management of the department's economists and statisticians.

Table 1

COMMON SERVICE STAFFING: PRE-AND POST-INTEGRATION

Grade	CSD staff No	Treasury staff No	Combined staff No	Integrated staff No	Saving from integration staff No	Saving from integration Staff cost (£ per annum)
Under Secretary	1	1	2	1	1	27,357
Assistant Secretary(AS)	2	2	4	4	-	-
Senior Economic Adviser(SEA)	-	1	1	1	-	-
Chief Information Officer (B) (CIO(B))		1	1	1	-	-
Senior Principal(SP)	4	1	5	4	1	23,271
Principal	7	2	9	10	-1	-19,002
Economic Adviser(EA)	-	1	1	1	-	-
Principal Information Officer(PIO)	1	3	4	4	-	-
Senior Executive Officer(SEO)	16	7	23	18	5	75,835
Senior Information Officer(SIO)	2	5	7	6	1	13,000
Senior Librarian(S/LIBN)	1	1	2	1	1	13,000
Higher Executive Officer(HEO)	31	9	40	36	4	51,032
Higher Executive Officer (Admin'n)(HEO(A))	1	-	1	1	-	-
Information Officer(IO)	-	2	2	2	-	-
Librarian(LIBN)	1	2	3	2	1	10,900
Executive Officer(EO)	54	22	76	72	4	40,708
Assistant Librarian(A/LIBN)	3	2	5	5	-	-
Administration Trainee(AT)	1	-	1	1	-	-
Clerical Officer(CO)	114	41	155	149	6	45,924
Clerical Assistant(CA)	34	10	44	43	1	5,644
Chief Superintendent of Typists(CH SUPT)	4	1	5	5	-	-
Senior Superintendent (SEN SUPT)	11	7	18	16	2	19,346
Superintendant(SUPT)	12	-	12	12	-	-
Senior Personal Secretary(SPS)	36	17	53	52	1	9,219
Personal Secretary(PS)	106	62	168	168	-	-
Typist(TYP)	124	79	203	203	-	-
Chief Photoprinter(CP)	2	1	3	2	1	10,839
Assistant Chief Photoprinter(ACP)	2	1	3	3	-	-
Leading Operator(LO)	2	-	2	2	-	-
Photoprinter 1(PP1)	17	5	22	22	-	-
Photoprinter 2(PP2)	7	7	14	14	-	-
Data Processor(DP)	-	2	2	2	-	-
Office Keeper 1A(OK1A)	1	1	2	1	1	11,975
Office Keeper 1(OK1)	1	-	1	1		-
Office Keeper 2(OKII)	4	1	5	5	-	-
Officer Keeper 3(OKIII)	4	-	4	4	-	-
Senior Paperkeeper(S/PKR)	5	6	11	10	1	7,354
Paperkeeper(PKR)	22	20	42	40	2	13,292
Senior Messenger(S/MSR)	33	24	57	57	-	-
Messenger(MSR)	74	46	120	118	2	12,292
Senior Porter(S/PTR)	1	1	2	2	-	-
Sub total	741	394	1135	1101	34	371,986

Porter(PTR)	14	6	20	20	-	-
Warehouseman(WHM)	3	-	3	3	-	-
Graphics Officer IV(GOIV)	1	-	1	1	-	-
Drawing Office Assistant(DOA)	2	-	2	2	-	-
Senior Telephonist(S/TP)	1	-	1	1	-	-
Telephonist(TP)	4	-	4	4	-	-
Security Officer 1(SO1)	-	1	1	1	-	-
Security Officer 2(SO2)	-	1	1	1	-	-
Security Officer 3(SO3)	-	7	7	7	-	-
Security Officer 4(SO4)	-	37	37	37	-	-
Security Officer 5(SO5)	-	66	66	66	-	-
Senior Custodian(S/CUST)	1	-	1	1	-	-
Custodian(CUST)	9	-	9	9	-	-
Senior Security Guard(S/SG)	3	-	3	3	-	-
Security Guard(SG)	23	-	23	23	-	-
Sub Total	61	118	179	179	0	0
Sub Total Overleaf	741	394	1135	1101	34	371,986
Total	802	512	1314	1280	34	371,986

Note:

A further 3 posts (one Executive Officer, one Clerical Officer and one Assistant Chief Photoprinter) with a staff cost of £26,159 a year would be saved if the staff currently housed in Old Admiralty Building and Government Offices, Great George Street were fully colocated.

An Integrated Finance and Accounts Structure

42. The area of overlap between the CSD and Treasury finance organisations is relatively small. The CSD domestic expenditure functions relating to CCTA computer procurement, CISCO restaurant accounting and the Chessington payroll operation have no Treasury counterpart. Equally, the Treasury functions of managing the central government accounts and of paying Consolidated Fund salaries and pensions and examining election expense claims have no CSD counterpart. The common functions are those of paying domestic bills, monitoring expenditure against budget, preparing Estimates, PES forecasts and Appropriation Accounts and controlling domestic expenditure.

43. Any integration of finance and accounting functions must bring together responsibility for the Vote-financed domestic expenditure of the integrated department. This means merging with the functions of CSD Finance Division at Basingstoke the finance functions of the Treasury Establishments and Organisation Group in London and those functions of Accounts (Grants) Section at Tolworth which relate to Treasury domestic expenditure, namely the work of the branches dealing with domestic bills and travel claims and with Treasury pay matters together with the accounting activities associated with these functions. Such an integration would require the addition to present CSD Finance Division numbers of one Principal post dealing with Estimates, etc preparation and monitoring and two Clerical Officer (CO) posts dealing with domestic bills and travel claims.

44. Adoption of the CSD's more selective checking procedures and abolition of Treasury manual pay records maintained at Tolworth as a check on the information held on the Chessington computer, and in support of the Treasury Accounting Officer's separate responsibility to ensure that the information processed by Chessington is correct, would enable one Executive Officer (EO) post and one CO post to be dispensed with. Grants Section at Tolworth would retain responsibility for European Assembly and other salaries met from the Consolidated Fund with the EO responsible for this work taking over responsibility for the reduced book-keeping branch workload, saving a further EO post. The financial control work of Treasury Finance Branch would be absorbed by the strengthened Finance Division; the personnel functions of this Branch are dealt with later in this Annex. Charts of the integrated organisation are at Figures 4.6 and 4.7.

Figure 4.6

AN INTEGRATED FINANCE DIVISION
96 STAFF

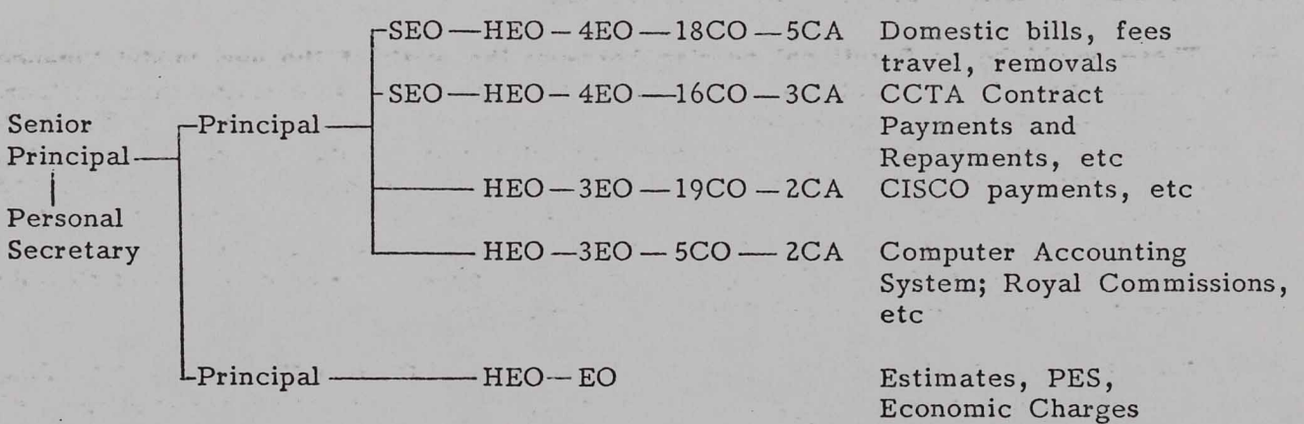
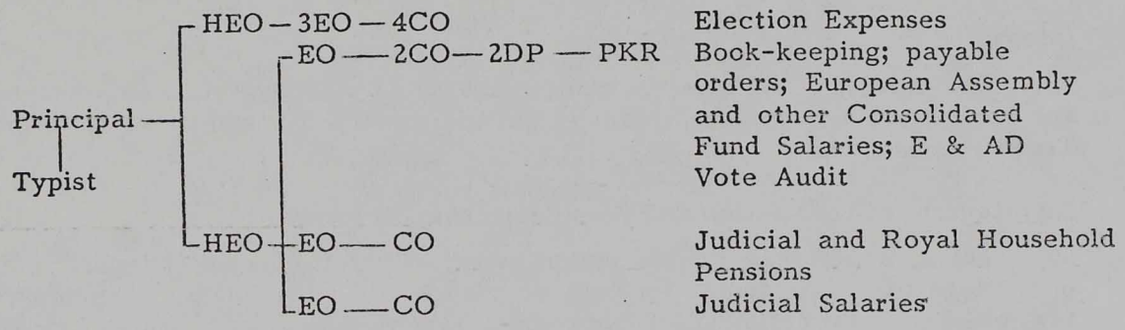


Figure 4.7

AN INTEGRATED ACCOUNTS (GRANTS) SECTION
21 STAFF



45. The integrated Finance Division would report to the Principal Establishment and Finance Officer. The slimmed down Grants Section would continue to report to the head of Accounts Division, who would retain responsibility for Central Section's work in connection with the national funds and accounts and would as at present report on most of the Division's work to the Under Secretary heading Home Finance Group and on Civil List matters to the Principal Establishment and Finance Officers. Finance Division would have overall responsibility for the following Votes or their successors: Class XIII, 4 Treasury; Class XIII,12 United Kingdom Coinage; Class XIII,13 Central Management of the Civil Service; Class XIII, 14 Computers and Telecommunications; Class XIV,5 Rates on Government Property; Class XIV,7 Civil Service Catering Services. Accounts Division would have responsibility for the remaining funds for which the Treasury is currently responsible. This would leave one area of untidiness: Finance Division would have overall responsibility for expenditure currently borne on the Treasury Vote but Accounts Division would be responsible for the grant to the Royal Trustees supplementing payments from the Consolidated Fund for the Queen's Civil List, annuities and other payments to the Royal Family, which is carried on a subhead of that Vote. The expertise in relation to Civil List expenditure currently resides in Accounts Division and would be difficult to separate out. This area is in any case likely to be reviewed when the Royal Trustees next report to Parliament (not later than 31 December 1984). Internal Treasury arrangements might be considered in the light of the outcome of that review.

46. There would be no functional overlap between the work of the new model Finance Division and Grants Section and consequently no staff saving from integrating them further. For the present Grants Section would continue to represent a viable command at Tolworth and the balance of advantage at a time when departmental systems would be undergoing substantial change would lie with disturbing it as little as possible. Once the integrated systems have settled down, however, consideration might be given to relocating this section either in Basingstoke (the cheaper option) or in London. The costs of relocation and retraining would need to be weighed against the advantages in terms of cost and flexible operations of reducing the number of departmental locations.

47. With the heavy load on the Principal Establishment and Finance Officer which heading an integrated common services organisation would represent, he would need greater ease of access to the head of Finance Division than the latter's location at Basingstoke makes possible. There would, therefore, be advantage in locating the head of Finance Division and a small support team in London, with the rest of Finance Division under the day to day management of a Principal in Basingstoke.

The Integration Process

48. The disciplines of Estimates and PES preparation are common to both departments, so that integration of procedures in this area should present few problems. Procedures for monitoring expenditure against budget differ, however, not least in that the CSD has a

computerised Management Information System while the Treasury operates a manually-based system. At the more detailed level there are differences in, for instance, travel claim forms and procedures which reflect the different accounting systems. A common system and set of procedures would need to be agreed and implemented before integration could take place and staff savings be achieved. This would take a minimum of three months. Changes would also be needed in the Vote structure of the two departments.

Integrated Internal Audit Functions

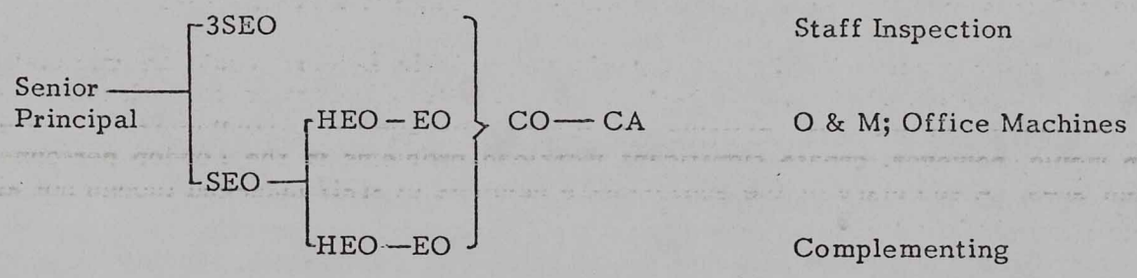
49. The existing CSD internal audit team of six would need some strengthening to cover the integrated department, perhaps an additional SEO and HEO in respect of current Treasury functions.

An Integrated Organisation and Complementing Structure

50. The current Treasury structure is essentially that of a small department predominantly in one location where direct personal knowledge of a wide range of the department's work is feasible and informal contact between a range of people operates smoothly. The CSD structure is that of a larger, geographically diverse department whose running requires more functional separation and more formalisation of procedures. To run an integrated department would require a structure more akin to that of the CSD than of the Treasury, including a distinct organisation unit as a repository of expertise in complementing and O & M. There is a close link between the appraisal of office machine requirements, working methods and complementing which in an integrated department would need to be recognised organisationally by brigading all three functions together in an integrated division. The routine supply and control of issue of office machinery would, however, remain an Office Services responsibility. A chart of the proposed organisation is at Figure 4.8

Figure 4.8

AN INTEGRATED ORGANISATION AND COMPLEMENTING DIVISION
11 STAFF



51. The current CSD complement of staff inspectors is just adequate for a 4-year programme of staff inspection with some outside assistance. To maintain this sort of programme in an integrated department would require the combined staff inspection resources of CSD and Treasury. O & M and office machines work currently occupies the time of an HEO and an EO in CSD with SEO supervision, and part of the time of an HEO in the Treasury. This work is of more of an ad hoc kind, with no fixed programme of reviews. It should be possible to manage this work in an integrated department with the existing CSD resources, through this would mean that some studies might have to be deferred until resources were available to carry them out. Responsibility for complementing would be centred on the integrated division and would require resources on the scale of those deployed in CSD with additional EO support to deal with the large volume of work generated by a larger department. A marginal increase in clerical support would be needed for the integrated division.

The Integration Process

52. Staff inspection and O & M reviews and appraisals of office machine requirements are conducted on broadly similar lines in the two departments and should present no great problem in integrating working arrangements. Some effort will be required to integrate complementing procedures. The major impact on the division of integration is likely to arise, however, from the need to conduct more than the normal programme of staff inspection and O & M reviews in the year or so following a merger of the two departments in order to devise efficient working arrangements, particularly in the common services area. Unless external support can be provided by central staff inspection and management services resources, it would be necessary to train and deploy perhaps 2 additional SEOs with additional clerical support for a year following integration.

An Integrated Personnel Management Structure

53. In an integrated department personnel management would be a full-time responsibility and would need to be organised as such in a specialised command. The workload at Assistant Secretary level of personnel management of more than 200 Senior Principals and Principals, together with policy work in support of the Principal Establishment Officer and difficult casework decisions, would be greater than could be managed by one Assistant Secretary with Senior Principal support. There would be no satisfactory alternative to having two Assistant Secretaries dealing with personnnel work even though this would create a requirement for close coordination and some cross-reporting between Assistant Secretary commands.

54. The separation of personnel management from complementing of particular grades would be at the cost of some of the operational flexibility which the Treasury currently enjoys. Apart from the workload problems which would be associated with continuing to combine personnel management and complementing, however, there is an argument in principle for having grading and numbers assessed and controlled independently of individual posting decisions. Clearly, however, there would be a continuing need for day to day contact at working levels between those responsible for complementing and posting.

55. Line management would be separated from personnel management. There is a potential conflict between short-term line management and longer term, wider personnel management interests which should be recognised in the organisational structure.

56. Personnel management structure and workloads outside London would be minimally affected by an integration of the two departments; a handful of extra staff at Basingstoke could be managed within the existing personnel management complements there. Integration would, however, create significant workload problems in the London personnel management area. A summary of the approximate numbers of staff managed though not all located in London in each grade is at Table 2.

Table 2

PERSONNEL MANAGEMENT: APPROXIMATE NUMBERS OF STAFF IN EACH LONDON GRADE MANAGEMENT BLOCK

	CSD	Treasury
Assistant Secretary and Under Secretary and equivalent	75	90
Senior Principal	30	10
Principal	125	80
SEO	90	25
HEO	130	65
HEO(A)/AT	20	25
EO	180	100
CO	265	155
CA	80	75
Ancillary staff: a. Typing/Secretarial	200	165
b. Other	230	230
Senior Principal Level Specialists	15	1
Principal Level Specialists and loan staff	140	60
(of whom, Economists and Statisticians)	(15)	(40)
SEO level Specialists and loan staff	165	15
(of whom, Economists and Statisticians)	(0)	(0)
HEO level Specialists and loan staff	100	35
(of whom, Economists and Statisticians)	(1)	(30)
EO level Specialists and loan staff	30	0

57. The volume of personnel management work, notably interviewing staff for career development purposes, identifying candidates for promotion boards, and arranging postings, is directly proportional to the number of staff to be managed: there is therefore little duplication of effort between the two departments which would be avoided by integration. The numbers of staff to be managed in an integrated department would be too large at some levels for a single personnel manager to handle effectively the whole grade management task. The alternatives are for two personnel managers to divide between them the number of staff in each of the more junior grades or for one person to retain overall control of the personnel management task in relation to a particular grade and delegate to support staff the mechanics of arranging postings. There is considerable advantage, especially during the difficult process of creating a unified department, in having a single personnel manager for a grade. This would represent a very onerous task for the grade managers of HEOs and EOs, dealing with some 200 and 300 staff respectively, but could just be made manageable by delegating to support staff detailed posting arrangements. It would not, however, be a manageable task in respect of the grade management of COs, of whom there would be some 400 in London in the integrated department. At this level there would be no alternative to dividing the work between two grade managers, who would each be responsible for particular blocks of divisions, liaising where necessary to provide career development opportunities.

58. A chart of an integrated personnel management structure is at Figure 4.9. PS1 division would be responsible for London personnel management of the department's own administration group and support staff and for exchanges of such staff with other departments. It would also coordinate with non-London locations such matters as the need

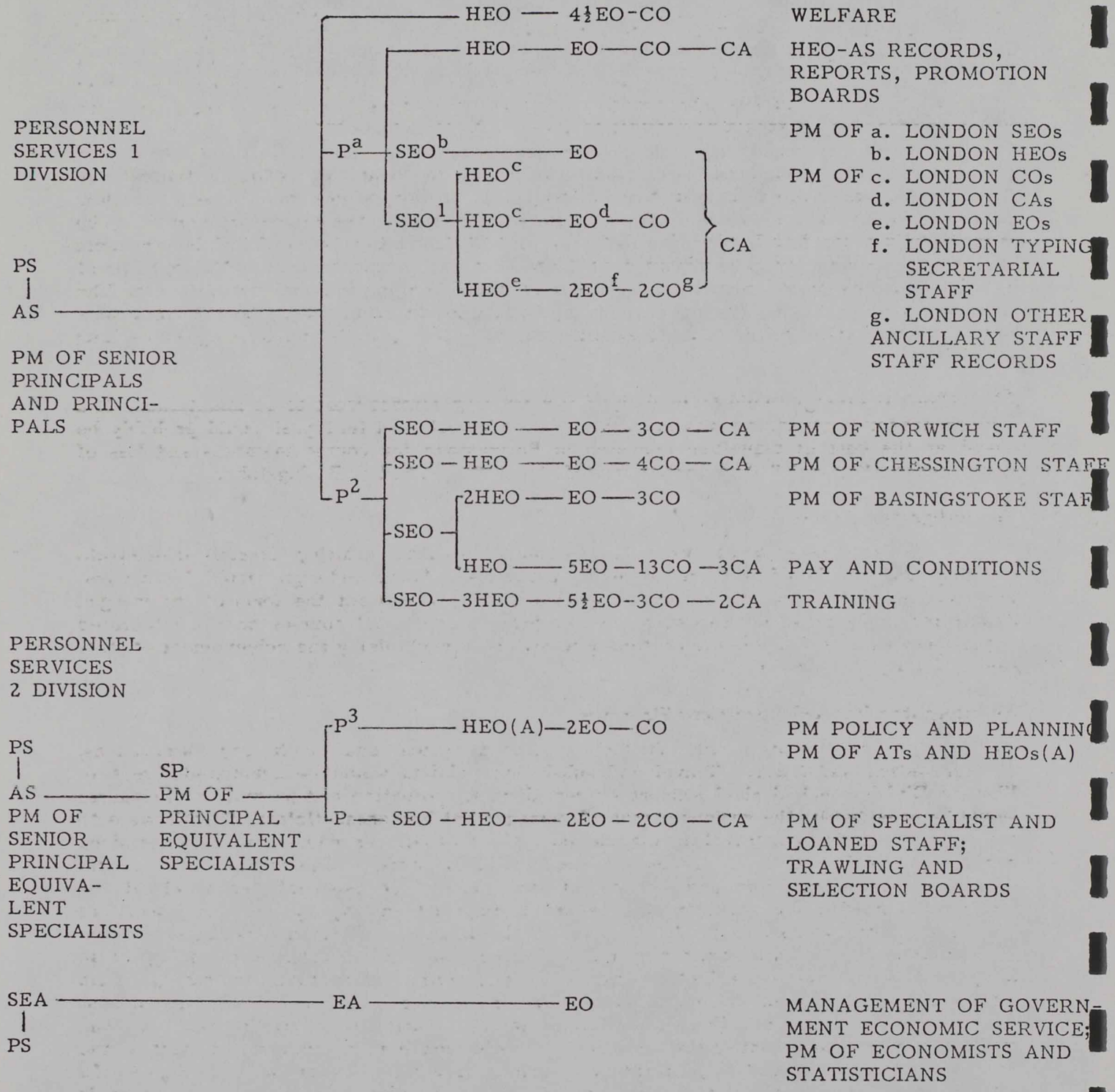
for promotion boards. PS2 division would be responsible for personnel management of the department's specialist staff and of arrangements for securing administration group staff on loan by Civil Service - wide competition. This division would also be responsible for the development of aspects of personnel management systems such as flexible working hours and retirement policy, including negotiations on these with the trade unions, and for training and pay and conditions. The Senior Economic Adviser would report to the head of the Government Economic Service on the management of that Service and to the Principal Establishment Officer on the management of the department's economists and statisticians.

The Integration Process

59. There are differences in personnel management practice between CSD and Treasury in a number of areas, including promotion procedures to Principal, Senior Principal and Assistant Secretary, record keeping and recruitment of typists. Common practices would need to be devised in consultation with departmental union representatives. This would need to take place in respect of the more important policies and practices before any integration of staff management could be achieved; until this integration was achieved, staff would need to be managed as at present, with no saving in staff numbers in personnel divisions. It would be a period of several months and perhaps more than a year from the decision to integrate before substantial integration could be achieved.

Figure 4.9

INTEGRATED PERSONNEL SERVICES STRUCTURE
106 STAFF



NOTES

1. Responsibility for day to day management of ancillary staff and recruitment of typing and secretarial staff is delegated to Office Services Division.

2. Reports through Senior Principal to head of PS2 on Pay and Conditions and Training.

3. Reports to head of PS1 on personnel management of ATs and HEOs(A).

An Integrated Training Structure

60. The two departments provide a broadly similar pattern of training. Numbers on Treasury training courses have recently been declining below the optimum in response to declining recruitment. There would, therefore, be scope in an integrated branch for fewer, larger courses than the two departments run separately, with consequent savings in teaching and administrative effort. The result of integration would be to save one SEO branch head post. The requirement for HEO and EO teaching staff is responsive to the number of courses run and the number of staff to be trained. An integrated structure would make it easier to adapt to changing numbers and would also offer economies in course design over two separate branches. It should be possible to save one HEO and one EO.

61. A decision would need to be taken on where to locate the training branch: in Basingstoke, where the CSD branch is located, or in London, where the Treasury branch is located. The costs of operation in Basingstoke are lower but a merged department would be more heavily centred on London than is the present CSD. Certain types of training are most effectively carried out department-wide, notably management training. Other types of training , such as induction training, can be carried out locally when numbers justify it. The solution may be to centre the training operation in Basingstoke, concentrating course administration and management of external training there, while maintaining a teaching capability in London.

62. Clerical savings would be unlikely if two training centres were to be maintained. If a London teaching capability was abandoned one Clerical Assistant post could probably be saved at the cost of travelling expenses to Basingstoke for course members and loss of convenience. Figure 4.9 shows an integrated structure centred on Basingstoke.

The Integration Process

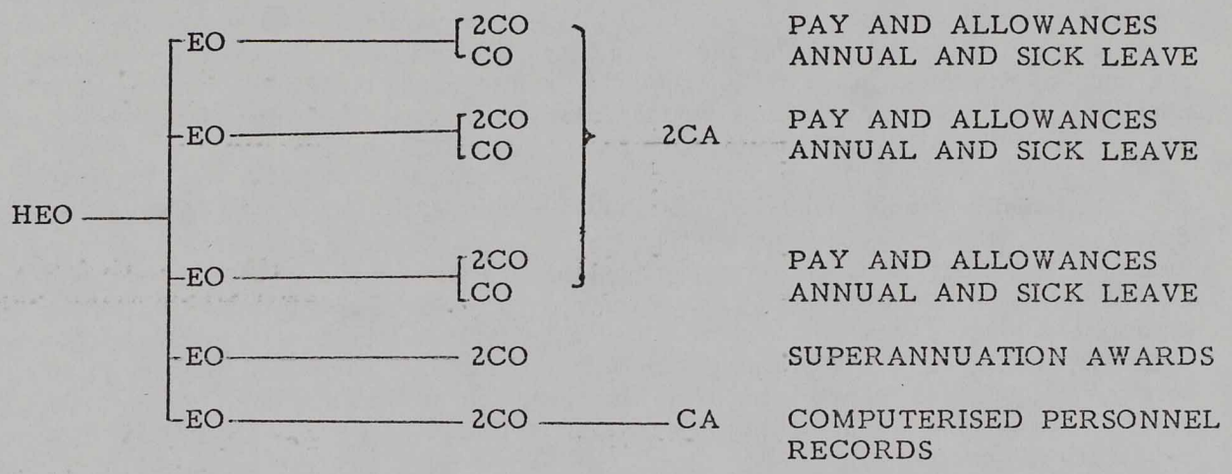
63. Since both departments work to a common National Whitley Council framework, merging courses should not create major problems. Some redesign would be needed, however, notably of induction and background courses to reflect the form of the merged department. There would also be a need to provide additional courses on the integrated department as an aid to the integration process. This would delay the achievement of staff savings by a year or more.

An Integrated Pay and Conditions Structure

64. An integrated Pay and Conditions branch would deal with pay, allowances, superannuation and leave. Travel and subsistence claims would be submitted direct to Finance Division and clerical support on recruitment, probation and promotion procedures would be provided by the various personnel management branches. Unless officials were to make their own foreign travel arrangements, a Clerical Officer would need to be retained and might be located with reception and enquiries staff. Colocating departmental computerised records with pay and conditions work is not essential, but much of the information needed for amending the record is required anyway by Pay and Conditions branch and there would be some benefit from such colocation. Pension awarding is about to be computerised in both departments, with consequent savings in staff. The staffing of an integrated branch would reflect savings from this source more than any savings from integration; of the saving of one Executive Officer and three Clerical Officer posts against present numbers, only the Executive Officer saving is attributable to integration. The staffing required in an integrated branch is a reflection both of numbers of staff in the integrated department and of patterns of overtime, movement and promotion. Figure 4.10 sets out a probable organisation but this would need to be reviewed in the light of workloads post-integration.

Figure 4.10

AN INTEGRATED PAY AND CONDITIONS BRANCH
22 STAFF



65. A decision would be needed on the location of the integrated branch. Operating costs and minimisation of dislocation argue in favour of locating it at Basingstoke, adding 3 staff to existing CSD numbers.

The Integration Process

66. The pay records of the two branches would need to be integrated. This would need to be carried out outside normal hours so as not to disrupt work flows but would otherwise create no great problem. More time consuming, the procedures operated by the two branches and their relations with personnel management branches would need to be reviewed and common procedures agreed.

An Integrated Welfare Structure

67. There would be no scope for staff savings from integrating welfare functions, but one of the HEO Welfare Officers would be replaced by an Executive Officer reporting to the remaining Departmental Welfare Officer.

An Integrated Office Services Structure

68. There would be scope for savings at managerial levels from merging like office services functions and from the loss of Treasury personnel management functions to Personnel Services 1 Division and of responsibility for controlling publications to the integrated Information Services Division. There would be few savings at lower levels, however, where staff requirements are related to factors such as the standard of service required, the volume of paper handled, the physical area covered or the number of people served, which are largely insensitive to departmental structure. Each of the major functional areas is considered in turn below. Charts of the managerial structure of the integrated division and of the operational branches, other than registry and records which is considered later in this annex, are at Figures 4.11 to 4.14. There would be 976 staff providing office services, including those working in other common services areas such as the library and archives.

Figure 4.11

AN INTEGRATED OFFICE SERVICES DIVISION: MANAGERIAL STRUCTURE

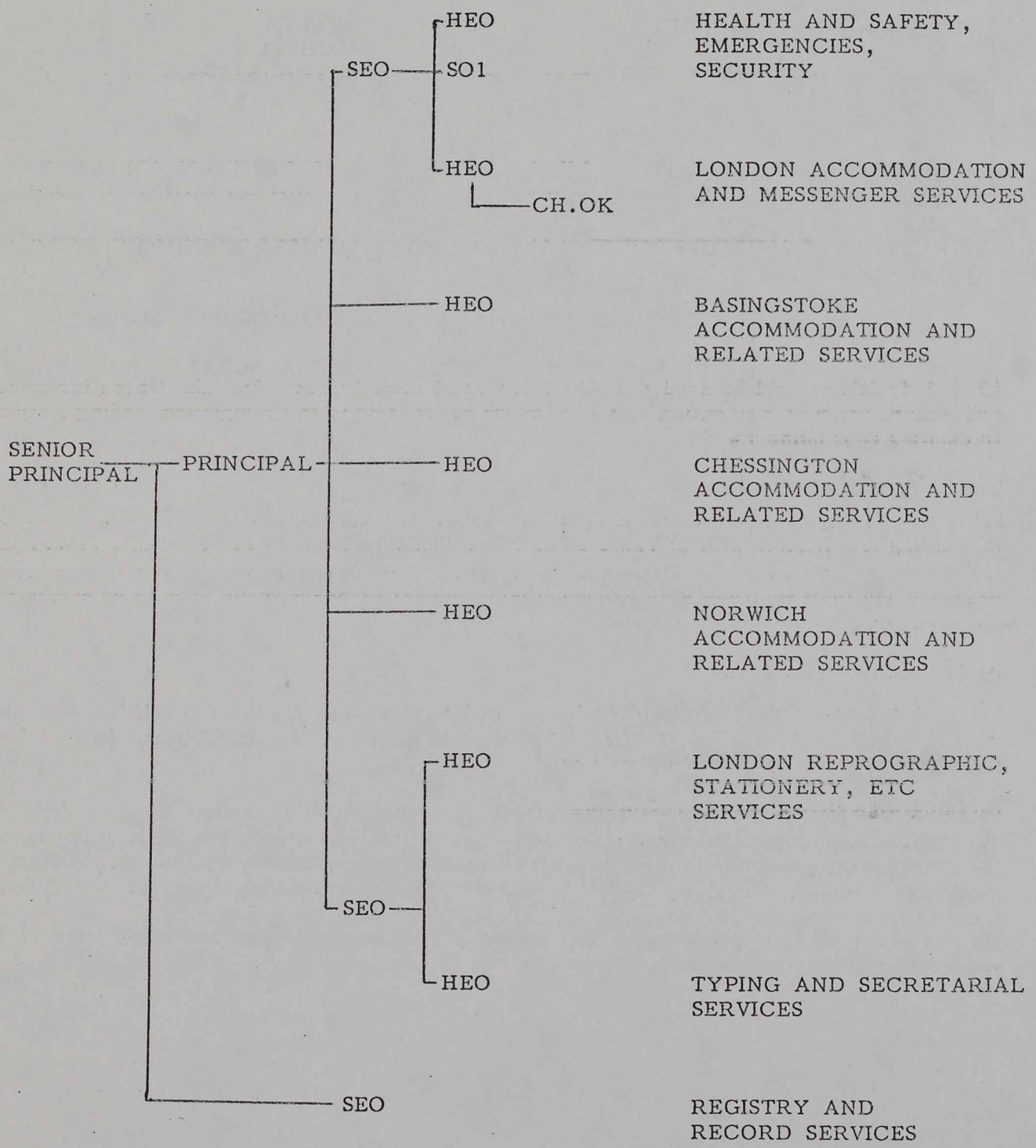
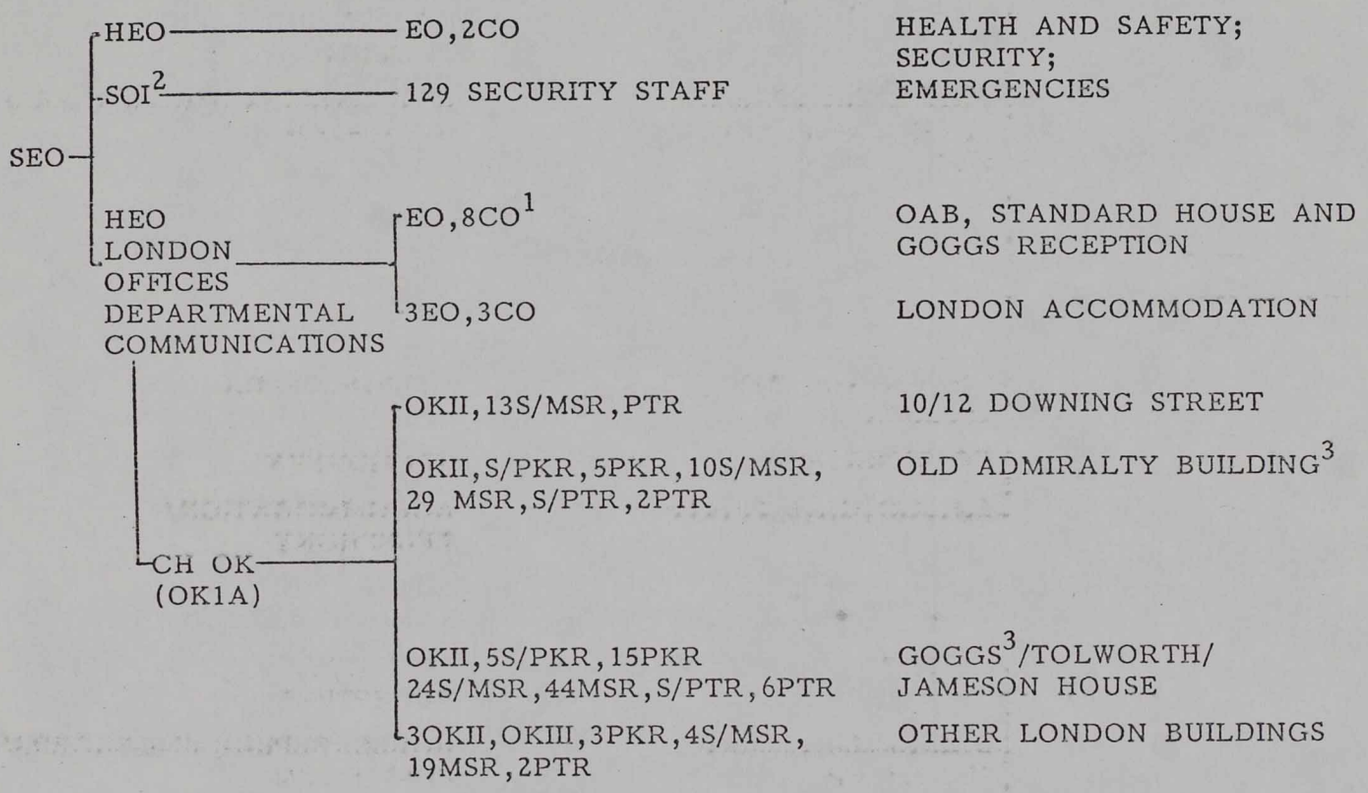


Figure 4.12

AN INTEGRATED OFFICE SERVICES DIVISION: LONDON SECURITY, ACCOMMODATION AND MESSENGER SERVICES

STAFF



NOTES:

1. Assumes separate location; full colocation would enable one further CO post to be saved. Includes CO currently in Treasury Pay and Conditions Branch dealing with travel arrangements.

2. Assumes separate location; full colocation would enable savings to be made in CSD/Treasury numbers but these would be offset by the requirement for the new occupants of Old Admiralty Building to provide security guards there, with no net saving across the two buildings.

3. In the event of full colocation, a full review of the messenger service would need to be undertaken, with possible small savings.

Figure 4.13

AN INTEGRATED OFFICE SERVICES DIVISION: NON-LONDON ACCOMMODATION AND RELATED SERVICES

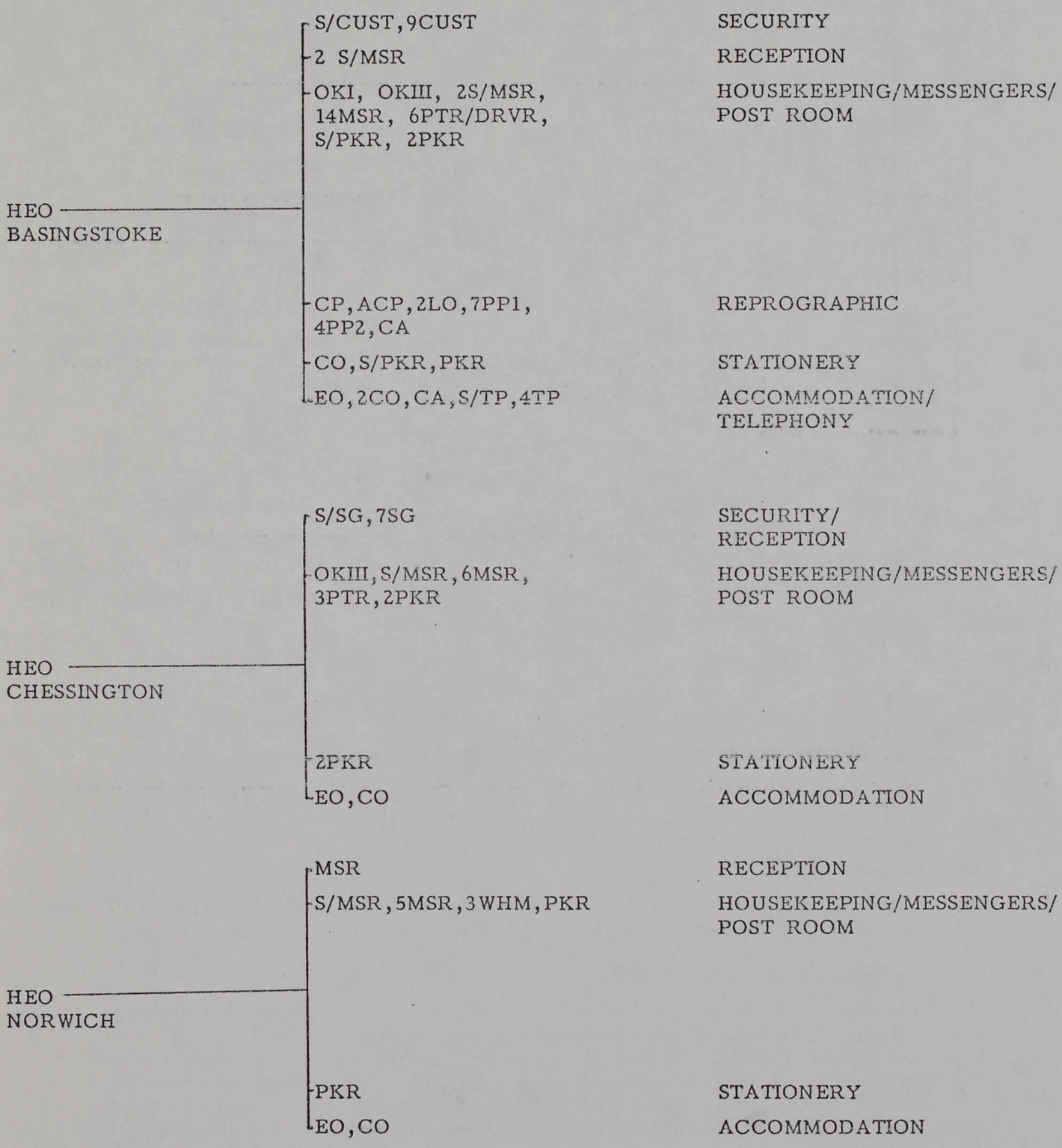


Figure 4.14

AN INTEGRATED OFFICE SERVICES DIVISION: DEPARTMENTAL TYPING SERVICES AND LONDON REPROGRAPHIC, ETC SERVICES

SEO	HEO	EO, 6CO, 5CA, 2S/PKR, 5PKR — COMMITTEE SECTION
		GOIV, 2DOA — DRAWING OFFICE
		3EO[1], 4CO, 3CA, 3PKR — STATIONERY
		CP, 2ACP[2], 14½PP1, 10PP2 — REPROGRAPHIC
	HEO	6TYP, 3PS — REGIONAL OFFICES
		3TYP, 5PS — RATING OF GOVERNMENT PROPERTY
		11SPS, PS — PARLIAMENTARY COUNSEL
		4TYP, 11SPS, 13PS — 10/12 DOWNING STREET
		SUPT, 4TYP, 2PS — SUNNINGDALE
		SUPT, 8TYP, 2PS — NORWICH
		SUPT, 4½TYP, PS — CHESSINGTON
		CH SUPT, 4 SEN SUPT, 4SUPT, 53 TYP, SPS, 13½PS — BASINGSTOKE
		4CH SUPT, 12SEN SUPT, 5SUPT, 120½TYP, 28SPS, 132½PS — LONDON OFFICES

NOTES:

1. Assumes separate location; full colocation would enable one EO post to be saved.

2. Assumes separate location; full colocation would enable one ACP post to be saved.

a. Accommodation

69. Irrespective of colocation, there would be no significant scope for saving staff dealing with accommodation since the volume of work is broadly related to the area occupied.

b. Typing and Secretarial Services

70. One HEO would be able to handle overall management, including day to day personnel management, of the typing and secretarial services by delegating extensively to the Chief Superintendants. There would then be no scope for saving at Chief Superintendant level. The two Word Processing Units would be merged, saving one Senior Superintendant post. Outstationed typing pools dealing with non-urgent work for London staff would need to be rationalised. The CSD currently has an outstationed service at Basingstoke, consisting of 22 staff, which is served by the interdepartmental van service. The Treasury has an outstationed pool at Hove, consisting of 10 staff, which is served by two Treasury messengers travelling by train. The more cost-effective rationalisation would be to close the Hove pool, at a saving of one Senior Superintendant post, two Messenger posts and £14,000 a year in accommodation costs, and transfer all non-urgent work to Basingstoke.

The remaining 9 Hove typist posts would need to be transferred to Basingstoke but could be absorbed within existing accommodation and supervisory capacity.

71. There are differences between CSD and Treasury in the organisation of typing work in London and in the level of supervision of typing pools. The Treasury uses larger pools supervised at Senior Superintendant level supplemented by allocated typists whereas the CSD has been moving towards smaller pools supervised at Superintendant level. In the event of colocation there would need to be an O & M review at the planning stage to identify the structure best suited to meet the requirements of the merged department. Without such a study it is not possible to identify possible savings below Chief Superintendant level but given little change in the basic requirements of the two departments after integration, savings are unlikely to be significant.

c. Reprographic Services

72. Integration of the two departments would require reorganisation of central reprographic facilities. With colocation there would be a single Central Reprographic Unit (CRU). Without colocation there would be a main CRU and a satellite unit in the other building dealing with urgent work. Integration would enable one Chief Photoprinter post to be saved; colocation might also enable one Assistant Chief Photoprinter post to be saved. A review would be needed of the central and dispersed reprographic requirements of the integrated department.

d. Committee Sections

73. The two Committee Sections, which support secretaries in the servicing of official committees and provide distribution services for the preparation and despatch of documents, would be merged with a saving of one Executive Officer post which would, however, need to be replaced by a clerical post. The organisation of the merged Section would need to be reviewed.

e. Stationery Services

74. The workload at HEO level in dealing with stationery services has been substantially increased by the change to repayment for HMSO supplies. Management at this level of an integrated stationery service would represent a heavy load for an HEO with responsibility also for the integrated Committee Section, the Drawing Office and reprographic services. He would need additional support in this managerial role at EO level. The alternative of an HEO full-time on stationery services and a second HEO on the other services is less attractive since the second post would be less than adequately loaded. With colocation it would be possible to save one Executive Officer level Clerk of Stationery to offset this increase.

f. Housekeeping and Messenger Services

75. One Chief Office Keeper (Office Keeper 1A) would head the housekeeping and messenger services for the London offices. Without colocation there would be no change in staffing requirements below this level. With colocation there would need to be a review of the most efficient way of providing the messenger service required by the integrated department. It is not possible to anticipate the findings of such a review. The CSD and Treasury were already planning reviews of their own messenger services prior to the commissioning of this study.

g. Security Services

76. The Treasury Security Guard provides day and night security cover for all the occupants of GOGGS and for a number of other buildings. CSD security guards provide day time cover only in certain CSD buildings, including Old Admiralty Building, night time cover being provided by Department of the Environment custodians. Without colocation there would be no change in the present arrangements except that the Head of the Treasury Security Guard would take responsibility for the day to day management of CSD and Treasury guards. This would create a problem in relation to the management of two groups

with different terms and conditions of employment. With colocation, the Treasury Security Guard would continue to cover the whole of GOGGS but arrangements would be needed for the new occupants of OAB either to take over the security staff serving that building or to receive an agency service from the combined CSD/Treasury guard. In neither case would there be any net saving across the two buildings. Integration of the executive and clerical functions associated with security would enable one Executive Officer post to be saved; there would be no saving at HEO level since the CSD post is primarily concerned with security at 10 Downing Street; this work would be unaffected by integration.

h. Enquiry Services

77. Without colocation there would be no change. With colocation there would be a marginal saving, perhaps of one Clerical Officer (CO) post. The enquiry services would need to be strengthened by one CO post to carry out travel bookings work currently handled by Treasury Pay and Conditions branch.

An Integrated Registry and Records Service

78. An integrated service would be headed by a single Chief Registrar and Departmental Records Officer who would report to the Controller of Office Services and would have line management responsibility for clerical sections but no wider personnel management responsibility, which would be discharged by Personnel Services 1 Division. The combined staffs of the two departments working on reviewing of files, the volume of whose work is largely related to the number of files to be reviewed and is unaffected by integration, would report direct to the Chief Registrar/Departmental Records Officer. There would probably be marginal savings at clerical and paperkeeping levels from integration of maintenance of the central registry index and of the archives. Exact staff requirements and organisation are, however, difficult to estimate in advance of determination of the registry system to be adopted. A chart of the proposed post-integration organisation is at Figure 4.15.

Figure 4.15

AN INTEGRATED REGISTRY AND RECORDS BRANCH

22½ STAFF

SEO Chief Registrar and Departmental Records Officer	3½EO,2CO,CA	RECORDS REVIEWING; ASSISTANCE WITH SEARCHES; TRANSFERS TO PRO
	2S/PKR,9PKR,PTR	ARCHIVES
	2CO,CA	REGISTRY SYSTEM

NOTE:

Integrated structure assumes colocation of central registry and archives services; without colocation of archives one extra Senior Paperkeeper and two extra Paperkeepers would be needed.

The Integration Process

79. The system which the Treasury proposes to adopt of clerical staff integrated into divisions supported by sectoral registries involves a significantly different filing and registration system from that currently operated in CSD. While there would be scope for local flexibility in application, the integrated department would need to operate the same basic system. There would, therefore, be a need to reappraise the requirements of the integrated department.

An Integrated Information Services Division

80. The proposed organisation of an integrated Information Services Division is shown at Figure 4.16. The functions of an Information division and those of a Library/Publications division are distinct but related; both are concerned with communicating information about the department to the outside world and with providing staff of the department with information relevant to their work. The link between them is stronger than that between either and the other common services functions. The proposed organisation would reflect this relationship by brigading together the two functions at head of division level. The head of division would report to the Permanent Secretary.

a. Information Section

The CSD's Press Section is the smallest unit which can provide a viable press relations service to the department. Integration with the Treasury would allow some pooling of resources in relation, for instance, to providing out of hours cover and support services, though a small team specialising in CSD subject matter would be required.

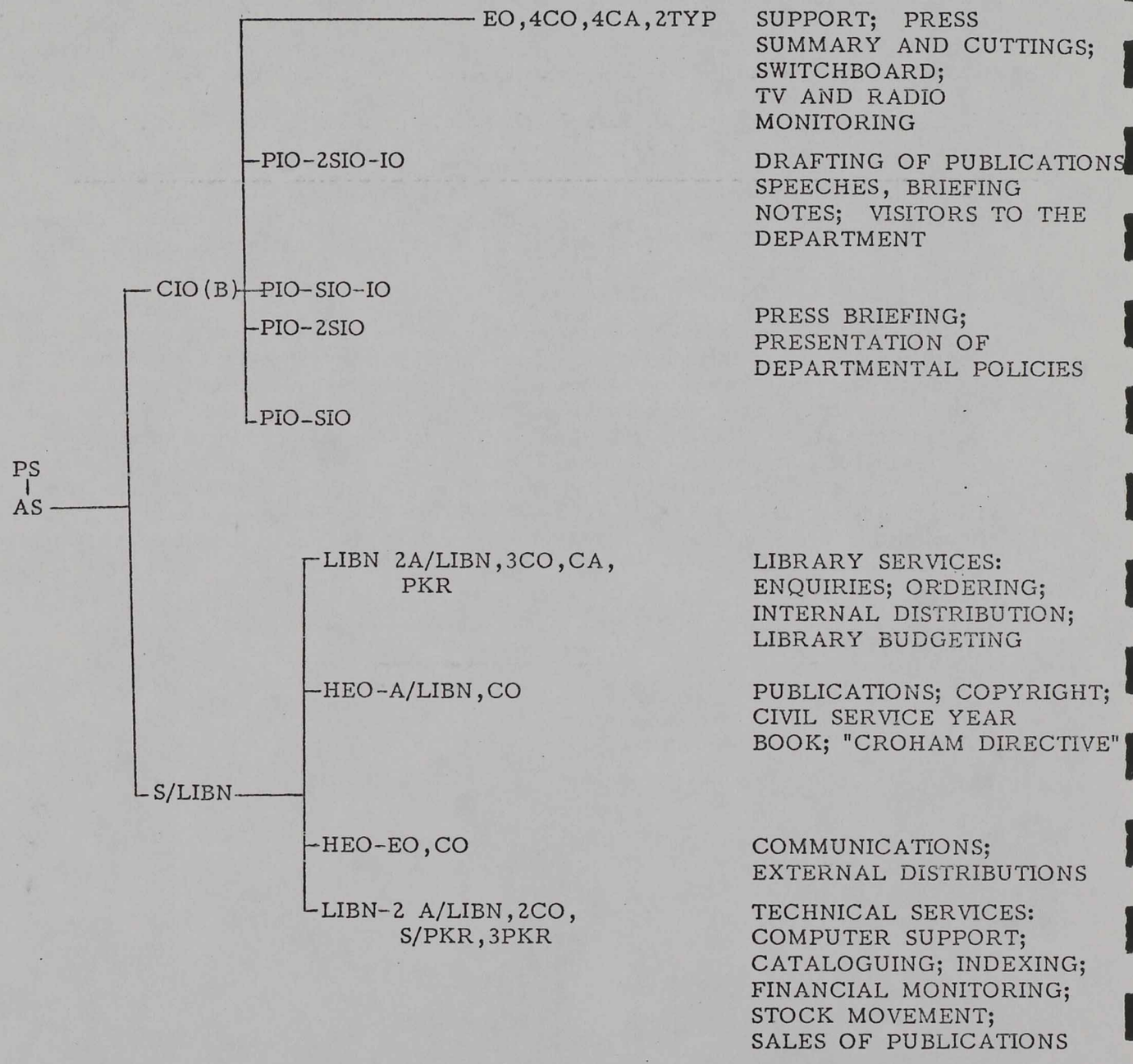
b. Library and Publications Section

While the CSD and Treasury libraries provide similar services, the area of overlap between them is relatively small. They specialise in different areas: the CSD in management, management services, personnel management and public administration; the Treasury in economics, public finance and statistics, with some overlap in computer science. There is, therefore, little scope for savings in purchasing budgets as a result of integration, perhaps £1000 if the departments are colocated, an insignificant difference if they are not. There is some scope for savings in library administration, reflected in the saving of a Senior Librarian and a Librarian post. The publication services branch would be responsible for controlling and co-ordinating departmental publications, taking over the Treasury Office Services branch responsibility.

Figure 4.16

AN INTEGRATED INFORMATION SERVICES DIVISION

50 STAFF



The Integration Process

81. Relocation and reorganisation of the libraries would be a substantial planning and organisational task. In addition to this, rationalisation of existing procedures and systems would take 6 months or more, during which time staff savings could not be achieved.

An Integrated Central Coordination Division

82. The Permanent Secretary of an integrated department would need to consider what management support was required to help him run the Department. Some form of secretariat would be needed; this could more generally assist senior management to handle domestic issues of department-wide interest. This function is distinct from that of

coordinating economic policy, currently discharged by the Treasury's Central Unit, and would embrace the functions of CSD's Central Division. A central division of this kind would retain an interest in the creation of a unified department particularly when any project team had been disbanded. Its resource requirements would be no less than those of CSD's Central Division but would depend on the use made of it by senior management and on whether its functions were brigaded with those of coordinating economic policy. A single point of contact would be needed for dealings with the Treasury and Civil Service Select Committee.

SUMMARY OF STAFFING IMPLICATIONS OF INTEGRATING COMMON SERVICES AREAS

83. Integration would give rise to a reduction of 34 common services posts, including an Under Secretary, at a saving of £370,000 a year. If integration was combined with full colocation there would be a further reduction of 3 posts at a saving of £25,000 a year.

LOCATION

The Civil Service Department (CSD) operates from 7 central London locations and 4 major locations outside Central London. In addition, the Civil Service Commission, the Medical Advisory Service and the Civil Service Catering Organisation operate 24 small regional offices. The Treasury operates from 3 central London and two other locations and has a small delegation in the United States of America.

FULL COLOCATION

2. The principal policy divisions and the London-based common services divisions of the two departments are in two locations, the CSD in Old Admiralty Building (OAB) and the Treasury in Government Offices, Great George Street (GOGGS) and it is the relations between these which would be most affected by integration.

3. It would not be practical to accommodate all 1,850 CSD and Treasury staff in Old Admiralty Building; if the Ministry of Defence were to vacate the sections of the building they currently occupy this would not free sufficient space to house the more than 1000 Treasury staff from GOGGS. Figures of total office space occupied by CSD in Old Admiralty Building and by the Foreign and Commonwealth Office (FCO), the Cabinet Office, the Central Statistical Office (CSO) and the Northern Ireland Office (NIO) in GOGGS suggest that it might be feasible to create sufficient space in GOGGS by moving out the FCO, (400 staff) the Cabinet Office (35 staff) and one of the other two (CSO 235 staff, NIO 175 staff), though given the inflexible physical structure of the two buildings this possibility would need to be subjected to more detailed examination if the decision was taken to pursue the full colocation option.

4. The following considerations apply to moving FCO, CSO, and NIO from Great George Street.

i. **Foreign and Commonwealth Office**

The FCO has a policy of centralising the location of its staff, currently housed in 12 different buildings, on the Old Public Offices and so reducing its internal communications problems which have been recognised by successive review bodies going back to the Plowden study of 1964. The Department considers occupation of GOGGS, across King Charles Street from the Old Public Offices, an important element in this centralisation policy. The divisions housed in GOGGS are in general those at present outside the Old Public Offices which require to be closest to it. All the Department's economic divisions apart from those covering the European Community are located in GOGGS and find proximity to the Treasury useful. The FCO also considers that a move from GOGGS to OAB would hinder officials' access to Ministers and to the communications centre in the Old Public Offices and would be detrimental to the department's operational efficiency and its attempts to concentrate its staff.

ii. **Central Statistical Office**

By far the greatest part of the CSO's work centres on the national accounts and on the provision and interpretation of financial statistics for the Treasury. CSO staff need to sustain close contact with their Treasury counterparts in order to provide them with

quantitative information and advice needed to manage and monitor the progress of the economy. The CSO also operates a joint computer facility with the Treasury, the Treasury being slightly larger users. Physical separation of either the CSO or Treasury users from the computer would be detrimental to the conduct of business. If the choice were to separate one or other from the computer then the Treasury, which has a greater demand for urgent, high-volume output, has a stronger claim to colocation than the CSO. Some 45 CSO Computer Branch staff would need to remain with the computer, occupying some 9,000 sq ft of space. CSO estimate that to provide access to the computer for CSO users in OAB would involve capital expenditure of £8,500 and current expenditure of £7,500 per annum.

At present Computer Branch staff serve a dual function; discrete programming, operating and data preparation tasks and assistance to Treasury and CSO users who have terminal access to the computer. If CSO users were to move to OAB it would be necessary to colocate with them a handful of computer support staff. These would be additional to existing staff numbers and CSO estimate the requirement at 2 Senior Data Processors and 2 programmers, at a staff cost of some £37,000 per annum. In addition, large volumes of computer input and output would need to be transferred, sometimes urgently, between GOGGS and OAB. If this work could not be absorbed by the existing messenger and IDS service, to provide an additional messenger would cost £6,000.

iii. Northern Ireland Office

For operational purposes, OAB is as convenient as GOGGS for the Northern Ireland Office and a move would provide an opportunity for the department to regroup more closely than is currently the case in GOGGS. The NIO would, however, have two particular requirements: physical security and telecommunications. The NIO regard as the minimum acceptable the level of security cover currently provided at GOGGS by the Treasury Security Guard. A broadly comparable level of security is provided in OAB by a combination of CSD and DOE security guards, so that no significant expenditure would be required to meet NIO requirements.

The communications facilities which are currently available to the NIO in GOGGS would need to be transferred to OAB. NIO estimate the cost of relocating these at £35,000 excluding works costs; works costs recently incurred in installing equipment in GOGGS were £20,000 and given the similarities between the two buildings would probably be of a comparable order in OAB. Works would need to be carried out over at least a 3-month period in OAB and all equipment would need to be fully operational before NIO could vacate GOGGS.

5. Achievement of full colocation would be a major task. There is no vacant Government office accommodation in the Whitehall area which could be used as a staging post to house the contents of one building while the contents of the other were moved in to replace them; both ends of the move would have to be effected simultaneously. It would be possible to handle a move of this scale on this basis only if it were staged over a period of months, a block of staff at a time. Handled in this way, relocation might take 3 months. In order not to disrupt the work of the departments by blocking corridors and doorways moves would need to take place at weekends. Packing and unpacking the items to be moved would occupy the time of the staff to be moved for a day before and a day after the move.

6. Planning the move would take a further 3 months: blocks of staff to move at one time would have to be identified and the sequence of moves planned so as to minimise disruption to work; some reorganising of accommodation would need to be carried out within existing buildings so as to create manageable blocks to move; the organisation of Office Services functions in a single location would have to be planned, together with any changes in staffing and equipment. This work would occupy a significant part of the time of senior Office Services personnel during the planning stage. In each of the departments to be moved additional staff would be needed at junior executive and clerical levels to support this planning activity, which would take place alongside continuing routine activity. Management Services specialists would need to be brought in by CSD and Treasury to help plan the organisation of Office Services functions in a physically integrated department.

7. The estimated cost of full relocation, subject to a more detailed examination as part of the planning process, is as follows:

COST OF FULL COLOCATION OF THE INTEGRATED DEPARTMENT

		FIRST YEAR COST (£)	RECURRING COST (£ p.a)
1.	Additional staff to support planning and execution of relocation	60,000	
2.	Removal costs (staff, furniture, papers etc)	175,000	
3.	Essential works services in GOGGS associated with relocation of CSD stationery store, reprographic centre, computer equipment, library, archives, etc	345,000	
4.	Costs peculiar to relocation of NIO (including relocation of communications facilities)	80,000	
5.	Costs peculiar to relocation of CSO	60,000	50,000
Total cost if CSO do not move		660,000	
Total cost of NIO do not move		640,000	50,000

In addition to these cash costs, costs will arise in relation to the loss of working time from the disruption caused by packing and unpacking for the move. As a broad measure of the cost of this disruption, the cost of 2 working days for 1,500 staff is of the order of £150,000.

LESSER COLOCATION OF INTEGRATED FUNCTIONS

8. An alternative to full colocation would be to colocate in GOGGS staff concerned with the control of Civil Service manpower, those concerned with public expenditure control, and those concerned with improvements in the financial and management systems operated by departments and the scrutiny of departmental efficiency. This would involve accommodating some 200 staff from the Manpower, Functions and Programmes and Management and Organisation divisions of the CSD in GOGGS. Some transfer of support staff, such as

typists and messengers, to GOGGS would also be necessary. The transfer to OAB of common services staff whose functions are not geared to occupation of GOGGS together with staff savings arising from common services integration would create some vacant space in GOGGS, perhaps for 50-60 staff, but would not be sufficient to enable these policy staff to be accommodated in GOGGS without relocating in OAB all or part of one of the other departments currently occupying GOGGS. The move which would cause least disruption to established links would be to relocate the Northern Ireland Office in OAB.

9. A move of this kind would avoid most of the works costs at item 3 above and a proportion of the removal costs at item 2. Its planning and achievement could be handled more quickly and with fewer extra staff. The estimated cost is:

		FIRST YEAR COST (£)
1.	Additional staff to support planning and execution of relocation	15,000
2.	Removal costs	55,000
3.	Works associated with relocation of NIO	80,000
	TOTAL COST	150,000

MINIMUM COLOCATION OF INTEGRATED FUNCTIONS

10. The final option would be to relocate Accountancy, Finance and Audit Division in GOGGS alongside the other divisions with which it is brigaded at Under Secretary level and to relocate in OAB those common services staff whose functions are not geared to occupation of GOGGS. These moves would broadly balance and the costs would be only those of transferring staff and records - less than £5,000.

FINANCIAL PROVISION

11. No financial provision has been made for any expenditure on relocation. The costs set out above would therefore represent additions to planned expenditure.

NOTE FOR THE FILE

cc ✓ ~~MAP~~ Garr Mach
Mr Pattison
Mr Buckley) CSD
Mr Green)
Sir Derek Rayner
Mr Colman CSD
Mr Wright CO

SELECT COMMITTEE ON THE TREASURY AND CIVIL SERVICE

The membership of the Sub-Committee is thought to divide thus:

For retaining separate CSD:	Mr Sheldon (Chairman) Mr Wainwright
For merging CSD/Treasury:	Mr Beaumont-Dark Mr Eggar Mr Shepherd
For a "Public Service Commission":	Mr English

CP

C PRIESTLEY
22 October 1980

PS Mr. Hubback rang:

a. Would like to see Sir DR at 1700 not 1630 on 29 Oct.

b. Have asked Mr. Wm Plowden (RIPA) for a paper.

c. Seeing CCSU on 5 Nov.

d. Mr. John Garratt MP publishing a book this week making "a powerful plea for Fulton".

22 OCT 1980

CONFIDENTIAL

[Blind copy:
Mr Pattison]

Government Machinery

CAW to see MW 21/x

MAP 21/x.

NOTE FOR THE FILE

ORGANISATION OF THE CENTRAL DEPARTMENTS: GANG OF 3 MEETING, 20 OCTOBER

1. Sir Ian Bancroft, Sir Douglas Wass, and Sir Derek Rayner, attended by Sir John Herbecq and Messrs F E R Butler, Towers, Priestley, Hawtin, Moore and Osmotherly discussed the first draft of the Hawtin/Moore report on 20 October and went on to consider the content of a covering minute to the Prime Minister.

2. Messrs Hawtin and Moore will aim to produce a revised draft of their report for circulation on 27 October. Mr Osmotherly will produce a draft of the covering minute for comment tomorrow, leading to a further draft at the weekend. The "Gang of 3" will meet again at 2 30 on 29 October to discuss the drafts.

3. Sir Ian Bancroft suggested that the content of the covering minute should be as follows:

- Short introduction
- Brief report of the views of Permanent Secretaries and unions (National and Departmental)
- Brief comments on the main points of substance
- Discussion of costs and savings
- Top official structure
- Ministerial structure (noted, but left to PM)
- Inspector-General (on which there should be a separate report from the team)
- Accommodation
- Timetable and mechanics
- Publication of background material

4. The following summarises the main points made in discussion.

Top Official Structure

5. Sir IB said that he envisaged a "singleton Permanent Secretary with a measure of latitude over the Second Permanent Secretary structure". He did not think it necessary to offer a blueprint.

6. Sir DW said that if the intention was to move very quickly to the integration of the manpower function of CSD with the expenditure functions of the Treasury, the post at present occupied by Sir John Herbecq would be so much diminished as to question its viability. Sir IB said that the "CSD" load on the Permanent Secretary would be very considerable indeed because of the amount of cross-reporting below him. And if the unions presented across a range of matters (as they tended to do) the burden would have to fall on the Permanent Secretary. Both Sir DR and Sir DW said that they would prefer a single Permanent Secretary head. Sir DW added that there were arguments against it, in that much of his job consisted of co-ordinating Second Secretary work on economic policy and resolving conflicts. The concept of a "deputy" had been tried in the past, but he did not favour it.

7. Sir DR said that, given the importance of the new department and of the new Permanent Secretary, he would prefer him to have a deputy who was a full Permanent Secretary in his own right. Ideally, however, this deputy should not cover the whole range. Sir DW said that this was an option worth considering, provided one had a single undisputed Permanent Secretary at the top.

8. Sir IB said that the head of the new department should be the "Head of the Civil Service". Sir DW said that the Permanent Secretary would have to do the work associated with the title, but it was a term that he would like to see dropped.

Inspector-General

9. Sir DR said that there was no need, in his judgment, for the question of the Inspector-General to be considered concurrently with this document. He had spoken briefly to the Prime Minister at his meeting with her and the Lord President the previous Wednesday about his work over the year ahead and about strengthening his office, about which he would need to speak to Sir IB. As the PM seemed reluctant to institutionalise the part he was playing, he would like to see the next step forward as a strengthening of his office under himself. It could in the course of time have an existence of its own or slot into the new centre. He thought that the proposition could be set on one side for the time being. He would ask me to put some thoughts, in his absence, to Sir IB and Sir DW.

10. Sir IB said that, in the long term, the Rayner unit could be embedded in the new department. Sir DW agreed with this. He would like at some stage to discuss the case for a "ginger group, which would also lie elsewhere in the system".

Timing

11. Sir DR said that he was essentially a planner and that if there was to be a merger he would instinctively prefer it to take place in two stages, ie reaching full integration after allowing sufficient time for planning.

12. Sir DW said that it was important to bring the present uncertainty to an end. He would like to get on with the merger if it was going to happen. Sir IB said that one possibility was to go to the first stage (moving the Wilding command into the Treasury) during the Christmas Recess; then deal with the Second Secretary structure; then move on to full integration in, say, six months.

13. There was some discussion of arrangements during a transitional period, eg for postings. Mr Butler and Mr Towers

felt that they could deal with these satisfactorily by reference to top management even if it remained divided for an interim period.

"Common Service Department"

14. I ommitted to mention above that Sir IB included in his contents list the question of a report on the common service departments. He suggested that the covering minute should draw attention to this, but noting that it did not affect the crucial issue of the organisation of the centre.

C PRIESTLEY
21 October 1980

21 OCT 1980

SECRET AND PERSONAL

cc Sir DR HS

cc Master set

SUBJECT

14

10 DOWNING STREET

From the Private Secretary

MR. BUCKLEY
LORD PRESIDENT'S OFFICE

The Lord President and Sir Derek Rayner touched upon the organisation of central departments in their meeting with the Prime Minister this morning. The Lord President confirmed that the factual report by the project team would be ready at the end of the month. The timing of the Select Committee's report remained uncertain. His own judgement was that it might make no agreed recommendation. In his view, if the Government was going to go for a merger, this should be set in hand in time for the Christmas recess period to be used. He and Sir Derek Rayner both felt that the merger was the correct decision. The system had, on balance, not gained enough from the split of functions, and CSD lacked clout with Departments because it did not control funding. Although the direct saving to be achieved from a merger was a relevant factor, this was not crucial to a judgement as to whether the current organisation was the best available. The Lord President felt that, politically, it was important not to allow the Select Committee to reserve their comments until after the Prime Minister had reached a decision.

The Prime Minister confirmed that she believed a merger to be right in principle, but she said that she wished to see signs of real savings before committing the Government to the expense of change. Sir Derek Rayner said that the scope for savings was still being examined, but there would clearly be some from common service areas.

The Prime Minister said that she would speak to Mr. du Cann again, and would press him to arrange for the Select Committee to produce a recommendation within a month or so of the re-assembly of Parliament.

I am sending a copy of this minute to Mr. Priestley in Sir Derek Rayner's Office.

M. A. PATTISON

15 October 1980

SECRET AND PERSONAL

cc.

CONFIDENTIAL

cc HMT
C&D
CO
Wass
Rayner

HG
Govt Mach

10 DOWNING STREET

From the Principal Private Secretary

SIR IAN BANCROFT

The Organisation of the Central Departments

I have shown the Prime Minister your minute of 10 October 1980, and she agrees we should respond to the Select Committee's questions in the way suggested in paragraph 7 of your minute. She has commented that there is no practical alternative to proceeding in this way.

I am sending copies of this minute to Mr. Wiggins (H.M. Treasury), Mr. Buckley (Civil Service Department), Sir Robert Armstrong, Sir Douglas Wass and Sir Derek Rayner.

CAW

13 October 1980

CS

CONFIDENTIAL

Prime Minister. 1.

Yes - there is no practical alternative but

Agree, subject to the views of the other recipients of Sir John Bancroft's minute, to proceed as he proposes in paragraph 7 below?

MR C A WHITMORE

10.x.

THE ORGANISATION OF THE CENTRAL DEPARTMENTS

The Treasury and Civil Service Select Committee are anxious that their report should be available in time for the Prime Minister to take it into account in reaching her decision on the organisation of the Treasury and CSD. But they do not want to be put in the position of reporting before they have seen the factual and analytical material that the Prime Minister has asked the study team to produce. Mr Robert Sheldon, the Chairman of the Sub-Committee, has specifically asked, through the Clerk:

Sheldon we thought!

a. when the study team's material will be available; and

b. when the Prime Minister expects to reach her decision since this is relevant to the timing of the Select Committee's report.

There is clearly a risk that the Select Committee will summon members of the study team to give oral evidence if the team's material is not going to be published in time for the Committee to consider and report before the Prime Minister has taken her decision.

2. I should be grateful to know how the Prime Minister would like us to answer Mr Sheldon's questions.

BACKGROUND

3. The Press Notice (attached) announcing the study said that the study "will be completed in the autumn" and that the factual and analytical material produced by the team will be published. It also said that the Prime Minister hoped that the Select Committee would by then have published their views. So there is no commitment to make the team's material available to the Committee before they report or to delay a decision on the organisation of the central departments until the Committee have made their views known.

4. On the other hand, as I said in my minute of 4 August, the Select Committee could well take offence if the Prime Minister, having received the team's report, announced her decision without waiting for the Committee to publish their recommendations. The Committee would doubtless make play of the Prime Minister's letter of 24 April to Mr Du Cann, in which she said that the Committee's contribution would be valuable.

ACTION

5. I have considered how Mr Sheldon's questions might be handled. We could decline to elaborate on what the Press Notice says about timing. But I think that could appear

unreasonable and could well provoke an early summons for members of the study team to appear before the Select Committee. There are obvious objections to the team being asked to give oral evidence before the Prime Minister has considered their report and approved the material to be published. And to resist the Committee's request for the appearance of the members of the team would be likely to precipitate a clash in public with the Committee. That seems best avoided if at all possible.

6. It might be possible, therefore, to go a little further and tell the Committee:

a. that the Prime Minister wished to have their views as soon as possible;

b. that she hoped the team's material would be available in time for the Committee to consider it;

c. but she could not undertake to delay her decision until they had reported.

But I doubt if the Committee would regard this as any more forthcoming that the response discussed in paragraph 5 and could provoke the same reaction as is mentioned there.

7. For these reasons, I am inclined to think that the best course might be to tell the Committee that the team's report will be made available to them as soon as possible during the course of November and that the Prime Minister accepts that they will want to take it into account in reaching their conclusions. On the other hand, it would be made clear that, if the Committee could not report within, say, two or three weeks of receiving the material, there could be no guarantee that the Prime Minister would wait for their views before announcing her decision. Requests for the members of the team to give oral evidence would, initially at least, be declined, as it could place them in an extremely embarrassing position.

CONCLUSION

8. The Committee have already devoted a lot of time to this subject. It seems almost certain that they would take offence at a response that was less positive than the one outlined in the previous paragraph. And they would probably receive a good deal of sympathy in Parliament and the Press. The price of responding along the lines suggested in paragraph 7 would be agreeing to wait for a few weeks more for the Committee's report. But that would not be a commitment to wait indefinitely and the risk that there would be some delay was recognised when the decision to announce the study was taken.

9. I should be grateful to know if the Prime Minister agrees that we should answer the Committee's questions in the way suggested in paragraph 7.

10. I am sending copies of this minute to the Private Secretaries to the Chancellor of the Exchequer and the Lord President and to Sir Robert Armstrong, Sir Douglas Wass and Sir Derek Rayner. Given the urgency, I have not had an opportunity to consult them in advance.

IAN BANCROFT
10 October 1980

ORGANISATION OF TREASURY AND CIVIL SERVICE DEPARTMENT

Prime Minister Calls for Report from Officials

The Prime Minister has commissioned a study by officials to examine the question of more closely integrating the Treasury and the Civil Service Department.

The study will examine the case for and against, and the implications of, more closely integrating the two Departments.

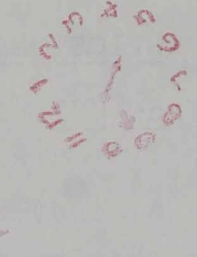
It will take account of their vital and complementary roles in controlling public expenditure and Civil Service manpower and in promoting departmental efficiency.

The study will be completed in the autumn. The Prime Minister hopes that the Select Committee on the Treasury and the Civil Service will by then have published their views on the organisation of the central departments, so that she can take them into account.

The Prime Minister intends that the factual and analytical material produced in the course of the study will be published.

Gen Mem. Pt 2

10 OCT 1980



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

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

Mike Pattison Esq
10 Downing Street
LONDON SW1

1 October 1980

Dear Mike,

TREASURY AND CIVIL SERVICE SELECT COMMITTEE

In my letter of 18 September I promised to let you know the outcome of the Select Committee's meeting last Wednesday. In the event, there was little to add, but, for the record, I enclose a copy of a note reporting a further conversation with Mr Hubback. Copies of this as before.

Yours ever,
Jeremy

JEREMY COLMAN
Private Secretary

→ For Permt Secs mtg (WED)

MANAGEMENT IN CONFIDENCE

9.
29

PS/PERMANENT SECRETARY

cc -
PS/2nd Permanent Secretary
Mr Towers
Mr J K Moore
Mr Osmotherly
Mr R D J Wright
Mr J B Unwin (Treasury)

SELECT COMMITTEE : CSD/TREASURY REORGANISATION

In my minute of 18 September about the Committee's plans, I said that I would report again in the light of their deliberative meeting last Wednesday. In the event, Mr Hubback had little to add. The Committee would be continuing their enquiries on the powers of the CSD, taking evidence from Mr Kendall, Lord Croham, Sir Derek Rayner and possibly one or more Permanent Secretaries. He also mentioned the possibility that they might seek evidence from a Minister, though so far as I could judge this was his own speculation, rather than something raised by the members of the Committee.

2. As to the Moore/Hawtin study, Mr Hubback seemed to be in two minds. On the one hand, the Committee would clearly be assisted if they could take account of that work in their own report. On the other hand, they do not want to find that decisions had been taken following Moore/Hawtin before they had been able to report. The line that I and Mr Unwin (Treasury) have taken is that it would be preferable for the Committee to produce their own report as quickly as possible without waiting for the study. But Mr Hubback is clearly contemplating the possibility of seeking to take oral evidence from the study team; alternatively, or perhaps additionally, to see whether any factual information can be provided from the study in advance of the report. I did not encourage him to think that either would be practicable, but I think it is likely that we may be tackled again about these possibilities in a few weeks time.

C D STEVENS
29 SEPTEMBER 1980

2 OCT 1980

cc COL
CSD
HMT
CO

HS

10 DOWNING STREET

From the Private Secretary

MR. PRIESTLEY

Treasury and Civil Service Select Committee

Thank you for your minute of 23 September about the Sheldon Sub-Committee's request to take oral evidence from Sir Derek Rayner.

In the Prime Minister's absence I think you can safely assume that she would be content for Sir Derek to agree to appear before the Sub-Committee.

I am sending copies of this minute to Mr. Birch (Chancellor of the Duchy of Lancaster's Office), Mr. Colman (Civil Service Department), Mr. Taylor (H.M. Treasury) and Mr. Wright (Cabinet Office).

M. A. PATTISON

25 September 1980

Mr PATTISON

cc PS/Chancellor of the
Duchy of Lancaster
Mr Colman (CSD)
Mr Taylor (HM Tsy)
Mr Wright (CO)

TREASURY AND CIVIL SERVICE SELECT COMMITTEE
(Earlier reference: Mr Colman's letter to you of 18 September)

1. Mr Hubback has rung to say that the Sheldon Sub-Committee on CSD/Tsy organisation would like to take oral evidence from Sir Derek Rayner on the basis of his July paper on that subject.

2. Sir DR is willing to appear. May I assume that, in the light of her attitude as so far indicated, the Prime Minister would be content for him to do so?

3. The probable date is 29 October or 5 November.

4. In response to questions, Mr Hubback said that he doubted whether the main Committee would be calling on Sir DR this term and that, if the Sub-Committee could make up its mind, it would deliver itself of a report on the CSD/Treasury issue by Christmas.

CP

C PRIESTLEY
23 September 1980

24 SEP 1980

MANAGEMENT-in-CONFIDENCE

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

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

Mike Pattison Esq
10 Downing Street
Whitehall
LONDON SW1

18 September 1980

Dear Mike.

TREASURY AND CIVIL SERVICE SELECT COMMITTEE

Sir Ian Bancroft has asked me to let you have the enclosed copy of a note reporting a conversation with the Clerk of the Select Committee. If and when we hear the outcome of the Committee's meeting next Wednesday, we will let you have a further report. I am sending copies of this to Jonathan Taylor in Sir Douglas Wass's office and Dave Allen in Sir Derek Rayner's.

Yours ever,

Jeremy Colman

JEREMY COLMAN
Private Secretary

MANAGEMENT-in-CONFIDENCE

19 SEP 1980

MANAGEMENT IN CONFIDENCE

PS/Permanent Secretary

cc: PS/2nd Permanent Secretary
Mr Towers
Mr Osmotherly
Mr J K Moore (or)
Mr R D J Wright

SELECT COMMITTEE - CSD/TREASURY REORGANISATION

Mr Hubback telephoned me today in preparation for a deliberative meeting of the Select Committee next Wednesday and I took the opportunity to ask him how he saw the Select Committee approaching the CSD/Treasury organisation issue in the new session.

He could only speculate before he had an opportunity to talk to members of the Committee but he envisaged that they would want to take further evidence before considering a report. Mr Hubback thought that amongst those from whom they would wish to take evidence would be Civil Service unions, Lord Croham, and possibly one or more permanent secretaries from large departments (he mentioned, for example, Sir Patrick Nairne or Sir Frank Cooper).

Noting what was said in the 12 August press notice, I asked whether it would be likely that the Committee would report by the autumn. Mr Hubback's reaction was that they would continue to take evidence through November and while they might aim to put in a report before the Moore/Hawtin material emerged he thought it rather more likely that they would want to take account of that work before finalising their report.

I will no doubt learn more about the Committee's plans after their deliberative meeting next Wednesday.

C D STEVENS
Central Division

18 September 1980

MANAGEMENT IN CONFIDENCE

Civil Sims - B.
CCSD
file CPO
HMT
CO

10 DOWNING STREET

THE PRIME MINISTER

29 August 1980

Dear Mr Kendall.

I am grateful to you for having set out in your letter to me of 14 August the views of the Council of Civil Service Unions on the organisation of the Treasury and the Civil Service Department. As you will appreciate, the purpose of the study which I have commissioned is to ensure that this question can be properly considered. If there are further views which you wish to offer on this matter, then, as you suggest, it would be helpful if these could be made available in good time.

Yours sincerely

Margaret Thatcher

W.L. Kendall, Esq.

10 DOWNING STREET

From the Private Secretary

MR COLMAN

Thank you for your minute of 15 August, about the study of the organisation of the Treasury and the Civil Service Department.

The Prime Minister is content with the terms of reference for the proposed study. She agrees that these should be shown to the Staff Sides of the two Departments and to the CCSU.

I am sending copies of this minute to Jonathan Taylor (HM Treasury), David Wright (Cabinet Office), Clive Priestley (Sir Derek Rayner's Office, Cabinet Office) and Neville Gaffin (No. 10 Press Office).

M. A. PATTISON

26 August 1980

Govt Mach.

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

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

BR

for PMpl

Nick Sanders Esq
10 Downing Street
LONDON SW1

26 August 1980

Dear Nick

With your letter of 15 August, you enclosed a copy of the letter which Bill Kendall wrote to the Prime Minister on 14 August about the organisation of the Treasury and the CSD. We suggest that only a short acknowledgement should be sent on the lines of the enclosed draft.

I am copying this letter to the recipients of yours.

yours sincerely
Toby Churchill

TOBY CHURCHILL
Assistant Private Secretary

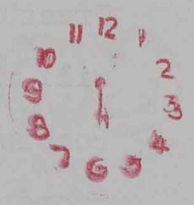
8

DRAFT LETTER FOR SIGNATURE BY THE PRIME MINISTER TO :-

W L Kendall Esq
Secretary General
Council of Civil Service Unions
19 Rochester Row
LONDON SW1P 1LB

I am grateful to you for having set out in your letter to me of 14 August the views of the Council of Civil Service Unions on the organisation of the Treasury and the Civil Service Department. As you will appreciate, the purpose of the study which I have commissioned is to ensure that this question can be properly considered. If there are further views which you wish to offer on this matter, then, as you suggest, it would be helpful if these could be made available in good time.

26 AUG 1980



cc Press Office

Prime Minister

1

1. Agree attached terms of reference for Treasury/CSD study?

2. Content for Treasury staff side (and other staff sides) to be shown t.o.r. on request?

MR PATTISON

STUDY OF THE ORGANISATION OF THE TREASURY AND THE CIVIL SERVICE DEPARTMENT

MAP 18/8

The study team is pressing ahead with its work on the lines agreed. To avoid any doubt or uncertainty, however, Sir Ian Bancroft and Sir Douglas Wass believe it is necessary to give the study team clear terms of reference against which their report can in due course be judged. I therefore attach for the Prime Minister's approval on her return the draft terms of reference which they have prepared in consultation with Sir Derek Rayner and Sir Robert Armstrong.

Sir Ian Bancroft would not propose to publish the terms of reference at this stage although they would, of course, appear in the team's published report. The Departmental Staff Side of the Treasury have asked to see the terms of reference, however, and if they are shown them it would be necessary to show them also to both the CSD Staff Side and the Council of Civil Service Unions. And once they have been shown to so large a circle they would inevitably become more widely known and might appear in the press. Sir Ian believes that it would be seen as unnecessarily secretive to decline the request of the Treasury Staff Side, and so, if the Prime Minister agrees, the terms of reference as approved by her will be shown to the Staff Sides of the two Departments and to the CCSU.

I am sending copies of this minute to the Private Secretaries to Sir Douglas Wass, Sir Robert Armstrong and Sir Derek Rayner.

J.G.C.

JEREMY COLMAN
Private Secretary
15 August 1980

Government Machinery

Mr PATTISON

ORGANISATION OF THE CENTRAL DEPARTMENTS

1. The TIMES refers today to a letter from the Council of Civil Service Unions to the Prime Minister on the CSD/Treasury merger.

2. I should be grateful if you would kindly let me have a copy of the letter.

CP

C PRIESTLEY
20 August 1980

(!)

Despatched
21/8/80

21 AUG 1980

STUDY OF H M TREASURY AND CIVIL SERVICE DEPARTMENT

TERMS OF REFERENCE

1. To consider the organisational changes that might be made to bring about an integration of the Civil Service Department and H M Treasury into one department, such integration having as its aims:

(a) a more co-ordinated and effective central control over public expenditure and Civil Service manpower;

(b) the promotion of greater efficiency in the Civil Service; and:

(c) a reduction in the administrative effort and resources of manpower and money currently expended by the two departments;

2. To analyse the case for and against a merger of the two Departments as compared with the present organisation;

3. To assess both the immediate costs arising from an integration, including the relocation of certain parts of the two Departments, and the implications for the saving of manpower and other costs in the longer run; and:

4. To prepare a factual and analytical report.

18 AUG 1980

10 DOWNING STREET

From the Private Secretary

15 August, 1980.

BF 26.8.80

I attach a copy of a letter the Prime Minister has received from Bill Kendall about the organisation of the Treasury and the Civil Service Department. I should be grateful if you could suggest a draft reply for the Prime Minister to send to Mr. Kendall, to reach us here not later than Tuesday, 26 August.

I am sending copies of this letter and its enclosure for information to Jim Buckley (Lord President's Office), Martin Hall (HM Treasury), and David Wright (Cabinet Office).

N. D. SANDERS

J.G. Colman, Esq.,
Civil Service Department.

15 August, 1980.

I am writing on behalf of the Prime Minister to thank you for your letter of 14 August about the organisation of the Treasury and the Civil Service Department. I will place your letter before her, and you will be sent a reply as soon as possible.

N. J. SANDERS

W.L. Kendall, Esq.

2

PRIME MINISTER

This letter from the Council of Civil Service Unions argues for the retention of the Civil Service Department.

We will let you have a draft reply.

MJS

15 August, 1980.

cc Press office

COUNCIL OF CIVIL SERVICE UNIONS

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

Secretary General: W. L. KENDALL
Secretary: P. D. JONES
Assistant Secretaries: B. G. SUTHERLAND HELEN E. HUGHES

14 August 1980

RIS

The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
London S W 1

Dear Prime Minister

ORGANISATION OF TREASURY AND CIVIL SERVICE DEPARTMENT

With regard to the recent announcement of the internal study of Treasury/CSD relationships, the Council of Civil Service Unions were about to write to you commenting on the speculation emerging from various sources regarding the future role of the Department responsible for administering the Civil Service. Any decision in this matter is of vital importance to us and to the members we represent. We trust, therefore, that you will give careful consideration to the views we put to you in this letter.

First, and with total emphasis, we wish to say that we do not want to see responsibility for the administration of the Civil Service pass back to the Treasury. In 1968, the Fulton Committee considered in great detail the question of the management of the Civil Service. They found serious defects in the central management of the Service and considered "the Treasury must accept its share of responsibility" and said "despite the recent improvements in its management services, the Treasury has failed to keep the Service up to date".

There is no reason to believe that the position would be significantly different today if responsibility for management of the Service reverted to the Treasury. The Treasury's prime responsibility is the financial management of the Economy and is, therefore, more geared to managing its economic responsibilities than being accountable for Civil Service management and industrial relations. The Chancellor and the other Treasury Ministers are in charge of Budgetary and Exchequer controls and not, in normal circumstances, available for matters of large scale administration.

Cont'd/...

The question of the role of the CSD was, of course, commented upon by the House of Commons Expenditure General Sub-Committee in 1977. The proposals of the Expenditure General Sub-Committee regarding a split of the functions of CSD and the transferring of part back to the Treasury brought a swift reaction from Civil Service unions. We wrote to your predecessor, Mr Callaghan, expressing our concern at this possibility and putting forward some alternative ideas. These included the need for fuller co-operation between central departments and that any new arrangements should recognise that the central department should be the effective "employer" of civil servants.

We remain of the same opinion. Our prime concern is to see effective central management of the Civil Service by a Department strong enough to realise its objectives. Coupled with this is the need to recognise the importance of personnel management and industrial relations, together with the will, the ability and the resources to act effectively in this field. The Civil Service is a very large employer of staff. The central management department must have as its prime responsibility the development of policies and practices which will enable the staff to be managed in a sensitive and effective manner. These functions cannot be relegated to areas of secondary importance within a Department whose prime responsibility is the management of the Economy.

We also regard it of equal importance to have a centralised Establishment Branch common to the Civil Service Department, the Treasury and the Cabinet Office. Concomitant with this, we see the advantage of cross posting staff within this central group.

Thirdly, we see a continuing need for a strong and effective Head of the Home Civil Service who would have suitable powers and influence and would be answerable to Government, and in a real sense available to his staff and the unions to deal expeditiously and in a definitive fashion with conditions of service. In these circumstances, it appears to us to be essential that such a Head should have regular and swift access to the Prime Minister as Minister for the Civil Service. We also regard it as highly desirable that the Minister in day-to-day charge of the Civil Service should be a member of the Cabinet.

We accept that no organisation of the centre of Government can be regarded as universally right forever but we believe unification of the Treasury and Civil Service Department at this time would damage the sound and efficient future management of the Civil Service which the country rightly demands.

Cont'd/...

Having regard to the terms of the recent announcement about the study by officials, the Council will now give further consideration to this question. We shall doubtless wish to put more definitive views to the officials concerned, and we shall ensure that this is done well within the timetable envisaged.

In conclusion, may I once again emphasise the employer responsibility involved in this matter. The Civil Service is the largest single employer in the country and, as such, has responsibilities commensurate with its size and pivotal position. The Fulton Committee, in 1968, were concerned to ensure that these employer duties, particularly in the fields of personnel management and industrial relations, were carried out in the most efficient and responsible way. The Council of Civil Service Unions fully supports these objectives and our further consideration will be carried out with them firmly in view.

Yours sincerely

W L KENDALL
Secretary General

CONFIDENTIAL

File ds

cc: Mr. Gaffin

10 DOWNING STREET

MR. COLMAN
CIVIL SERVICE DEPARTMENT

The Prime Minister has seen Sir Ian Bancroft's minute of 8 August about the organisation of the central Departments.

She has agreed that the No.10 Press Office should issue a Press Notice on this matter tomorrow, 12 August. We would expect to release this at about noon.

Mr. Edward du Cann called on the Prime Minister this morning, and the Prime Minister took the opportunity to show him the draft Press Notice. She will not therefore be following this up with a letter.

Our Press Office have suggested that paragraph 1 of the draft Press Notice could be slightly reordered, to put it in a form more likely to be used by journalists. I mentioned their suggestion to Mr. Churchill earlier this afternoon, and I now enclose a copy of the version we intend to use. If this revision causes difficulty for anybody, I would be grateful to know by 1000 hours tomorrow.

Sir Derek Rayner's office have pointed out that paragraph 3 of the briefing notes requires a small amendment. The first sentence of the paragraph should conclude "... and written evidence from Sir Derek Rayner."

I am sending copies of this minute to Martin Hall (HM Treasury), Jim Buckley (Lord President's Office), Jonathan Taylor (Sir Douglas Wass' Office, HMT) and Clive Priestley (Sir Derek Rayner's Office).

M. A. PATTISON

11 August 1980

CONFIDENTIAL

93 dl

CONFIDENTIAL UNTIL PUBLICATION

REVISED DRAFT PRESS NOTICE

ORGANISATION OF TREASURY AND CIVIL SERVICE DEPARTMENT

Prime Minister Calls for Report from Officials

The Prime Minister has commissioned a study by officials to examine the question of more closely integrating the Treasury and the Civil Service Department.

The study will examine the case for and against, and the implications of, more closely integrating the two Departments.

It will take account of their vital and complementary roles in controlling public expenditure and Civil Service manpower and in promoting departmental efficiency.

The study will be completed in the autumn. The Prime Minister hopes that the Select Committee on the Treasury and the Civil Service will by then have published their views on the organisation of the central departments, so that she can take them into account.

The Prime Minister intends that the factual and analytical material produced in the course of the study will be published.

SECRET

1.

Yes - no reason Tuesday

Prime Minister

Content for attached press statement to be issued next week? If so, you could speak to Mr du Cann about this when he calls on Monday.

MAP 8/8

MR PATTISON

THE ORGANISATION OF THE CENTRAL DEPARTMENTS

As requested in Mr Whitmore's minute of 6 August, I attach the draft of a Press Notice about the study.

I should be surprised if the Select Committee did not decide to delay the publication of their findings until they have seen the factual and analytical material produced by the study team. They might also ask members of the team to give evidence about the study's findings. The Committee's report could, therefore, be long delayed and I am sure that, on reflection, it would be best to avoid giving any commitment to postpone announcement of the Prime Minister's decision about the future of the departments until the Committee have published their own view. I hope that paragraph 2 of the draft Press Notice covers the point adequately.

The two Assistant Secretaries who will work full-time on the study are being briefed. They will be able to look for guidance to Mr F E R Butler of the Treasury in association, as necessary, with his Principal Establishment Officer colleague here. Sir Douglas Wass and I will keep a close eye on the progress of the work, and Sir Derek Rayner will be consulted at critical phases.

The Press are likely to take a good deal of interest in the study. It seems desirable to avoid the misleading impression that this is either a Treasury or a CSD exercise. I suggest, therefore, that all Press enquiries should be handled by the No 10 Press Office. A briefing note for the Press Office is attached.

The Press will also want to know who will be doing the study. We cannot and need not keep this secret. I suggest, therefore, that we should tell them the names of the two Assistant Secretaries who will be doing the work full-time.

In my minute of 4 August, I suggested that No 10 should tell Mr du Cann about the study. I believe it might be best to have a word with him informally and to follow that up with a letter along the lines of the attached draft.

I think it is in everyone's interest - not least the timely completion of the study - to issue the press notice early next week.

SECRET

Copies of this go to Mr Wiggins (Treasury), Mr Buckley (CSD), Sir Douglas Wass, Sir Robert Armstrong and Sir Derek Rayner.

IAN BANCROFT
8 August 1980

SECRET until publication

DRAFT PRESS NOTICE

PRIME MINISTER CALLS FOR REPORT FROM OFFICIALS ON THE ORGANISATION OF THE TREASURY AND CSD

1. In view of their vital and complementary roles in controlling public expenditure and Civil Service manpower and in promoting Departmental efficiency, the Prime Minister has commissioned a study by officials. This will examine the case for and against, and the implications of, more closely integrating the Treasury and the Civil Service Department.

2. The study will be completed in the autumn. The Prime Minister hopes that the Select Committee on the Treasury and the Civil Service will by then have published their views on the organisation of the central departments, so that she can take them into account.

3. The Prime Minister intends that the factual and analytical material produced in the course of the study will be published.

SECRET until publication

SECRET until publication

Notes for Editors:

1. The Select Committee on the Treasury and Civil Service have been considering the role of the CSD and the division of responsibilities between it and the Treasury. The Prime Minister welcomed the Committee's decision to study the subject.

2. The Prime Minister will use the officials' report to help her decide whether the present organisation of the central departments should be retained or if changes would enable their work to be done more effectively. She will be particularly interested in what the study indicates about the comparative costs and manpower requirements of the present arrangements and alternatives to them.

3. The study will be conducted full-time by two Assistant Secretaries - one drawn from the Treasury (Mr M V Hawtin) and the other from CSD (Mr J K Moore) - who will be assisted by a small team of officials. They will be able to seek guidance when necessary from Sir Ian Bancroft and Sir Douglas Wass, the Permanent Secretaries of the two Departments.

SECRET until publication

STUDY OF THE ORGANISATION OF THE CENTRAL DEPARTMENTS

Briefing Notes for the No 10 Press Office

Any Precedent

1. The Press may ask if there is any precedent for handling a machinery of government matter in this way. We do not know of an exact precedent. Certainly, the PSA was created in 1972 after Mr Heath had asked Mr Cruickshank of the Business Team to produce reports for him on the subject. But the vital difference is that the Cruickshank report was NOT published. The innovation here is that the factual and analytical information is to be published. Avoid giving any impression that the same course will necessarily be followed in future.

The Treasury and Civil Service Committee's Work

2. The Treasury and Civil Service Committee have been taking evidence about the role of CSD and the division of responsibilities between it and the Treasury. The Prime Minister welcomed the Select Committee's decision to undertake this study (see her letter of 24 April to Mr du Cann - attached).

3. The Select Committee have taken oral evidence from Sir Robert Armstrong, Sir Ian Bancroft, Sir Douglas Wass and Sir Derek Rayner. No current Minister and no other serving officials has given evidence. [CONFIDENTIAL - attached for background reading is the CSD/Treasury Memorandum. The Press have not got copies. The document may not be published without the consent of the Select Committee - this is a matter of privilege.]

4. The Select Committee hope to report in the autumn. They have not yet, apparently, reached agreed conclusions. Any questions about the Select Committee's views should, of course, be directed to its Clerk (Mr Hubback) or the Chairman (Mr du Cann).

The Officials' Study

5. There are six points to get across:

(a) the Prime Minister has not reached a decision about the future organisation of the departments;

(b) but their organisation should be reviewed from time to time;

(c) the factual and analytical material the team produce will be published;

(d) publication will be "in the autumn" - avoid being drawn on a specific date;

(e) also avoid being drawn on the date by which the Prime Minister will announce her decision;

(f) get across the thought that the Prime Minister hopes to have the Select Committee's report in time to take it into account but don't imply that she is committed to waiting for the Select Committee to utter.

6. If the Press ask about the members of the team, refer them to the note to editors. Julian Moore is the CSD's man and Michael Hawtin the Treasury's. Both are Assistant Secretaries.

Civil Service Department
Whitehall SW1
8 August 1980

10 DOWNING STREET

THE PRIME MINISTER

24 April 1980

I am sorry that I have not replied before to your letter of 14 March which we met to discuss on 24 March.

I think it is right that Select Committees should look critically every so often at Government organisations and practices that have been in existence for some time. For this reason, as I told you when we met last month, I welcome the intention of the Treasury and Civil Service Committee to enquire into the role and powers of the Civil Service Department. This is a subject in which there is considerable Parliamentary and public interest at present and on which the Government will in due course have to reach conclusions. I am sure that it will be valuable to have the Committee's contribution to the discussion.

(SGD) MARGARET THATCHER

The Rt. Hon. Edward du Cann, M.P.

vb

NOT FOR RELEASE UNTIL

PUBLISHED BY PARLIAMENT

THE ORGANISATION OF THE TREASURY

AND THE CIVIL SERVICE DEPARTMENT

Note by the Civil Service Department and the Treasury

Introduction

1. At their hearing on 2 July 1980, the Sub-Committee asked for a paper describing in more detail the four options for the organisation of the central departments that Sir Robert Armstrong had identified in his evidence on 18 June.

2. The options were:

(a) to split the Treasury, merging its public expenditure control functions with the CSD, leaving the rest of the Treasury as a separate department;

(b) to split the CSD, transferring its manpower, organisation and efficiency divisions to the Treasury, leaving the rest of CSD as a separate department;

(c) to unify the Treasury and the CSD;

(d) to retain the Treasury and CSD as separate departments but to strengthen further the co-ordination and co-operation between them.

This paper briefly describes and comments on the pros and cons of each of these options, but does not seek to express a preference between them.

Split the Treasury

3. This option would unite supply control responsibility and brigade it with responsibility for the management of the Civil Service at the cost of splitting the present Treasury's unified responsibilities for economic questions. The Treasury's public expenditure functions would be merged with the CSD in a single "Department of Expenditure and Management", which would have unified responsibility for the planning and control of public expenditure programmes and their management within government. The rest of the Treasury would form a "Department of Finance and Economic Affairs".

4. It would then become necessary to handle across the boundary between the new departments:

(a) the interaction of public expenditure decisions with macro-economic analysis and policy-making;

(b) the construction of public sector accounts and the handling of issues related thereto, given that income would be largely the business of one department and expenditure that of the other; the inter-action of revenue and expenditure issues at the micro-level (eg policies on social security benefits and social security contributions) would also take place across the boundary; and

(c) the relationship of public expenditure to general industrial policy and the role of public sector enterprises.

This would increase the number of economic and financial decisions which had to come forward for collective discussion because they could not be settled within the Treasury. The co-ordination of the management of public expenditure with the responsibilities for public finance as a whole could become more difficult than it is when the Chancellor of the Exchequer and the Chief Secretary are able to act together within a single department.

Split the CSD

5. Under this option, too, there would continue to be two central departments. The CSD's manpower, organisation and efficiency divisions would be transferred to the Treasury, and the rest of CSD's functions (eg pay, personnel management, recruitment, training) would be the responsibility of a separate department.

6. On the one hand, this arrangement would unify supply control and the central responsibility for Civil Service efficiency. The arguments in favour of it are contained in the Eleventh Report from the Expenditure Committee for Session 1976-77. On the other hand, this option would separate control over the number of civil servants from control over Civil Service pay, pensions and allowances; but the bill for Civil Service manpower is the product of the two. Manpower control also involves control over grading (these functions would be transferred to the Treasury); but grading has strong links with both the structure for personnel management and the framework of pay rates (which would be the concern of the "rump" CSD). The split would make it more difficult to do effective forward planning because "demand" would lie with the enlarged Treasury and "supply" with the rump of CSD. There is also a relationship between future manpower requirements and the planning of computerisation, which is why manpower control and supervision of the Central Computer and Telecommunications Agency (CCTA) are brigaded together within CSD. Moreover, the organisation of people and the organisation of work have to be considered in close association; personnel management, training and recruitment have an important contribution to make to improved efficiency. It is also arguable that, stripped of its manpower and efficiency functions, the rump of CSD would carry little "clout".

Unify the Treasury and CSD

7. This option, like the others, would unify the central responsibilities for the control of public expenditure and manpower and for the efficiency of the Civil Service. But it would not entail breaking the strong and important links between the work on manpower and efficiency and that on man-management, pay, recruitment and training. Nor would it suffer the penalties of separating the control of public expenditure from the rest of the Treasury's functions. On the other hand, there would be a risk that the functions of the former CSD would receive less attention and priority than they do now when they are the full-time concern of a separate department. Moreover unification would add to the Ministerial responsibility of the Chancellor of the Exchequer and other Treasury Ministers.

Internal Organisation of a Single Central Department

8. If the departments were unified, there would be several options for the internal organisation of a single central department. One possibility might be to transfer CSD intact, recreating in effect the "Management" and "National Economy" sides of the Treasury that existed between 1962-68. Another would be to create "mixed" public expenditure and manpower divisions of the type which existed in some parts of the Treasury before 1962. There are other possibilities and it would require detailed study and planning to consider which might be most effective and what period of time, after the decision to unify was taken, would be required to complete the process of recorganisation.

Retain and Strengthen the Present Arrangements

9. The main argument in favour of the present arrangement is that it enables the Civil Service Department, as a separate department with its own senior Minister in the Cabinet, to give the whole of its attention to its responsibilities on the manpower and efficiency fronts and allows the Treasury to concentrate its attention on the control of public expenditure and on financial and economic policies. Retaining this arrangement would avoid the diversion of effort and disruption inherent in major changes of organisation.

10. If it were decided that the present arrangements should be retained, there would be scope for modest but nonetheless useful improvements in the existing co-ordination and co-operation between the Treasury and CSD. For example, there may be room for some adjustment or clarification of the two departments' responsibilities for the development of better financial management and associated systems of control within spending departments.

Civil Service Department
Whitehall
London SW1A 2AZ

H M Treasury
Parliament Street
London SW1P 3AG

8 July 1980

DRAFT LETTER FROM THE PRIVATE SECRETARY TO
THE RT HON EDWARD DU CANN, MP

THE ORGANISATION OF THE TREASURY AND CSD

The Prime Minister has asked me to send you the enclosed copy of the Press Notice, issued today, about the report she has asked officials to prepare for her on the organisation of the central departments.

Gov. Madrid

10 DOWNING STREET

Nick,

The P.M. might so let Mr de Cassen know about the press statement just before it issues. Can you or Mike do a letter for her, pl?

AWS

6 viii

BF to MAP 11. 8. 80

SECRET

(13) DSG

File

bc : Mr. Wolfson
Mr. Ingham
Mr. Sanders.

10 DOWNING STREET

From the Principal Private Secretary

SIR IAN BANCROFT

THE ORGANISATION OF THE CENTRAL DEPARTMENTS

I have shown the Prime Minister your minute of 4 August 1980 with which you submitted a draft Written Question and Answer announcing the setting up of the feasibility study on possible changes in the organisation of the Treasury and CSD.

Because of her preoccupation with other matters, and in particular the current difficulties with the Parliamentary timetable, the Prime Minister does not believe that she will be able to give the draft Answer all the attention she would wish. She has also said that she wishes to read the 4th Report from the Treasury and Civil Service Committee Session 1979-80 on Civil Service Manpower Reductions before reaching a final view on any announcement. She accepts that this delay means that the announcement will now have to be in the form of a press notice rather than an Answer to a Parliamentary Question. I think that we shall now need a different and shorter form of words and I should be grateful if you could let me have a new draft.

I am sending copies of this minute to John Wiggins (HM Treasury), Jim Buckley (Lord President's Office), Sir Robert Armstrong, Sir Douglas Wass and Sir Derek Rayner.

KWW.

6 August 1980

SECRET

DSG

12

SECRET

MR WHITMORE

THE ORGANISATION OF THE CENTRAL DEPARTMENT

Sir Derek Rayner has seen your minute to Sir Ian Bancroft of yesterday and the latter's reply, together with its accompanying draft Answer.

2. Sir DR thinks the draft a good deal longer than it need be and has asked me to suggest a shorter alternative, thus:

> "I am considering the most effective way of organising the functions now exercised by the Civil Service Department. To help with this, I have commissioned a study by officials of the advantages and disadvantages of keeping or changing the present arrangement. [Officials will report to me in the autumn.] The factual and analytical material they produce will be published. I also look forward to reading the views of the Treasury and Civil Service Select Committee on these matters."

3. Sir DR thinks that that formula while, as required, announcing the study, should avoid giving the Select Committee the "effective control" over the timetable to which Sir Ian Bancroft's minute refers. Indeed, he thinks that the sentence in square brackets could be omitted in order further to reduce the risk to which Sir Ian refers.

4. As you will have gathered, Sir DR is unhappy with the emphasis which the present draft places upon the feelings of officials and the words the PM is invited to utter at the beginning of the Answer. As for the end of the draft, he thinks it goes without saying that officials will get on with their present work, as they should. However, so as to minimise the pressures on you, Sir DR agrees that this minute should not be copied to other copy addressees.

C PRIESTLEY
5 August 1980

SECRET

Hall - delete 'meantime'.

10 DOWNING STREET

MR. WHITMORE

Organisation of Central Departments

Sir Anthony Rawlinson (in Sir Douglas Wass' absence) has the following comments on Sir Ian Bancroft's minute:

1. He is very much in favour of an announcement on Thursday.

2. Line 16 of draft answer to read

> "...published. I shall announce my decision on the future organisation of the departments when I have considered the results of the study and, as I hope, the Select Committee's report."

Sir Ian Bancroft's draft suggests that the decision will be taken pending the Select Committee's report which in turn leaves the timing of an announcement in the Committee's hands.

Teresa
5.8.80

Your Ref

020
TR

with compliments

J. B. UNWIN

Treasury Chambers
Parliament Street
London SW1P 3AG
Tel: Direct Line 01-233
Switchboard 01-233-3000

PS/CHANCELLOR OF THE EXCHEQUER

cc PS/Chief Secretary
PS/Financial Secretary
Sir Douglas Wass
Sir Anthony Rawlinson
Mr Bailey
Mr France
Mr Ridley
PS/Sir Ian Bancroft
Mr Lankester - No 10

COPY FOR

TREASURY/CSD

Mr Hubback has confirmed to me that the Treasury and Civil Service Committee will not publish a report on the Treasury/CSD issue either before or during the recess. They will revert to the subject after the recess.

J B UNWIN
5 August 1980

- 5 AUG 1980

Ref. A02818

MR. WHITMORE

The Organisation of the Central Departments

Sir Ian Bancroft sent me a copy of his minute of 4th August, and the draft Answer to a written Question.

2. This is very much a matter of drafting, but I found the words "because of this" at the beginning of the third sentence of the draft Answer slightly curious and unconvincing. I should have been inclined to begin the third sentence of the draft as follows:

> "Nonetheless, it is right that the way in which these functions at the centre of Government are organised should be reviewed from time to time ....".

3. I am sending a copy of this minute to Sir Ian Bancroft.

RCA

(Robert Armstrong)

5th August, 1980

SECRET

Prime Minister

An alternative and shorter draft of answer suggested by Sir Derek Rayner is at flag 'A'. The Select Committee will not definitely not publish their report until after the recess, i.e. probably some time after you get the report of the feasibility study. Do you agree that we should not allow that timetable to govern ours? But do you also agree that the du Cann should be given advance warning of this Answer, which it is hoped to give on Thursday of next week?

A report is now out - highly critical but lowers to no conclusion. Would prefer to study it before agreeing the draft reply

MR C A WHITMORE

THE ORGANISATION OF THE CENTRAL DEPARTMENTS

Thank you for your minute of 4 August. With respect, I agree with its conclusions.

I suggest that No 10 should tell Mr du Cann about the study and of the reasons for announcing it before his Committee have reported.

As requested, I attach a draft Written PQ and Answer.

Two points of which the Prime Minister should be aware. You will recall that, in her letter of 24 April to Mr du Cann, she said that she welcomed the intention of the Treasury and Civil Service Committee to enquire into the role and powers of the CSD and that she was sure it would be valuable to have the Committee's contribution. I think the Committee could well take offence if the Prime Minister announced her decision on the future of the central departments after considering the study team's report but without waiting for the Select Committee's conclusions. The draft Answer, therefore, says that the decision will be announced when the Prime Minister has "considered the Select Committee's report and the results of the study". But this deference to the Committee carries with it the risk that it would give the Committee effective control over the timetable for announcing the Prime Minister's decision if they did not report by, or very soon after, the end of the Recess. And second, there is the risk of further delay should the Committee ask to see the factual and analytical material from the study team before completing their report.

I am sending copies of this to Mr Wiggins, Mr Buckley, Sir Robert Armstrong and Sir Derek Rayner & Sir Douglas Wass

IAN BANCROFT
4 August 1980

SECRET

SECRET

THE FUTURE OF CSD : DRAFT ANNOUNCEMENT

Draft Written Question

To ask the Prime Minister if she will make a statement about the future of the Civil Service Department.

Draft Answer

I have been greatly impressed by the hard work and dedication of the officials of the Treasury and CSD since this Government took office. Under their Ministers, they have a vital role to play in reducing public expenditure, increasing the efficiency of the Civil Service and achieving our objectives for Civil Service manpower. [Because of this, it is right that the organisation of their work] should be reviewed from time to time, and I therefore welcomed the decision of the Select Committee on the Treasury and the Civil Service to study this subject. I understand that the Committee will not report [before] the Recess. [Meantime I have asked officials to help clarify the case for and against retaining the present arrangements and the implications of changing them. They will report to me in the autumn. The factual and analytical material that they produce will be published. I shall announce my decision on the future organisation of the departments when I have considered [the Select Committee's report and] the results of the study. [Meanwhile, the Treasury and CSD will continue to press ahead with their present work.]

Nonetheless, it is right that the way in which these functions at the centre of Government are organised ..... (Sir R. Armstrong's amendment, replacing the words in brackets).

until after

In the

delete in suggested by the Treasury.

~~I hope also to be able to take account of the Select Committee's report~~

I suggest deleting this sentence.

SECRET

4 AUG 1980

SECRET

Mr ~~Sanders~~ MS
Mr Ingham
To see.
4 viii
BIF ~~5-8-80~~

10

Copied to Mr Ingham on 4/8 MS

10 DOWNING STREET

From the Principal Private Secretary

SIR IAN BANCROFT

THE ORGANISATION OF THE CENTRAL DEPARTMENTS

The Prime Minister has now been able to consider your minute of 28 July 1980 to me about the further study of the case for and against a merger of the Treasury and the CSD.

She has asked me to thank you for your proposals which she found most helpful.

The Prime Minister understands that it is now virtually certain that the Treasury and Civil Service Select Committee will not issue their report before the House rises. She does not think, however, that this is reason for delaying the announcement of the Government's feasibility study and she would like to publicise the establishment of the study in an Answer to an arranged Written Question on Thursday of this week. I should accordingly be grateful if you could let me have a draft Question and Answer by close of play tomorrow, Tuesday 5 August.

She agrees that the report of the feasibility study should be prepared as you propose in paragraph 4 of your minute, with the first part being published and the second remaining confidential.

She welcomes the proposal to complete the study by the end of October rather than by 30 November.

I am sending copies of this minute to Mr. Wiggins (Treasury), Mr. Buckley (CSD), Sir Douglas Wass, Sir Robert Armstrong and Sir Derek Rayner.

4 August 1980

SECRET

SECRET

PRIME MINISTER

ORGANISATION OF THE CENTRAL DEPARTMENTS

Since Sir Ian Bancroft's minute below arrived, we have heard that the report of the Treasury and Civil Service Select Committee will not now appear before the House rises. The Committee will be considering a draft report on Monday, but this simply summarises four options and makes no recommendation. We understand that Mr. du Cann feels strongly that the Committee should make a recommendation and that a substantially different report is needed. He believes that most of the other members of the Committee will share his view. All this means that it is now virtually certain that the Select Committee's report will not be published until after the recess.

You may like to ask Mr. du Cann how things stand when you see him at your meeting with the 1922 Executive on Monday evening. If he confirms that his Committee's report will not be completed until the autumn, are you ready to go ahead, nonetheless, with a Written Answer next week announcing that you have decided to set up a feasibility study to examine the options for the organisation of the Central Departments? It would clearly have been better to have made such an announcement in response to a report from the Committee but, in the absence of the report, we still need to make public the establishment of the study so that the team which ~~would~~ will carry out the review can get on with its work unconstrained by any secrecy about its activities.

If you agree that we should go ahead in this way, I will let you have a draft Answer which we might publish on Thursday of next week.

Yes - please proceed.

1 August 1980

SECRET

MR. WHITMORE

Ian Gow has had a word with Edward Du Cann about the Treasury and Civil Service Select Committee's Report on the organisation of the central departments.

The Committee will be considering its Report on Monday. The present draft merely summarises four available options, and makes no recommendation amongst them. Mr. Du Cann seems to feel strongly that the Committee should make a recommendation, and that a substantially different Report will be required. In his view, most of the Committee are likely to share this approach, and the result will be that the Report will not appear until after the Recess.

Mr. Du Cann will know for certain whether this is to be the case when he sees the Prime Minister at 1800 hours on Monday.

1 August 1980

SECRET

8

1 Mr Whitmore AWW. 31/vii
2 PRIME MINISTER.

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

MAP 31/VII

PRIME MINISTER

ORGANISATION OF THE CENTRAL DEPARTMENTS

I have seen a copy of Mr. Whitmore's minute to Sir Ian Bancroft dated 24 July reporting your further thoughts on the organisation of the Treasury and the Civil Service Department.

2. I am bound to say that I share your view that we should have more information on the balance of advantages and disadvantages which would flow from a unification of the two departments before we take a final decision. We need also to have a better view than has so far been furnished to us of the actual extent of the upheaval, cost and disturbance which would be entailed. I therefore go along completely with your proposal that a study should be put in hand without delay covering these questions.

3. I am sending a copy of this minute to the Lord President and to Sir Robert Armstrong.

G.H.

G.H.
31 July 1980

SECRET

31 JUL 1980

SECRET

Prime Minister. 7

This is a helpful minute from Sir Ian Bancroft.

Agree:-
(i) to an announcement by Written Answer if the House is then sitting; and if not, by a Press Notice.
(ii) to the proposals in paragraph 4 for publication.
(iii) to 31st October as the deadline for the feasibility study report.

Please thank Sir Ian for this very helpful approach. I am most grateful. Yes no

MR C A WHITMORE

THE ORGANISATION OF THE CENTRAL DEPARTMENTS

Thank you for your minute of 24 July about the further study the Prime Minister has in mind of the case for and against merging the central departments.

THE LORD PRESIDENT'S VIEWS

2. The Lord President shares the Prime Minister's view that it would be wise to have a study. He sees a spin-off advantage in that while the study is in progress, he and Mr Channon will be able to press ahead with their programme of bilateral discussions with Ministers about departmental manpower savings; these would have been disrupted had the Prime Minister decided to merge the Treasury and CSD during the Recess.

FORM AND TIMING OF ANNOUNCEMENT

3. I have discussed with Sir Douglas Wass, Sir Robert Armstrong and Sir Derek Rayner the timing and form of an announcement about the study. Clearly, some response to the Treasury and Select Committee's report will be required. One option would be to pre-empt the publication of their report by telling the Lobby of the Prime Minister's intention to mount the study. The other option, which I myself recommend, would be to make a low key announcement - by way of answer to a Written PQ or in a Press Notice - within a day or so of the appearance of the Committee's report. The strength of this second option is that we shall need to tell the staff of both the CSD and the Treasury about the study because they will need to know whether the stories in the Press are true and because the Project Team will need to be able to talk to them if it is to do its task properly. The job of dealing with enquiries from the Press and informing the staff could be handled better if we could refer to a public statement by the Prime Minister.

PUBLICATION OF THE STUDY'S FINDINGS

4. The news of the study will provoke demands for its report to be published. At the very least, the Treasury and Civil Service Committee will want to know what it contains and might call members of the Project Team to give evidence in the absence of a published report. My own advice, therefore, would be to pre-empt the demands for publication. What I have in mind is that the report would be in two parts. Part one would be factual and analytical; it would be prepared by the Project Team; and the Prime Minister would announce that it would be published. The second part (the existence of which would not be announced) would contain an assessment of the case for merger in the light of part one; it would be prepared by me, in consultation with Sir Douglas Wass; and it would remain Secret.

SECRET

EFFECT ON STAFF

5. I have considered the likely effect of the announcement of the study on the morale and effectiveness of CSD's staff. Certainly, there is already a good deal of apprehension here about the future. But that would not be dispelled even if the decision to merge were announced next week but the merger did not come into full effect for some months. During that interim period, the staff would remain unsettled until they knew exactly how the merger was going to affect them personally and their work in the unified department. I doubt, therefore, whether more harm would be done by the announcement of the study than by the announcement of unification at Ministerial level to be followed some time later by changes at official level. CSD's staff have already shown their ability to get on with their work despite speculation; and I think that the majority would recognise that a few more months of uncertainty was a small price to pay for achieving a soundly based decision on the future of the departments. We should need to explain to them openly and clearly the purpose of the study and its timetable.

TIMETABLE FOR THE STUDY

6. Your minute suggests that the study should be completed by 30 November. Sir Douglas Wass, Sir Robert Armstrong, Sir Derek Rayner and I believe that it would be both feasible and preferable to report by the end of October. There are three reasons for this. First, it would mean that the outcome of the study was known to the Prime Minister by the time that Parliament assembles for the new Session. That seems desirable so as to minimise speculation in the House about the Prime Minister's intentions and to handle enquiries from the Select Committee about the study and its findings. Second, even if the study were not to report until 30 November, we do not believe that it would be feasible to prepare a thorough and detailed blueprint for all aspects of unification. It should, however, be practicable to produce by the end of October the assessment the Prime Minister has in mind of what is involved in a merger. This would include estimates of the costs and benefits and of the implications for manpower - all on the basis of the maximum effective integration of the two departments. Third, if the Prime Minister decides on a merger a great deal of detailed work will be needed and, if the changes are to be made early in the New Year, the sooner the decision is taken the sooner we can get on with settling the comparatively minor, extensive, but vital mechanics of reorganisation.

7. Work is well advanced on the identification of the members of the Project Team and they can be informed and briefed as soon as the Prime Minister wishes. If she agrees that it would be best to make a low-key statement about the study, I will let you have a draft.

8. I am sending copies of this to the recipients of your minute.

IAN BANCROFT
28 July 1980

SECRET

Cont March 6

NOTE FOR THE RECORD

ORGANISATION OF THE CENTRAL DEPARTMENTS

The Prime Minister told me today that she had been reflecting further on the outcome of her meeting the previous day to discuss the organisation of the Treasury and the CSD. She now felt that insufficient work had been done on a possible merger of the Treasury and the core of the CSD to provide an adequate basis on which to take a decision, even one in principle. She was particularly concerned that no estimate of the staff savings which might arise from a merger was available. Equally, no-one seemed to have any idea of how much the integration of the two Departments might cost. She had concluded that a thorough feasibility study of the options should be done, with a view to demonstrating much more clearly the benefits and disadvantages of a merger than had been done so far. The study should in particular provide an assessment of the staff savings and financial costs of a merger. It would be necessary to announce the feasibility study: otherwise it would be so constrained that its results would be of little value.

24 July 1980

SECRET

SECRET

cc Mr Wiggins (CMT) CK.
Mr Buckley (Hd. Pres),
Sir Douglas Wass
Sir Robert Armstrong
Sir Derek Rayner

5

file

10 DOWNING STREET

Govt Machy

From the Principal Private Secretary

BF 1.12.80

BF ~~30.11.80~~ Sunday

SIR IAN BANCROFT

The Organisation of the Central Departments

Since the meeting which the Prime Minister held yesterday with the Chancellor of the Exchequer, the Lord President of the Council, you, Sir Douglas Wass, Sir Robert Armstrong and Sir Derek Rayner to discuss the papers on the organisation of the central departments which you submitted on 1 and 4 July, she has been reflecting further on the proposal to merge the Treasury and the central elements of the CSD. She has come to the conclusion that the work that has been done so far does not demonstrate convincingly that the balance of benefits and disadvantages is clearly in favour of a merger. She feels therefore that a more detailed study of the pros and cons is needed before even a decision in principle can be taken.

Subject to the views of the Chancellor of the Exchequer and the Lord President, the Prime Minister would accordingly like to proceed in the following way. As agreed at yesterday's meeting, no overt step should be taken until we have the report of the Treasury and Civil Service Select Committee on the question of the organisation of the central departments, which it is thought should be available on 5 August. Immediately thereafter the Prime Minister would like to announce that a feasibility study is to be undertaken to determine the merits and disadvantages of a merger. This exercise would have to go as far into the question of the integration of Treasury and CSD functions at working level as would be necessary to demonstrate the soundness or otherwise of the proposed merger. It would also need to produce estimates of the costs of the merger and of the staff savings. Only when the results of the study are available, would Ministers decide whether to go ahead with integration or not. The study should be completed by 30 November, so that if Ministers decide to merge the two departments, the necessary physical measures can be taken during the Christmas recess.

Whether a project team of the kind discussed at yesterday's meeting would be needed for the feasibility study is something on which the Prime Minister would be grateful for your advice and that of your colleagues who took part in the preparation of the earlier reports. If your view is that a team is required, the Prime Minister

/ would be content

SECRET

would be content for its members to be earmarked quickly and, once the decision had been taken to set it up, to be briefed and to set in hand such initial work as is possible prior to an announcement. She would wish this to be done in a way which avoided the risk of a premature leak.

I should be grateful if you could arrange for the drafting of an announcement, as well as the establishment of the team to carry out the feasibility study.

I am sending copies of this minute to Mr. Wiggins, Mr. Buckley, Sir Douglas Wass, Sir Robert Armstrong and Sir Derek Rayner.

C. A. WHITMORE

24 July 1980

COPY TO MASTER SET

10 DOWNING STREET

Clive

To glance at record of this meeting.

If, in reflection, PM changes her decision, then I will need to adjust BP. 4.

MF 23/VII

Correction in 3/4 M

MF

SECRET

4

RECORD OF A MEETING ON THE MACHINERY OF GOVERNMENT AT THE CENTRE HELD AT 10 DOWNING STREET AT 1515 HOURS on WEDNESDAY 23 JULY 1980

Present:

Prime Minister
Chancellor of the Exchequer
Lord President of the Council
Sir Derek Rayner
Sir Ian Bancroft
Sir Douglas Wass
Sir Robert Armstrong
Mr. C.A. Whitmore
Mr. David Wolfson
Mr. M.A. Pattison

The Prime Minister asked that the meeting should focus on the central question of whether to merge the Treasury and the CSD, and the mechanics of implementing the merger if this was agreed. Most people who had considered these issues appeared to believe that the manpower and expenditure control functions should be put together. She was not interested in a simple decision to bring the existing Treasury and CSD structures alongside one another. The type of merger which she had in mind would release some staff from existing CSD for redeployment to other Departments.

The Lord President pointed out that the staff of the various agencies within the Civil Service Department would continue in their present functions. Sir Ian Bancroft drew attention to paragraph 10 of the report enclosed with his minute of 1 July which defined the core of the CSD and separated this from the functions which would have to be swept up in a common services regime.

/Sir Derek Rayner

SECRET

Sir Derek Rayner recommended that the merger should be planned on a gradual basis. It should begin with the joining of the political functions, and this should be followed up by establishing a study team to work on the detail of the merger of the individual functions. His experience at the time of the winding up of the Ministry of Aviation Supply had been that six months careful planning provided the basis for quick and effective integration when the change was implemented. The Prime Minister said that she saw the merger as an opportunity to shed functions which had grown since CSD was carved out of the Treasury. She was concerned that the many young staff of CSD should be found worthwhile jobs: her impressions of CSD had been that many of these lacked worthwhile work there. Sir Ian Bancroft said that CSD numbers had been contracting, especially in the Civil Service College and Commission. The extent of further reductions would depend on which functions could be dropped. Sir Robert Armstrong said that the numbers to be released by the merger would only become clear when the detailed work had been completed.

Sir Douglas Wass noted the much greater effort in management efficiency, training and computer work which had developed since the creation of CSD. Much of this was valuable and would need to be retained. The Prime Minister recognised this, but made it clear that she wanted to see a reduction in the very detailed monitoring of Departments from the centre, which she characterised as 'graph-paper management'. Sir Ian Bancroft said that the Treasury style of managing expenditure had recently shifted away from dealing with the micro but while the Treasury could concentrate on the macro, the nature of current manpower restraint exercises required the CSD to work at the micro level.

The Chancellor said that he was no expert on the detailed implications of the merger. If the Treasury had not been split nobody would advocate such a move now. The central Departments had not managed to permeate other Departments with the approach to financial and manpower efficiency which Ministers wished to see in Government. These functions logically belonged together,

although the future of the CSD out-stations was a less urgent matter. He accepted the gradualist approach. His major concern was that the resulting workload at Chief Secretary level would be much greater than the post had traditionally carried. Sir Derek Rayner saw the merger as an opportunity to push back some of the central work to Departments. This would require central confidence in the key posts, especially PEO and PFO appointments. There had already been recent improvements in this area.

Sir Ian Bancroft reminded the meeting that he had made clear his personal preference for a much improved status quo. He asked the Prime Minister not to underestimate the disbenefits of change, especially taking account of the particularly heavy workload which both Treasury and CSD could expect in the coming winter. But if the merger was to go ahead, he agreed with Sir Derek Rayner's proposal for a quick unification at Ministerial level with other changes to follow gradually.

The Prime Minister asked about the optimum timing for any change. Sir Douglas Wass suggested that there should ideally be six months to prepare a blueprint for all changes, then implementation within a week. The ideal time for implementation would be a summer recess. A step by step process was likely to lead to 12 messy months. The Prime Minister said that she was not prepared to leave the process through to the 1981 summer recess. Sir Derek Rayner said that a clear public commitment was necessary which would provide the basis for a strong effort by a well-chosen team.

After considerable further discussion about timing in relation to workloads, and personality issues which might affect the decision, the Prime Minister expressed some doubts as to whether the merger would be worth the dislocation it might cost and as to whether it would offer economies in staffing, and in Ministerial posts, to the extent which she had hoped to find possible. It was arguable that the form of central control which she was advised to seek by this merger should be provided

/by the

by the right selection of senior staff in Departments. She was nevertheless prepared to announce a decision in principle once she had seen the report of the Select Committee on the Treasury and the Civil Service. This was apparently scheduled for 5 August and she would therefore be prepared to make an announcement before the summer recess. This would cover the political unification of the Departments, with detailed work to be completed by 30 November, allowing the new organisation to be put into effect during the Christmas recess. She would still wish to preserve the option of aborting the whole merger if the detailed work suggested much greater costs and dislocation than were at present anticipated. She would therefore wish to have a draft announcement prepared. While this was being done, Sir Ian Bancroft and Sir Douglas Wass should identify the members of the project team who would do the detailed work and should arrange for them to undertake such pre-announcement preparation as they could manage without running the risk of a leak. She would also wish to be assured that the changes were not likely to lead to redundancies at the end of this year.

The Prime Minister raised briefly Sir Derek Rayner's proposal for an Inspector General. She had not been enthusiastic about this but Sir Derek was pressing it hard. Sir Derek Rayner said that the real purpose of the idea was to continue his own role when he began to take a back seat towards the end of the year. In due course reorganisation ought to make this unnecessary, but the function would need to be continued for the present. The Chancellor said that it was most important that Sir Derek Rayner's efforts to reinvent himself should be successful: the title and organisational details were less important. Sir Douglas Wass said that he was concerned about efforts to secure greater efficiency in this way. The stimulant should be provided by the centre.

In a brief discussion of the rank needed for an individual to carry out the type of function envisaged, Sir Derek Rayner and Sir Robert Armstrong commented that it would need to be performed at a higher level than that of Under Secretary.

[Blind copies:
Mr Pattison (No 10)
Mr Wiggins (Tsy)
Mr Buckley (CSD)
Mr Green (CSD)
Mr Colman (CSD)
Mr Wright (CO)
Mr Taylor (Tsy)
Mr Stevens (CO)]

MAP.

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-~~930 5422 xxx~~ 233 8224

22 July 1980

D F Hubback Esq CB
Clerk to the Treasury and
Civil Service Committee
House of Commons
London SW1

Dear David,

Following your letter to Clive Priestley of 10 July, I enclose a note prepared by Sir Derek Rayner on the Principles Informing the Organisation of the Treasury and CSD.

Yours sincerely
David Allen

D R ALLEN

A VIEW OF THE PRINCIPLES INFORMING THE ORGANISATION OF THE TREASURY AND CSD

Note by Sir Derek Rayner

INTRODUCTION

1. The Sub-Committee has asked for my views on the principles which should be observed in deciding between different options for organising the Treasury and Civil Service Department. I emphasise that what follows represents only my own views.

2. It is very probably true that there is no "organisation of the centre of Government which is universally and for ever right" (Sir Robert Armstrong, Q770). I agree that it is questionable whether organisational change of itself produces the desired results (Mr Eggar, Q792) - a clear policy and firm leadership are needed for that.

3. However, there is a question about the utility of particular forms of organisation. I agree that political will cannot by itself "achieve maximum success unless there is a proper organisational structure to back it" (Lord Crowther-Hunt, Q978).

4. My conclusion is that the right way to make the centre a robust instrument of management is to unify the Treasury and the CSD. That would bring together under one Ministerial head the centre's functions with regard to economical and effective planning and management of manpower and money, whilst preserving the essential link between macro-economic management and the handling of public expenditure as one element within it.

5. The rest of this note explains that conclusion.

FACTORS TO BE HAD IN MIND

6. Central Government looks to departmental (or "spending") Ministers for responsible, effective management of resources as well as of policies, since it is they who plan for and consume resources.

7. There are practical limits to the extent to which Ministers can or should be expected to manage their Departments and the resources in their charge. Ministers, who are not permanent, have to rely on the Civil Service, which is, to provide them with and to operate on their behalf good systems of resource control and management.

8. Whatever part Ministers may themselves play in departmental management and whatever outside experience and thinking may be injected into it, the Civil Service possesses in a very large measure the practical and effective responsibility for good management. This applies equally to officials working for "spending" and "central" Ministers.

9. The implications of the collective responsibility of Ministers must be considered too. The Cabinet's responsibility for decisions on the Government's direct expenditure can be exercised confidently only if Ministers are satisfied that their colleagues' bids have been properly calculated and that expenditure control is fair as between competing claims. Ministers cannot be expected to get down to all the details of central control and other systems. So once again there is an important working assumption, namely that the systems operated by the Civil Service are effective.

10. Those considerations lead me to the view that the right policy for the centre (as also for departments) is one of securing good administration, including a means of satisfying Ministers that the design and operation of systems of control and management are sound. Elements of this policy are as follows:

a. The underlying administrative structures and practices which outlast successive Ministers should be of a quality which convinces them that they are standing on firm ground. The constitutional responsibility for ensuring that government management is excellent rests with Ministers.

b. The means of implementing a "good administration" policy must be found mainly in departments because that is where most responsibility lies. The centre should not need to second guess departments. But because both central Ministers and Cabinet must be able to rely on departmental management, the centre must satisfy itself that the systems and procedures operated by departments are reliable. This argues for three things, that the criteria of effectiveness in departmental systems must be known and promoted; the centre should selectively monitor departmental performance against them; and both the centre and departments should be suitably organised and staffed.

PREFERRED COURSE

11. The jobs of the centre are those of staff work for Ministers and the care, maintenance and development of the on-going management of the government machine.

12. In case "care" etc seems lukewarm, I emphasise that I attach very great importance to the job of the centre in providing technical and professional leadership for the Service, drawing upon departments to help in this as appropriate.

13. That job, and the job of assisting Ministers with their control functions, can in my view best be done by unifying the Treasury and CSD (Option (c) in the joint CSD/Treasury paper of 8 July). I make the following points in support of that conclusion:

a. In my business experience, it is a mistake to draw so sharp a distinction between types of resources as to treat one as wholly "monetary" in character and the other as wholly "personnel". Any successful and cost-effective organisation needs to consider, as different parts of the whole, what it should invest in policies, plant, systems and people and what it is committing itself to spend on them in the long term.

b. Similarly, in any relationship between a central authority and peripheral authorities, it is at best a recipe for difficulty if the centre is so organised as to separate control over money and manpower. The most reliable course is to combine in a single format control over all resources. For this reason, I do not favour the "co-ordination/co-operation" solution (Option (d)).

c. Although Government and business are not the same in either purpose or organisation both need a firm and clear-sighted control over the current use and prospective commitment of resources. This responsibility is of a peculiarly important kind in the public sector with its own, non-commercial disciplines.

d. I see that "administrative reasons" have been adduced for preferring one form of organisation to another. These include arrangements for spreading the burden of work on central Ministers; providing advice to the Prime Minister on, for example, top appointments and the machinery of government; and getting able people to work on "establishments" in the Treasury. Of those, the second and third should be readily dealt with by good official arrangements, subject to Ministerial approval. The question of load on Ministers, the most important of all those mentioned, is not insuperable. Senior Ministers have junior Ministers and officials to help them.

e. The fundamental question is that of the policy to be served by organisation. This I see as being to achieve excellence of management at the centre and in departments. To help achieve this, officials of appropriate personal and intellectual strength, with unmistakable instructions to carry out the policy, must occupy the key positions; departments must be more rigorous than ever in their control and use of resources; and the centre must show the right leadership. I should emphasise that I regard the leadership needed as positive, not negative, and that I regard the present juncture in our affairs as a first-class opportunity to build on and extend the good work that is to be found in the Service, but is not yet universal.

f. It is axiomatic that organisation should facilitate the implementation of policy. I believe that the present division between the Treasury and CSD is bound, despite the best endeavours of those concerned, to impede it, whereas a single organisation, under vigorous leadership, could in my judgment make a very greatly increased and substained contribution to effective management.

16. I do not favour Options (a) and (b), namely splitting either the Treasury or the CSD, for these reasons:

a. In the former case, I would not welcome the creation of a whole new range of important policy questions which had to be dealt with across what would be, in my view, an unnecessary borderline between economic management and the handling of public expenditure as one element in it. I think that the management and control of public expenditure can be dealt with effectively within the larger organisation of the classical Treasury.

b. In the latter case, I think there would be an equally needless split between the manpower, organisation and efficiency divisions of the CSD and divisions dealing, as paragraph 6 of the joint paper explains, with matters which are closely related and indeed often given expression to their policies.

17. Because I prefer Option (c) - unification - I would see Option (d), namely keeping the Treasury and CSD separate but increasing co-ordination and co-operation between them, very much as an "also ran" lying well down the field.

18. Again owing to my preference for unification I have not considered the question of changes in either the Treasury or the CSD (paragraph 4 of Mr Hubback's letter of 10 July), but it is axiomatic that the success of any organisation, whatever its purpose, depends on a clear specification of its job; the right leadership; and the right skills, experience and motivation including promotion for achievement.

19. In the short time available to prepare this submission I regret that I have not been able to consider the question of arrangements within Departments (paragraph 5 of Mr Hubback's letter).

CONCLUDING REMARKS

20. The Fulton Report which recommended the creation of the CSD is a brillant analysis of some important weaknesses of the Service, but with the benefit of hindsight, I believe that its proposal to create a separate Department to bring about the desired changes was mistaken.

21. The Report, in identifying the weaknesses under Treasury control, believed that by the creation of a new Department these weaknesses would be remedied. However, in setting up the CSD insufficient people were injected at senior levels who were sufficiently seized by the importance of management and whose

background and success in management would give the necessary professionalism to the implementation of the Fulton Report's proposals. (Lord Crowther-Hunt had some interesting comments on this matter in his evidence to your Committee.) This was a serious weakness given that from 1968 through to last year the CSD had tended to be an officials' department. Simultaneously, by creating a new Department without financial control, one of the two essentials of central authority was lost.

22. Given the complexity of Government, the shape and size of a Central Department is difficult to define with certainty of success but, in my view, it should be high in quality and range of management skills and low in numbers. In those successful large businesses known to me, it is the quality of those at headquarters that command respect and achieve success and not the growth in numbers and complexity.

23. One of the principle tasks of a central organisation must be to ensure that as much authority and responsibility as possible are delegated to Departments and its authority should be exercised in insisting that key senior appointments in Departments, for example, the Principle Finance Officer and the Principal Establishments Officer are chosen for aptitude and experience. It should use its authority to assist Departments in dealing with the problems that arise with over promotion and people who run out of steam. It should ensure that internal audit and controls are adequate, that management information systems are appropriate and that manpower planning takes fully into account the skills and experience needed to ensure the correct range of talents for the future. It should deal with and indeed exploit the contribution that individuals can make to the improvement of the organisation and less with the formalities of personnel policies.

24. In my view these functions of the centre are best served by a single department which combines the control of money and manpower. In 1968, when the weaknesses had been identified,

I believe that an attempt should have been made to ensure that the existing "headquarters" (pre-1968 Treasury) re-balanced its priorities. A division of responsibilities should always be considered as a last resort not least because the creation of a new Department will invariably follow the pattern of "divide and multiply".

Derek Rayner
22 July 1980

23 JUL 1980

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Gov't 3 March

PRIME MINISTER

THE MACHINERY OF GOVERNMENT AT THE CENTRE

Sir Ian Bancroft submitted with his minute of 30 June 1980 (attached) two reports on machinery of Government issues - one examining the case for restoring the central elements of the CSD to the Treasury and the other dealing with the possible creation of a new Common Services Agency comprising the PSA, HMSO, COI and the service functions of the CSD. These reports will be before your meeting at 1500 tomorrow, Wednesday 23 July, with the Chancellor of the Exchequer, the Lord President, Sir Ian Bancroft, Sir Douglas Wass, Sir Robert Armstrong and Sir Derek Rayner.

I suggest that you concentrate at the meeting on the basic question of the future of the CSD and the Treasury and leave on one side for the time being the report on common services which is not critical to the decision about the CSD and the Treasury. The essential issue to be decided (though you may not necessarily reach a conclusion at what is your first meeting on this topic tomorrow) is whether to continue with two separate departments or whether to bring the key elements of the CSD back into the Treasury. The main arguments for and against the merger are fairly simple. The case for rests first, on the lack of drive and impact by the CSD on the rest of Whitehall and second, on the belief that an amalgamation of the core of the CSD and the Treasury would permit tighter Government control of public expenditure and improved efficiency in the Civil Service. The arguments against the merger and for leaving the Treasury and CSD as separate departments turn mainly on the failure of the Treasury in the 1950s and 1960s to give adequate attention to those of their functions which became the heart of the new CSD following the report of the Fulton Committee. Ironically, many of the criticisms now levelled against the CSD are the same as those that were made about the Treasury 12 years ago. I think that we have to recognise that much of the rest of Whitehall would not welcome the re-integration of the core of the CSD with the Treasury simply because they would be sceptical about whether the new arrangements would be

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better than the existing ones and the pre-1968 ones. Nonetheless, there is so much dissatisfaction with the performance of the CSD that something has to be done. I do not believe myself that it would be enough to improve coordination between a separate Treasury and CSD, as Sir Ian Bancroft proposes: rather, I think that we have to go for the merger, in the hope that the Treasury have grasped the lessons of their own failures in the 1950s and 1960s and of the CSD over the last 12 years.

If you reach a decision at tomorrow's meeting in favour of the merger of the Treasury and the CSD, you will then need to take a view on how you want this done, so that the necessary planning can be set in hand. The options are set out in paragraph 29 (c-e) of the first report (Flag A), with the recommendation that we should adopt a step by step approach to integration. This seems right, but you will wish to ask Sir Ian Bancroft and the other officials how best to set about the detailed work that would be necessary if this option is adopted.

This in turn leads on to the question of public presentation. So far these studies have been confined to a very small circle of people and nothing has leaked. But once we get into detailed planning, many more people will be involved and leaks become much more likely. This points to a public statement once the basic decision has been taken.

I do not think that tomorrow's meeting need get into the subsidiary issues of the proposed Inspector General post and the arrangements at Permanent Secretary level in any integrated Treasury/CSD (about which Sir Ian Bancroft minuted you on 4 July). These are matters to be followed up once you have made the fundamental choice between a merger and going on with two separate departments.

JHH.

22 July, 1980

Prime Minister

This is Derek Rayner's further paper for the Select Committee. He will submit it tomorrow. MAD 24/VIII.

A VIEW OF THE PRINCIPLES INFORMING THE ORGANISATION OF THE TREASURY AND CSD

Note by Sir Derek Rayner

INTRODUCTION

1. The Sub-Committee has asked for my views on the principles which should be observed in deciding between different options for organising the Treasury and Civil Service Department. I emphasise that what follows represents only my own views.

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4. My conclusion is that the right way to make the centre a robust instrument of management is to unify the Treasury and the CSD. That would bring together under one Ministerial head the centre's functions with regard to economical and effective planning and management of manpower and money, whilst preserving the essential link between macro-economic management and the handling of public expenditure as one element within it.

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Paul ?

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background and success in management would give the necessary professionalism to the implementation of the Fulton Report's proposals. (Lord Crowther-Hunt had some interesting comments on this matter in his evidence to your Committee.) This was a serious weakness given that from 1968 through to last year the CSD had tended to be an officials' department. Simultaneously, by creating a new Department without financial control, one of the two essentials of central authority was lost.

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Derek Rayner
22 July 1980

10 DOWNING STREET

NSR.

The Prime Minister subsequently agreed that this minute should be circulated to the Chancellor and the Lord President. I have asked Mr Coleman to do this.

[illegible]

21 [illegible]

CONFIDENTIAL

cc for information
Mr Pattison

Sir Derek Rayner

SELECT COMMITTEE ON THE TREASURY AND CIVIL SERVICE

1. The Prime Minister is content for you to submit a paper on the CSD/Treasury issue to the Sub-Committee under Mr Robert Sheldon, MP.

2. Mr Allen and I have had a go at a paper in response to Mr Hubback's letter to me of 10 July (Flag A). The result is attached; I am showing it to Mr Pattison in case, despite the saving clause that the note is all your own work, it might be thought to prejudice the PM's position.

3. The draft, which must be cleared and conveyed to the Sub-Committee in time for their meeting on 23 July, is self-explanatory. But if you are unhappy with it Mr Allen will stand by next Monday to knock it into the shape you would prefer.

4. I have asked Mr Allen to assemble and let you have the relevant papers, including the joint note by the CSD and Treasury of 8 July and the Minutes of Evidence given by Sir Robert Armstrong, Sir Ian Bancroft with Sir Douglas Wass and Lord Crowther-Hunt.

5. He will also let you have copies of letters to the TIMES, beginning with the one on 8 July by the late Lord Armstrong. You should know that para. 13c of the draft is a direct reference to Lord Armstrong's letter. You may, out of respect to his memory, prefer to omit this sub-paragraph; I have included it partly as a briefing in case the sort of points mentioned by him come up at the PM's meeting on 23 July. It is apparent from the drafting of Lord Armstrong's letter that CSD had a hand in it but I think the overall effect is unfortunate.

6. That effect is to confirm what in my view was always the great flaw in CSD's character. From 1968 right through

17 JUL 1980

to last year, before the present Administration, the CSD was above all else an officials' department. Despite a few Ministers of quality the initiative rested in the hands of officials throughout. When Lord Armstrong was the top man, it was fine until he grew bored. Sir Douglas Allen never had any belief in CSD and went there on the absurdly mistaken assumption that he was going to succeed Sir William Armstrong as "Deputy Prime Minister".

7. The result has been that CSD has been effective either when it carried very heavy official guns (which it has not for most of its life) or when the force of circumstances has obliged Governments to use it as a bludgeon in the battle upon the manpower front.

8. It may well be asked whether merging CSD and Treasury would make any difference. Senior officials can be very ladylike. What would be needed would be, first, a clear and definite policy to achieve excellent management at the centre and in departments, including a rigorous control over the planning and use of resources, and secondly placing in the key appointments officials of appropriate personal and intellectual strength, with unmistakable instructions to carry out the policy. It goes without saying that progress with the policy should be monitored.

9. It should also be said that while the British Civil Service has the great strengths of integrity, freedom from corruption and an extensive dedication to public good, including a willingness to use new ideas and methods, its management still remains to a large degree a private matter, settled by the action or inaction of top people. The privacy of the system needs ending. I am convinced, after 10 years experience of working in CSD, much of it on management review in other departments, and after 20 years in the Service, that as in most organisations there is an unmistakable need for a powerful centre. The divide between the CSD and Treasury

can be justified and made to work but all my experience suggests that if the present opportunity to redress the balance between Ministers and the Civil Service, and between the centre and the "spenders" is not taken there will be no winners. As I think you have already mentioned to the Prime Minister, there are in the Service both a great willingness to be led and a great capacity to respond to leadership. To leave the CSD and Treasury divided now would, in my view, merely confirm the original error made in 1968. The right course then, and the right course now, is the re-inforcement of the Treasury so that, without unnecessarily interfering in the work of departments and avoiding the pin pricks so characteristic of CSD, there can be a coherent strategy for the reform of administration.

C PRIESTLEY
16 July 1980

Enc: Draft paper

DRAFT OF 16 JULY 1980

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Note by Sir Derek Rayner

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7. There are practical limits to the extent to which Ministers can or should be expected to manage their Departments and the resources in their charge. Ministers, who are not permanent, have to rely on the Civil Service, which is, to provide them with and to operate on their behalf good systems of resource control and management.

8. Whatever part Ministers may themselves play in departmental management and whatever outside experience and thinking may be injected into it, the Civil Service possesses in a very large measure the practical and effective responsibility for good management. This applies equally to officials working for "spending" and "central" Ministers.

9. The implications of the collective responsibility of Ministers must be considered too. The Cabinet's responsibility for decisions on the Government's direct expenditure can be exercised confidently only if Ministers are satisfied that their colleagues' bids have been properly calculated and that expenditure control is equitable as between competing claims. Ministers cannot be expected to get down to the details of central control and other systems. So once again there is an important working assumption, namely that the systems operated by the Civil Service are effective.

10. Those considerations lead me to the view that the right policy for the centre (as also for departments) is one of securing good administration, including a means of satisfying Ministers that the design and operation of systems of control and management are sound. Elements of this policy are as follows:

a. The underlying administrative structures and practices which outlast successive Ministers should be of a quality which convinces them that they are standing on firm ground. The constitutional responsibility for ensuring that government management is excellent rests with Ministers.

b. The means of implementing a "good administration" policy must be found mainly in departments because that is where most responsibility lies. The centre should not need to second guess departments. But because both central Ministers

and Cabinet must be able to rely on departmental management, the centre must satisfy itself that the systems and procedures operated by departments are indeed reliable. This argues for three things, that the criteria of effectiveness in departmental systems must be known and promoted; the centre should selectively monitor departmental performance against them; and both the centre and departments should be suitably organised and staffed.

PREFERRED COURSE

11. The jobs of the centre are those of staff work for Ministers and the care, maintenance and development of the on-going management of the government machine.

12. In case "care" etc seems lukewarm, I emphasise that I attach very great importance to the job of the centre in providing technical and professional leadership for the Service, drawing upon departments to help in this as appropriate.

13. That job, and the job of assisting Ministers with their control functions, can in my view best be done by unifying the Treasury and CSD (Option (c) in the joint CSD/Treasury paper of 8 July). I make the following points in support of that conclusion:

a. In my business experience, it is a mistake to draw so sharp a distinction between types of

resources as to treat one as wholly "monetary" in character and the other as wholly "personnel". Any successful and cost-effective organisation needs to consider, as different parts of the whole, what it should invest in policies, plant, systems and people and what it is committing itself to spend on them in the long term.

b. Similarly, in any relationship between a central authority and peripheral authorities, it is at best a recipe for difficulty if the centre is so organised as to separate control over money and manpower. The most reliable course is to combine in a single format control over all resources. For this reason, I do not favour the "co-ordination/ co-operation" solution (Option (d)).

c. Although Government and business are not the same in either purpose or organisation both need (but especially now and for the foreseeable future) a firm and clear-sighted control over the current use and prospective commitment of resources. This responsibility is of a peculiarly important kind in the public sector with its own, non-commercial disciplines.

d. I see that "administrative reasons" have been adduced for preferring one form of organisation to another. These include arrangements for spreading the burden of work on central Ministers; providing advice to the Prime Minister on, for

example, top appointments and the machinery of government; and getting able people to work on "establishments" in the Treasury. Of those, the second and third should be readily dealt with by good official arrangements, subject to Ministerial approval. The question of load on Ministers, the most important of all those mentioned, is not insuperable. Senior Ministers have junior Ministers and officials to help them.

e. The fundamental question is that of the policy to be served by organisation. This is I see as being to achieve excellence of management by and under Ministers in their Departments and by and under Ministers in their collective role in Cabinet. To help achieve both, departments must now be more rigorous than ever in their control and use of resources and the centre must show the right leadership in general and in particular. I should emphasise that I regard the leadership needed as positive, not negative, and that I regard the present juncture in our affairs as a first-class opportunity to build on and extend the good work that is so widespread in the Service, but not yet universal.

f. It is axiomatic that organisation should facilitate the implementation of policy. I believe that the present division between the Treasury and CSD is bound, despite the best endeavours of those concerned, to impede it, whereas a single organisation, under vigorous leadership, could in

my judgment make a very greatly increased and substained contribution to effective management.

16. I do not favour Options (a) and (b), namely splitting either the Treasury or the CSD, for these reasons:

a. In the former case, I would not welcome the creation of a whole new range of important policy questions which had to be dealt with across what would be, in my view, an unnecessary borderline between economic management and the handling of public expenditure as one element in it. I think that the management and control of public expenditure can be dealt with effectively within the larger organisation of the classical Treasury.

b. In the latter case, I think there would be an equally needless split between the manpower, organisation and efficiency divisions of the CSD and divisions dealing, as para. 6 of the joint paper explains, with matters which are closely related and indeed often given expression to their policies.

17. Because I prefer Option (c) - unification - I would see Option (d), namely keeping the Treasury and CSD separate but increasing co-ordination and co-operation between them, very much as an "also run" lying well down the field.

18. Again owing to my preference for unification I have not considered the question of changes in either the Treasury or the CSD (para. 4 of Mr Hubback's letter of 10 July), but it is axiomatic that the success of any organisation, whatever its purpose, depends on a clear specification of its job; the right leadership; and the right tools, of which the most important are suitable staff.

19. In the time available I have not been able to consider the question of arrangements within Departments (para. 5 of Mr Hubback's letter).

JS

10 DOWNING STREET

From the Private Secretary

MR. PRIESTLEY

Thank you for your minute of 11 July, about the request from the Select Committee on the Treasury and Civil Service to Sir Derek Rayner to submit a further paper as a contribution to their inquiry into the central departments.

The Prime Minister is entirely content that Sir Derek should respond. We look forward to receiving a copy of a draft of his paper in due course.

I am sending copies of this minute to Jeremy Colman (CSD), Robin Birch (Chancellor of the Duchy of Lancaster's Office), Jonathon Taylor (HM Treasury) and David Wright (Cabinet Office).

M. A. PATTISON

16 July 1980

Govt Machinery

2

SECRET

B/F 22-7-80

10 DOWNING STREET

From the Private Secretary

14 July 1980

Efficiency of Central Government

Further to my conversation with your office last week, I am writing to confirm that the above meeting will take place on Wednesday 23 July at 1500 at 10 Downing Street. The other people present at the meeting will be the Lord President of the Council, Sir Ian Bancroft, Sir Douglas Wass, Sir Robert Armstrong and Sir Derek Rayner. I am therefore copying this letter to their private offices.

CAROLINE STEPHENS

John Wiggins, Esq.,
HM Treasury.

KRB

SECRET

cc for information

Mr Colman (CSD)
Mr Stevens (CDL)
Mr Taylor (Tsy)
Mr Wright (CO)

Mr PATTISON

SELECT COMMITTEE ON THE TREASURY AND CIVIL SERVICE

1. I attach a letter from the Clerk to the Committee, together with a copy of the CSD/Treasury paper to which he refers (not copied to Messrs Colman and Taylor).

2. The letter follows two earlier phone calls from Mr Hubback, one to me and one to Mr Allen in my absence. When their substance was reported to Sir Derek Rayner, he confirmed his desire to be as helpful to this Select Committee as he can - not least because this provides him with an alibi should he need it in resisting requests from other Select Committees - and what I have told Mr Hubback, namely that if he had authority to send Mr Sheldon's Sub-Committee a paper it would be both personal and pretty short.

3. The purpose of this minute is to report that this approach has been made and to let you know that I will show you next week a draft paper which Sir DR might send to the Sub-Committee.

4. Insofar as the paper deals with the CSD/Treasury issue it will be based on the views that Sir DR has already expressed to the Prime Minister, in writing and orally.

5. In view of the fact that I go on leave on Wednesday evening, 16 July, I should be grateful if you would let me know before then whether there are any difficulties about all this or points which should be borne in mind in drafting.

6. I should close by emphasising that Sir DR will need to move reasonably fast on 21 and 22 July if he is to meet the Sub-Committee's timetable.

C PRIESTLEY
11 July 1980

Encs: Copy letters from and to Mr Hubback
Copy of CSD/Treasury note

CABINET OFFICE
70 Whitehall, London SW1A 2AS Telephone 01-~~XXXXXXXX~~ 233 8224

11 July 1980

D F Hubback Esq CB
Clerk
Treasury and Civil Service
Committee
House of Commons
London SW1

Dear David,

Thank you for your letter of yesterday, enclosing Minutes of Evidence by Sir Robert Armstrong, Sir Ian Bancroft and Sir Douglas Wass. I look forward to having Lord Crowther-Hunt's evidence next week.

I am sure that, provided he has the necessary authority, Derek Rayner will do his best to get a paper to Mr Sheldon's Sub-Committee by 23 July in recognition of its wish to report by Recess. I know that the Sub-Committee realises that this is something of a tall order as Rayner will have only two days in which to set down his thoughts and get them over to the House. This being so, I am sure that the Sub-Committee will not be expecting a paper of any great length.

You may like to know that I myself shall be going on leave next Wednesday evening, 16 July. My colleague David Allen will be here on 233 8550 and perhaps you would kindly regard him as your point of contact.

All good wishes.

Yours sincerely

C PRIESTLEY

9

COMMITTEE OFFICE
HOUSE OF COMMONS
LONDON SW1A 0AA
01-219 3285 (Direct Line)
01-219 3000 (Switchboard)

TREASURY AND CIVIL SERVICE COMMITTEE

10th July 1980

Dear Clive,

As promised I enclose the oral evidence the Sub-Committee has taken on the Role of the C.S.D. We took further evidence from Lord Crowther Hunt last night which will be available early next week.

I also enclose a paper about the four options the Committee has been considering. *

A paper by Sir Derek Rayner giving his views on the principles which should be observed in deciding between these options (or others if he wishes to include them) would be of great help to the Sub-Committee.

In considering the option of retaining the C.S.D. with its present function what changes would Sir Derek Rayner wish to see either in its organisation or staffing? If the Treasury were to take over some or all of the C.S.D. functions what changes would be necessary at the Treasury, whether staffing or organisation?

Whichever is the preferred option how can Departments improve their own efficiency e.g. by improving the training and staffing of their own Management Services Divisions? (The Sub-Committee has of course seen Sir Derek Rayner's very useful paper of 8th July Annex 2 of which has a direct bearing on the efficient running of Departments.)

You told me Sir Derek Rayner is away all next week but if at all possible the Sub-Committee would be most grateful for such a paper by 23rd July as they hope to report before the Recess.

Yours sincerely,
D. F. Hubback

D.F. Hubback
Clerk to the Committee

Clive Priestley Esq.,
Assistant to Sir Derek Rayner,
Cabinet Office,
Whitehall,
London SW1

* This is a note by CSD and Treas (The Organ. of H. Treas. and the CSD), dated 8.VII.80

IR (S05 CS) 41

THE ORGANISATION OF THE TREASURY AND THE CIVIL SERVICE DEPARTMENT

Note by the Civil Service Department and the Treasury

Introduction

1. At their hearing on 2 July 1980, the Sub-Committee asked for a paper describing in more detail the four options for the organisation of the central departments that Sir Robert Armstrong had identified in his evidence on 18 June.

2. The options were:

(a) to split the Treasury, merging its public expenditure control functions with the CSD, leaving the rest of the Treasury as a separate department;

(b) to split the CSD, transferring its manpower, organisation and efficiency divisions to the Treasury, leaving the rest of CSD as a separate department;

(c) to unify the Treasury and the CSD;

(d) to retain the Treasury and CSD as separate departments but to strengthen further the co-ordination and co-operation between them.

This paper briefly describes and comments on the pros and cons of each of these options, but does not seek to express a preference between them.

Split the Treasury

3. This option would unite supply control responsibility and brigade it with responsibility for the management of the Civil Service at the cost of splitting the present Treasury's unified responsibilities for economic questions. The Treasury's public expenditure functions would be merged with the CSD in a single "Department of Expenditure and Management", which would have unified responsibility for the planning and control of public expenditure programmes and their management within government. The rest of the Treasury would form a "Department of Finance and Economic Affairs".

4. It would then become necessary to handle across the boundary between the new departments:

(a) the interaction of public expenditure decisions with macro-economic analysis and policy-making;

(b) the construction of public sector accounts and the handling of issues related thereto, given that income would be largely the business of one department and expenditure that of the other; the inter-action of revenue and expenditure issues at the micro-level (eg policies on social security benefits and social security contributions) would also take place across the boundary; and

(c) the relationship of public expenditure to general industrial policy and the role of public sector enterprises.

This would increase the number of economic and financial decisions which had to come forward for collective discussion because they could not be settled within the Treasury. The co-ordination of the management of public expenditure with the responsibilities for public finance as a whole could become more difficult than it is when the Chancellor of the Exchequer and the Chief Secretary are able to act together within a single department.

Split the CSD

5. Under this option, too, there would continue to be two central departments. The CSD's manpower, organisation and efficiency divisions would be transferred to the Treasury, and the rest of CSD's functions (eg pay, personnel management, recruitment, training) would be the responsibility of a separate department.

6. On the one hand, this arrangement would unify supply control and the central responsibility for Civil Service efficiency. The arguments in favour of it are contained in the Eleventh Report from the Expenditure Committee for Session 1976-77. On the other hand, this option would separate control over the number of civil servants from control over Civil Service pay, pensions and allowances; but the bill for Civil Service manpower is the product of the two. Manpower control also involves control over grading (these functions would be transferred to the Treasury); but grading has strong links with both the structure for personnel management and the framework of pay rates (which would be the concern of the "rump" CSD). The split would make it more difficult to do effective forward planning because "demand" would lie with the enlarged Treasury and "supply" with the rump of CSD. There is also a relationship between future manpower requirements and the planning of computerisation, which is why manpower control and supervision of the Central Computer and Telecommunications Agency (CCTA) are brigaded together within CSD. Moreover, the organisation of people and the organisation of work have to be considered in close association; personnel management, training and recruitment have an important contribution to make to improved efficiency. It is also arguable that, stripped of its manpower and efficiency functions, the rump of CSD would carry little "clout".

Unify the Treasury and CSD

7. This option, like the others, would unify the central responsibilities for the control of public expenditure and manpower and for the efficiency of the Civil Service. But it would not entail breaking the strong and important links between the work on manpower and efficiency and that on man-management, pay, recruitment and training. Nor would it suffer the penalties of separating the control of public expenditure from the rest of the Treasury's functions. On the other hand, there would be a risk that the functions of the former CSD would receive less attention and priority than they do now when they are the full-time concern of a separate department. Moreover unification would add to the Ministerial responsibility of the Chancellor of the Exchequer and other Treasury Ministers.

Internal Organisation of a Single Central Department

8. If the departments were unified, there would be several options for the internal organisation of a single central department. One possibility might be to transfer CSD intact, recreating in effect the "Management" and "National Economy" sides of the Treasury that existed between 1962-68. Another would be to create "mixed" public expenditure and manpower divisions of the type which existed in some parts of the Treasury before 1962. There are other possibilities and it would require detailed study and planning to consider which might be most effective and what period of time, after the decision to unify was taken, would be required to complete the process of recorganisation.

Retain and Strengthen the Present Arrangements

9. The main argument in favour of the present arrangement is that it enables the Civil Service Department, as a separate department with its own senior Minister in the Cabinet, to give the whole of its attention to its responsibilities on the manpower and efficiency fronts and allows the Treasury to concentrate its attention on the control of public expenditure and on financial and economic policies. Retaining this arrangement would avoid the diversion of effort and disruption inherent in major changes of organisation.

10. If it were decided that the present arrangements should be retained, there would be scope for modest but nonetheless useful improvements in the existing co-ordination and co-operation between the Treasury and CSD. For example, there may be room for some adjustment or clarification of the two departments' responsibilities for the development of better financial management and associated systems of control within spending departments.

Civil Service Department
Whitehall
London SW1A 2AZ

H M Treasury
Parliament Street
London SW1P 3AG

8 July 1980

12 JUL 1980

COMMITTEE OFFICE
HOUSE OF COMMONS
LONDON SW1A 0AA
01-219 3285 (Direct Line)
01-219 3000 (Switchboard)

2.

Prime Minister

Subject to your approval, Derek Rayner is ready to respond to this further request. We will see a draft.

MAP 14/VII

Agreed

Mr Priestley informed by phone. MAP 16/VII

TREASURY AND CIVIL SERVICE COMMITTEE

10th July 1980

Dear Clive,

As promised I enclose the oral evidence the Sub-Committee has taken on the Role of the C.S.D. We took further evidence from Lord Crowther Hunt last night which will be available early next week.

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A paper by Sir Derek Rayner giving his views on the principles which should be observed in deciding between these options (or others if he wishes to include them) would be of great help to the Sub-Committee.

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Whichever is the preferred option how can Departments improve their own efficiency e.g. by improving the training and staffing of their own Management Services Divisions? (The Sub-Committee has of course seen Sir Derek Rayner's very useful paper of 8th July Annex 2 of which has a direct bearing on the efficient running of Departments.)

You told me Sir Derek Rayner is away all next week but if at all possible the Sub-Committee would be most grateful for such a paper by 23rd July as they hope to report before the Recess.

Yours sincerely,
D. F. Hubback

D.F. Hubback
Clerk to the Committee

Clive Priestley Esq.,
Assistant to Sir Derek Rayner,
Cabinet Office,
Whitehall,
London SW1

* This is a note by CSD and Treasury (the organisation of the Treasury and the CSD), dated 8.VII.80

BF 22/7/80

10 DOWNING STREET

Arranged for
1500 at No 10
on Wednesday
23rd July.

CJ.

9/7.

10 DOWNING STREET

Caroline:

Can you pl arrange the meeting mentioned in my letter below.

AAW

8vii

Caroline:

Long enough for a first go!

AAW 8vii

Mr Whitmore

I have got the Chancellor, the Lord President for 17.30-18.30 on Wednesday 16 July. Is this long enough. If so, I will get the others. CP. 8/7.

[Blind copy:- Mr Pattison]
CAW A good letter. [illegible] 9 vii
To see covering letter
MAP 9/VII

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-~~930 5422 ext~~ 233 8224

8 July 1980

The Rt Hon Edward du Cann MP
Chairman
Select Committee on the Treasury
and the Civil Service
House of Commons
London SW1

Dear Mr du Cann,

SELECT COMMITTEE ON THE TREASURY AND THE CIVIL SERVICE

Your Clerk has invited me to let you and your colleagues on the Committee have a statement on progress with the work with which I am associated. I have pleasure in sending you the enclosed note which updates the one I laid before your Committee in February; I should be obliged to the Clerk if he would, with your agreement, circulate it to members of the Committee together with a copy of this letter.

You will see that I emphasise in the note that my status is that of an adviser without executive authority and that the success of my contribution depends upon the response made by Ministers and officials. I draw attention to this in no negative or defensive spirit but to ensure that your Committee is under no misapprehension about my position.

Questions at recent meetings of the Committee to CSD officials have suggested that I have "succeeded" where CSD has "failed" and that I have been able to find savings where CSD has not. I cannot comment, of course, on anything that happened before I was appointed, but I would like to establish with you and your colleagues that the work with which my name is associated is done very largely by officials in Departments appointed by and working on behalf of their Ministers. If therefore savings have been found and reforms suggested, they have been found and suggested by Departments themselves rather than by me. My function in these exercises is chiefly that of advice, encouragement and a different perspective.

It may also be helpful to say a word about the working relationship between CSD and myself. As so often in these matters, "CSD", "the Treasury" or even "Marks & Spencer" can become misleading shorthands. In talking about "CSD", I have to think in terms of the policies for which its Ministers are responsible and for the

people who are responsible for advising Ministers on those policies and for implementing them. In terms of both policies and people there is generally a good relationship between CSD and my small office and myself.

I was very pleased to see that you told Sir John Herbecq that you regard your Committee and the CSD as allies. You were kind enough to say the same thing to me when I met the Committee in February. While it is entirely right for Parliament to retain a critical - even a suspicious - view of the Executive, I am sure that the causes of efficiency and value for money in the Government Service will be enormously assisted if we can help each other and be seen to be doing so.

Yours ever

Derek Rayner

Enc: Note on Progress with Rayner Exercises

SELECT COMMITTEE ON THE TREASURY AND
CIVIL SERVICE

Note by Sir Derek Rayner

---

1. This note is intended to update my Note of 12 February.

Rayner Projects 1979

2. Action Documents have been agreed setting out the decisions taken in principle, the likely timing of implementation and the possible savings in respect of 23 of last year's 29 projects. The extent to which Ministers have been able to accept the recommendations, subject in some cases to consultation, and the pace at which they plan to implement them are heartening. As I would expect of reports produced so quickly not all the recommendations have been accepted as proposed. But the main direction of the changes identified by the project officials has to date emerged unscathed, involving in some cases very difficult decisions, and they will be implemented, or begin to be, during this year and next.

3. The possible savings associated with these 23 projects amount to just under £20 million a year and £8.0-12.0 million once-for-all. Behind these absolute sums lie some significant percentage savings (eg 11.5 per cent of staff effort on the Inland Revenue's Form P46, 40 per cent of staff currently employed in the administration of farm capital grants). But not all the projects were aimed directly at achieving savings (eg Department of the Environment project on Management Information for Ministers) and others had benefits over and above financial ones (eg a more efficient paper handling system and better use of clerical staff in HM Treasury). Also in some cases the savings will not be quantifiable until further work is completed (eg merger of Foreign and Commonwealth Office and the former Ministry of Overseas Development).

4. Action Documents are outstanding in respect of 5 projects whilst necessary consultations and further work are undertaken prior to a decision in principle by Ministers. These are: Manpower Services Commission (review of TOPS allowances), Northern Ireland Office (Recovery of Public Debt), Department of Health and Social Security (Arrangements for paying Social Security Benefits), Department of Energy (Organisation of Research and Development in other Energy Technologies) and Department of Education and Science (Administration of the Teachers' Pension Scheme). The largest of these from the savings point of view is the Department of Health and Social Security project (potential savings of £50 million a year were identified by the project officials).

5. The Action Document is also outstanding for the Manpower Services Commission's Review of Skillcentres. In this case however the Commission announced its decisions in principle in April and confirmed these in June following further consultation. The planning of the series of moves required for the rationalisation programme is going forward and an action document will soon be available.

6. Among the important products of this work - which, I repeat, is done for Ministers by their Officials - is the following up by the Minister of State, Civil Service Department, of general lessons (eg about excessive supervision of local authorities).

Annual Scrutiny Programme

7. There will be 39 scrutinies this year. I annex an updated list.

8. Most studies are now under way; some are already completed or expected to complete this month. As with last year's projects, it will be for Departmental Ministers to take decisions on the recommendations before them and to make announcements. On the basis of meetings that I have had with officials carrying out the scrutinies, the visits I have made and preliminary drafts of reports that I have seen, I am again impressed by the quality of the officials undertaking the work, their radical questioning of functions and procedures and the dedication and co-operation of the staff working in the areas under scrutiny.

9. As with last year's projects, this year's scrutinies show that within the particular activities selected by Departments there are substantial opportunities for reduction of work, simplification and the better use of staff. No scrutiny is unique in the problems which it identifies. I am finding common threads, eg administrative systems get left behind by developments in business and technology; systems grow over-complex and cumbersome; networks of local and other provincial offices get out of date; systems get caught up in a plethora of complex rules and regulations designed to cope with every possible eventuality.

Statistical Reviews

10. The 22 statistical reviews being carried out within Departments and the review of the operation of the Central Statistical Office are well advanced. As with the projects and scrutinies I am impressed with the quality of officials and their work. The departmental studies will be completed over the next few weeks. There will then be an examination of inter-departmental issues and I shall be reporting to the Prime Minister and the Lord President of the Council in the Autumn.

Cost Information

11. Departments are assembling information on the cost of the manpower, goods and services used in running their operations. I annex a copy of a note which I circulated to Ministers to assist in this task. I emphasise that this is a trial year and that all Departments will not necessarily precisely follow the format suggested in the note.

12. Cost information will be presented to Ministers this year no later than September. In subsequent years it is intended that it should be scrutinised in May in time for them to influence the level and direction of change of such costs in the next and following years. This is a promising and important exercise because it enables Ministers to reach down into their Departments and establish and question the cost of activities.

Rules and Procedures which inhibit effective management

13. I have further developed my ideas which I have termed "lasting reforms". Studies, with which I am closely associated, are now being undertaken and should in general be completed this year. As with the scrutinies and other exercises out-lined above the work will draw upon the abundant talent that exists at all levels in the Civil Service. The studies include a consideration of the following -

- supplying Property Services Agency goods and services more completely on a repayment basis;

- greater flexibility in expenditure between financial years;

- methods of rewarding achievement in post and bringing talented people on;

- a model succession policy for key management posts;

- possibilities for shortening and making better use of the hierarchy;

- the managerial role of the Minister, the responsibility and accountability of officials (especially that of Accounting Officers and Key Managers) and the financial framework within which management takes place (ie Public Expenditure Survey, Votes and Management Information);

- the respective responsibilities of the spending and central departments;

- the costs of improving and applying regulations and standards (eg housing, fire, health and safety).

DEREK RAYNER

8 July 1980

Enc: Revised list of scrutinies, 1980
Note on the Scrutiny of departmental running costs

ANNEX I

SCRUTINY PROGRAMME 1980

Department	Project
Home Office	Method of dealing with applications for naturalisation and registration.*
Lord Chancellor's Dept	Administration of the Jury system.
Foreign & Commonwealth Office	Arrangements for providing and maintaining transport for Diplomatic Service posts overseas.
Overseas Development Administration	The Services of the Directorate of Overseas Surveys.*
HM Treasury	- The monitoring of central Government expenditure.*
	- Review of Procurement and Movement Functions of UKTSD.
	- Review of the Rating of Government Property Department
Inland Revenue	- Annual issue of PAYE deduction cards.*
	- Procuedures for rating proposals and appeals.
	- The use of Accounts Registers in tax districts.
HM Customs and Excise	- Distillery and Warehouse controls.
	- Co-operation between Inland Revenue and Customs and Excise in dealings with insolvent traders.
Department for National Savings	Rate of conversion of Computerising Premium Bond Records.
Department of Industry	The 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.
	- The requirement for, the role and organisation of the Claims Commission.
	- Management of internal efficiency and organisation.*
	- Review of Ministry of Defence building projects.*
Civil Service Department	The effectiveness of technical services of Central Computer and Telecommunications Agency.
Department of Employment (Joint Scrutiny with DHSS)	- The delivery of unemployment and supplementary benefit to unemployed people.*

Department	Project
Manpower Services Commission	Organisation of the Training Services Division*
Health and Safety Executive	The problems of assessing costs and benefits of health and safety requirements and the 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 Environment and Transport (Joint scrutiny with Department of Transport).*
	- The requirement for a works transport fleet (PSA).
Scottish Office	The advisory and monitoring activities of the Scottish Development Department with respect to local planning authorities.*
Forestry Commission	The administration of i. the private woodlands grant scheme and ii. the licensing of felling.
Welsh Office	The procedures for processing of major National Health Service building projects.
Northern Ireland Office	The operation of financial control within the Northern Ireland Departments and the Northern Ireland Office.*
Department of Health & 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 Employment).*
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 & Science	Administration of student awards.
Paymaster General's Office	Working relationship between the Paymaster General's Office and the banks.

Department	Project
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).*

Note Asterisks denote those scrutinies in which the Prime Minister has asked Sir Derek Rayner to take a special interest on her behalf.

ANNEX 2

ANNUAL SCRUTINY OF DEPARTMENTAL RUNNING COSTS

1. I recommended last year and it was agreed that "each Minister in charge of a Department should at the appropriate point in the PESC/Estimates cycle, scrutinise the overheads of his Department as well as his staff costs". This is because in order to run anything, one needs first to know and then to question his costs. But I also believe that Ministers should avoid excessive detail - they are not in the business of accounting for the petty cash.

Scope of the information needed

2. This note is about providing and using information on the cost of having a Department, that is, of its staff, of its buildings and of supplying it with goods (eg stationery, furniture and equipment for scientific research) and services (eg water and electricity) which it uses. In offering it to Ministers, I acknowledge that some departments may already have sophisticated information systems, especially those which have Trading Funds; the latter should not, in my view, be excluded from the scrutiny, but it may be that their costs are already displayed in enough detail in their accounts for there to be no need to assemble them again as suggested below (paragraph 11) and in the Annex.

3. I also recognise that the detailed day-to-day responsibility for good management cannot and should not be exercised by Ministers themselves but by their officials. However, officials' authority for making good use of manpower, goods and services is delegated to them by and they discharge it under and on behalf of Ministers. I see the peculiar responsibility of Ministers here most clearly represented by two inalienable tasks, approving their Estimates of Expenditure and satisfying themselves, by selective examination, that the manpower, goods and services used in their name are used efficiently and well.

4. It may not at first be clear what information on the cost of manpower, goods and services should include and exclude. I offer the following thoughts on this.

5. First, the information to be provided should be only for the manpower, goods and services used by Ministers in running their own operations and administration, ie those operational and administrative expenditures whose form, scale and deployment are under the direct personal control of Ministers. It may be helpful if I offer some comments in extension of that view:

a. I would exclude those "running costs" expenditures by such large public sector bodies as local authorities, the National Health Service and nationalised industries, since - although these are partly funded through departmental Votes - they are not under the Minister's personal control or within his management responsibility.

b. I would exclude grant-in-aid bodies, other than the Manpower Services Commission, Health and Safety Commission and the Advisory, Conciliation and Arbitration Service, since these are staffed by civil servants. I am writing to the Secretary of State for Employment about this. However, when in such cases the Minister's Accounting Officer is required to ensure that the body has an "appropriate financial regime", I recommend that it should be his responsibility also to assure himself that the head of that body has available to him a satisfactory management information system.

c. There may be problems of interpretation over the general aim, which is to include all relevant operational and administrative costs of the Minister's department. It might be argued that in some cases there is an unclear dividing line between, on the one hand, staffing, housing, maintaining and servicing a function and, on the other, the function itself. One example which has been mentioned to me is that of the Home Office's Prison Department, the question being where administration and "overheads" end and the function itself begins. I am firmly of the view that, for the purposes of the first year of this exercise, one need not strive to draw over-nice boundaries. In the case of the Prison Department, I would regard administration, "overheads" and function as forming a single cost centre and I would consider that all of this should be included as being part of the cost of running the operations of the Home Office.

d. By contrast, I would exclude expenditure not related to the operational management of the Department, even though it is spent on functions for which the Minister is directly responsible. Examples are intervention buying of agricultural produce, the development costs of Concorde and the government's contribution to teachers' superannuation. I would exclude also the cost of grants, loans or benefits to associations, organisations or individuals outside the department.

e. I understand that a particular problem may occur over agency or contractors' services. I suggest that where these are an essential part of the activity within the Minister's management responsibility, for example Post Office agency services, they should be included. However, where they go well beyond this (eg the use of local authorities as agents for trunk roads programme) they should be excluded.

f. I recognise that there may be special problems in the Ministry of Defence, owing to the difficulty of separating Civil Service from HM Forces costs.

6. Secondly, provided there is a broad consistency of treatment between departments, I do not think it matters much if in the first year in which Ministers scrutinise their departmental costs the exercise has rough edges and is to a degree experimental. I expect we shall all learn from the experience and I do not have a ready-made specification which will indicate with precision the exact scope and content of the data to be provided.

7. Thirdly, however, that "broad consistency" will be very much helped by the fact that it is already possible to specify with reasonable accuracy many of the constituent parts of a department's expenditure (see paragraph 11 below).

8. Fourthly, I suggest that the types of expenditure to be included should be determined not according to who pays, but who consumes. Whether or not repayment is introduced for those services currently provided on allied service terms, I suggest that Ministers will wish to manage their use and consumption of, for example, accommodation and PSA supplies as if they were a direct charge upon their Votes. Indeed I believe that the Treasury guide, Government Accounting, already asks departments so to behave. While the Property Services Agency is responsible for the management of the Government's

office estate as a whole, I see the consuming Departments as exerting a very powerful influence on the planning, allocation and control of such resources and, of course, as determining the total demand for them. Similarly, they determine the demand for other types of accommodation.

9. On this basis, I recommend that the information to be assembled should cover the following three broad categories of cost:

a. Those staff and other costs of running a department which are paid for out of its Votes and for which the Minister is accountable to Parliament.

b. The cost of those "supporting services" which are a charge upon the Votes of others and provided free to the department on allied service terms.

c. Those costs which do not entail actual expenditure by the department but which, I suggest, should nevertheless be taken into account when calculating the total cost to the taxpayer of running it. These costs are the pension and gratuity liability which accrue because staff are employed and the equivalent market rental of the offices the department occupies.

10. The Supply Estimates and associated tables provide some useful information on costs in those categories. But it is in my view an inadequate form for management purposes. For example, the information there given on "supporting services" is not presented on a departmental basis; the degree of detail about direct departmental costs is not sufficiently defined to enable the various components of the department's running costs to be managed individually; and the comparison with the previous year only does not offer an adequate span of time for effective monitoring.

Information about the Department as a whole

11. I have set out in the Annex relevant types of expenditure and the period the data should cover. The types are in brief:

A. Staff (including pension and gratuity liability)
B. Other services
C. Personnel overheads
D. Office and other accommodation costs
E. Office services
F. Other non-office expenditure

12. I recommend that all Ministers should have information prepared for them on this basis.

13. The costs are gross and expressed in money terms. Capital and current expenditures are separately identified (although in an ideal management information system capital expenditures would be displayed in an annualised form, depreciation and interest charges being the cost of the resources consumed each year).

14. In the case of services not paid for out of departmental Votes (paragraph 9b above), data on costs not already available to Ministers from within their own departments may be obtained from the Property Services and other agencies which supply those services. A list of contact points is given at the end of the Annex. If such costs are not at once available in the form required, they will be provided in the course of the coming year for incorporation in the schedule later. This procedure will apply to the PSA, Central Office of Information and Rating of Government Property Department and to HMSO and the CCTA in respect of expenditure before the move to repayment on 1 April 1980. It is another case where Ministers may need to accept that there will be some rough edges in the first year.

15. The cost of office accommodation (paragraph 11D above) can be charged at an equivalent market rental, by rental zones, whether it is leased or Crown freehold. This will put all departments on a comparable basis in monitoring accommodation costs. The cost of specialised buildings (Crown Courts, Prisons, Laboratories etc) is, I am informed, harder to assess. The PSA tell me that this is because there will often be no

market rent for such property and that it may be difficult to arrive at a capital value. In these cases, I propose, for the present, that only the capital cost of new construction undertaken each year should be shown. (Such projects will already have appeared in the department's PESC and will appear in Estimates.) For the future, it should be possible to devise a suitable method of capital valuation, possibly a form of depreciation based on initial or replacement cost. I have asked the PSA to advise me on this, as I am anxious that Ministers should have available to them a valuation of the capital assets in their hands. I intend to go separately into the questions of repayment for or attribution of PSA expenditure on behalf of user departments. The treatment of accommodation costs can accordingly be considered again in the light of the outcome.

16. I attach some importance to the question, covered by A in paragraph 11 above and the Annex, of how much pension liability as well as wage-salary and other cost liabilities a Minister accepts when he recruits staff. A career civil servant is a substantial investment from the moment he/she is taken on to the moment his/her working life ends, but pension liability is as much a cost of employing a civil servant as his/her pay. This point is covered by my recommendation on the inclusion of pension and gratuity liability at paragraph 9 above.

17. In case officials need help in interpreting the intended scope and coverage of the cost information, I have agreed with Mr Channon that they should write to Mr A R Williams, Manpower 1 Division, Civil Service Deparmtment.

Possible questions about the cost of the Department as a whole

18. In the first instance I suggest that information needs to be brought together and displayed for the department as a whole. It will provide Ministers with answers to such simple, but important questions as:

- What is the total cost of running my department now and how does it compare with costs in previous years?

- Which particular costs make a significant contribution to the total? What efforts is the department making to keep those under control?

- How much has inflation caused expenditure to rise and how is my department improving efficiency to off-set its effects?

- Are my non-staff costs moving in line with what would be expected in the face of changing staff levels?

- Where have I failed to achieve planned changes in my costs?

- Are the savings I am achieving merely at the margin or am I operating on the main bulk of my costs?

19. In addition to the information set out in the Annex, to provide Ministers with a feel for what they are buying for the taxpayer, I suggest that some of the expenditures should be supplemented vividly by notes on quantities, eg numbers of staff employed, square footage of office space, amounts of paper and energy consumed, numbers of staff trained, number of cars in the transport fleet.

20. I attach special importance to two things, firstly the level of staff wastage. If high, it means a significant wastage of resources, notably in the costs of recruitment, training and supervisory time, in addition to unrealised investment in wages and salaries. Similarly, it is necessary to give a clear breakdown of staff by grade. In my own business, I need to know how many managers, assistant managers, supervisors and sales staff we have and how many specialists, technologists and technicians. This is because, without careful scrutiny, the relative proportions of the various types of employee tend to change unpredictably and it is all too easy to make economies, not by cutting back on the numbers of senior grades, but on those whose jobs can most easily be measured.

21. Secondly, the cost of stocks. The "non-office expenditure" covered by paragraph 11 F above may include the purchase and storage of various kinds of stocks and stores. Where these include supplies that are expensive both to buy and to store, I suggest that it would be helpful to have a separate analysis to provide data on purchase and storage costs, so that Ministers can enquire why, for example, the level of purchase and stockholding has gone up or down.

Information about parts of the Department

22. Information about the department as a whole can only take Ministers part way along the road to effective management. To plan and control the costs of running their departments I suggest that they will need to ask, and to have information available to answer, such questions as:

- Why are the costs of particular items at the levels that they are and changing in the way they are?

- Where in my department do the cost of particular items mainly arise and the changes originate, eg HQ or Local Offices; Policy/Advisory or delivery of the services; desk staff or support staff?

- What is the rate of staff turnover or wastage, with particular reference to grades that matter to my operations?

- What grades does my staff consist of and in what numbers? Which are expanding or contracting and why? What change in the pattern of skills employed by my department does this represent and why?

- What is the cost to the department of running a particular programme?

- Are the staff and other costs of a particular programme moving in the same direction as my policy in relation to the programme? If not, why not?

- Where in my department have my economy drives failed to bite?

- How much have this year's policy initiatives affected the cost of running my department?

- In what areas could I achieve savings in the longer term by increasing expenditure in the short term?

23. I suggest that providing answers to such questions will mean underpinning gross information on the department as a whole with similar information on its component parts.

24. It will be necessary for costs to be got together in relation to organisationa units and, if Ministers so desire, expenditure programmes or particular activities. The definition of the "organisational units" and of "activities" will be for Ministers to determine in the light of their own departmental circumstances. For example, in some cases it might be satisfactory to specify a Deputy Secretary command as an "organisational unit", whereas in others an Assistant Secretary (or lower) command would be appropriate. An example of an activity could be training across the whole department.

25. Ministers need not have this supplementary information presented to them in its entirety unless they wish. It main purpose should be as a source of information which can be tapped so as to explain the data presented on the whole department and in answering Ministers' specific questions. It should also, of course, sharpen the awareness of costs and bring home the need to control them at all levels of management.

26. Having the wherewithal to examine the cost of a particular activity is the precondition for enquiring into value added for money spent. That enquiry should not and cannot be confined to appraising staff and running costs - it is bound to extend to the appraisal of the outcome of policies on the ground and therefore to the search for effective ways of assessing outcome. This may apply just as much to the expenditure of public bodies other than the department when Ministers are evaluating policies and considering the total cost of implementing a programme, but this note is addressed to the cost of departmental administration, not to the cost of policies.

Timing of the scrutiny

27. I suggest that Ministers should have an opportunity to scrutinise the cost of running their department in good time for the decisions they need to take each year on the level and direction of change of such costs in the next and coming years. I recommend therefore that departments should prepare

their analyses in April of each year for presentation to Ministers in early May. The decisions taken by Ministers on the detailed expenditures should then be reflected in the preparation of the next year's Estimates. In November each year, when these Estimates are being prepared forthe following financial year, I suggest that Ministers will then wish to ensure that their managment decisions have been taken on board and make further adjustments as necessary. But I should emphasise that I see the information as being just as if not more helpful to Ministers in relation to planning for later years as for the next following year. This is because, in my view, it bears heavily on the medium-term management policy of the department, as well as upon the scrutiny of costs here and now and to decisions on the administrative budget for the next year.

28. I recommend that the information should be scrutinised by the Minister in charge of the department. However the responsibility for taking the first look at the data might be delegated to a Minister of State or a junior Minister. He/she could also be responsible for any follow-up after the scrutiny.

29. The data listed in paragraph 11 and set out more fully in the Annex will also provide the base for an annual statement on the cost of running central government. This will be prepared by CSD Ministers for the Cabinet, who will consider it at about the same time as the PESC report. I understand that Mr Channon would like to receive returns from Ministers by the beginning of June, together with a commentary indicating each Minister's conclusions as a result of his scrutiny.

30. I recognise that all the information necessary to meet the management needs of Ministers may not be available in this first year of operation. It is important however that Departments begin now to refine their cost information systems with a view to its being fully operational in 1981-82. I therefore recommend that the scrutiny for 1980-81, although it should be done for real, should be regarded as a pilot run, so that the new procedures can operate smoothly in and from next year. I recognise that there could be problems of timing in this first year. If necessary,

in order to get a reliable test, the submission of trial analyses to Ministers could be put back, provided that Mr Channon received all returns by the end of September to allow enough time to consider the lessons to be learned from this first attempt at the scrutiny of costs.

31. I shall be glad to do what I can to help with the trial.

Summary of recommendations

32. Principal Accounting Officers should assure themselves that heads of bodies funded through departmental Votes have available to them a satisfactory management information system (paragraph 5b).

33. The information to be assembled should cover (a) staff and other running costs paid for out of the department's Votes; (b) the cost of supporting services provided on allied service terms; and (c) notional expenditure (paragraphs 9-12 and Annex).

34. Departments should prepare their analyses each April for presentation to Ministers early in May, beginning this year. Ministers' decisions on the detailed expenditures should then be reflected in preparing the next year's Estimates (paragraph 27).

35. The information should be scrutinised by the Minister in charge of the Department, although the first look and follow-up action might be delegated to a junior Minister (paragraph 27).

36. The 1980-81 scrutiny, although done for real, should be regarded as a pilot run (paragraph 30).

Derek Rayner
Cabinet Office
Whitehall SW1

22 February 1980

TOTAL DEPARTMENTAL COSTS

	Penultimate Year (Actual) Gross	Last Year (forecast Outturn) Gross	This year (Estimate) Gross	Last year - This year: Increase/ Decrease + or -	Last year - This year: % Change + or -
A. Staff					
1. Average Numbers of permanent staff					
2. Costs	£	£	£	£	
Wages and Salaries (including Insurance contribution)					
i. Permanent Staff (UK based)					
ii. Overtime					
iii. Casuals					
iv. Period Appointees; staff on loan from outside bodies (paid for by the department)					
v. Staff locally engaged overseas					
vi. Employers' super-annuation contri-butions					
vii. Other pay costs					
3. Pension and gratuity liability (1)					
TOTAL WAGES AND SALARIES					
B. Other Services					
1. GIRO and other banking services					
2. Post Office Agency charges					
3. Other agency charges, cost of staff employed by contractors, consultants and fee paid staff					
[Note: this item is intended to include the employment of contract labour eg cleaning staff but not the direct labour element in government contracts]					
4. Payments to other departments for services provided (eg establishments or common support services)					
[specify each department separately]					
TOTAL OTHER SERVICES					

(1) Notional expenditure only.

	Penultimate Year (Actual) Gross	Last year (forecast Outturn) Gross	This year (Estimate) Gross	Last year - This year: Increase/ Decrease + or -	Last year - This year: % Change + or -
	£	£	£	£	
C. Personnel overheads					
Travel					
Subsistence					
Entertainment					
Removals					
Catering Subsidies					
Protective Clothing, Uniforms etc					
External training, seminars etc					
TOTAL PERSONNEL OVERHEADS					
D. i. General Office Accommodation Costs					
Equivalent market rents (1)					
Rates (2)					
Heating, lighting(2)					
Maintenance (2)					
Furniture and fittings (2)					
ii. Other Accommodation Costs					
Rates (2)					
Heating, lighting(2)					
Maintenance (2)					
Furniture and fittings (2)					
Capital Costs - New Construction (2)					
TOTAL ACCOMMODATION COSTS					

(2) Expenditure borne on other departments' Votes (also applies to stationery, printing, office machinery and administrative computers before 1980-81).

	Penultimate Year (Actual) Gross	Last Year (forecast outturn Gross	This Year (Estimate Gross	Last Year-This Year Increase/ Decrease + or -	Last Year-This Year % Change + or -
	£	£	£	£	
E. Office Services					
Carriage, freight					
Transport-own department (inc.vehicle maintenance)(3)					
Transport-PSA(2)(3)					
Telecommunications (3)					
Postage					
Office Machinery(3)					
Stationery					
Photocopying					
Printing & Publications (3)					
Publicity and advertising (2)(3)					
Library Services					
Administrative Computers (3)					
Minor Administrative Expenses [separately annotated where substantial]					
TOTAL OFFICE SERVICES					
F. Other Non-Office Expenditure					
i. Capital Expenditure					
Land					
Plant & Equipment					
Vehicles					
ii. Running Costs					
Land					
Plant & Equipment					
Vehicles					
iii. Other Current Costs					
TOTAL OTHER EXPENDITURE					
TOTAL EXPENDITURE A-F borne on own Votes					

	Penultimate Year (Actual) Gross	Last Year (forecast outturn) Gross	This Year (Estimate) Gross	Increase/ Decrease + or -	% Change + or -
	£	£	£	£	
TOTAL EXPENDITURE A-F borne on other depts' Votes (2)					
TOTAL EXPENDITURE A-F which is notional only (1)					
GRAND TOTAL A-F					

(1) Notional expenditure only

(2) Expenditure borne on other departments' Votes (also applies to stationery, printing, office machinery and administrative computers prior to 1980/81).

(3) Please separate expenditure between Capital Costs and Running Costs where possible.

Notes: (a) Pension and Gratuity Liability is to be calculated on the latest rates notified by the Treasury [currently 19% for Non-Industrials and 16% for Industrials].

(b) Substantial costs will also need to be subdivided by organisational units (eg locations, functions, Under Secretary Commands etc). The precise nature of the breakdown will need to reflect the internal organisation of the department itself. All staff costs will require this treatment; the separation of other costs will depend upon a number of factors eg practicability, materiality and whether cost control will be facilitated.

(c) Expenditure figures should be shown gross. A separate note analysing receipts may also be required in order to present a full picture.

(d) Current year figures should be reconcilable with those shown in Supply Estimates after allowing for notional items. Figures for last year should be as near as possible to the final appropriation account figures. Penultimate year figures must be exactly reconcilable with that year's Appropriation Accounts.

(e) Any goods or services provided free to the department on allied service terms should be marked. The expenditure to be shown under these items should be obtained from the relevant allied service department.

(f) The contact points in these departments are as follows:

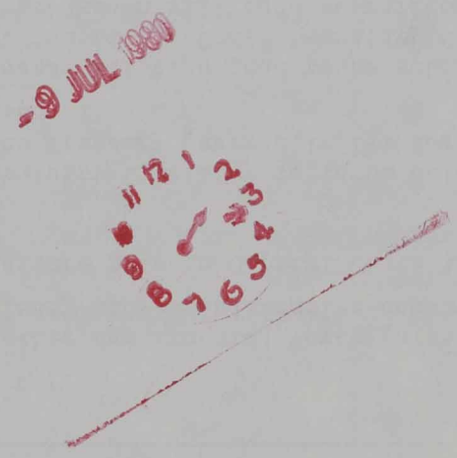
Property Services Agency: Mr P B Overton, 20 Albert Embankment, London SE1(211 3254)

Central Office of Information: Mr D J Etheridge, Hercules Road, London SE17(928 2345 ext 8114)

Rating of Government Property Department: Mr P S Mewes, 69 Notting Hill Gate, London W11 (229 9841 ext 46)

HM Stationery Office: Mr P Jefford, Sovereign House, Botolph Street, Norwich (0603 22211)

Central Computer and Telecommunications Agency: Mr D Fowler, Riverwalk House, 157-161 Millbank, London SW1 (211 0327)


-9 JUL 1980

Govt. Machinery

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

Minister of State

M Pattison Esq
10 Downing Street
LONDON SW1

7 July 1980

MAP 7/VII

Dear Mike

Part 1 ~~with MAP~~?

Clive Priestley's note to you of 3 July attached a draft note to the Select Committee on the Treasury and Civil Service by Sir Derek Rayner updating his earlier memorandum of 12 February.

This is just to ask you to note that we have suggested a limited amendment of paragraphs 12 and 13 to the Rayner Office, which they will be seeking Sir Derek Rayner's agreement to. (The change was not in time to catch the draft that you now have.)

Yours sincerely

Geoffrey Green

G E T GREEN
Private Secretary

7 JUL 1980

10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

I am returning the proof copy of the minutes of evidence which you gave to the Treasury and Civil Service Sub-Committee when you appeared before them on Wednesday 18 June.

I have shown the minutes to the Prime Minister, and she was glad to have had a sight of them.

G A WHITMORE

7 July 1980

SECRET

Ref. A02554

PRIME MINISTER

The Organisation of the Central Departments: Arrangements at Ministerial Level

This note is intended to expand paragraphs 19 to 21 of the memorandum enclosed with Sir Ian Bancroft's minute of 30th June about the implications of a merger of the Treasury and the Civil Service Department at Ministerial level.

Existing dispositions

2. At Ministerial level the present appointments in the two departments are as follows:

Treasury

Chancellor of the Exchequer	(Cabinet)	(Sir Geoffrey Howe)
Chief Secretary	(Cabinet)	(Mr. Biffen)
Financial Secretary		(Mr. Lawson)
Minister of State		(Mr. Rees)
Minister of State		(Lord Cockfield)

Civil Service Department

Lord President	(Cabinet)	(Lord Soames)
Minister of State		(Mr. Channon)

3. In this Government, as in the last, the Cabinet Minister in charge of the Civil Service Department has combined that with the Leadership of the House of Lords, and, at times when there were more Cabinet committees, the tendency was to use this Minister to chair some of the Ministerial committees which the Prime Minister did not wish or need to chair himself.

4. Experience while Lord Soames was in Salisbury suggests that the Ministerial work of the Civil Service Department can be carried without overstrain by one Minister. That might not be the case if the one Minister was a member of the Cabinet who was expected, by virtue of his political position, to take a large part in the work of Cabinet committees in which the Civil Service Department had no departmental interest.

5. As for the Treasury, my impression is that, while the Chancellor carries a very full and the Chief Secretary a reasonably full load of work, that may not be the case at junior Minister level: I understand of course that there are political reasons for having three junior Ministers, but I believe that the existing workload alone would not justify more than two.

Requirements for a merged Treasury-CSD

6. The Prime Minister could continue to be, as you are now, Minister for the Civil Service as well as First Lord of the Treasury: indeed you would have so to continue unless and until a Transfer of Functions Order transferred the functions of the Minister for the Civil Service to the Treasury. If all the Civil Service Department's functions went to the Treasury, there would be no technical need to retain the title of Minister for the Civil Service: it would be enough that you were First Lord of the Treasury. But there might be some political advantage in your retaining the title, at a time when the Civil Service Department was losing its identity in the Treasury: it would be seen as a demonstration that you were not proposing to give up your responsibilities for and your interest in the efficiency and welfare of the Service.

7. I believe that the Chancellor of the Exchequer would have to continue to be in overall charge of the Treasury, and to accept that he had ultimate responsibility, under the Prime Minister, for all the business with which it dealt. He would have therefore to find some time for Civil Service matters. But I think that he could limit that, by delegating to other Treasury Ministers.

8. One of the main purposes of the merger would be to bring control of resources and finance and control of manpower under single direction. This strongly suggests that the Chief Secretary should be responsible for the manpower control, management and efficiency aspects of the work which the Civil Service Department now does. So long as he continues to be a member of the Cabinet, he should have the status and authority to be accepted, as he now is on matters of expenditure, as the Minister in charge, and there should be no "appeal to the Chancellor".

9. On other matters now dealt with by the Civil Service Department mainly pay and personnel management, including training and recruitment, day-to-day responsibility could be delegated to a junior Minister, who could be identified as the junior Minister with specific responsibility for these matters, and could give them first priority. He might report either to the Chancellor or to the Chief Secretary, or to one on some matters and the other on others. But, as the Chancellor of the Exchequer is bound to be closely interested in pay questions by virtue of his wider responsibilities, it would probably make sense for him to be the "lead" Minister on pay, and for the junior Minister to report to him at least on the pay aspects of his work.

10. I believe, therefore, that it should be possible to organise the work at Ministerial level in the Treasury on the basis of a team of five Ministers, interconnecting on the lines of the diagram attached.

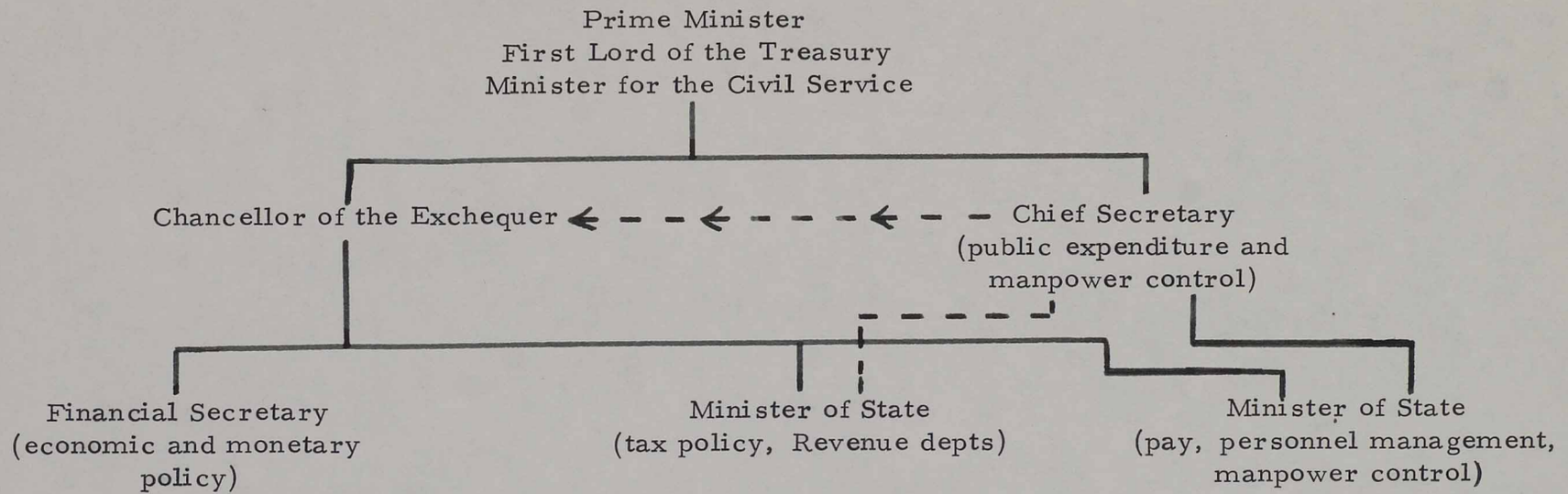
11. There may be other personal or political considerations which would justify or require a larger team. For instance, the Treasury has a considerable parliamentary load to carry, including the Finance Bill. This may well require not fewer than five Ministers in the Commons, if the burden on the Chancellor is to be supportable. If one of the Ministers in the enlarged Treasury was to be a member of the House of Lords, there would have probably to be six Ministers; and in that case the work at Minister of State level would no doubt be differently distributed.

12. I have not sent copies of this minute to the Chancellor of the Exchequer or the Lord President.

RWA

(Robert Armstrong)

7th July, 1980


Prime Minister
First Lord of the Treasury
Minister for the Civil Service
Chancellor of the Exchequer
Chief Secretary
(public expenditure and
manpower control)
Financial Secretary
(economic and monetary
policy)
Minister of State
(tax policy, Revenue depts)
Minister of State
(pay, personnel management,
manpower control)

VLS

cc HMT
CDL
CSD
CO

10 DOWNING STREET

From the Private Secretary

MR. PRIESTLEY
CABINET OFFICE

The Prime Minister has seen the updated note for the Select Committee on the Treasury and Civil Service which you sent to me under cover of your minute of 3 July.

She regards this as an excellent paper, and is entirely content that it should be submitted to the Select Committee.

I am sending copies of this minute to Mr. Hall (H.M. Treasury), Mr. Stevens (C.D.L.), Mr. Green (C.S.D.) and Mr. Wright (Cabinet Office).

M. A. PATTISON

7 July 1980

VLS

RESTRICTED

VLB

FILE

CC HMT
CO

MR. COLMAN
CIVIL SERVICE DEPARTMENT

The Prime Minister has seen the draft paper for the Select Committee on the Treasury and the Civil Service which Sir Ian Bancroft sent to Mr. Whitmore under cover of his minute of 4 July.

She is content that this should be submitted to the Select Committee.

I am sending copies of this minute to Jonathan Taylor (Sir Douglas Wass's Office, H.M. Treasury) and David Wright (Cabinet Office).

M A PATTISON

7 July 1980

RESTRICTED

VLS

PART 1 ends:-

MAP to PM 4.7.80

~~PM~~

~~BANCROFT TO CAW 4-7-80~~.

PART 2. begins:-

MAP to CSD 7.7.80