

PREM 19/409

Long Term Management +
 Manpower Policy
 Slimming down staffs engaged
 in L.A. Affairs
 Performance related pay PART 8

CIVIL SERVICE

PE 1: MARCH 79

PE 8 MARCH 81

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
8.5.81							
19.5.81							
8.6.81							
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PREM 19/409

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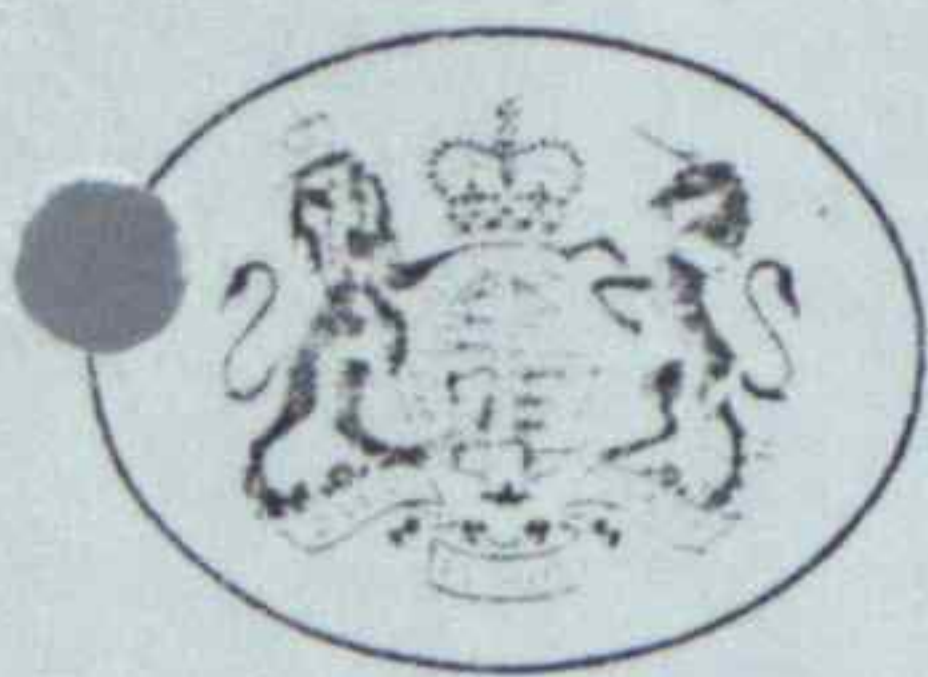
PART 8 ends:-

S/S Ind to CDL 28.9.8

PART 9 begins:-

CDL to fm 28.7.8

Civil Service



DEPARTMENT OF INDUSTRY
 ASHDOWN HOUSE
 123 VICTORIA STREET
 LONDON SW1E 6RB
 TELEPHONE DIRECT LINE 01-212 3301
 SWITCHBOARD 01-212 7676

Secretary of State for Industry

28 September 1981

The Rt Hon Baroness Young
 Chancellor of the Duchy of
 Lancaster
 Civil Service Department
 Old Admiralty Buildings
 Whitehall
 London SW1

Wm
Widge 20/9

Dear Baroness,

CHAIN OF COMMAND: OPEN STRUCTURE

Christopher Soames wrote on 11 September to invite colleagues to commission our Permanent Secretaries to conduct the proposed reviews of our Open Structure posts in accordance with the principles laid down in Sir Geoffrey Wardale's report.

2 I shall be glad to do this and I intend to take a close personal interest in the review in my Department. I am glad to learn that the Department has already achieved a reduction of 15% on the numbers of Open Structure posts at April 1979.

3 Having so recently come to this Department I have not yet formed a view on whether it will be possible to achieve a 35% reduction on the April 1979 figures. But I am sure it is right to set ourselves a tough objective.

4 Christopher Soames' letter does not say whether it is intended to make our objective public. I think we should be wary of doing so unless we can be reasonably sure of attaining it. Missed targets have a way of coming home to roost. Also, I am already worried about morale in the Civil Service and public discussion of cuts of the kind proposed could damage efficiency.

5 Copies of this letter go to Cabinet colleagues, Sir Robert Armstrong and Sir Derek Rayner.

Yours faithfully,
[Signature]



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

From the Minister

The Rt Hon Baroness Young
Chancellor of the Duchy of Lancaster
Civil Service Department
Whitehall
London
SW1

R
28/9
28 September 1981

MANAGEMENT - IN CONFIDENCE

R. G. G. G.
CHAIN OF COMMAND : OPEN STRUCTURE

I am sorry that because of my official visit to South America I am a little late in replying to Christopher Soames's letter of 11 September, in which he proposed a review of Open Structure posts in each Department against the criteria recommended in the Wardale report.

I am perfectly content to ask my Permanent Secretary to conduct a review of posts in this Ministry on these lines. I would however make two points by way of qualification. First, like a number of our colleagues I am sure we must handle the announcement of this carefully, so as to minimise the inevitably adverse effects on morale. Secondly, I believe it would be wrong to tie ourselves to a target of a 35 per cent cut. This would be bound to become known and its apparently drastic nature - more than twice the percentage cut we are aiming at for the Civil Service as a whole - would appear arbitrary, would damage morale to an unacceptable degree and, as colleagues have made clear, would in a number of cases prove in the event to be unrealistic. I should perhaps add that I have already carried out a Management Review of this Ministry's Top Structure with the help of your Department, and have implemented the cuts it recommended.

I am sending a copy of this letter to Cabinet colleagues, Sir Robert Armstrong and Sir Derek Rayner.

P. Walker
PETER WALKER



SECRETARY OF STATE
FOR
NORTHERN IRELAND

NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
LONDON SW1P 3AJ

24 September, 1981

The Rt Hon the Baroness Young
Chancellor of the Duchy of Lancaster
Civil Service Department
Whitehall
London SW1A 2AZ

L
24/9

Dear Lady Young,

Christopher Soames sent Humphrey Atkins a copy of his letter of 11 September to Willie Whitelaw about simplifying the chain of command in the Open Structure.

The Northern Ireland Office (which did not exist in 1964) has only 8 Open Structure posts; and the unpredictable nature of our work and the fact that we have to operate in London and in Belfast make it difficult to organise the Department in what might otherwise be the most economical way. Until I have had a chance to assess the whole position I cannot be sure what my staffing requirements at senior levels are likely to be.

I am, however, content that we should conduct the proposed review of our posts, and I have asked my Permanent Secretary to set this in hand. I am also taking steps to see that a corresponding review is undertaken in respect of the Northern Ireland Civil Service.

I am copying this letter to the Prime Minister, and to Cabinet colleagues, Sir Robert Armstrong and Sir Derek Rayner.

Yours sincerely,
S. W. Bayly

(Signed on behalf of the
Secretary of State in
his absence)



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

The Rt Hon Baroness Young
Chancellor of the Duchy of Lancaster
Civil Service Department
Old Admiralty Building
Whitehall
LONDON SW1

22 September 1981

NM ~

KV

23ix

Dear Janet

I am writing in response to Christopher Soames' letter of 11 September in which he proposed a review of Open Structure posts in each Department against the criteria recommended by the Wardale report.

I am entirely content to ask my Permanent Secretary to conduct such a review in close co-operation with Department of the Environment with whom we share common services and a common citizenship. We will aim to let you have our conclusions not later than the end of February 1982 as Christopher suggests in his letter. We already have firm plans for the reduction in the number of our senior posts and I hope it will be possible to supplement these by applying the Wardale principles. We must, however, shape our organisation to match today's needs which may prove to be, on examination, very different from those which engaged the Civil Service in 1964. So I would not wish to feel committed to a particular size of reduction until I have considered the outcome of the review.

Yours ever
David

DAVID HOWELL

FROM:

THE RT. HON. LORD HAILSHAM OF ST. MARYLEBONE, C.H., F.R.S., D.C.L. B 2,



HOUSE OF LORDS,
SW1A 0PW

MANAGEMENT IN CONFIDENCE

21 September 1981

Prime Minister

MS *Mr.*
23mi

My dear Janet,

Chain of Command: Open Structure

Christopher Soames' letter to colleagues of 11 September enclosed a copy of Sir Geoffrey Wardale's report on the Open Structure and invited Ministers to arrange for a review of all the Open Structure posts in their Departments with a view to eliminating unnecessary layers in the hierarchy. I am prepared to arrange for such a review to be undertaken in each of my Departments, although the recent Management Review of LCD has covered much of the ground already. I am writing to you separately about the follow-up to that.

I am concerned however at the proposal that the review should operate against a "yardstick" of a 35 per cent reduction in Open Structure posts compared with April 1979 levels. We are aiming to reduce the size of the Civil Service as a whole by 14 per cent compared with the 1979 level and I have seen no evidence, either in the Wardale Report or elsewhere to suggest that it would be possible to reduce the Open Structure by this very much larger percentage. I therefore think it would be most unwise to commit ourselves to an arbitrary target such as this, for which I am unable at present to see any logistical reasoning.

I am not clear whether or not it is intended that the 35 per cent figure should be quoted when the Wardale Report is published, but in any event it is bound to become public knowledge if we use it.

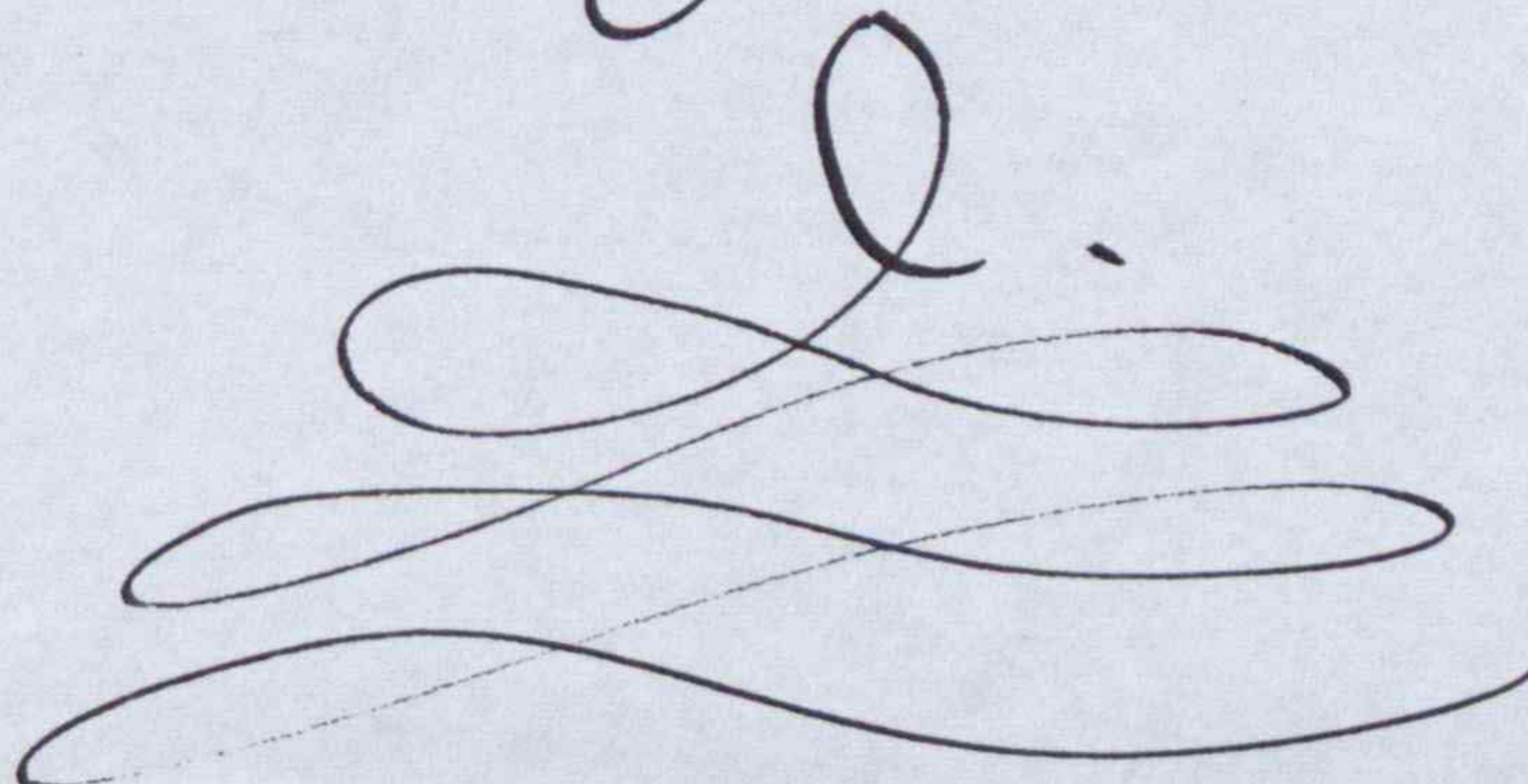
.../We should

The Baroness Young,
Chancellor of the Duchy of Lancaster,
Civil Service Department,
Whitehall,
London, SW1

We should not overlook the fact that during the recent industrial action the senior management in several Government Departments did a great deal to maintain services and I think we would be ill-advised to risk forfeiting their loyalty unnecessarily. If it becomes public knowledge that the Government regards the Open Structure as 35 per cent overstaffed this can hardly be expected to improve the morale of its members, and the damage to the promotion prospects of those below it would be a severe blow. We should not risk jeopardising the loyalty of the senior management in the Service for the sake of an arbitrary, and probably unattainable, target such as this. So while I fully agree that we should have a thorough review of the whole of the Open Structure I do not think that we should do so against a commitment to secure a given level of reductions.

I am sending a copy of this letter to Cabinet colleagues, Sir Robert Armstrong and Sir Derek Rayner.

Yrs:

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the bottom.

FROM LORD HAILSHAM OF SAINT MARYLEBONE



MM
L
21x

OVERSEAS DEVELOPMENT ADMINISTRATION
ELAND HOUSE
STAG PLACE LONDON SW1E 5DH

Telephone 01-213 5409

From the Minister

21 September 1981

Dear Ianell

CHAIN OF COMMAND: OPEN STRUCTURE

In Peter Carrington's letter to you of 21 September he indicated that I would be writing to you separately on this issue because the ODA is fundamentally different from the Diplomatic Wing, as far as the senior management grades are concerned, in that officers here are of course members of the Home Civil Service whereas Diplomatic Service Officers are not and were outside the remit of the Wardale study.

It seems to me that the Wardale report recommendations are broadly along the right lines. Christopher Soames's letter of 11 September to Willie Whitelaw set out a number of suggestions for following up the report and proposed as a yardstick a 35 per cent reduction in the number of Open Structure posts in existence in April 1979. Clearly it is useful to have some sort of common target in mind but, particularly in smaller Departments, I am sure we shall need to be flexible in applying it. The real test must be the level of staff required to carry out efficiently the tasks laid upon each Department.

My principal objective at this stage, however, is to make it quite clear that we here have already been through the process of scrutinising the top management structure to bring about more efficient and cost-effective arrangements. The Management Review that was completed in 1980 looked most rigorously at all aspects of the ODA and, as a result of that and of later changes, the number of posts in the Open Structure in ODA has already been reduced from 15 in April 1979 to 11 at the present time - a decline of 27 per cent. The changes included the amalgamation of posts, the abolition of two Deputy Secretary posts and the assumption by our Chief Advisers at Under Secretary level of a number of administrative responsibilities. The results of this Review were endorsed by other Departments, including CSD and clearly the scope for further reductions or rationalisation is extremely limited.

/While,



While, therefore, I am of course content for the Wardale report to be made more widely available I propose simply to report on the changes that have been undertaken here. In the case of ODA the "rigorous assessment" that you want has already been carried out, although naturally it will be Sir Peter Preston's and my intention to look for such further economies as are possible consistent with acceptable standards of control and efficiency and to keep the position under review. I would also propose that in my report early next year I would cover the position here below the Open Structure, notably at Assistant Secretary level. The number of posts at this level too has been cut back considerably in the light of the Management Review and other changes.

I am copying this to the recipients of Christopher Soames's letter of 11 September.

Yours,
Neil

NEIL MARTEN

The Baroness Young



Civil
Service

Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400 GTN 213
Switchboard 01-213 3000

Baroness Young
Chancellor of the Duchy of
Lancaster
Civil Service Department
Whitehall
LONDON SW1

M
2ix

21 September 1981

Dear Janet,

CHAIN OF COMMAND : OPEN STRUCTURE

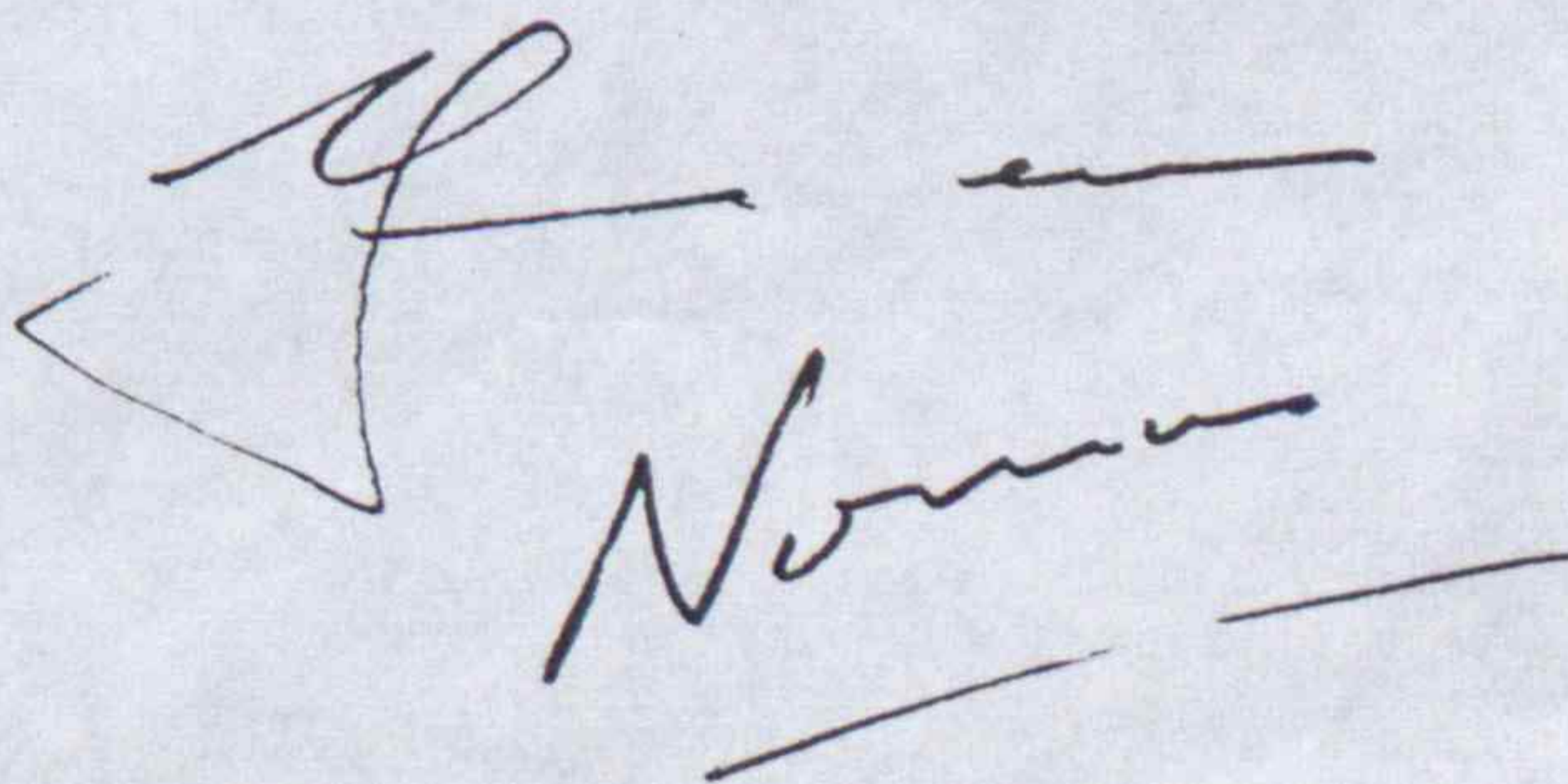
Christopher Soames wrote on 11 September about follow-up of the Wardale Report.

I will certainly commission my Permanent Secretary to carry out the proposed review for this Department. How we handle it for the outlying parts of the DE Group (MSC etc) is a bit more complicated and my Permanent Secretary will be in touch with Sir Ian Bancroft about that.

I cannot yet form my own judgment about the feasibility of a cut of the order proposed in the DE Group, but I understand it would mean abolishing some 9 Open Structure posts out of the present total of 33. In an organisation geared to a large extent to unemployment, this is to say the least ambitious.

When it becomes known that reviews with this object are in progress, with all the implications for career prospects, there is likely to be a severe effect on Open Structure morale. We ought to give thought to how best to minimise that.

I am copying this to Cabinet colleagues, Sir Robert Armstrong and Sir Derek Rayner.


Norman



From the Secretary of State

J Buckley Esq
Private Secretary to the
Baroness Young
Civil Service Department
Whitehall
London SW1A 2AZ

18 September 1981

Dear Jim,

CHAIN OF COMMAND: OPEN STRUCTURE

Please refer to Lord Soames' letter of 11 September to the Secretary of State for the Home Department. As the Secretary of State for Trade is in the USA until 29 September he will be unable to let your Minister have his comments by 21 September. He will be anxious to consider this himself and I should be grateful if this deadline could therefore be extended.

Copies of this letter go to Tim Lankester, Private Secretaries to members of the Cabinet, David Wright (Cabinet Office) and Clive Priestly (Sir Derek Rayner's Office).

Yours sincerely

Catherine Capon

CATHERINE CAPON
Private Secretary

Civil Service

mm-

KJ

211x

Civil Service

MANAGEMENT IN CONFIDENCE

NO 17



K

18/9/81

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000
18 September 1981

Baroness Young,
Civil Service Department

Dear Baroness

CHAIN OF COMMAND: OPEN STRUCTURE

In his letter of 11 September Christopher Soames asked whether I was ready to commission my Permanent Secretaries to conduct the proposed reviews of Open Structure posts in their Departments.

This is simply to let you know that I am indeed prepared to do this.

Copies of this letter go to Cabinet colleagues, Sir Robert Armstrong and Sir Derek Rayner.

Geoffrey Howe

GEOFFREY HOWE

MANAGEMENT IN CONFIDENCE

2.



QUEEN ANNE'S GATE LONDON SW1H 9AT

17 September 1981

Dear Janet

CHAIN OF COMMAND: OPEN STRUCTURE

Christopher Soames wrote on 11 September enclosing a copy of Sir Geoffrey Wardale's report and asking whether I would be ready to commission my Permanent Secretary to conduct a further review of Open Structure posts in the Home Office. I shall, of course, be prepared to do this, although I am bound to say that I am sceptical about some of the assumptions on which the proposed review appears to be based.

I note that it is intended to publish the Wardale Report shortly after 21 September and release it to the unions at the same time. The report and the proposed reviews of Open Structure posts have far reaching implications for the careers and prospects of civil servants. It is important that they should not have to depend for their knowledge of these matters on reports in the press and statements by the unions. I very much hope that your Department will make sufficient copies of the report and statement available to Principal Establishment Officers so as to enable them to bring it to the attention of staff concerned at the same time as it is published and released to the unions.

I am copying this letter to Cabinet colleagues, Sir Robert Armstrong and Sir Derek Rayner.

[Handwritten signature]

Prime Minister.

I am showing you this only because it is typical of the pretty cool, sceptical reception which Lord Soames' letter is getting from colleagues.

The Baroness Young

[Handwritten initials]
18ix

With the Compliments

of the

Secretary of State

Scottish Office,

Dover House,

Whitehall,

London, S.W.1 A 2AU



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

NBPM

RJ

17ix

MANAGEMENT -- IN CONFIDENCE

The Rt Hon the Baroness Young
Chancellor of the Duchy of Lancaster
Civil Service Department
Whitehall
LONDON
SW1A 2AZ

16 September 1981

Dear Janet,

CHAIN OF COMMAND: OPEN STRUCTURE

I am responding to the letter of 11 September which Christopher Soames sent to Willie Whitelaw and other Cabinet colleagues about the Wardale Report.

I will certainly ask my Permanent Secretary, who is at present abroad, to review Open Structure posts. Until I have had the opportunity of discussing with him the implications of the review and the application of the proposed yardstick for reductions to posts in my Department I would rather not comment on the details of what is likely to be involved. I will however want to keep a close eye on the implications for the efficiency of the Scottish Office and the morale of my closest official advisers.

I am copying this letter to the Prime Minister and other Cabinet colleagues, and to Sir Robert Armstrong and Sir Derek Rayner.

Yours truly,

George



NBPM.
M.
16 x

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALLING 01-218 2111/3

MO 2/2/6

15th September 1981

Dear Janet

CHAIN OF COMMAND: OPEN STRUCTURE

I have just received Christopher Soames' letter to Willie Whitelaw of 11th September on this issue, in which I am most interested. As I am about to depart on a three week tour of the Middle East and Far East, may I suggest that you extend the deadline for comments on the letter until I return and can give my personal attention to it.

Unlike most other Departments, the Ministry of Defence has reduced in size (by between one fifth and one-quarter) since 1964, and particularly since 1976 when it was subjected to a thorough Management Review laying special emphasise on its higher structure. And the number of two-star posts and above (Service and civilian) has reduced by more than the overall reduction since 1964. So my Department, unlike the rest of the Civil Service, is already well below the 1964 level.

I am committed to reducing the size of the MOD further, by 20% from 14,79 to 14,84, and I would like to examine in more detail on my

Baroness Young



return what the appropriate further reductions ought to be in both civilian and Service posts at two star level and above, before I agree to any yardsticks which may be of more relevance to other Departments than to mine.

I am copying this letter to the Prime Minister, and Cabinet colleagues; and to Sir Robert Armstrong and Sir Derek Rayner.

Yours ever
John

John Nott

From the Private Secretary

Civil Serv



*Tim M
Clive J agree
NBPA
W 10/2*

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

*CSD needed agreement
on this while you
were tied up this
morning. The 35%
amendment at x below
seems reasonable - so
I agreed it.*

11 September 1981

Tim Lankester
10 Downing Street
LONDON SW1

Dear Tim,

CHAIN OF COMMAND: OPEN STRUCTURE

*TL
11/9*

We had a word earlier today about a change which the Lord President wanted to make to the letter to colleagues. This resulted from further work which we have done since I spoke to Clive Whitmore at the beginning of the week. I thought you might like to have a note explaining the background should the Prime Minister wonder about the changes which we agreed.

The Prime Minister's intention was to make a comparison with the situation in 1964 - the year the Wilson Government came into office. Because some departments did not exist in 1964 and could not produce figures for that date, it was suggested that we should create a test yardstick by reducing present numbers in the Open Structure by 30%. Such a reduction would - globally - bring us back to the sort of figures which obtained, again globally, in 1964.

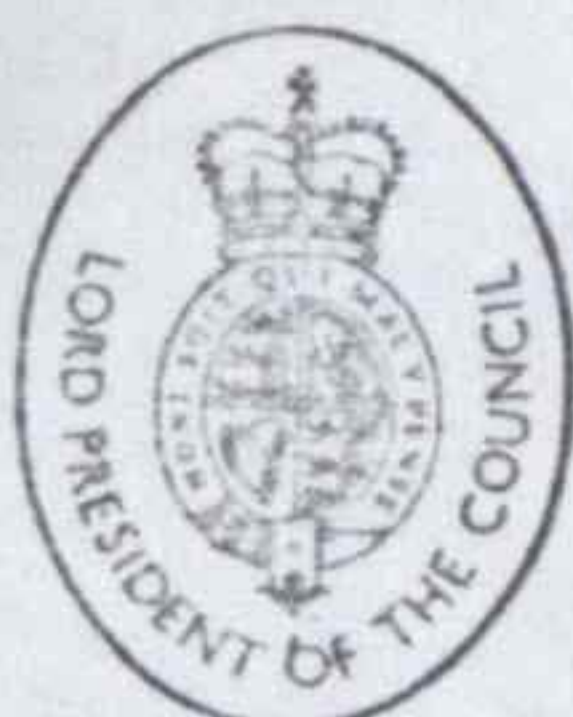
On further examination we have spotted two difficulties with this approach. First, it is going to be pretty difficult for any department to put together soundly based figures for 1964 - there have been a number of machinery of Government and definitional changes which mean that we wouldn't have much confidence in distributing the overall total amongst departments as they now stand. Second, since most departments would therefore be forced to using the 30% reduction from present figures as the yardstick we need to be sure that that will achieve the desired objective. It doesn't look as though it will. Open Structure numbers, in common with the Civil Service as a whole, have been reduced since this administration took office - but at different rates for each department depending on the particular rundown plan. Basing any reduction on present numbers could lead to anomalies between departments and complaints of unfairness between them.

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As I explained, we can achieve what we want by a straightforward device. We can take it that all departments were in much the same position as regards the Open Structure when this administration took office and, for all departments, make a reduction on numbers at that time to create a yardstick to compare with present numbers. To get back to 1964 levels we would need a reduction of 35% and this is what the Lord President has put in the letter to colleagues.

*Yours sincerely,
Jim Buckley.*

J BUCKLEY



NR(M).
M.J. 14x
Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

// September 1981

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

Dear Willie,

CHAIN OF COMMAND: OPEN STRUCTURE

Earlier this year a small team led by Sir Geoffrey Wardale visited several Departments, including your own, to look at the scope for simplifying the chain of command in the Open Structure (ie Civil Service posts at Under Secretary level and above). I enclose a copy of their Report. I am very grateful to colleagues and their officials for the help given to Sir Geoffrey Wardale and his team.

The Report concludes that while no grade should be abolished, there is a real need to root out unnecessary posts. It recommends too that there should be no presumption that all grades should be used in any one chain of command; that certain criteria should be met before a management level is justified; and, most important, that there should be regular reviews of senior posts, including the examination of work by or on behalf of the CSD.

I have discussed the Report with the Prime Minister. She has agreed that we should accept its main recommendations and proceed to implement and build upon them in the following way:-

1. All Ministers should be invited to commission their Permanent Secretaries to take the lead personally in conducting a rigorous assessment of each Open Structure post and of whether successive levels in the hierarchy are essential, in accordance with the principles laid down in the Report. The way suggested to test the need for the existing number of Open Structure posts in a Department is for us all to take as a yardstick a 35% reduction on the April 1979 figures. This would broadly speaking mean that we would be making the test comparison with something like the position in 1964.

MANAGEMENT IN CONFIDENCE

2. I have nominated Mr J E Pestell (CSD) to co-ordinate my Department's contribution to the review and liaison with other Departments. The Assistant Secretaries in the Manpower Divisions of the CSD should be closely involved in the examination of selected important areas.
3. I propose to reinforce these limited CSD resources by employing a few consultants to help with some reviews.
4. The reviews should cover the specialist and (in London) the Diplomatic Service posts not examined by Wardale, also military posts at 2-star level and above in the Ministry of Defence.
5. Sir Derek Rayner and his office will be associated with the review, although not closely involved in it on a day-by-day basis.
6. The reviews should apply the principles suggested in the Wardale Report. They should also be cost-conscious and test the feasibility and implications of introducing the general rule, suggested by Sir Derek Rayner, that in the interests of both economy of effort and job satisfaction Assistant Secretaries should report directly to Deputy Secretaries and Under Secretaries to Permanent Secretaries.
7. I should be grateful if Ministers would kindly let me have their appraisal by the end of February 1982 at the latest. As soon as possible thereafter firm targets can be agreed for each Department. The Report shows that there is scope for a substantial reduction, and we must make sure that we achieve it.
8. Thereafter, there will be ongoing reviews as proposed in the Wardale Report.

Then there is the question of how we should proceed with a similar exercise on the lower levels where we have union opposition.

After further thought, we have concluded that the best way forward is not to launch a separate exercise with a special label below the Open Structure, but to build it into normal machinery of management services and staff inspection, which has recently been strengthened. Sir Derek Rayner agrees. The CSD would help in this with their own inspections and with training. I would ask you and other colleagues to build this into your own priorities for inspection and review over the next 12 months, to keep a close eye on progress, and to keep us closely in touch so that we can review what has been achieved and see what general lessons can be drawn. I should be grateful for a first report on progress by March 1982.

I should be grateful to know by 21 September whether you and other colleagues are ready to commission your Permanent Secretaries to conduct the proposed reviews of your Open Structure posts, for my intention is to publish the Wardale Report shortly thereafter. We shall do that by sending copies, together with a brief statement of the Government's intentions, to the Select Committee on the Treasury and Civil Service and other interested parties, and making it generally available to inquirers. We shall release the Report to the unions, and discuss it with them, at the same time.

Copies of this letter go to Cabinet colleagues, Sir Robert Armstrong and Sir Derek Rayner.

2/
miss em

Christopher

SOAMES

MANAGEMENT - IN CONFIDENCE



QUEEN ANNE'S GATE LONDON SW1H 9AT

9 September 1981

Dear Barney,

CHARGING FOR CIVIL SERVICE COLLEGE COURSES

Thank you for your letter of 10 August about your proposal to charge Departments for certain Civil Service College courses.

I accept that there is a case in principle for repayment and that it is fair to test the genuine doubts that do exist as to whether the benefits ascribed to a repayment system will in practice justify the additional administrative and other costs involved, and that this should be on a selective basis such as you propose. There are a number of points of some importance - Mark Carlisle has referred to some - and I hope that the scheme will be evaluated with an open mind, with a view to modifying or even discontinuing it if Departments find serious difficulties in operating it during the trial period, as well as to extending it if the trial is successful.

It will, of course, be essential for there to be a re-allocation of the relevant PESC provision from the CSD to Departments, to enable us to pay the course fees for those nominated, on the assumption that nominations would continue at roughly the same level as under the present system. I take it that the 'direct costs' charged to Departments would be lower than the fees quoted in the College programme, which I understand are higher than those charged by most outside organisations. The scheme should be kept as simple as possible if we are not to require additional staff to administer it.

We are broadly content with your identification of the courses that would attract repayment, subject to refinement at official level. To take up Mr. Carlisle's point about computer training, we are not clear what it is proposed should be the basis for distinguishing between "computer courses for practitioners" and "the planned computer training".

Finally, it seems appropriate that we should charge the College for the lecturers we provide for the courses, and cost of our receiving students in the Home Office as part of College courses.

Copies of this go to Ministers in charge of Departments.

James Little

Barney Haynoe, Esq., M.P.

MANAGEMENT IN CONFIDENCE



MINISTER OF STATE FOR DEFENCE

WHITEHALL LONDON SW1A 2HB

Telephone 01-218 6621 (Direct Dialling)
01-218 9000 (Switchboard)

Minister of State for
Defence Procurement

D/MIN/TT/7/12

8 September 1981

NBM.

KW

8ix.

Dear Barney

You wrote to Willie Whitelaw on 10th August, making proposals for introducing repayment in respect of certain courses run by the Civil Service College.

The Ministry of Defence makes comparatively little use of the College and I would therefore not object in principle to your proposal, provided that other departmental Ministers are also content.

However, we estimate that the extra annual cost to the Defence Budget of our having to pay for attendance by Ministry of Defence civil servants at the range of courses for which charges will be raised is of the order of £275,000. There is, of course, no provision for this expenditure in our PESC allocation and my agreement to your proposal must, therefore, be conditional on an appropriate PESC transfer being made to cover this new commitment.

(We start in a position where our budget is still heavily over committed) / I ...

Barney Hayhoe Esq MP

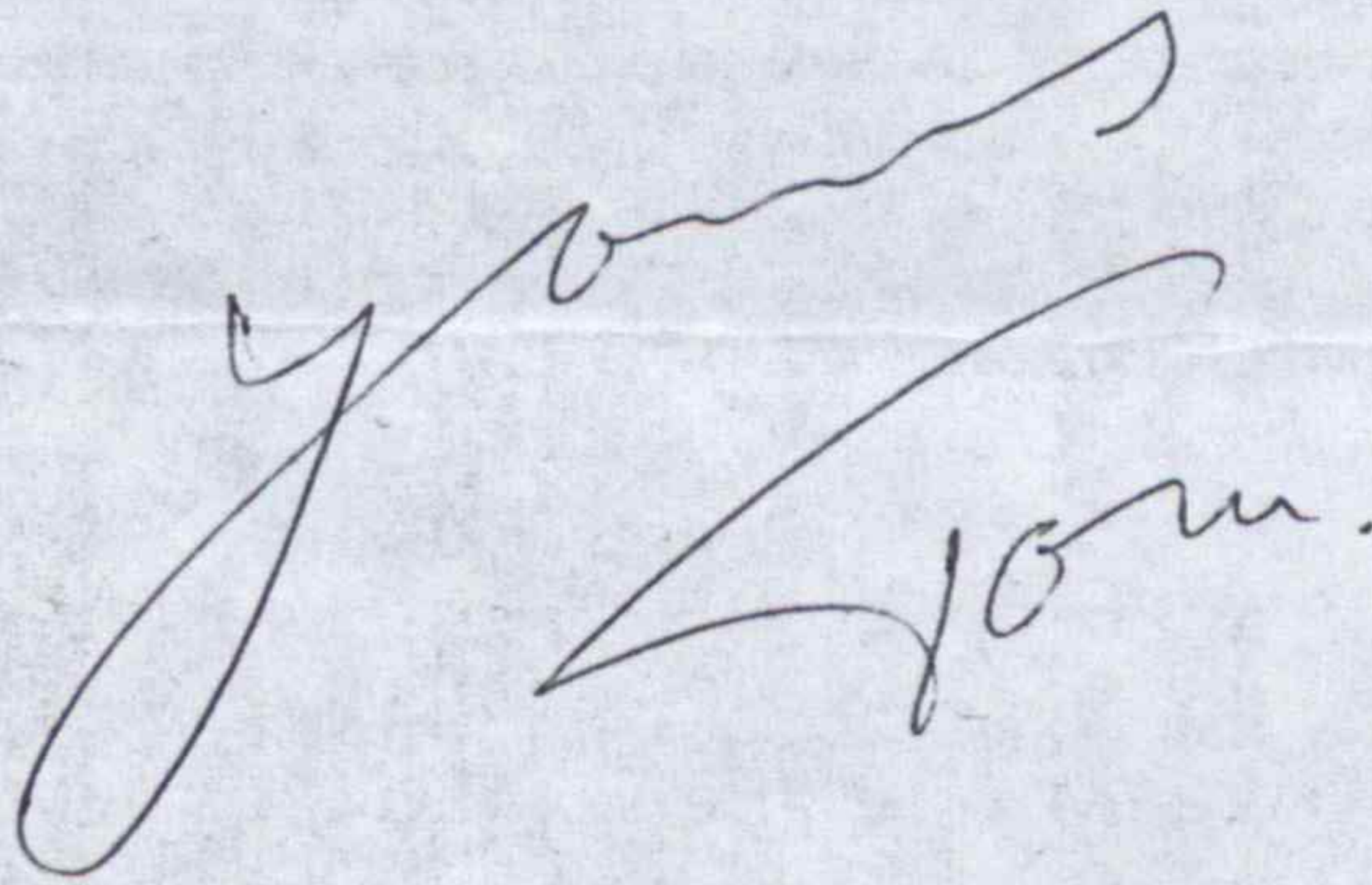
MANAGEMENT IN CONFIDENCE

MANAGEMENT IN CONFIDENCE

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I should add that, where training of the kind for which charges are to be raised is available from alternative sources more cheaply and to a similar standard, we shall feel free to turn elsewhere, thereby reducing our current level of utilisation of College courses.

I am copying this letter to Willie Whitelaw and other recipients of your letter.

A handwritten signature in dark ink, appearing to read 'John' or 'John.' with a large, sweeping flourish extending upwards and to the left.

Lord Trenchard

MANAGEMENT IN CONFIDENCE

MANAGEMENT IN CONFIDENCE



C. A. S. S.

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

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

7 September 1981

Rec Barney.

TL 8/9

CHARGING FOR CIVIL SERVICE COLLEGE COURSES

Thank you for sending me a copy of your letter of 10 August to Willie Whitelaw about the proposed arrangements for moving towards a partial repayment basis for Civil Service College courses.

I am content with the basic approach outlined in your letter, but I hope that you can give me some assurances about certain matters which are not made clear in your letter: otherwise I believe there will be a risk of deterioration in the quality of Civil Service training. You say nothing about the additional costs that will fall on departments paying for College courses, particularly departments like mine which cannot sustain large training organisations of their own. The sums involved in partial repayment may not individually be very great but the consequence is likely to be less training - unless you envisage making a transfer from CSD votes to those of other departments. I think we ought to be clear about this before agreeing on the principle of repayment.

There is also a certain lack of clarity about the definition of CSD-funded and "job-specific" courses. I accept that there are bound to be adjustments at the edges in the light of experience. However, I am very concerned that your letter seems to suggest charging for just those courses which small departments cannot provide for themselves; and it is not much help to be told that there are courses "which departments ought to consider providing on their own account" since the extent of training provided by departments themselves must vary greatly according to their size. Computer courses, for example, appear on both sides of your dividing line but there is surely a case for all courses in the area of new technology to be centrally funded in the interests of the long-run efficiency

MANAGEMENT IN CONFIDENCE

of the Civil Service as a whole. Such courses are often expensive and, again, small departments may suffer if they have to earmark their funds for courses of long-term significance and as a result neglect the more general job specific courses. Equally, given the Public Accounts Committee's recent comments on audit within the Civil Service is it wise to include audit management in the list of 'repayment courses'?

I am copying this letter to Willie Whitelaw and other Ministers in charge of Departments.

Yours ever

Mark

MARK CARLISLE

MANAGEMENT IN CONFIDENCE

MANAGEMENT IN CONFIDENCE



Minister of State

NORTHERN IRELAND OFFICE
STORMONT CASTLE
BELFAST BT4 3ST

Tel. Belfast (0232) 63011
Telex 74272

R7/9
Barney Hayhoe Esq MP
Civil Service Department
Whitehall
LONDON
SW1A 2AZ

4 September 1981

Dear Barney,

CHARGING FOR CERTAIN CIVIL SERVICE COLLEGE COURSES ¹² ^{7/5}

Thank you for sending Humphrey Atkins a copy of your letter of 10 August to Willie Whitelaw about repayment for certain Civil Service College courses. I am replying during Humphrey's absence on holiday.

I fully support the approach which you propose and I am content for the details of the scheme to be worked out between departments and the Civil Service College.

I am copying this letter to recipients of yours.

Yours ever
Michael

MICHAEL ALISON

With the Compliments

of the

Secretary of State

*Scottish Office,
Dover House,
Whitehall,
London, S.W.1 A 2AU*



Civil Service

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

Barney Heyhoe Esq MP
Minister of State
Civil Service Department
Whitehall
LONDON
SW1A 2AZ

WR
1/9

28 August 1981

Dear Barney,

CHARGING FOR CIVIL SERVICE COLLEGE COURSES

Thank you for sending me a copy of your letter of 10 August to Willie Whitelaw about your proposals for charging departments for some of the training performed by the Civil Service College.

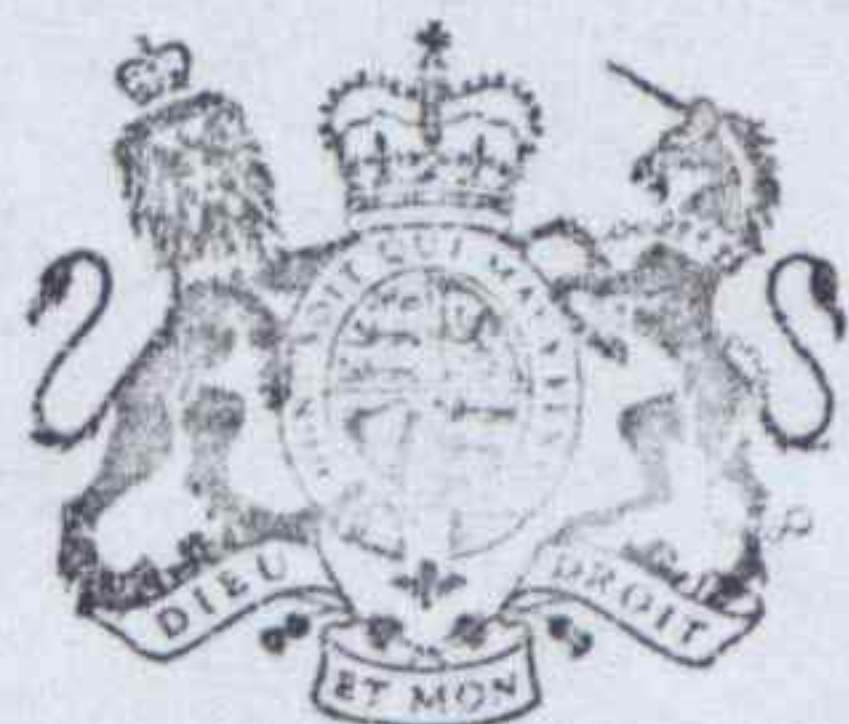
I can support the proposals which I think balance the requirement for a strong central training institution to look after the basic and unique needs of the Service with the importance of ensuring that the College's services are attuned to the demands of departments. There will doubtless be rough edges to be dealt with, not least determining how much, and for what purposes, departments receive allocations, for their share of College training, but I daresay these points can be covered to produce a workable scheme from April 1983.

I would add only that although the Scottish Office is a good customer of the College, it already looks critically at whether outside agencies nearer home can provide better service and always considers doing training from its own resources before calling on the College.

I am copying this letter to Willie Whitelaw and to other Ministers in charge of Departments.

WMS WU

George



10 DOWNING STREET

File TMV
Mr Whitmore (or.)
wm 28/8

From the Private Secretary

27 August 1981

Dear Jim

CHAIN OF COMMAND

The Prime Minister was grateful for Lord Soames' minute of 20 August.

She is content for the Lord President to proceed by writing to his colleagues to set in hand the follow-up to the Wardale Report. But she has made a number of amendments to his proposed draft letter. I attach the revised version. The amendments she has made reflect her comments which are as follows:

- (a) she feels very strongly that some sort of initial target is needed to give an indication of the level of reductions in open structure posts that we are hoping for. She agrees with what the Lord President says about avoiding a purely arbitrary target, but she does not consider this to be a reason for not setting a test target for the reviews by Permanent Secretaries;
- (b) she is grateful to the Lord President for proposing that the CSD should assist with the reviews and would like to suggest that the CSD's work should be co-ordinated by a single official;
- (c) she has previously made clear that retired senior officials are not the most appropriate people to employ as consultants on the Wardale reviews: she feels that the Lord President should consider using outside consultants;
- (d) the Prime Minister would like Sir Derek Rayner's office to be associated with the reviews;
- (e) she feels that the Lord President should ask for a progress report for Ministers on the reviews of the lower grades, and suggests that March 1982 might be a suitable deadline;
- (f) finally, the Prime Minister feels that the deadline of December for the reviews by Permanent Secretaries is perhaps too tough and she has proposed the end of February 1982 instead.

BF ||

LF

/She hopes

MANAGEMENT IN CONFIDENCE

- 2 -

She hopes the Lord President will now feel able to write to colleagues on the lines of the attached draft.

I am copying this letter to David Wright and Clive Priestley (Cabinet Office).

Yours

Willie Rickett

Jim Buckley, Esq.,
Lord President's Office.

MANAGEMENT IN CONFIDENCE

DRAFT LETTER FROM THE LORD PRESIDENT TO THE HOME SECRETARY

Chain of Command: Open Structure

Earlier this year a small team led by Sir Geoffrey Wardale visited several departments, including your own, to look at the scope for simplifying the chain of command in the Open Structure (i.e. Civil Service posts at Under Secretary level and above). I enclose a copy of their Report. I am very grateful to colleagues and their officials for the help given to Sir Geoffrey Wardale and his team.

The Report concludes that while no grade should be abolished, there is a real need to root out unnecessary posts. It recommends too that there should be no presumption that all grades should be used in any one chain of command; that certain criteria should be met before a management level is justified; and, most important, that there should be regular reviews of senior posts, including the examination of work by or on behalf of the CSD.

I have discussed the Report with the Prime Minister. She has agreed that we should accept its main recommendations and proceed to implement and build upon them in the following way:-

1. All Ministers should be invited to commission their Permanent Secretaries to take the lead personally in conducting a rigorous assessment of each Open Structure post and of whether successive levels in the hierarchy are essential, in accordance with the principles laid down in the Report. In order to test the need for the existing number of Open Structure posts in a department, it should be compared with the number in 1964 or, if this is not possible for historical or other reasons, subjected to a possible 30% reduction.

2. I have nominated (CSD) to co-ordinate my Department's contribution to the review and liaison with other Departments. The Assistant Secretaries in the

/Manpower Divisions

I agree today
a revised version
of this memo
with Mr Buckley.
H.H.
8.12.79.

Buckley
says to
say that
the last bit
would read -
"... 35%
reduction
compared
with
April 1979."
I said
OK
TL 11/9

MANAGEMENT IN CONFIDENCE

- 2 -

Manpower Divisions of the CSD should be closely involved in the examination of selected important areas.

3. I would be willing to reinforce these limited CSD resources by employing a few consultants to help with some reviews.

4. The reviews should cover the specialist and (in London) the Diplomatic Service posts not examined by Wardale.

5. Sir Derek Rayner and his office will be associated with the review, although not closely involved in it on a day-by-day basis.

6. The reviews should apply the principles suggested in the Wardale report. They should also be cost-conscious and test the feasibility and implications of introducing the general rule, suggested by Sir Derek Rayner, that in the interests of both economy of effort and job satisfaction Assistant Secretaries should report directly to Deputy Secretaries and Under Secretaries to Permanent Secretaries.

7. I should be grateful if Ministers would kindly let me have their appraisal by the end of February 1982 at the latest. As soon as possible thereafter firm targets can be agreed for each Department. The Report shows that there is scope for a substantial reduction, and we must make sure that we achieve it.

8. Thereafter, there will be ongoing reviews as proposed in the Wardale Report.

Then there is the question of how we should proceed with a similar exercise on the lower levels where we have union opposition.

/After further

MANAGEMENT IN CONFIDENCE

- 3 -

After further thought, we have concluded that the best way forward is not to launch a separate exercise with a special label below the Open Structure, but to build it into normal machinery of management services and staff inspection, which has recently been strengthened. Sir Derek Rayner agrees. The CSD would help in this with their own inspections and with training. I would ask you and other colleagues to build this into your own priorities for inspection and review over the next 12 months, to keep a close eye on progress, and to keep us closely in touch so that we can review what has been achieved and see what general lessons can be drawn. I should be grateful for a first report on progress by March 1982.

I should be grateful to know by [7 September] whether you and other colleagues are ready to commission your Permanent Secretaries to conduct the proposed reviews of your Open Structure posts, for my intention is to publish the Wardale Report shortly thereafter. We shall do that by sending copies, together with a brief statement of the Government's intentions, to the Select Committee on the Treasury and Civil Service and other interested parties, and making it generally available to inquirers. We shall release the Report to the unions, and discuss it with them, at the same time.

Copies of this letter go to Cabinet colleagues, Sir Robert Armstrong and Sir Derek Rayner.

PRIME MINISTER

Chain of Command

When you commented on the Wardale Report, you decided:

- (a) that we should set a target for reducing the number of Deputy Secretary and Under Secretary posts to 1965 proportions;
- (b) that the reviews of senior posts in Departments should be carried out by Permanent Secretaries, aided by the CSD;
- (c) that the Report should be published so that we can benefit from outside views.

Lord Soames has now reacted to your proposals (his minute is at Flag A), and in doing so has taken into account Sir Derek Rayner's comments (at Flag B). He proposes to write to colleagues asking them to set in hand reviews of their senior posts, but with some changes from what you have suggested.

The main burden of the Lord President's comments is that he feels it would be unfair to set an immediate target based on 1965 figures. He would like to set the targets for each department in the light of the reviews of their senior posts that will be carried out by Permanent Secretaries. He feels this would be a less arbitrary way of setting targets.

Lord Soames also proposes that, as you have suggested, Assistant Secretaries from the CSD should take part in the reviews, and that a selection of retired senior officials should be employed to help Permanent Secretaries with the reviews. As soon as he has his colleagues consent, he intends to publish the Wardale Report by sending it to the Select Committee and others interested in the Civil Service, indicating the action we are taking. It would also be released more widely.

I have consulted Sir Derek Rayner's Office. Their advice is at Flag C, but it can be summarised as follows:

/ (a)

- (a) some sort of initial target is needed to give an indication of the level of reductions we are hoping for, but the target need not be cast in tablets of stone;
- (b) the work of the CSD in the reviews should be coordinated by a single official;
- (c) the Lord President should consider using outside consultants to help Permanent Secretaries with the reviews; (he could include retired senior officials, but he should not exclude other consultants;)
- (d) Sir Derek's Office should be associated with the reviews;
- (e) there should be a progress report to Ministers on the reviews of lower grades, to help keep up momentum. I suggest March 1982 might be a suitable deadline.

May I suggest that you concentrate on the draft letter that Lord Soames proposes to send to his colleagues, and on the amendments that Sir Derek Rayner's Office suggest. I have had these all typed on to a single draft at Flag D so that you can see the changes suggested by Sir Derek's Office more clearly.

If you are happy to proceed in this way, could you indicate which of the Rayner amendments to the draft you agree with?

CWBR

25 August 1981

DRAFT LETTER FROM THE LORD PRESIDENT TO THE HOME SECRETARY

Chain of Command: Open Structure

Earlier this year a small team led by Sir Geoffrey Wardale visited several departments, including your own, to look at the scope for simplifying the chain of command in the Open Structure (i.e. Civil Service posts at Under Secretary level and above).

*Ragner amendment:
Agree? Yes*

I enclose a copy of their Report. I am very grateful to colleagues and their officials for the help given to Sir Geoffrey Wardale and his team.

The Report concludes that while no grade should be abolished, there is a real need to root out unnecessary posts. It recommends too that there should be no presumption that all grades should be used in any one chain of command; that certain criteria should be met before a management level is justified; and, most important, that there should be regular reviews of senior posts, including the examination of work by or on behalf of the CSD.

I have discussed the Report with the Prime Minister. She has agreed that we should accept its main recommendations and proceed to implement and build upon them in the following way:-

*Ragner addition
Agree? Yes*

1. All Ministers should be invited to commission their Permanent Secretaries to take the lead personally in conducting a rigorous assessment of each Open Structure post and of whether successive levels in the hierarchy are essential, in accordance with the principles laid down in the Report. In order to test the need for the existing number of Open Structure posts in a department, it should be compared with the number in 1964 or, if this is not possible for historical or other reasons, subjected to a possible 30% reduction.

*Ragner Addition
Agree? Yes*

2. I have nominated (CSD) to co-ordinate my Department's contribution to the review and liaison with other Departments. The Assistant Secretaries in the Manpower Divisions of the CSD should be closely involved in the examination of selected important areas.

*Ragner Addition
Agree? Yes*

Lord Soames?
No
or

Rayner?
Yes
not

3. [I] would reinforce these limited CSD resources by enlisting a small number of recently retired senior officials to help with some reviews.] OR [I] would be willing to reinforce these limited CSD resources by employing a few consultants to help with some reviews.]

Rayner
Addition:
Agree? Yes

4. The reviews should cover the specialist and (in London) the Diplomatic Service posts not examined by Wardale.

5. Sir Derek Rayner and his office will be associated with the review, although not closely involved in it on a day-by-day basis.

Lord Soames?
No
or

6. [They should consider the feasibility and implications of introducing any general rule about the use made of senior management levels (Derek Rayner has proposed that Assistant Secretaries should report directly to Deputy Secretaries and Under Secretaries to Permanent Secretaries).]

Rayner?
Ahead
not

OR [The reviews should apply the principles suggested in the Wardale report. They should also be cost-conscious and test the feasibility and implications of introducing the general rule, suggested by Sir Derek Rayner, that in the interests of both economy of effort and job satisfaction Assistant Secretaries should report directly to Deputy Secretaries and Under Secretaries to Permanent Secretaries.]

Rayner?
Ahead
not
or

7. [I] should be grateful if Ministers would kindly let me have their appraisal by the end of (February 1982?) at the latest. As soon as possible thereafter firm targets can be agreed for each department.] OR [The reviews should reach me by the end of December, and as soon as possible thereafter

Lord Soames?
No.

I will propose firm targets.] The Report shows that there is scope for a substantial reduction, and we must make sure that we achieve it.

Rayner:
Agree?
Yes not

[8]. Thereafter, there will be ongoing reviews as proposed in the Wardale report.]

Then there is the question of how we should proceed with a similar exercise on the lower levels where we have union opposition.

After further thought, we have concluded that the best way forward is not to launch a separate exercise with a special label below the Open Structure, but to build it into normal machinery of management services and staff inspection, which has recently been strengthened. Sir Derek Rayner agrees. The CSD would help in this with their own inspections and with training. I would ask you and other colleagues to build this into your own priorities for inspection and review over the next 12 months, to keep a close eye on progress, and to keep us closely in touch so that we can review what has been achieved and see what general lessons can be drawn. [I should be grateful for a first report on progress by March 1982.]

Rayner:
Agree?
Yes not

I should be grateful to know by [7 September] whether you and other colleagues are ready to commission your Permanent Secretaries to conduct the proposed reviews of your Open Structure posts, for my intention is to publish the Wardale Report shortly thereafter. We shall do that by sending copies, together with a brief statement of the Government's intentions, to the Select Committee on the Treasury and Civil Service and other interested parties, and making it generally available to inquirers. We shall release the Report to the unions, and discuss it with them, at the same time.

Copies of this letter go to Cabinet colleagues, Sir Robert Armstrong and Sir Derek Rayner.



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

*Civil Service
Lunches with 21/8*

WV 21/8

*Have we 'x' ?
if not can we
get a copy from LSO?*

From the Minister

MANAGEMENT - IN CONFIDENCE

Barney Hayhoe Esq MP
Minister of State
Civil Service Department
Whitehall
London SW1A 2AZ

21 August 1981

CHARGING FOR CIVIL SERVICE COLLEGE COURSES

attached

Thank you for sending me a copy of your letter of 10 August to Willie Whitelaw about your proposals that departments should be required as from 1 April 1983 to pay for attendance at certain Civil Service College courses.

I am content with the basic approach outlined in your letter. It will, of course, be necessary for Departments to be given the appropriate PES allocations at the start of the new arrangements. No doubt this will be covered in the interdepartmental discussions.

I am copying this letter to Ministers in charge of departments.

PETER WALKER

Mr RICKETT



CHAIN OF COMMAND

You invited my views on the Lord President's minute of yesterday. These are, quickly, as follows.

TARGET

2. Quite frankly, I do not understand the relevance of some of the arguments adduced against an opening target. On industrial and junior staff, it's a matter of swings and roundabouts. There have indeed been reductions, for example in the Department for National Savings which has gone down markedly, but there have also been big increases. Last year DHSS employed 88,000 staff on social security, compared with some 45,000 in 1960.

3. On specialists, there have indeed been reasons for a marked increase. Whether they were good reasons and how much value has been added are different questions.

4. On the 30% cut in the Opening Structure, of course there would be difficulties, but omelettes of this kind are not made without breaking eggs - or treading on corns! Instancing the MOD is quaint - of all departments it must be the most bureau-
cratised at the top because of the MOD-Single Service fall-out.

5. What the Lord President says about avoiding a "purely arbitrary target" in the interest of morale is fair enough. But this is no reason for not using as one of the criteria for the "rigorous examination of the needs of today" a test target based on, say, 1964 proportions.

6. I would therefore add to sub-section 1 of the draft letter:

"In order to test the need for the existing number of Open Structure posts in a department, it should be compared with the number in 1964 or, if this is not



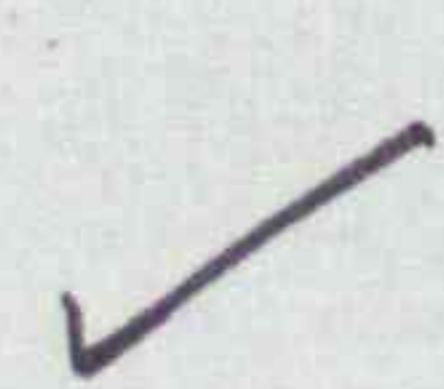
possible for historical or other reasons, subjected to a possible 30% reduction."

INDEPENDENT OUTSIDE THOUGHT

7. There are three Manpower ASs in CSD. They are going to have their work cut out but it is sensible for them to be involved. They, and the review as a whole, will need co-ordinating. I suggest beginning sub-section 2 of the draft letter:

"I have nominated _____ (CSD) to co-ordinate my Department's contribution to the review and liaison with other departments."

8. The Lord President rebuffs the Prime Minister on the use of retired officials. Some Permanent Secretaries will need help, because of numbers if nothing else (think of MOD and DHSS, for example). But in such cases, and indeed any case, it will be better to use complete outsiders rather than ex-officials for the reason originally given by the Prime Minister. This is, surely, a classic case of "Quis Custodiet" and I cannot understand why CSD is so obstinate about it. I would therefore suggest deleting sub-section 3 and substituting:



"I would be willing to reinforce these limited CSD resources by employing a few consultants to help with some reviews."

9. The Prime Minister might wish to consider whether she would like an input from Sir Derek Rayner, who is the Government's independent adviser on efficiency. If so, the letter might say in a new sub-section 4:

"Sir Derek Rayner and his office will be associated with the review, although not closely involved in it on a day-by-day basis."



RIGOUR OF THE EXAMINATION

10. It will be quite a tough assignment for Permanent Secretaries to carry out the review by the end of the year. I would not object to opening the timetable to end-February 1982, at least for the large departments.

11. Sub-section 5 of the draft letter is a big soggy and the very sensible rule suggested by Sir DR has been shoved into a parenthesis. I suggest that it might read:

"The reviews should apply the principles suggested in the Wardale report. They should also be cost-conscious and test the feasibility and implications of introducing the general rule, suggested by Sir Derek Rayner, that in the interests of both economy of effort and job satisfaction Assistant Secretaries should report directly to Deputy Secretaries and Under Secretaries to Permanent Secretaries."

12. In order to maintain the new disciplines, and avoid the slackness identified by Wardale, there should be a continuing review after this first one. So I suggest a new sub-section at 8:

"Thereafter, there will be ongoing reviews as proposed in the Wardale report."

THE LOWER LEVELS

*I suggest
March 1982
hm*

13. I agree with you that there should be a deadline for the review proposed in the draft letter.

THE COURTESIES

14. The draft letter strikes me as rather heavy-footed and tactless. It may cause some resentment in departments. So I suggest:

- (1) Add at end of first paragraph: "I am very grateful to colleagues and their officials



for the help given to Sir Geoffrey Wardale and his team."

- (2) Amend opening of sub-section 1: "All Ministers should be invited to commission"
- (3) Amend first sentence of sub-section 6: "I should be grateful if Ministers kindly let me have their appraisal by the end of [February 1982?] at the latest. As soon as possible thereafter firm targets can be agreed for each department. The Report shows"

Elizabeth Thomas

pp.

C PRIESTLEY
21 August 1981



PRIME MINISTER

CHAIN OF COMMAND

Your Private Secretary's letter of 4 August set out your views on the proposals I put to you in my minute of 17 July. I have also seen Derek Rayner's letter of 12 August.

2. I agree that we need a target, but should like to approach it in a rather different way. Wardale took the 1965 figures simply as a base to illustrate the growth in the Open Structure over the last 15 years. He did not propose that we should use them as a standard for 1982, and I do not think that we have a sufficient basis for doing so.

3. Various factors contribute to that view:-

(a) Industrial staff, who cause much less work at very senior levels, account for a notably lower proportion of the Civil Service today compared with 1965 (22% compared with 33%).

(b) Since 1965 many services which then required a lot of junior staff have been computerised.

(c) Specialist posts in the Open Structure (eg economists, statisticians, scientists) have grown by 50% since 1965. Some of these posts are probably not now justified and should come out, but there have been good reasons for a considerable increase.

(d) If we applied the 1965 proportion across the board, it would mean a cut of 30% in the Open Structure. That would produce grave upheavals in some departments, for example about 32 posts in Defence; about 25 in the Chancellor of the Exchequer's departments, including 10 in the Treasury; 6 in the Cabinet Office; and 6 in Energy. A number of our colleagues would find this impossible.

I think we should, rather, fix our target by a rigorous examination of the needs of today.

4. I see it also as important for morale and recruitment that we should do it that way, rather than by selecting a purely arbitrary target. When we come to fix the figure we will be able to show that we have good reasons for it.

5. Having said that, we still have to make sure that the job is well and truly done. I think therefore that colleagues should be asked to see that their Permanent Secretaries take the lead personally

MANAGEMENT IN CONFIDENCE

in reviewing their Open Structure posts, which should include the Diplomatic Service and specialist posts not examined by Wardale. To add some independent outside thought I will provide Assistant Secretaries from the CSD to take part in the reviews of as many important areas as possible. But there is a limit to the number of suitable people I can spare for this, so while I entirely agree that the main responsibility must lie with Permanent Secretaries, I should still like to select a small number of retired senior officers and bring them in to work for a few months on behalf of the CSD in a few Departments (always those in which they have not served themselves). I would ask for the reviews to reach me by the end of the year, and would aim to set our target as soon as possible thereafter.

... 6. If you agree, I should like to write to colleagues straight-away on the lines of the attached draft. As soon as I have their consent, we will publish the Wardale report by sending it to the Select Committee and others interested in the Civil Service, indicating the action we are taking. That would help to give us the views of outside commentators as you suggest. The Report would also be made generally available. It would be released to and discussed with the Unions at the same time.

7. On levels below the Open Structure I believe that the best approach is to move ahead straightaway, using the normal strengthened inspection and review machinery of CSD and departments to apply the Wardale principles. Derek Rayner shares this view. It would, of course, be important to monitor and report progress, and I shall make suitable arrangements for this.

8. Are you content? If so I would like to get ahead with the work and should, therefore, prefer not to wait for a meeting after the holiday break.

Copies go to Sir Robert Armstrong and to Sir Derek Rayner.

SOAMES

20 August 1981

See draft at D.

MANAGEMENT IN CONFIDENCE

DRAFT LETTER FROM THE LORD PRESIDENT TO THE HOME SECRETARY

CHAIN OF COMMAND: OPEN STRUCTURE

Earlier this year a small team led by Sir Geoffrey Wardale visited several departments, including your own, to look at the scope for simplifying the chain of command in the Open Structure (ie Civil Service posts at Under Secretary level and above). I enclose a copy of their Report.

The Report concludes that while no grade should be abolished, there is a real need to root out unnecessary posts. It recommends too that there should be no presumption that all grades should be used in any one chain of command; that certain criteria should be met before a management level is justified; and, most important, that there should be regular reviews of senior posts, including the examination of work by or on behalf of the CSD.

I have discussed the Report with the Prime Minister. She has agreed that we should accept its main recommendations and proceed to implement and build upon them in the following way:-

1. All Ministers should commission their Permanent Secretaries to take the lead personally in conducting a rigorous assessment of each Open Structure post
/and

and of whether successive levels in the hierarchy are essential, in accordance with the principles laid down in the Report.

2. The Assistant Secretaries in the Manpower Divisions of the CSD should be closely involved in the examination of selected important areas.

3. I would reinforce these limited CSD resources by enlisting a small number of recently retired senior officials to help with some reviews.

4. The reviews should cover the specialist and (in London) the Diplomatic Service posts not examined by Wardale.

5. They should consider the feasibility and implications of introducing any general rule about the use made of senior management levels (Derek Rayner has proposed that Assistant Secretaries should report directly to Deputy Secretaries and Under Secretaries to Permanent Secretaries).

6. The reviews should reach me by the end of December, and as soon as possible thereafter I will propose firm targets. The Report shows that there is scope for a substantial reduction, and we must make sure that we achieve it.

Then

Then there is the question of how we should proceed with a similar exercise on the lower levels where we have union opposition.

After further thought, we have concluded that the best way forward is not to launch a separate exercise with a special label below the Open Structure, but to build it into normal machinery of management services and staff inspection, which has recently been strengthened.

Sir Derek Rayner agrees. The CSD would help in this with their own inspections and with training. I would ask you and other colleagues to build this into your own priorities for inspection and review over the next 12 months, to keep a close eye on progress, and to keep us closely in touch so that we can review what has been achieved and see what general lessons can be drawn. *[I should be grateful for a first report on progress by March 1982]*

report?

I should be grateful to know by [7 September] whether you and other colleagues are ready to commission your Permanent Secretaries to conduct the proposed reviews of your Open Structure posts, for my intention is to publish the Wardale Report shortly thereafter. We shall do that by sending copies, together with a brief statement of the Government's intentions, to the Select Committee on the Treasury and Civil Service and other interested parties, and making it generally available to inquirers. We shall release the Report to the unions, and discuss it with them, at the same time.

Copies of this letter go to Cabinet colleagues, Sir Robert Armstrong and Sir Derek Rayner.



M. Richards (olw)

CABINET OFFICE

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

12 August 1981

The Rt Hon Lord Soames GCMG GCVO CH CBE

Clive Whitmore
CHAIN OF COMMAND

Clive Whitmore copied to me his letter of 4 August to your private secretary.

2. My view is that we must now move ahead on the Open Structure with vigour to achieve for each department:

- a. A rigorous assessment of the purpose of each post and of whether successive levels in the hierarchy are essential;
- b. progress in implementing Ministers' decisions of January about merit pay etc, to put emphasis on ensuring that talented men and women are brought on as fast as possible.

3. The Prime Minister has suggested a target for the Deputy Secretary and Under Secretary grades of reducing to the numbers implied by 1965 proportions. A rough calculation suggests this would mean that by 1984 we should be looking for a reduction to between 500 and 600. There were over 750 in April of this year so this will mean quite a radical change and departmental Ministers would be right to look to you for help in bringing it about. Might I suggest three points which I myself would regard as helpful:

- 3.1 To indicate at the start, in rough terms, what the 1965 proportions would mean for each department by 1984;
- 3.2 Though you may wish to seek early agreement to outline targets for each department, to allow a reasonable time for the Permanent Secretary to conduct his review and to put the services of your senior officials at his disposal. I assume you would want your senior people to get out alongside the Permanent Secretaries in departments as they review their particular situation. This would also have the advantage that it would give you a good feel for the reasons why the Open Structure has grown and the consequences of a thinning out;
- 3.3 To indicate your support for the recommended principles in the Wardale report (paragraph 6.6) for assessing the number of levels in a chain of command; and to give Departments a general working rule such as that there should not usually be Under Secretary and Deputy Secretary posts in the same

MANAGEMENT IN CONFIDENCE


hierarchy. (This latter point would also help bring on the kind of able people Ministers wish to encourage).

4. I would see it as essential to say something about all of this when the Wardale report is published.

5. The letter of 4 August had no reference to reviewing the need for all levels in the junior grades. The Wardale report's principles would seem to me to apply here too. We now need to get on to look at the situation on the ground and to get some results. I would hesitate to ask Departments whether they can take it on as a separate exercise. Could all of this not be built into the priorities for inspection and review over the next few months? We could look to your officials to lead their departmental counterparts and to report at, say, the end of March on what has been achieved in thinning out the levels of hierarchy, and what general lessons there are. We could then take stock again to see if a further initiative would be justified.

6. I should be keen to give you whatever help I can with both exercises and would like to stay in close touch with them if that would be helpful to you.

7. I am copying this to Sir Robert Armstrong and to Clive Whitmore.


DEREK RAYNER

*Original on Inst Pol Pt 2 Info Tech
Civil Service P88*

CABINET OFFICE
70 WHITEHALL
LONDON SW1A 2AS

CI- 233 7478

Hw 078

11 August 1981

W Rickett Esq
Private Secretary
10 Downing Street
LONDON SW1

*WR
12/8*

John W. Rickett

GOVERNMENT INPUT TO PRESIEL

You will by now have seen Mr Baker's letter of 7 August to Mr Heyhoe on this subject. This is just to say that the IT Unit are fully in support of Mr Baker's case for the retention of the COI Viewdata Unit (and indeed his letter was drafted here).

2. I am copying this letter to David Heyhoe (Paymaster General's Office).

*Your sincere
R G Courtney*

R G COURTNEY



Minister of State

The Rt Hon William Whitelaw
Home Secretary
Home Office
Queen Anne's Gate
LONDON SW1

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

10 August 1981

Dear Willie, *M. Gilroy*

CHARGING FOR CIVIL SERVICE COLLEGE COURSES

Following a Rayner project in 1979 and consultations with departments and with the Civil Service College Advisory Council, I have been considering whether departments should be asked to pay for attendance at Civil Service College courses. The philosophy behind repayment is now well rehearsed, namely that by letting costs fall where they arise needs will be more rationally defined, providing for greater efficiency and economy in the use of resources than when the goods and services are provided free. Repayment is established policy for HMSO, COI and PSA services and should in principle apply also to the Civil Service College.

2. In the particular case of the College, I appreciate that departments have expressed a preference for retaining the present arrangements, fearing that repayment would cause the short-term financial pressures facing hard-pressed programme managers to dominate in an area where the benefits are of a longer-term nature, to the detriment of the investment in training and the long-run efficiency of the Civil Service as a whole, particularly when the interests of the whole are not necessarily equal to the sum of the interests of the parts and to avoid divergence of interests there is a need for a central management role.

3. I do not accept that these fears argue conclusively against repayment. Sir Derek Rayner has suggested that the major difficulties could be met if CSD were to act as a "central customer" for the training which we believe is necessary in the interests of the long run efficiency of the Civil Service as a whole, and I believe that we should take a deliberate and significant step towards repayment and that this idea offers a basis for doing so.

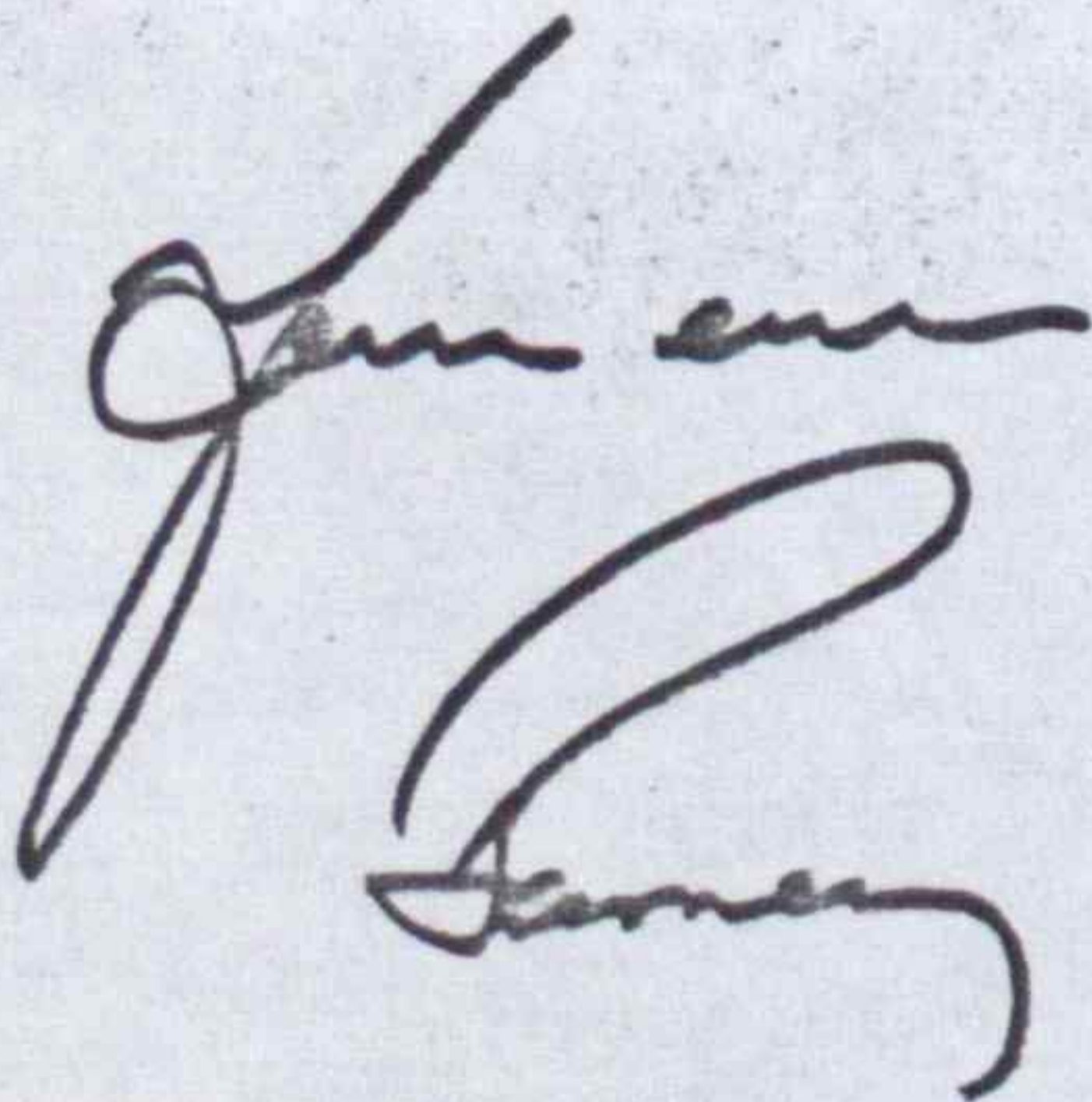
4. I therefore propose that we should introduce repayment, on an appropriate basis of charging, for those courses where repayment is most likely to encourage cost-consciousness and cost-responsiveness, and least likely to have the perverse effects feared by departments. What I have in mind is that CSD would bear on its Vote the fixed overhead costs of the College and the direct cost of those courses whose benefits accrue over time or a

wide area. Departments would pay the direct cost of those courses which are "job specific" (the benefits of which are most immediate and can be more easily weighed by individual departmental managers) and for which there are alternatives available outside the College or the training is that which departments ought to consider providing on their own account. Specifically, therefore, I propose departmental repayment of direct costs of courses to train trainers, courses in audit and personnel management, certain management services and computer courses for practitioners, and courses which the College provides for departments or groups too small to sustain training in subjects which departments would normally provide. The CSD would continue to fund other College training: examples would be seminars at senior levels, AT training, multi-disciplinary courses at middle management levels, most of the planned computer training, and courses for line staff in such topics as financial management, economics, statistics, government, staff management and industrial relations.

5. Non-Exchequer bodies already pay for all College courses. Adding this measure of departmental repayment would extent repayment to some 35-40% of the College. It would be accompanied by full attribution to departments of all College costs. It would not be free of the risks which departments have identified. But it would test the practical consequences of repayment in areas where its effect is most likely to be beneficial. There is bound to be some fuzziness at first about the dividing line between courses to be charged to departments or to the CSD. We shall not get it precisely right from day one. The important thing is to lay the foundations for change on which subsequent discussions between departments, the Civil Service Department and the College can build.

6. I should add that I have consulted the Prime Minister and I am making these proposals with her agreement. She attaches importance to the principle of repayment for Civil Service College courses and sees these proposals as a first step and not as a last word.

7. I am writing to you and other Ministers in charge of departments because this is a matter in which all departments have a stake. I should be grateful if you would let me know by the beginning of September if you are content with the basic approach. If so, I propose that departments and the College should together work up the details of such a scheme to provide a dry-run for 1982-83, and repayment on this basis from April 1983 onwards.



BARNEY HAYHOE

RESTRICTED

Original on Ind Pt A2, Info Tech



FROM THE
MINISTER OF STATE
FOR INDUSTRY AND
INFORMATION TECHNOLOGY
Kenneth Baker

CABINET OFFICE
Hw 98
10 AUG 1981
FILING INSTRUCTIONS
FILE NO.....

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212

SWITCHBOARD 01-212 1678
FILE NO.....
FILING INSTRUCTIONS
1861 907 01
Hw 98
CABINET OFFICE

Barney Hayhoe Esq MP
Minister of State
Civil Service Dept
Whitehall
London SW1A 2AZ

Copies to:

Mr Unwin
Mr Courtney
Mr Atkinson
Dr Thynne
Mr Rowe

7 August 1981

+ 2 external

GOVERNMENT INPUT TO PRESTEL

I should be very grateful for your help on an issue which is relatively small in terms of the resources involved but very important in my view if we are to exploit the outstanding technical success that British Telecommunications and British Industry have had in developing Prestel as the world's first public viewdata system.

The issue that concerns me relates to the provision of information by Government to Prestel and in particular to the important role played in this by the small Viewdata Unit at the COI. Your officials are familiar with the background, but it may be helpful if I summarise it briefly.

Government Departments and associated public bodies contribute at present about 10,000 frames to the Prestel data base (which currently holds about 180,000 frames). Nine departments provide information separately and each pays to Prestel an annual service charge (currently £2,400). Eleven other departments or associated bodies (mainly smaller ones) operate under the aegis of the COI Viewdata Unit which pays a single service charge on their behalf.

The COI Unit was established in the early days of Prestel with the limited objective of seeing the new medium through its market trials. There was no authorised complement for viewdata work and COI transferred four staff from regular information work to form this special Unit. As well as operating a central information inputting service for the eleven departments or associated bodies referred to above, it has co-ordinated Government contributions to Prestel generally and taken a lead, within the Association of Viewdata Information Providers, in bringing together the interests of providers of "social" information. It has also advised and trained staff from other departments in the use of Prestel and helped to promote Viewdata at overseas exhibitions.



I understand, however, that as part of its required reduction in manpower the COI will have to disband the Viewdata Unit by April 1984, unless special manpower arrangements can be made by the CSD to avoid this. This is because the COI do not believe they can make compensating staff savings elsewhere in the Department in order to preserve the Unit. I think this would be extremely damaging. The input of Government Departments to Prestel would almost certainly be reduced and less effective. Some Departments are already considering whether to reduce or withdraw their contributions which would be more difficult and expensive without the help of the COI "umbrella". Any perceived withdrawal by the Government at this crucial stage in Prestel's commercial development could damage its prospects gravely and invite ridicule at a time when the Government are putting great stress on the importance of information technology for the nation's future industrial success and are currently launching a major information technology awareness programme.

I very much hope, therefore, that it will be possible to take a longer view about the Government input to Prestel and keep the COI Viewdata Unit in being so that it can continue to provide a centralised inputting service for the smaller departments and co-ordinate Government information provision as a whole. Assurance of its future would also enable the Unit to take the lead in examining ways of cutting costs and providing the desirable service most cost-effectively. I should myself also like to see the Unit in due course explore the possibilities for extending the Government input, enlarging the present data base and exploiting new technical developments. But I accept that decisions on this will need to be taken in the light of the resources available and the crucial requirement now is to make sure that the Unit itself is not disbanded.

I hope, therefore, that you will be able to see your way to enabling the Unit to be kept in being within the COI. For the reasons above I firmly believe it would be shortsighted and damaging to the national interest to break up the expertise and enthusiasm that has been developed.

I should add that I have taken the opportunity of discussing the issues with the external Advisers on Information Technology who were appointed by the Prime Minister at the beginning of July. They strongly share my view that any reduction in the Government contribution to Prestel now would seriously undermine the credibility of the Government's support for it.

I am sending copies of this letter to the Prime Minister and to Francis Pym.

KENNETH BAKER

A handwritten signature in dark ink, appearing to read 'Kenneth Baker', written over a horizontal line.

Jul

Civ Service

5 August 1981

CHARGING FOR CIVIL SERVICE COLLEGE COURSES

The Prime Minister was grateful for Mr. Hayhoe's minute of 31 July.

She has agreed that he should write to Departments on the lines of the draft attached to his minute. However, she would like him to add that he makes his proposals with her agreement; that she attaches importance to the principle of repayment for Civil Service College courses; and that she sees his proposals as a first step and not as a last word.

I am copying this to Ian Beesley in Sir Derek Rayner's Office.

W. F. S. RICKETT

A.A. Carter, Esq.,
Civil Service Department.

A

3.R.
PRIME MINISTER

CHARGING FOR CIVIL SERVICE COLLEGE COURSES

You will recall that when repayment for CSC courses was raised nine months ago, it was resisted by the CSD and other Departments.

In the attached, Barney Hayhoe proposes to write to Departments suggesting a first step towards repayment. Instead of the costs of CSC courses being met by Departments, he proposes that Departments and the College should work out a scheme, for a dry run in 1982/83, *in which*

(a) the costs of job specific training would be met by Departments;

(b) the costs of developmental training (e.g. in financial management) would be met by the CSD;

(c) the CSD would fund the fixed costs of the College.

Sir Derek Rayner's office are content with these proposals as a first step.

Agree that Mr. Hayhoe should write to Departments on the lines of the draft at (a)? In doing so, would you like him to add that he makes his proposals with your agreement?; That you attach importance to the principle of repayment for CSC courses; and that you see his proposals as a first step and not as a last word?

WPKM

Yes not

4 August 1981

no.

cc Mr Daquid



MANAGEMENT IN CONFIDENCE

PRIME MINISTER

CHARGING FOR CIVIL SERVICE COLLEGE COURSES

I have been considering the question of charging departments for attendance at Civil Service College courses.

Repayment is established policy for HMSO, COI and PSA services and in principle should apply to the College also. But powerful practical arguments in favour of retaining the present arrangements have been deployed by departments and the College Advisory Council as Paul Channon reported in his minute of 18 November last. I do not accept that these arguments are conclusive and I believe we should take a deliberate and significant step towards repayment.

on pt 7 attached

I therefore propose to write to colleagues as in the draft letter attached, proposing a measure of repayment which would be most likely to have the beneficial effect on cost-consciousness and cost-responsiveness sought from repayment and not the perverse effect feared by departments. Non-Exchequer bodies already pay, and this step would extend repayment to some 35-40% of the College. It would be accompanied by full attribution to departments of all College costs. We already attribute costs fully on a rough and ready basis, but this will need to be refined. The necessary system is being introduced. A dummy run in 1982-83 (aligning the College timing with the PSA) is an important part of getting this right.

Do you agree that I should proceed on these lines?

A copy of this minute goes to Sir Derek Rayner.

BH.

BARNEY HAYHOE

31 July 1981



MANAGEMENT IN CONFIDENCE

DRAFT LETTER FROM THE MINISTER OF STATE (CIVIL SERVICE DEPARTMENT) TO THE HOME SECRETARY:

CHARGING FOR CIVIL SERVICE COLLEGE COURSES

Following a Rayner project in 1979 and consultations with departments and with the Civil Service College Advisory Council, I have been considering whether departments should be asked to pay for attendance at Civil Service College courses. The philosophy behind repayment is now well rehearsed, namely that by letting costs fall where they arise needs will be more rationally defined, providing for greater efficiency and economy in the use of resources than when the goods and services are provided free. Repayment is established policy for HMSO, COI and PSA services and should in principle apply also to the Civil Service College.

2. In the particular case of the College, I appreciate that departments have expressed a preference for retaining the present arrangements, fearing that repayment would cause the short-term financial pressures facing hard-pressed programme managers to dominate in an area where the benefits are of a longer-term nature, to the detriment of the investment in training and the long-run efficiency of the Civil Service as a whole, particularly when the interests of the whole are not necessarily equal to the sum of the interests of the parts and to avoid divergence of interests there is a need for a central management role.

3. I do not accept that these fears argue conclusively against repayment. Sir Derek Rayner has suggested that

MANAGEMENT IN CONFIDENCE

MANAGEMENT IN CONFIDENCE

the major difficulties could be met if CSD were to act as a "central customer" for the training which we believe is necessary in the interests of the long run efficiency of the Civil Service as a whole, and I believe that we should take a deliberate and significant step towards repayment and that this idea offers a basis for doing so.

4. I therefore propose that we should introduce repayment, on an appropriate basis of charging, for those courses where repayment is most likely to encourage cost-consciousness and cost-responsiveness, and least likely to have the perverse effects feared by departments. What I have in mind is that CSD would bear on its Vote the fixed overhead costs of the College and the direct cost of those courses whose benefits accrue over time or a wide area. Departments would pay the direct cost of those courses which are "job specific" (the benefits of which are more immediate and can be more easily weighed by individual departmental managers) and for which there are alternatives available outside the College or the training is that which departments ought to consider providing on their own account. Specifically, therefore, I propose departmental repayment of direct costs of courses to train trainers, courses in audit and personnel management, certain management services and computer courses for practitioners, and courses which the College provides for departments or groups too small to sustain training in subjects which departments would normally provide. The CSD would continue to fund other College training: examples would be seminars at senior levels, AT training, multi-disciplinary courses at middle management levels, most of the planned computer training, and courses for line staff in such topics as financial management, economics, statistics, government, staff management and industrial relations.

MANAGEMENT IN CONFIDENCE

5. Non-Exchequer bodies already pay for all College courses. Adding this measure of departmental repayment would extend repayment to some 35-40% of the College. It would be accompanied by full attribution to departments of all College costs. It would not be free of the risks which departments have identified. But it would test the practical consequences of repayment in areas where its effect is most likely to be beneficial. There is bound to be some fuzziness at first about the dividing line between courses to be charged to departments or to the CSD. We shall not get it precisely right from day one. The important thing is to lay the foundations for change on which subsequent discussions between departments, the Civil Service Department and the College can build.

6. I am writing to you and other Ministers in charge of departments because this is a matter in which all departments have a stake. I should be grateful if you would let me know by 3 weeks from issue if you are content with the basic approach. If so, I propose that departments and the College should together work up the details of such a scheme to provide a dry-run for 1982-83, and repayment on this basis from April 1983 onwards.

p.a. Civil Service ^{WV} ^{TK}

Prime Minister ²

MS



Encouraging figures, despite the Lord President's fears for the future. I have set out some previous figures below.

PRIME MINISTER

WVBN 31/7

CIVIL SERVICE MANPOWER

Departmental returns of staff in post on 1 July have just been received. The total of 684,400 shows a net fall of 5,200 in the second quarter (2,900 non-industrials and 2,300 industrials) after taking account of an increase of about 2,500 in the Department of Employment.

This puts us already 4,500 below the April 1982 target. But later this year we shall need to take on yet more staff as the increase in unemployment works through. We may also need more in law and order departments. Some colleagues have also told me that recruitment of essential replacements has been slower than they had planned. So it looks as if the rate of reduction may fall and that there is no room for complacency. Continued efforts will be needed from all colleagues if we are to maintain the good progress made so far.

I have also been thinking about prospects for the future. In this year's public expenditure survey I have been concentrating with colleagues on their manpower totals for April 1983, in order to leave them with a manageable and credible last stride to their 1984 target. In my view, by April 1983 we need to be down to 660,000. So far the survey is going well and I am grateful to colleagues for the progress they have made in bringing down their planned numbers. With further co-operation from some colleagues I hope to round off this survey with a total of 663,500. Even that is too high for comfort and I will need to press departments when we come to look at their Estimates at the end of the year so that the 1983 figures are a clear step on the way to 630,000 in 1984. If we can do this we have a fair prospect of achieving the 1984 target.

Copies of this minute go to Cabinet colleagues and Sir Robert Armstrong.

S

	Total	Quarterly Reduction
1 April 1979	732 300	
1 July 1980	700 200	3100
1 October 1980	697 100	2000
1 January 1981	695 100	5500
1 April 1981	689 600	5100
1 July 1981	684 400	

SOAMES

30 July 1981

WVBN 31/7



10 DOWNING STREET

From the Principal Private Secretary

MANAGEMENT IN CONFIDENCE

Mr. Nicholls

If, while I am away, Lord Soames comes back saying he does want a meeting, can you pl. arrange with Sir Derek Rayner is in respect to it.

4 August 1981

4 viii

Dear Jim,

CHAIN OF COMMAND

The Prime Minister has now had an opportunity to consider the Lord President's minute of 17 July 1981 with which he submitted a copy of the report of the study on management levels in the Open Structure which was carried out by Sir Geoffrey Wardale's team.

She agrees that we cannot abolish either the Deputy Secretary or the Under-Secretary grade but she believes that we should have as a target the reduction of the numbers in both grades to 1965 proportions (see Chapter III of the Wardale Report).

The Prime Minister does not think that it would be a good idea to use teams led by retired Permanent Secretaries or other very senior officials to go into Departments in the way proposed in the draft letter from the Lord President to the Home Secretary. She doubts whether they would be the right people to scrutinise arrangements for which they had a substantial measure of responsibility when they were in the Service. She believes that the reviews which it is suggested should be carried out should be undertaken by the Permanent Secretaries of the Departments aided, as necessary, by the CSD. Alternatively, she thinks that consultants might be used for this purpose.

Finally, the Prime Minister is of the view that we should publish the Wardale Report so that we can benefit from the views of the outside commentators.

The Lord President will clearly wish to consider the Prime Minister's comments on the Wardale Report. I am sure that Sir Derek Rayner will want to do so as well. If Lord Soames would find it helpful to have a meeting in due course with the Prime Minister to discuss the next steps, she would be glad to hold one. Such a meeting would now have to take place, of course, after the holiday break.

/ I am sending

MANAGEMENT IN CONFIDENCE

I am sending copies of this letter to Robert Armstrong and
Derek Rayner.

Yours truly,

Alvin Whittman.

Jim Buckley, Esq.,
Lord President's Office.

PRIME MINISTER

Chain of Command in the Civil Service

1,
Will consider them
after the House
minutes met

A The minute immediately below from the Lord President submits a report by a team led by Sir Geoffrey Wardale on the proposition that the chain of command of the Open Structure of the Civil Service should be shortened. Lord Soames also submits with his minute a draft letter with which he would like to circulate the Wardale report to other members of the Cabinet, seeking their agreement on how to proceed on its recommendations. I do not suggest that you should read the whole of the report, but you might like to go through its conclusions and recommendations which are set out on pages 35-37 (Flag A).

C I thought that the references in Lord Soames' minute to consultation with Sir Derek Rayner were so bland that I suspected that they covered up disagreement between him and the CSD, and I therefore asked his office for advice. This has been provided in the very long minute from Mr. Priestley at Flag B. There is too much of this for you to read in its entirety, and you will get the essentials of Sir Derek Rayner's views if you look at the draft letter at Flag C which Mr. Priestley suggests we should send, on your behalf, to Lord Soames' office in response to his minute to you.

I think that Sir Derek Rayner's criticisms of the Wardale report and of the way Lord Soames proposes to proceed are justified for the most part and I suggest that you agree that I should write in the terms of Mr. Priestley's draft. But I must warn you that the Lord President will almost certainly be unhappy to receive what he will regard as another rebuff from No.10; and you may take the view that, with everything else that is going on at the moment, you do not want another fight on your hands on an issue which, though important, is hardly central and which, even if we proceed as Lord Soames suggests, you could revert to at a later date if you so wished.

/Shall

Shall I write as in the draft at Flag C? Or shall we let Lord Soames go ahead as he proposes?

TWW.

Clive - I don't think either course is satisfactory

I think we should publish the Wankle report - as that's the Press can make their own comment.

It is not a good report - quite spart from its conclusion.

I don't think we can do this either
fide but I think we should have
a target of reducing the total of both
fides to 1961 proportions. I should
have no confidence in Wankle team.

Little outside Wankle's food
permanent resolution is likely (1)
should be able to do it. Venetian?
Wankle is. Critics have any view?
If impossible to do it by October
not

24 July 1981

Mr RICKETT



CHAIN OF COMMAND: THE OPEN STRUCTURE AND BELOW

1. The Lord President's minute of 17 July presents Sir Geoffrey Wardale's report on the "open structure". It also presents a difficult problem in that, in our judgement, the Wardale report is a far from satisfactory platform for decisions. The Lord President asks the Prime Minister to agree to putting to Ministers a scheme of work involving:

- (1) The publication of the Wardale report.
- (2) Keeping both the Deputy and Under Secretary (DS and US) grades. (One of the defects of the Wardale report is that the costs of these grades are not given. We calculate them, including their personal secretaries, to be roughly as follows (1980 prices):

DS	150 posts	£ 8.5m
US	590 posts	£30.5m
		<hr/>
		£39.0m)
		<hr/>

- (3) As the report has indicated the presence of unnecessary posts, their removal by means of:
 - a. assessments to be made by departments themselves in accordance with the "Wardale principles" (para. 6.6, page 36) and to be reported to the Lord President by end-October; and
 - b. inspectorial teams led by retired Permanent Secretaries ("or other very senior officials") and supported by CSD.
- (4) Taking into account "any relevant results" of the Megaw pay inquiry so that, together with



the results of 3(a) and (b), a judgment can be formed "within about twelve months on what the size and organisation of the Open Structure should be".

- (5) For levels below US studies applying the Wardale principles once the pay dispute is out of the way - if Ministers agree.

SIR DEREK RAYNER'S POSITION

2. I attach a copy of Sir DR's assessment of the Wardale report. He discussed it with Mr Hayhoe on 9 June.

3. The Lord President's minute and a slightly different version of the draft letter to the Home Secretary were shown to Sir DR in draft recently. He made no objection to them.

4. His position is that:

(1) The Wardale report has not provided a sound basis for either abolishing or retaining the DS and US grades, so that we are not much better off on that score than before.

(2) If Ministers decide, on grounds of practical politics, to keep the two grades but to thin out the hierarchy by applying the "Wardale principles" it should be done rigorously: the principles should be reinforced by a working rule that Assistant Secretaries report straight to DSS while USs report straight to Permanent Secretaries.

(3) Given the history summarised by the Wardale report and the nature of the Wardale exercise itself, he is not satisfied that retired Permanent Secretaries would make satisfactory



scrutineers of existing arrangements, given that they had been responsible for them in the past.

PUBLICATION AND THE ABOLITION ISSUE

5. The crucial point is whether or not to accept the Wardale recommendation that no Open Structure ^{grade} ~~post~~ should be abolished (para. 6.1).

6. The decision is linked with the decision whether to publish the report. It is a document which could be represented as a whitewash because:

- (1) The report is hard to get hold of owing to the unscientific way in which the evidence is presented. There is a marked absence of explanation for the past growth of the Open Structure and of data about its present cost.
- (2) The evidence is not treated analytically. This makes the report allusive, in that it appears to be written much more for the sympathetic insider, who can be relied on to recognise a plausible case when he sees it, than for the critical outsider, who needs to be convinced by chapter and verse.
- (3) The omissions of the past are however admitted. Annex III shows that there has been a large expansion in numbers since 1965. The main text refers to the lack of proper definition of duties, to the presence of unnecessary posts (para. 6.2), to the lack of regular review of posts (6.3) and to the lack of incentive to keep staff costs down (6.4).



- (4) There is little recognition that the length of the Principal - Permanent Secretary hierarchy and the numbers within (up to 9 grades and some 7,000 staff) represent a substantial consumption of the nation's best talent or reference to the proposition that much more should be expected and made of the high quality talent available at the Principal and Assistant Secretary levels.

7. In addition, there are some tactical points which should be had in mind:

- (1) A decision to keep all grades in the Open Structure would make it difficult to abolish another or other grades further down should that be indicated by the rest of the review.
- (2) The Wardale exercise is not a good precedent for establishing more inspectorial teams led by ex-Permanent Secretaries. It led to an unconvincing report. Repeated "Wardales" are likely to be open to these difficulties, given the retention of all Open Structure grades:
- a. There may be long drawn-out arguments with departments, in which they will fight to keep what they have.
- b. Even if there is an initial success, the Open Structure may well "grow back": all large organisations suffer from grade drift, multiplication of grades and reluctance to get rid of passengers who clog up the hierarchy.
- c. Employing retired poachers as gamekeepers may work and look good in some fields, but it has little presentational advantage here.



8. Sir Derek Rayner's preference would be for the abolition of the US grade. He acknowledges that while it would be a decisive solution, it would also be painful, difficult and slow to achieve because it would involve 590 posts and their holders (average age 53) and its consequences would have to be worked out department by department. It would also mean having more DSs and widening the Assistant Secretary pay band because ASs would carry more responsibility.

9. It is a matter both of judgment and of logistics. The work of the Service would get done but, although the decision would please many outside Whitehall, it would involve much rough justice to individuals and would shake the machine to an extent which Ministers might think damaging. It could not be implemented without cost, monetary or human, nor at a single stroke.

10. Abolishing the DS grade would be simpler because fewer people are involved (190, average age nearly 55).

11. Abolishing either grade would not be a matter of totally neat amputation; there would be several ragged edges, as some posts would certainly have to be retained.

12. There is also the question whether Ministers would be prepared to run with abolition. Faced with the hair-raising prospect of managing the abolition of either grade in their department, but especially that of US, Permanent Secretaries are bound to brief hard against it. And, conscious of the relationship they will have by now developed with many individual officials, few Ministers are likely to be anxious to submit their officials to what they will no doubt see as a blunt-ish saw.

13. The choice therefore lies between:

- (1) Falling in with "no abolition".
- (2) Arguing that Wardale is unconvincing and that



departmental assessments now proposed should be used in order to take a better informed decision.

(3) Despite Wardale, pressing for abolition now.

14. I offer advice below.

REMOVAL OF UNNECESSARY POSTS

15. The Prime Minister may decide to accept the Lord President's advice and come down against abolition now. If so, there would still be good questions about the rigour and acceptability of the "assessment and review" approach he recommends, on both timing and method:

(1) Is it sensible to ask departments to assess themselves and report by the end of October, in terms of either the time allowed or the seriousness with which they could do so? Almost certainly not.

(2) What is the intended relationship between the departmental assessments and the "Wardale teams", as to content and timing? Not at all clear.

(3) How are the "Wardale teams" to be manned and tasked? What will they cost? To whom will they report - to Ministers in charge of departments or the Lord President?

(4) How do the departmental assessments and the "Wardale teams" relate to the Megaw inquiry? (The inquiry is to make recommendations on the principles and system by which the pay of the non-industrial civil service should be



determined "taking account of other conditions of service and other matters related to pay, including management, structure, recruitment and grading".)

- (5) Are the "Wardale principles" robust enough on their own (para. 6.6)? Would it not be better to test the Rayner general rule now rather than allow it to be eroded (draft letter, para. 3)?

THE LOWER LEVELS

16. I think that it is rather feeble to ask departments what should be done about the lower level studies (draft letter paras. 5 - 7). The better course would be to make a proposal, which takes account of the different circumstances of departments, for example after the pay dispute. Asking them "how far can we realistically expect to make effective progress over the next few months?" Invites a fairly obvious answer. I cover this point in the draft letter annexed.

ADVICE

17. If the Prime Minister is intellectually dissatisfied with the proposition that the DS and US grades should be retained, she might either ask the Lord President what are the critical factors that tilt the balance towards retention or say that she herself found the Wardale report so unconvincing as not to be an acceptable basis for decisions.

18. In the latter case, she might say that the departmental exercises should not begin with the presumption that any grade should be retained but should rather assess all departmental structures so as to provide more reliable evidence on the abolition/retention issue and to enquire into the issue of unnecessary posts. That would indeed enable the Government to take a better informed decision within the twelve months which the Lord President



mentions in his covering minute and in the draft letter (para. 4).

19. If the Prime Minister accepts that there should be no abolition and endorses the assessment and review approach proposed, she might still wish to satisfy herself on the timing and other tactical points stated above.

20. As far as the lower levels are concerned, I think that what is said to departments should be far more positive and less open-ended.

21. I attach a possible draft reply to CSD.

C PRIESTLEY
20 July 1981

Encs: Copy letter from Sir Derek Rayner to Mr Hayhoe
Draft letter to Mr Buckley



CABINET OFFICE

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

28 April 1981

Barney Hayhoe Esq MP

CHAIN OF COMMAND REVIEW: THE OPEN STRUCTURE

1. Geoffrey Wardale kindly came to see me a few weeks ago with Bill Hopkinson and Stephen Taylor who explained their recommendations, which I had by then only skimmed. I have now read their report carefully. My comments on the report itself are set out in the enclosure which, with this letter, I am copying to Geoffrey Wardale and Bill Hopkinson. A copy also goes to Ian Bancroft.
2. For reasons explained in the enclosure, I found the report difficult to get hold of. This is because of the rather unscientific way in which the evidence is presented. I think the report is also somewhat allusive in that it appears to be written much more for the sympathetic insider, who will recognise a plausible case when he sees it, than for the critical outsider, who needs to be convinced by chapter and verse.
3. In the absence of data about the growth and cost of the Open Structure and of an analytical treatment of the evidence accumulated, I am in a quandary about the team's two basic propositions, that no grade should be abolished and that the posts in the Open Structure should now, in order to repair the omissions of the past, be subjected to a continuing and stringent review. This is not to impugn the team's integrity, which I am sure is not in question, but to address myself to the most effective way of dealing with the deficiencies they have identified and to forestall what I fear may be an adverse public response to the report.
4. On the "no abolition" recommendation, I am struck by these points:
 - a. Annex III shows that there has been a large expansion in the number and therefore the cost of the Open Structure since 1965. This seems to correspond with the "wholesale upward shift in average grade levels throughout the administrative and specialist hierarchies" about which John Pestell wrote to PEOs on 24 February.

b. It represents a substantial extra consumption of the nation's human talent. It is out of keeping with my general proposition that much more should be expected and made of the high quality talent available at the Principal and AS levels.

c. The need for "integration and co-ordination" above US level is plainly not universal.

d. The retention of all grades in the Open Structure would not only make it difficult to abolish another or other grades further down, should that be indicated by the rest of the review, but would provide a strong base for defending the status quo in departments and perhaps building on it in future.

5. Not unnaturally, the team has found areas in which there is room for all levels to operate, but I do not believe that it follows the only course is to retain all grades and rely on a more stringent scrutiny than in the past. The response to the scrutiny could very well be that departments would justify their present arrangements and that very little would happen; it would of course be difficult for this Government to raise the abolition issue again at a future date. I therefore think that very serious consideration needs to be given to the issue before abolition is ruled out.

6. One course would be to abolish the US grade, now represented by 590 posts at a cost of £30 million per annum, and to increase the number of DSs. That would enable the Government to extend the responsibilities, job satisfaction and pay scale of ASs and to provide the support that Permanent Secretaries need by way of integration and co-ordination by means of an increased number of Deputy Secretaries.

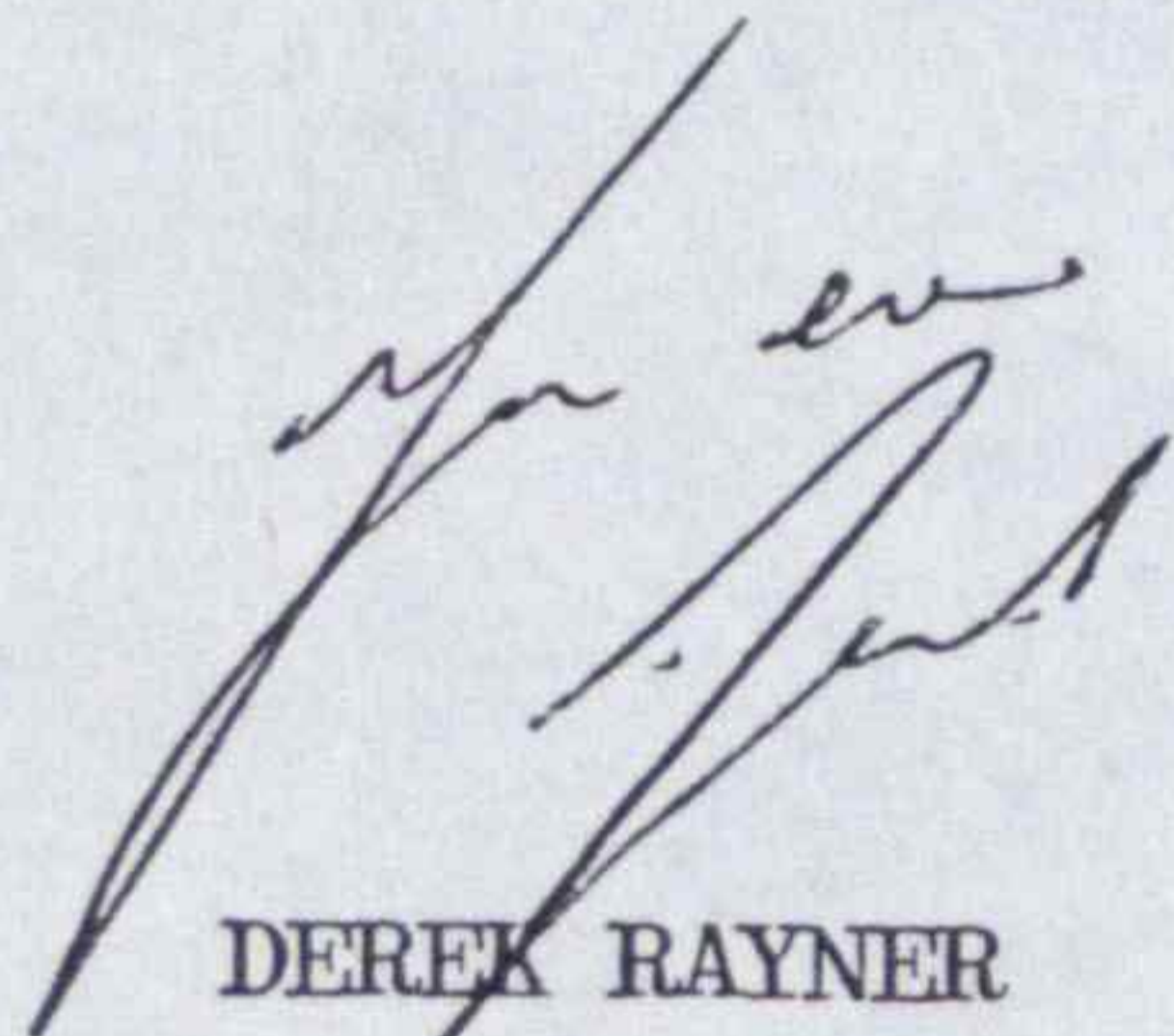
7. However, while I do not think that the team have demonstrated that they made a "searching scrutiny" of the US grade, I do not despise their view that the grade "appears .. to be a vital one in many areas" (5.20). Apart from that the abolition of 590 posts at this level would be a large and expensive operation. If the US grade were retained, it should be much reduced in numbers.

8. A second course would be to abolish the DS grade, now represented by 150 posts at an annual cost of £8.7 million. The team's report suggests that the grade covers a mixture of posts which, on the one hand, genuinely head up related areas of work and spare the Permanent Secretary a heavy burden of management and, on the other, rather get in the way of and impair the effectiveness of other posts (5.14 - 5.19). I can well see the case for posts in the former category, but I think it dangerous to give the prospect of continued life to posts in the latter by keeping the grade as a whole. It would be preferable to abolish the grade, but to permit Permanent Secretaries to make a case for posts to deputise for them in certain specified areas, subject to the critical examination of each after, say, three years.

9. If neither of those courses commended itself to the Government, I think that there should be a Service-wide exercise straight away to reduce the number of DSs and USs in all departments save those which have already made reductions that can be regarded as acceptable on a strict criterion. Such a criterion might be to bring numbers back to the levels of 1965 or earlier.

10. With regard to the continuing scrutiny of the Open Structure, I agree with the idea that CSD control should be reinforced by agents who could be seen as independent. For that reason, I would like to see the inclusion of outside elements. It would be essential, of course, that the decisions of this independent group were for real and did not simply produce an extended haggle between the centre and departments. It would also be very important that the Service had the means of disposing of senior officers on honourable terms.

11. I shall of course be glad to have a word with you about this if you find that helpful, but I would not want you to hold up the business on my account.



DEREK RAYNER

Enc: Comments on Wardale Report

CHAIN OF COMMAND REVIEW: THE OPEN STRUCTURE

(Report of a team led by Sir Geoffrey Wardale KCB)

Comment by Sir Derek Rayner.

THE NATURE OF THE EVIDENCE

General

1. The purpose of the review was to "examine the contribution of different management levels to work involving staff of the Open Structure [and] to consider in the light of that examination the case for shortening the chain of command both by abolishing grades and by restricting the number of management levels in particular areas of work ..." (para 1.1).
2. The subject of the review was the context of jobs and the relationship between them (1.7).
3. The method of taking evidence was interview - with 140 civil servants; three senior ministers (Environment, Agriculture and Chief Secretary - who was presumably seen mainly with reference to his previous post as a Minister of State in the Home Office); one junior Minister (Arts - who was presumably seen mainly with reference to his previous post as Minister of State, CSD); and one ex-Minister, Mr Edmund Dell (1.5). Comments made by politicians are not separately identified, even in the cases of the Housing and Police Deputy Secretary commands in DOE and the Home Office respectively. The team also refer to outside organisations (4.14, 4.18 and Annex V) but the report does not explain how the evidence was obtained.
4. Their review is characterised by the team as in part an "audit" of how well the arrangements for the definition of posts in the Deputy Secretary (DS) and Under Secretary (US) grades have worked (3.6) and in part have a "searching scrutiny" of the US grade (5.20).
5. The evidence presented is generally non-quantitative and non-forensic.

The Treatment of Basic Data.

6. Cost data is not presented. While it is reasonable for the team not to make recommendations "simply in order to save salaries and overheads" (6.9), it is significant that they also remark that, there being no formal system for inspecting posts above Assistant Secretary (AS) level, the CSD is largely dependent on departments to bring to its attention posts which could be abolished or down-graded (3.3) and that they conclude that line managers "at all levels have no incentive, apart from external pressure, to contain and where possible reduce the number of staff below them" (6.4). The team's references to the Open Structure as a "tiny fragment of total Civil Service numbers: less than 1 post in 1,000" (2.2) and to the risk that "some people who already work too hard for not

particularly high pay were further pressed" (6.9) may be seen as tendentious and prejudicial in the absence of information on costs and of any comment on the apparent growth in the numbers of senior Civil Servants since 1965, including the numbers of posts which departments have volunteered for abolition or the CSD has refused to sanction.

7. On the cost side, while it may be true that some senior grades are not highly paid by the standards of some outside organisations, it is important to have regard not simply to the salary costs of a particular office holder but also of his immediate supporters. In the absence of any data in the report, I have calculated this roughly as follows from the Ready Reckoner but should be glad to have a more reliable estimate:

<u>Grade</u>	<u>Number</u>	<u>Private Secretaries</u>	<u>Personal Secretaries</u>	<u>Clerical Support</u> (1 CO each?)	<u>£m pa</u>
PS	26	26(HEO(A))	26(SS)	26	2.4
2/PS	15	15(HEO(A))	15(SPS)	15	1.1
DS	52		152(PS)		8.7
US	591		591(SPS?)		30.6
Totals	784	41	784	41	42.8

8. On the growth side, neither the main text nor Annex III comments on the movement in numbers since 1965. Although the total for January 1981 is down (by 8.5 per cent) on the peak in April 1976, that total is significantly above the base figures given for 1965, see below. As the team refer in para 3.6 to their "audit" of the effect of the grading criteria introduced in 1971, I have also included, in the third column, the percentage increases for the period 1970-81. They are less dramatic than for the period covered by Annex III as a whole, but are still substantial with marked increases occurring in the period 1970-76 (32 per cent).

<u>Grade</u>	<u>Percentage Increase, 1965-81</u>	<u>Percentage Increase, 1970-81</u>
PS	10	17
DS	33	14
US	48	19

9. In the light of the points noted in paras 6-8 above, Chapter III on the control of grading and complementing provides much food for thought. I would make two points:

a. I agree with the team that the balance of priority between "the centre and the operating units is often a difficult one" (3.4). This is frequently as true within an organisation as it is in that organisation and some other "centre". In the Civil Service, a particular emphasis should therefore be placed on properly regulating the number of senior posts, so that there is both a general central policy and a proper support by the centre to heads of departments.

b. It is unsatisfactory to leave the size of the Open Structure to be regulated by the occasional blitz (5.5 is relevant). But the team's guarded reference to the efficacy of staff inspection for posts at AS level and below (3.3) conceals the fact that staff inspection itself is not very satisfactory. The 1975 campaign led to no lasting improvement, as both last year's campaign and the MOD scrutiny (the Fisher report) showed. So very rigorous criteria and machinery are needed for the future (see below).

General Elusiveness of Evidence Presented

10. The evidence presented by the team has an elusive quality, because so much is unquantified. The following are the main examples of this:

a. Work is described as "very rarely" passing through all available levels before completion (5.1); similarly, there is "little duplication of work" (5.4 iii)

b. "Much work" goes to Ministers from ASs and below (5.1).

c. US's hand is "often" the last (5.1).

d. The team do not say in how many of the chains of command seen (that is of the presumable total of 22 DS commands noted in Annex II) each of the AS, US, DS and PS levels makes a distinct and necessary contribution to an important area of work (5.3). Four examples are given "from those which we have seen" (5.3). It is therefore impossible to ascertain how representative those four examples are.

e. The same point applies to the chains of command adversely but generally criticised in para 5.5.

f. There is a similar lack of specificity about the degree to which jobs of the same grade and level differ in content and job weight (5.6 - 5.11; 5.14).

g. The US grade is said "in many areas" to be a vital one (5.20).

The Treatment of the Four Examples Given in Para 5.3.

11. The team rightly regard giving examples of chains of command in which the AS, US, DS and PS levels each contribute, distinctly and necessarily, to an important area of work as a significant part of their analysis. They also see it as underpinning their conclusion that, because there are

some chains of command in which all levels so contribute, no Open Structure grade should be abolished. I am less than fully convinced by the four examples quoted on pages 21 - 26. That is partly for the reason already stated in para 10 d. above; partly because of doubts about particular examples themselves (see immediately below); and partly because the four examples are so briefly stated as to depend for their effect on their plausibility to an insider rather than their power to convince an outsider (see later). My doubts on the particular examples can be briefly illustrated thus:

(1) Housing, DOE (pages 21 - 22)

The implication is that there is too large a job of integration and co-ordination for the Second PS to do and that a DS is therefore necessary. But what needs to be done at the levels above US; how often; and with what value added? For example, while US B is described as "Mr Local Authority Housing", no reference is made to his capacity and that of his four ASs to consume his own smoke.

(2) Defence Policy, MOD (pages 22 - 23)

The case indicated may be right, but it is weakened by a lack of data about the DUS (P)'s own command - is he one-over-one to the AUS (Defence Staff), for example? And by a failure to show why the "key civilian adviser" has to be a DS. (I would have thought, incidentally, that the PUS was the "key" civilian adviser and that what the DUS is doing is co-ordination, rather like the head of the policy unit in the Treasury unit, who is a US I believe).

(3) Social Security Operations, DHSS (pages 23 - 25)

Here too there is a plausible but not "an obvious" (page 25) case for integration and co-ordination above US level. It is interesting that the team make little mention of the Second PS, who heads up the Social Security side of DHSS (see 5.13). So I cannot tell from the text whether the DS is needed as well as the 2 PS. How much "direction" is actually needed for the USs and the AS in charge of the North Fylde Office; of what intensity; and how often?

(4) Police Department, Home Office (pages 25 - 26)

Again there is a plausible case for integrating "police work in a coherent whole". But again also, the team do not demonstrate how much integration and co-ordination is needed; how often; and with what value added. (I note that the Fire US "almost entirely" consumes his own smoke (Page 25). I would suppose this to be true of many USs across the service but while this phenomenon is touched in para 6.6 iii it is not considered at any length).

THE TEAM'S CONCLUSIONS AND RECOMMENDATIONS

The team come to two principal conclusions:

(1) Some chains of command need all existing levels. Therefore, no grade in the Open Structure should be abolished (6.1).

(2) But because they have found some unnecessary posts, there should be rigorous grading and complementing in the Open Structure to remove them; a continuous and systematic view of posts "using agents of suitable status

and experience"; work should skip grades; and the purpose of posts should be defined clearly (6.2 - 6.9).

Keep all Grades

14. I have some difficulty with conclusion (1) for the following reasons.

15. Large organisations tend to luxuriate in times of plenty. Often without taking serious thought about it, they spread themselves in ways which easily become permanent since new or extended structures produce patterns of working and personal expectations which it is very hard to change. This is as true of the private as of the public sector. The price of this, certainly in the private sector, becomes obvious in lean times. It is however easier for the private sector to cope with it by buying people out.

16. Secondly, the argument that there is "a marked difference between the business world and government" (2.7 - 2.10), while true, has the look of special pleading. Government has the privilege of being able to keep itself in business while firms must struggle to survive. The counterpart of the civil service discipline that it is "not good enough to get things right more often than not" (2.7) is the business discipline that the fewest possible resources must be made to work productively for survival and for growth. And in a good firm, control and authority (2.7) must be allocated in a manner which makes people's responsibility for resources, scope for initiative and accountability for results unmistakably clear. The team have not considered the cash or the human cost of the Open Structure. But their findings on resource consciousness and on the variations of practice within the Structure together with their stringent recommendations on future scrutiny will be read by many critics of the service as confirmation of their view that the right answer to the expansion of the Structure is surgery rather than manipulation.

17. Thirdly, I was struck by the absence from the analysis of two different but related points:

a. I can very easily see that there will be occasions when it is necessary to "integrate and co-ordinate" between the levels of AS and PS (4.7; 4.12, page 16; 5.4). My own provisional conclusion is that this is best done at the level now called US. The need for integration and co-ordination by "active managerial intervention to reconcile or decide between conflicting alternatives" (4.12, page 16) is, similarly, easy to imagine. The Police Department in the Home Office may provide a current instance of this. What I find much less easy to contemplate is that there will be such an ever-present and universal need for this as to warrant maintaining a grade across the service as a whole. The report has not proved that such a universal need exists.

b. Nor do the team demonstrate or evaluate the effect which the existence of such standing grades have on the way in which work is either generated or done and on the human talent available. They rightly say that there is "no simple rule for formulating the number of levels an organisation will need for the number of different jobs required at any given level" (4.8), but I part company from them when

they say that organisations should be seen as the interaction of structures, systems and people and that, in this, people "process the work which needs to be done" (4.10). That can be read as implying accepting organisational behaviour as it is and writing down the capacity of people to do good work if properly tasked and led. The right course is to take a stringent view of what the organisation exists to do and to have high expectations of what its employees can achieve. Here I am constantly worried by two things in the civil service - lack of clarity about the job to be done, demonstrated once again by the team's report, and the conversion of many the superbly talented people one sees at P and AS level into the over-fatigued senior people one too commonly meets in the upper reaches. The main criteria I would suggest for deciding on the number of levels and jobs in them would be "maximum economy" and "maximum use of the talent available, ie push responsibility down rather than pull it up".

18. In addition:

a. I think that the report is incomplete. It excludes an analysis of the capacity and performance of the P and AS grades which underpin the Open Structure and gives no evidence about how much the work which is done at the higher grades must be done there. Thus it is impossible to respond to the sensible proposition that people's performance in the job varies (4.10) because one does not know (for example):

- how far variation may be due to differences in Ps' and ASs' perception of the quality of the job they are asked to do; and

- how far the extension of the hierarchy and lack of definition within it make for grade drift and a tendency among those on whom full responsibility is not fixed to use senior officers as a long stop.

b. Nor do the team consider the effect of the work of the higher grades of an important civil service practice, that of moving staff so regularly that they do not become expert in their subject. This must engender anxiety and lack of confidence on the part of senior staff. I think, as you know, that the service needs a positive policy of making people grow in their fields.

c. There appears to be opposing propositions in the report about the reliance which may be placed on comparative youth. Para 4.8 refers to "political sensitivity" as if it increased with grade, whereas para 5.11 says that the issue may be how many pairs of hands are needed, "with ... grades a secondary consideration". Of these two apparent propositions, I tend towards the latter.

d. There is an important but throw away reference to the need to relate the "advancement of the individual (in pay, status, level) and the quality of his contribution" (4.11 v). The team did not discuss the significance of grade in the career structure. The civil service,

given automaticity of increments in certain grades and fixed salaries in the higher grades, has made promotion from one grade to another the normal aspiration of the able and ambitious. The report does not convince me that the result in the Open Structure are wholly good. The work might be better done, with more job satisfaction, with one fewer grade and a more extended pay scale, preferably with opportunity for merit awards below the grade removed.

19. Given what I have said in paras 12, 17 and 18, I would be sceptical about the team's appraisal of the implications of removing a grade or grades (5.4) if they were to be adduced in support of a general proposition that no grade could be abolished. I think it clear that, with proper definition of tasks and fixing of responsibility, more work could be disposed of at lower grades; in this connection, I think the reference in para 5.4 iv to the potential "waste" of talent tendentious. Where a need arises for a higher level integration or co-ordination, I do not see that it should normally be too much for a Permanent or Second PS to provide. The argument about size of meetings and consultation (5.4vi) I find quite unconvincing, given my observation of existing civil service practice and the lack of any supporting evidence in the team's report.

20. The team's observations in paras 5.5 - 5.19 on defective chains of command and their findings about grades, especially about the DS grade (5.14), confirm me in my anxiety about the length and the operation of the hierarchy. The points made on PFOs and PEOs (5.9) make depressing reading. I sympathise with much of what is said about policy jobs (5.10 - 5.11), but I am disappointed that the team do not follow through the implications of their observations on "pairs of hands" versus grades.

22. The variable use of the Second PS grade (5.13), as a head of department in his own right or as a substitute for a PS, and the discussion of the "focus" and "deputy" roles of some but not all DSs (5.14) leave me with the clear impression that there is something of a muddle between the real needs of the work and the temptation to use an existing grade "where the real need is for an additional pair of hands" (5.17).

Future control of the Open Structure para 22.

23. I agree with the general thrust of the team's proposals in paras 6.3 - 6.8, not least the proposal in 6.4 that the appraisal of line managers' performance should take account of how well job holders have used manpower (and I suggest other resources) available to them. The proposals are obviously indicative rather than specific and I should welcome an opportunity to comment again later when they have been worked up. At this point, I would make four observations only:

a. In order to give urgency and rigour to the task there will have to be some aim in view. This might be, for example, reducing numbers to their 1965 level.

b. The team say nothing about the method of the review they propose in para 6.3, beyond suggesting that CSD's control be reinforced by the "examination of work in departments using agents of suitable status and

experience". The methods of control and reinforcement will need spelling out, but I should say now that I am not attracted by the idea of using retired Permanent Secretaries as the agents on their own. I think there would be a very strong case for using them in tandem with a suitably qualified outsider.

c. The team beg the question in para 6.6 to whom the conditions they propose as sanctioning the use of all levels would be evident - CSD?

d. Who would monitor the definition and scrutiny of jobs by departments (6.7)?

DEREK RAYNER

28 April 1981

J Buckley Esq
Civil Service Department

CHAIN OF COMMAND

1. The Prime Minister was grateful for the Lord President's minute of 17 July, forwarding Sir Geoffrey Wardale's report and proposing action to be taken on it.
2. The Prime Minister does not think that the report presents a ~~case~~ ^{convincing} case for the retention of both the Deputy and Under Secretary grades, ~~which would be regarded as intellectually satisfying.~~ It draws attention to the looseness of management control which has resulted in a failure to define the purpose of posts at these levels but does not seem to have attempted to analyse the ~~human or financial~~ costs of expansion over the past fifteen years. It makes the argument for retaining both grades by reference to only four examples, the treatment of which is intuitive rather than analytical. The Prime Minister believes that an announcement of a decision based on and accompanied by the publication of the report might lay the Government open to ~~adverse~~ criticism.
3. Equally, however, the Prime Minister is conscious of a lack of convincing evidence to show that it would be wise to abolish either the Deputy or Under Secretary grade.
4. The Prime Minister therefore thinks that if the overall aim is to make a judgment within twelve months on the size and organisation of the Open Structure, the best course would be to regard the assessments and reviews proposed by the Lord President

as an extension of the Wardale exercise. The purpose would be to take a decision on the basis of more extensive evidence than that adduced by Sir Geoffrey Wardale and, in the process, to address the other issues raised in his report, especially whether there are unnecessary posts at either level, assuming for this purpose the continuance of both grades. The aim would be to take a decision early next year. The Prime Minister would welcome the Lord President's views on this.

5. The Prime Minister is unsure of the exact relation which is intended between the departmental assessments, the work of new "Wardale teams" and Sir John Megaw's pay inquiry. She would like further information about this in the light of the Lord President's advice on the major question noted above.

She herself is doubtful whether it would be a practicable proposition for Ministers to complete a reliable and thorough assessment by the end of October. As for the "Wardale teams", the Prime Minister is not attracted by the idea of using retired officials to review arrangements of a kind for which they themselves were responsible when in office. She would be glad to have more information about the team's ~~intended~~ ^{proposed} composition, probable cost, terms of reference and working methods. There is also the question of who would appoint them and to whom they would report.

6. The Prime Minister also thinks that any further review should have a definite target in mind, eg to reduce the number of posts to what it was in 1965 and to introduce the general rule suggested by Sir Derek Rayner. ~~that there should not be both Deputy Secretaries and Minors-Secretaries in any one hierarchy.~~

7. On the "lower level" studies, the Prime Minister agrees that progress should be made. However, she thinks that the question addressed to Ministers in the draft letter is rather open-ended and that it runs the risk of producing a very negative response. She therefore thinks that it would be better to propose a plan of study to departments which, while taking account of the difficulties some of them may be having and may continue to have as a result of the pay dispute, nonetheless advances a clear plan of action.

8. I am copying this to David Wright (Cabinet Office) and Ian Beesley (Sir Derek Rayner's Office).

W F S RICKETT



PRIME MINISTER

CHAIN OF COMMAND

Following discussion in Cabinet last year, we commissioned studies into the use of management levels in the Civil Service. The study covering the Open Structure (Under Secretary and above) was carried out by a team led by Sir Geoffrey Wardale, a recently retired Permanent Secretary, and including a senior management consultant.

... I enclose a copy of their Report. This concludes that there are unnecessary posts which should be removed. But no Open Structure grade should be abolished as a whole. The grades should be used more selectively. There should be "on the ground" inspection and definition of posts. I agree.

The Minister of State here has discussed the Report with Sir Derek Rayner. Despite some residual doubts, he accepts that the Wardale approach should be given a trial. But he believes it should be sharpened by a general rule against having both Under Secretaries and Deputy Secretaries in any one hierarchy.

I have much sympathy with Derek Rayner's objective. Since April 1979 the Open Structure has reduced a little more quickly than the Service as a whole. But we still need an urgent programme of work designed to eliminate unnecessary posts as the Report proposes and at the same time to provide the evidence on which a general rule could be based and which would be convincing to colleagues and to the senior staff concerned. I also think we should seek to establish precise numerical targets. Meanwhile the inquiry into Civil Service pay will no doubt also consider the structure at the top of the Service. I hope we shall be able to reach conclusions which take both exercises into account in about 12 months' time.

We must also now decide what to do about the levels below the Open Structure. The right course here, in my view, is to mount exercises to apply Wardale's principles, which are no less valid at the lower levels. But much will depend upon colleagues' views on what is feasible in their departments at the time.

... I enclose the draft of a letter to colleagues setting out my proposals. Derek Rayner has seen it. I should be glad to know whether you are content.

Copies go to Sir Robert Armstrong and to Sir Derek Rayner.

S.
SOAMES
17 July 1981

MANAGEMENT IN CONFIDENCE

LETTER FROM THE LORD PRESIDENT TO THE HOME SECRETARY

CHAIN OF COMMAND: OPEN STRUCTURE

In the early part of this year a small team led by Sir G Wardale visited a number of departments, including your own, to examine the scope for simplifying the chain of command in the Open Structure (ie civil service posts at Under Secretary level and above). I enclose a copy of their Report.

2. The Report concludes that while no grade should be abolished there is a real need to root out unnecessary posts. It recommends too that there should be no presumption that all grades should be used in any one chain of command; that certain criteria should be met before a management level is justified; and, most importantly, that there should be regular reviews of senior posts, including the examination of work by or on behalf of the CSD.

3. I have considered the Report, and Barney Hayhoe has discussed it with Derek Rayner. I propose that we should accept its main recommendations and proceed to implement and build upon them. This would initially involve two lines of action. I would invite all colleagues in charge of departments to review all their Open Structure posts in accordance with the principles laid down in the Report and let me have their assessments by the end of October. We should also establish a small number of teams led by retired Permanent Secretaries or other very senior officials; these would be supported at Assistant Secretary level from CSD. They would go quickly into departments,

MANAGEMENT IN CONFIDENCE

starting with those areas where an early look "on the Ground" seemed likely to be most fruitful. That would include helping departments with their reviews and assessing the results. They would also help us to look at the feasibility and implications of introducing a general rule such as Derek Rayner has proposed that Assistant Secretaries should report directly to Deputy Secretaries and Under Secretaries to Permanent Secretaries.

4. This work should enable us to reach a judgment within about 12 months on what the size and organisation of the Open Structure should be. We should also then be able to take into account any relevant results of the inquiry into Civil Service pay. And in the slightly longer term I would expect the "Wardale teams" to become a permanent feature of our monitoring of Open Structure posts. Thus over a period all the Open Structure would be reviewed.

5. You will remember that work on the lower levels has so far been baulked by Union opposition. But I believe that the Wardale principles are as applicable to the lower levels as to the higher and ~~[we must decide how to proceed. Much will depend on]~~ how departments emerge from the present dispute. For some I guess recovery will have to be given absolute priority and chain of command studies will have to be left on one side for the time being. Others, who have largely escaped disruptive action, will, I hope, be able to get ahead. The question for them will be the extent to which staff will be prepared to co-operate.

that the CSB chain of command teams should now immediately put these principles into practice lower down.

How we get on here will depend to a large extent on

↑
This amendment has been made, as an after-thought, by the

MANAGEMENT IN CONFIDENCE

6. You will remember that at one time we thought of restricting discussions to senior staff if those in junior grades refused to co-operate. But we do not now believe that that would be an effective way of conducting the studies we have in mind, for the experience of the Wardale team powerfully confirms that the scrutineers need to talk to people at all the levels under review. It is in the staff's own interest that they should take advantage of the opportunity open to them to make their own views about their jobs known to the scrutineers, and I hope that we need not assume that we shall not get the co-operation we need from individuals merely because of some Union opposition. I believe that there is much to be gained from thinning out management levels - at least as much among the junior grades as in the Open Structure - and I'm sure we should get on with it. But how far can we realistically expect to make effective progress over the next few months?

7. I should be grateful to know as soon as possible whether you agree with my proposals on the Open Structure and whether you think we can get on with studies at the lower levels in your department once the present dispute is out of the way. We are committed to publication of the Report and I should like to do this without undue delay.

8. Copies of this letter go to Cabinet colleagues, Sir Robert Armstrong and Sir Derek Rayner.



BTE Wm 20/7
Civ Service

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

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

Prime Minister 4
A progress report. Work
continues on a number of
options for removing the less
efficient.
10 July 1981

Wm
16/7

Dear Home Secretary,

ACCELERATED PROMOTION - RETIREMENT OF THE LESS EFFICIENT

I wrote to you and to our Cabinet colleagues about this on 11 March and I am grateful for the helpful replies.

They show on the whole that present arrangements for accelerated promotion seem to be generally satisfactory, but that there is scope for improvement on the retirement of the less efficient. With the exception of Geoffrey Howe there was no call for further Cabinet consideration, at least at this stage, but you and colleagues will wish to know what action is being taken on the various suggestions.

On accelerated promotion the main difficulty is, of course, the shortage of vacancies caused by the manpower rundown; however, there is perhaps more flexibility within the present procedures than is generally realised. Top-flyers can (and do) reach Under Secretary in their 30s, and there are arrangements for grade skipping which my officials will be drawing to the attention of Departments. On seniority, there is clearly no general demand for a change in the present requirements for promotion, but individual Departments can, in consultation with CSD, introduce different requirements to suit themselves. We are considering whether further flexibility might be achieved by using personal or merit promotion in the Administrative Group.

On early retirement the prime need is for realistic reporting standards so that inefficiency can be identified and appropriately dealt with. Without this realism changes of procedure are pointless. Employment protection legislation imposes on employers a duty to demonstrate, if necessary to an industrial tribunal, that we have acted reasonably in requiring an officer to retire prematurely. As our procedures have had to be drawn up with this in mind, it really is no use giving people satisfactory reports - even marking them as possible promotees - and then, when the weaknesses suddenly come to light, expecting to find a ready-made procedure which enables you to shed them quickly and painlessly. The solution is in the hands of departments. Constant vigilance is called for at all levels to ensure that reports properly reflect the standard of performance. I am pleased to see that some colleagues are taking a personal interest in making reporting and countersigning officers take their duties seriously.

Several colleagues drew attention to the problem of those whose performance is not bad enough to warrant removal under the limited efficiency procedures, but who have slowed down and are obstructing the progress of more able and energetic younger staff. This is an important factor and we shall be looking in more depth at the legal and financial implications of the various suggestions for dealing with it. The employment legislation probably means that we cannot force these people to go under existing terms of service, but many could no doubt be persuaded to go if the terms were sufficiently generous. We should, of course, need to be able to defend publicly the very considerable cost of giving early retirement to staff who were performing to a reasonable standard. I remain unclear about the size of the problem and I have asked my officials to get in touch with yours about the grades of staff concerned and the possible numbers. A special scheme may be more manageable than we think providing the numbers are not too large.

The alternative approach raised by John Nott would be to introduce the Armed Forces concept of a breakpoint in mid-career at which either the officer or the department could decide upon retirement. This would require changed conditions of service, and would again be costly since the success of the Armed Forces' scheme rests upon the immediate payment of pensions at ages well below the normal Civil Service retirement age of 60. Nevertheless we shall investigate these possibilities, together with the introduction of fixed-term contracts. I look forward to receiving the further proposals on the use of voluntary early retirement and on recruitment on short term contracts which were foreshadowed in the replies from Jim Prior and Patrick Jenkin.

Abolition of the Civil Service Appeals Board is attractive and we are examining the pros and cons with the major Departments.

I am copying this letter to the Prime Minister, Cabinet colleagues and Sir Robert Armstrong.

Yours sincerely,

Quincey
(Private Secretary)

*Approved by the Lord President
and signed on his behalf.*

SOAMES

MANAGEMENT IN CONFIDENCE

Civil Service



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

Minister of State

The Rt Hon Peter Walker MBE MP
Minister of Agriculture,
Fisheries and Food
Whitehall Place
LONDON SW1A 2HH

2nd July 1981

R

Dear Peter,

CIVIL SERVICE MANPOWER: PRIVATISATION AND HIVING OFF

Thank you for your letter of 17 June, in which you sought confirmation that when hiving off of contracting out measures are decided on, the necessary PES transfers will be made, and that the resulting staff savings will contribute to the achievement of the manpower targets already made.

I can certainly give the assurance you seek in relation to PES transfers between sub-programmes. That accords with normal practice. However, for the reasons set out in my earlier letter, I cannot commit myself to the staff savings resulting from privatisation or hiving off contributing in every case to the achievement of the manpower targets already laid down.

I am copying this letter to Leon Brittan, Ministers in charge of other Departments and to Sir Robert Armstrong.

BARNEY HAYHOE

MANAGEMENT IN CONFIDENCE

covering RESTRICTED

*at A.D. signed
Civil Service*



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

29 June 1981

J Halliday Esq
Private Secretary to the Secretary of State
for the Home Department
50 Queen Anne's Gate
LONDON SW1H 9AT

cc Press

*WM
30/6*

Dear John,

WHITE PAPER: EFFICIENCY IN THE CIVIL SERVICE

In his letter of 22 June to the Home Secretary, the Lord President said that he would arrange for Cabinet Ministers to be informed of the precise date of publication of the White Paper and to have a confidential copy in advance.

*Filed in
inside
cover*

Publication has now been fixed for 3.30 pm on Wednesday 1 July. I attach a copy of the Confidential Final Revise of the White Paper.

Copies of this letter and enclosure go to the Private Secretaries to the Prime Minister, other members of Cabinet, the Chief Whip and Sir Robert Armstrong.

Yours sincerely,

Edmond Chaplin

E G M CHAPLIN
Private Secretary

covering RESTRICTED

See MAP.



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

Minister of State

Mike Pattison Esq
Private Secretary
10 Downing Street
LONDON SW1

23 June 1981

Dear Mike

The Lord President of the Council has today written to the Home Secretary, copy to the Prime Minister and others, to say that he intends to publish the White Paper on Efficiency on Wednesday, 1 July. I shall be grateful if you will let me know whether you are content with this date.

~~Our present intention is to announce the publication by means of a Written Answer to an inspired PQ in both Houses.~~

I am copying this letter to David Heyhoe (Leader's Office) and Murdo Maclean (Chief Whip's Office).

The precise manner in which this will be announced has not yet been decided.

Yours Sincerely

J C HAWKINS
Parliamentary Clerk

WM 25/6
Civil Service²

PRIME MINISTER

You agreed to early publication of the White Paper on Efficiency in the Civil Service, despite the pay dispute. The Treasury and Civil Service Select Committee are starting an inquiry into Government efficiency. The Lord President considers it essential to publish the White Paper early in the Select Committee's investigation. He proposes to publish the White Paper in the week of 29 June, probably on 1 July. He will include the attached foreward which is designed to meet Ministerial doubts about publication during the pay dispute.

WM

MF

23 June, 1981



Civil Service Department

Whitehall London SW1A 2AZ

Telephone 01-273 3000

BF 6.8.81

Minister of State

W F S Rickett Esq
10 Downing Street
LONDON SW1

22 June 1981

BF 22/7

Mr Hayhoe's office say they will report in about one month: they have first to

Dear Willie, consult Sir Derek Rayner. BF 22/7 wh

CHARGING FOR CERTAIN CIVIL SERVICE COLLEGE COURSES

23/6

Mr Hayhoe has been considering the question of charging departments for attendance at certain Civil Service College courses on which correspondence between us rests with Mike Pattison's letter of 1 December last year to Geoffrey Green and his reply of 12 December. The Minister of State has discussed this recently with Sir Derek Rayner and is following up certain suggestions made by Sir Derek. I should be grateful, therefore, if you would allow us a little more grace in putting forward the submission requested by the Prime Minister. No operational deadline turns on the next week or so.

Yours sincerely,
Adrian Carter

A A CARTER
Private Secretary

RESTRICTED



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

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

22 June 1981

Dear Willie,

WHITE PAPER: EFFICIENCY IN THE CIVIL SERVICE

Thank you for your letter of 16 June with your own agreement to publishing the White Paper.

You mention the question of presentation during the pay dispute. I have of course had it very much in mind.

I am sure we must openly acknowledge the effects on efficiency caused by the dispute. I propose to add to the White Paper a foreword above my own name, on the lines attached.

This makes it clear that we are not shutting our eyes to the implications of the dispute but at the same time are determined to press on with our policies as outlined in the White Paper. I think it goes some way to meet Geoffrey Howe's worries about appearing to look self-satisfied.

I have dealt separately with a number of other points raised by Geoffrey Howe and John Nott, on which I think I have been able to satisfy them. For the rest, colleagues have generally indicated that they are content to proceed as I proposed in my letter to you of 11 June.

I am grateful to you and our colleagues for your help in expediting this document. My intention is to publish it during the week beginning 29 June, probably on Wednesday 1 July, but I will arrange for your offices to be informed of the precise day and to have a confidential copy in advance.

I am sending copies of this letter to the Prime Minister, other members of the Cabinet, and the Chief Whip, Sir Robert Armstrong and Sir Derek Rayner.

Yours ever
Christopher

SOAMES

RESTRICTED

WHITE PAPER "EFFICIENCY IN THE CIVIL SERVICE"

F O R E W O R D

A promising start has been made to increasing efficiency in the Civil Service, though much has still to be done. It is a matter of great regret that the dispute over pay has interrupted progress. Damage to particular services will have to be made good and this is bound to take time. Morale and public confidence have been set back and will have to be painstakingly rebuilt.

The Government's objective remains the same: a Civil Service commanding the respect of the public and the pride of those who work in it. It will press forward with the policies and measures described in the White Paper, in the firm belief that these are more than ever essential to the achievement of this goal.

LORD PRESIDENT OF THE COUNCIL

Ref. A05120

MR. WHITMORE

Toplogy: Civil
Gov Mach, Review
Organisation of the
Treasury - CSO

A Sub-Committee of the Treasury and Civil Service Committee of the House of Commons is conducting an enquiry into "Efficiency and Effectiveness in the Civil Service". Witnesses already summoned include Sir Douglas Henley, Lord Croham, Mr Sharp (the Head of the Government Accountancy Service), Sir Ian Bancroft and Sir Derek Rayner.

2. The Sub-Committee have now invited Mr Ibbs to give oral evidence. He is reluctant to do so, and doubts whether he can really help the Committee:

(a) He has never worked in a Department; the CPRS is untypical and he has no direct personal experience which would enable him to describe how Departments are managed.

(b) While he has seen something of the working of Departments it has obviously been exceedingly patchy; if he were to talk upon the basis of that experience he could not only mislead the Committee but also damage his future working relationship with Departments.

3. Mr Ibbs does not wish to give evidence which is not helpful and could give the impression of being obstructive.

4. I propose to suggest to Mr Ibbs that he should reply to his invitation on the lines of the draft attached. I shall be glad to know whether the Prime Minister is content.

ROBERT ARMSTRONG

ROBERT ARMSTRONG

19 June 1981

DRAFT LETTER FROM J R IBBS TO C J POYSER, Clerk to the
Sub-Committee of the Treasury and Civil Service Committee,
House of Commons

Thank you for your letter of 12 June, confirming the invitation for me to give oral evidence to the Treasury and Civil Service Sub-Committee looking into "Efficiency and Effectiveness in the Civil Service".

While I should wish to assist the Sub-Committee if I thought that I could do so, the fact is that I do not think that I am in a position to be of any real assistance. I have never worked in a Government Department, and have no direct personal experience of how Departments are managed. What happens in the Central Policy Review Staff is quite untypical. What I have observed of the workings of Departments is very patchy, and I should not wish to rely upon it as the basis of expressing views to the Sub-Committee.

As I believe that any evidence which I could give would be unlikely to assist the Sub-Committee, I think that the right course must be for me to refrain from giving evidence and accordingly to decline the invitation that you have sent me.

ROBERT ARMSTRONG

ROBERT ARMSTRONG

FILE

VLB

28 May 1981

I am writing on behalf of the Prime Minister to acknowledge your letter of 27 May, about the work of Sir Derek Rayner.

I will place your letter before the Prime Minister at once, and a reply will be sent to you as soon as possible.

M A PATTISON

Richard Shepherd, Esq., M.P.

cc A Duguid

MANAGEMENT IN CONFIDENCE

cc J Venner



You may wish to be aware of this. wh 17/6
Civil Service

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

18 June 1981

The Rt. Hon. Lord Soames CH PC GCMG GCVO CBE
Lord President of the Council

Don Williams

WHITE PAPER: EFFICIENCY IN THE CIVIL SERVICE

Thank you for copying to me your letter of 11 June covering the draft White Paper.

I must confess to having reservations about the draft. Certainly a lot has been achieved by way of improved efficiency but there is a long way still to go and frankly I found the tone of the White Paper a bit self-satisfied. I think there is a real danger that, as it stands, the presentation of an exhaustive and detailed catalogue of civil service reforms may give the impression that they have been more sweeping and significant than has in fact been the case.

Apart from the general tone of the draft there are a few places where it could be positively misleading. One example is the reference to the lower rate band in paragraph 20. The primary objective of that measure was to help meet the cost of revalorising in full the basic income tax allowances in 1980; staff savings were a secondary - though still important - consideration. As it stands, the draft gives the impression that the lower rate band was abolished solely for reasons of administrative efficiency. Nor is there any real discussion here of the potential trade off between streamlining the Civil Service eg through simplification measures and the quality of service the public can expect to get. The text is rather disingenuous in this respect, for example the sentence "it may mean the service is less elaborately fitted to the circumstances of the individual tax payer." Would it not be worth making the point more starkly that reducing the cost and size of the Civil Service may mean reducing in some respects the quality of service? And on page 6 could we substantiate the reference on an 8 per cent fall in consumption of HMSO supplies and services since payment was introduced? Payments to HMSO may have dropped but that does not measure consumption - because for example Departments may have been running down their stocks.

/As to

MANAGEMENT IN CONFIDENCE

MANAGEMENT IN CONFIDENCE



As to publication, I had wondered whether it would be wise to publish a document of this kind while strike action is continuing. There will be a risk of an adverse public reaction. But I do appreciate your desire (which like the Prime Minister I share) to prevent the Treasury and the Civil Service Sub-Committee from being seen to take the initiative by ensuring that the White Paper is published before their own enquiry into efficiency gets well under way. However a short delay ought to be sufficient to enable the tone to be altered and the list of examples perhaps condensed; if it would help I could let you have a note of some detailed suggestions which my officials could discuss with yours very quickly.

I am copying this letter to those to whom you copied yours.

GEOFFREY HOWE

A handwritten signature in black ink, appearing to be "Geoffrey Howe", written over a horizontal line.



From the Minister

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

C1017

Service

Wm
17/6

MANAGEMENT - IN CONFIDENCE

Barney Hayhoe Esq MP
Civil Service Department
Whitehall
London SW1A 2AZ

(7) June 1981

CIVIL SERVICE MANPOWER: PRIVATISATION AND HIVING OFF

Thank you for the guidance in your letter of 21 April on this subject. We have since been taking stock in the light of our PES forecasts and of the various possibilities for hiving off and contracting out which we have identified.

As you acknowledge, where savings arise from hiving off to another public sector body sufficient PES provision must be retained, with any necessary switching between sub-programmes, to pay for the transferred activities. Such PES transfers will need to take into account accommodation and pension costs as well as those relating to personnel and other costs borne on the Votes of the department concerned. The same would be true of contracting out functions to the private sector where the cost must continue to be borne by the Government, one promising example in our case being the contracting out of cleaning services. For both types of measure to be feasible appropriate PES transfers would be essential.

With reference to your fourth paragraph, I should make it clear that we see such measures as essential to the achievement of our current manpower targets. It is clear to me that, in addition to Kew to which you refer in your letter, certain other MAFF functions will have to be hived off or contracted out to make it possible to achieve our reduced manpower ceilings. And I need hardly add that I could not take on new functions, for example under the Minerals Bill, without an increase in my manpower ceilings.

/We are therefore ...

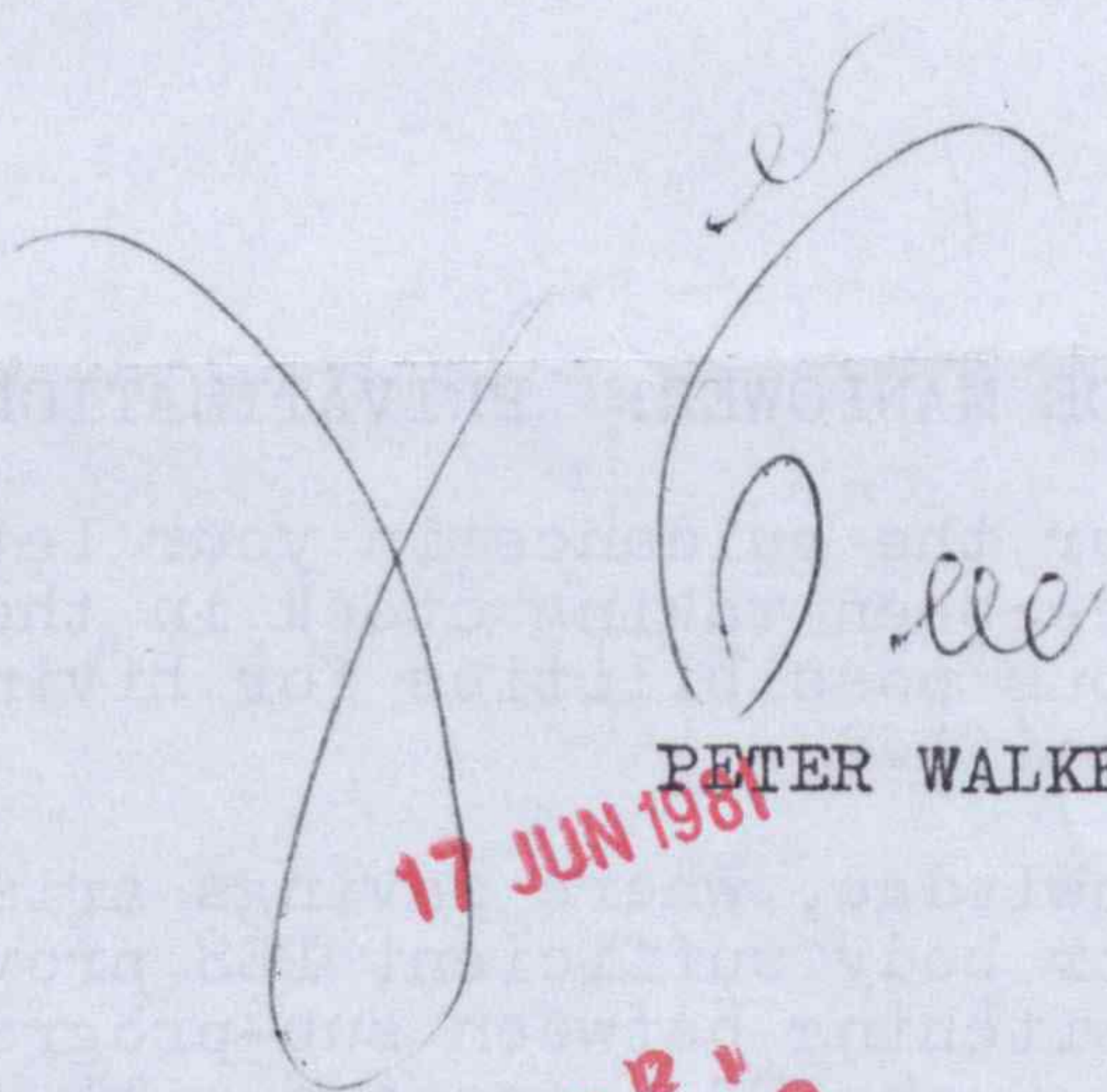
MANAGEMENT - IN CONFIDENCE

MANAGEMENT - IN CONFIDENCE

We are therefore proceeding with our planning on the assumptions that when hiving off or contracting out measures are decided on the necessary PES transfers will be made and that the resulting staff savings will contribute to the achievement of the manpower targets already laid down.

I should be glad to know that you and Leon Brittan are content.

I am copying this letter to Leon Brittan, Ministers in charge of other Departments and to Sir Robert Armstrong.



PETER WALKER

17 JUN 1981



MANAGEMENT - IN CONFIDENCE



MINISTRY OF DEFENCE
 MAIN BUILDING WHITEHALL LONDON SW1
 Telephone 01-~~5367622~~ 218 2111/3

MO 8/14

17th June 1981

WM
17/6

Dear Jim,

WHITE PAPER: EFFICIENCY IN THE CIVIL SERVICE

The Lord President copied to my Secretary of State his letter to the Home Secretary of 11th June about the proposed White Paper on Efficiency in the Civil Service.

My Secretary of State is concerned about timing, especially given his forthcoming announcement, subject to Cabinet decisions, of programme changes with considerable implications for civilian staff. But if it is the Lord President's judgement that the White Paper should be published while the industrial action by Civil Servants continues he would not object. As the Lord President says, however, the presentation will have to be very carefully handled if the impact is to be positive and he would be grateful if Ministry of Defence officials could be kept in touch.

On the substance, my Secretary of State doubts whether the draft adequately reflects the substantial contribution that the Ministry of Defence has made, and is making, to the reduction in Civil Service numbers; he has of course already published in the Statement on the Defence Estimates 1981 (Cmd 8212) much material on the reduction in civilian numbers and improvements in economy and efficiency in his Department.

As to Part I of the draft, my Secretary of State would not wish anyone to go away with the impression that the sorts of ideas set out in paragraph 17 and 18 are not part of the normal managerial principles of the Ministry of Defence and have been for many years. He believes that the references to delegation, a doctrine he fully endorses, ought to extend to delegation by the central departments, to balance the references to the strengthening and clarification of their role.

Jim Buckley Esq



Three lesser points:

- a. paragraph 4. Officials have agreed an amendment in the figure of 180,000 Civil Servants in support of the Armed Forces to 'more than 200,000';
- b. paragraph 9. To say in the last sentence that the reductions in numbers are being achieved both 'in a balanced way' and 'by natural wastage at all levels' is in danger of being contradiction in terms. In a department like the Ministry of Defence with a wide range of skills and a wide geographical spread, natural wastage has a tendency to save us the wrong posts in the wrong places;
- c. Annex C. In the interests of clarity it might be as well if the heading of the second table in the Annex referred to 'Civil Service' rather than 'total' running costs. The figures for Defence of course exclude military personnel.

I am sending copies of this letter to Clive Whitmore (No 10), to the Private Secretaries of the other members of the Cabinet and the Chief Whip; and to David Wright (Cabinet Office).

Yours ever
Brian Norbury

(B M NORBURY)

RESTRICTED

cc A. D. Duguid



QUEEN ANNE'S GATE
LONDON SW1H 9AT

16

June 1981

Dear Christopher

*cm
18/6*

WHITE PAPER: EFFICIENCY IN THE
CIVIL SERVICE

Thank you for your letter of 11 June.

I agree that the White Paper will need careful presentation in view of the Civil Service pay difficulties but I am content that you should proceed as you propose.

I am copying this letter to the recipients of yours.

[Handwritten signature]
[Handwritten initials]

The Rt. Hon. The Lord Soames, CH., GCMG., GCVO.,
CBE.

RESTRICTED



cc Sir D. Rayner jd

Civil Service

10 DOWNING STREET

THE PRIME MINISTER

15 June 1981

Dear Richard

Thank you for your letter of 27 May.

I very much welcome the interest which you, and the Committee of which you are a member, show in efficiency matters generally and in the work of Sir Derek Rayner. I myself attach great importance to these matters.

In accordance with the conventions surrounding the advice tendered to Ministers within the Government service, I do not propose to publish the proposals originally put to me by Sir Derek Rayner for lasting reforms. But a good deal of work has already been set in hand arising from his advice. He is shortly to submit to the Treasury and Civil Service Committee a progress report on his work, and in this he will deal fairly fully with the question of lasting reforms. The Sub-Committee on Value for Money in the Civil Service will be able to go further into such points as it wishes, should it invite Sir Derek to be a witness.

Yours sincerely

MT

Richard Shepherd, Esq., M.P.

jfh



Civil Service Department

and Service

Whitehall SW1

Please note embargo

na

*✓ N. [unclear]
of any interest
to you? [unclear]
[unclear]*

EMBARGO: Not for publication
before 00.30 Hrs
Friday 12 June 1981

12 June 1981

RECRUITMENT TO THE CIVIL SERVICE IN 1980

The Civil Service Commission's Annual Report 1980 is published today (12 June). It mentions that, because of the lower level of recruitment activity, which was a consequence of the continuing reduction in the total number of staff employed in the Civil Service, the Commission's staff numbers have been reduced over the last 2 years by 16 per cent.

The Commission was successful in filling most of the vacancies they were asked to fill over the year. The report includes once more statistical details of the academic background of the Administration Trainees recruited during a year when most of these generalist vacancies were successfully filled; but it draws attention to the continuing difficulty of meeting the demand for mechanical, electrical and electronic engineers and for other specialists operating in high technology areas. The same was true of Medical Officers: despite a greater number of applications than in 1979, some important areas of work failed to attract the necessary candidates. There were fewer than usual vacancies for lawyers, and the Commission ended the year with successful candidates for almost all the vacancies for accountants.

Although the recruitment of veterinary officers improved markedly the demand again exceeded supply and many vacancies were again unfilled at the close of the year.

Despite keen competition from other employers for research staff with specialist skills in engineering and computing disciplines, 324 graduate scientists were recruited.

Departments' forecasts of vacancies for Executive Officers in 1980 (minimum qualification 2 GCE 'A' levels) totalled 3,652 - the lowest estimate for many years - but in response to the need for continuing restraint in public expenditure the final requirement was about 1,000 lower even than this. There was a dramatic improvement in the recruitment of Clerical Officers and Clerical Assistants: in London and other traditionally difficult recruitment areas there was a good supply of well qualified applicants.

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

Tel: 01-273 4274 and 273 4002

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RESTRICTED

Civil Service

Wh 12/6



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

11 June 1981

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

Dear Willie,

WHITE PAPER: EFFICIENCY IN THE CIVIL SERVICE

As you will recall, we promised in our White Paper on the Future of the Civil Service Department in February that we would publish a White Paper on the pursuit of efficiency. I attach a draft.

The Prime Minister has seen this and agreed that we should publish it as quickly as we can, now that the Treasury and Civil Service Sub-Committee have decided to begin an enquiry into efficiency. If we are to take the initiative in telling the Sub-Committee of our achievements and plans, we shall need to get the Paper out by the end of this month. That means going to press next week. I should be glad of your agreement to this by Wednesday 17 June.

As you will see, there is a substantial amount to report. I am grateful for the help of your officials and those of colleagues in providing material and comment.

The Paper ranges over the whole field of efficiency work. It covers Departments' own initiatives, those of Sir Derek Rayner and those of my Department. Results are shown by the 42,000 reduction in manpower already achieved. We need to demonstrate that we are not making these reductions arbitrarily but by carrying out our policies at less cost. I believe that the examples in Part II of the Paper do this convincingly. Together they show firm decisions taken to save over 34,000 posts and nearly £200 million a year, and give an indication of further work in hand. They are not exhaustive but they clearly show the direction we are taking, with strong emphasis on results.

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Part I is more general. It deals with our policies for improving management and removing underlying obstacles to efficiency, particularly those which Sir Derek Rayner has identified.

I have considered whether we should publish the Paper while the pay dispute continues. I am quite clear that we should. It will show what we have achieved with the co-operation of the Civil Service. We shall of course present it very carefully in view of the pay difficulties. But it is a good story. If we are to encourage a constructive attitude in Parliament and elsewhere for what we have done and have still to do, we ought to tell it.

I am copying this to the Prime Minister, other Members of Cabinet, Michael Jopling, and Sir Robert Armstrong.

Yours ever

Christopher

SOAMES

2.

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(10/6/81)

EFFICIENCY IN THE CIVIL SERVICE

Part I

The Government took office determined to improve the efficiency of the Civil Service, to eliminate waste and to promote methods of administration which enable and encourage staff to give the best possible value to the taxpayer. This White Paper reports progress.

2. The Civil Service pay bill for 1981-82 is estimated to be £5,000 million*. Supporting services amount to a further £1,500 million. Of this about £350 million is for travel, subsistence and removals and £300 million for postage and telecommunications. Estimated expenditure on Civil Service superannuation for 1981-82 is about £900 million. Together these costs account for about 7% of planned public expenditure.

3. A scrutiny of costs was carried out by departments in 1980 using 1980-81 Estimates and including the notional cost of accruing liability for pensions of serving staff and notional market rental values for Crown and leased property. A summary is given in the Annex.

What the Civil Service Does

4. The Civil Service is called on to do many different things. Some of the larger executive operations are, by their nature, very big indeed; they deal with large numbers of people. For example, 180,000 civil servants support the armed forces (in the dockyards, ordnance factories, stores etc); 100,000 staff in Social Security and Unemployment Benefit Offices make 1,000 million benefit payments a year to 27 million needy, elderly or unemployed claimants; 60,000 Inland Revenue staff assess and collect taxes, dealing with some 26 million individuals and more than 2 million business accounts; 24,000 run the prisons; 9,000 in the courts help to process 2½ million items of court business a year. The great majority of these staff are in the grades of Clerical Officer and Executive Officer or their equivalents, or in the various industrial grades.

*Supply Estimates for Financial Year 1981-82.

5. Only a very small proportion of civil servants are engaged in policy advice, Parliamentary business and the like in Whitehall and other main centres.

6. Many of the services carried out by civil servants are regulated by law. Each service requires its own skills, methods and procedures. The needs of different client groups must be met and met fairly. And these services are constantly changing in response to the development of policies and public expectation.

7. The business of central government is thus in reality a collection of many different businesses, big and small, all serving the community, directly or indirectly.

A Policy for Management

8. Like any other employer and provider of services, Government must ensure that the people and money in its charge are used efficiently and effectively.

9. The Government's policy for meeting this responsibility and giving the taxpayer value for money is in two parts. The first part is to set a financial framework (manpower and money) to create a general incentive towards economy and efficiency. This is being achieved through strict limits on the amount of money available ("cash limits") and on the total number of civil servants ("manpower targets"). The Government has set a target for the size of the Civil Service of 630,000 by April 1984 - over 100,000 fewer than when it came into office. It is seeking to achieve this in a balanced way, mainly by natural wastage at all levels.

10. The second part is to ensure that this general incentive is translated into specific action to get better value for money. This demands a continuing process of critical examination of activities, functions and policies, with particular regard to cost and need. That is a task of management from the very top (Ministers), through the Permanent Secretary,

his senior line managers, his Finance and Establishment Officers, and right down the line. It is the Government's policy to enable and encourage managers to manage by giving efficiency a high priority. The Government believes that this has had insufficient attention under previous administrations and that good ideas for better management have too often been left to gather dust on the shelves.

Management from Within

11. An organisation should draw upon relevant outside experience. But to be effective and lasting good management must harness the talent, experience and enthusiasm of those who do the job. These qualities exist in plenty at all levels of the Civil Service. The Government's policy is to tap them.

Scrutinies

12. The scrutinies undertaken by Departments with the help of Sir Derek Rayner have made a substantial contribution to the process of critical examination. Since June 1979 there have been 68 scrutinies of particular activities at a cost of about £1m. This year there will be about 40 more. Savings possibilities of around £180 million a year have been identified so far. Ministers have already taken firm decisions to save some £80 million a year (involving by 1984 manpower savings of 2500) plus £27 million once and for all.

13. The scrutinies have meant getting down to where the work is done, with the examining officers mastering the complexities and detail; free to question all aspects of the activity (to the point of challenging its very existence); and then, unfettered by Committees and hierarchy, reporting direct to Ministers. They have tapped the initiative and ideas that exist at all levels and have produced reports for action. The recently completed review of

statistical services* ~~shows that~~ **RESTRICTED** the methods adopted in scrutinies can be successfully applied to the examination of a subject across the whole of the Service.

Achievements so far

14. Many changes are being made. Tasks are being simplified, functions reduced or cut out, office networks streamlined, procedures improved, methods brought up to date with new business practice and technology. Some of this results from the day to day work of line managers, but a great deal flows from reviews of functions by Ministers, scrutinies, service-wide reviews, and the work of specialised personnel in CSD and departments - for example, management services and staff inspection. Part II of this White Paper presents examples of this work, selected to illustrate the range and scale of what has been achieved so far. Overall in the two years since the Government took office, the number of civil servants has reduced by 42,000, despite many thousands extra being required to deal with higher unemployment. The saving in pay costs to the taxpayer is about £270m a year. A further reduction of 60,000 is scheduled for the next three years. This would save about a further £400m a year in pay costs at present pay levels.

Plans for Future Projects

15. Part II illustrates the wide range of further work which is now in hand or proposed. Some important changes have a wider impact on the public : these call for consultation with those affected, and often for legislation; ^{some of these} have still to be fully implemented. At the same time new ground is being broken through the continuing programme of scrutinies in each department, two new service-wide reviews - one on support services in R&D establishments and the other on administrative forms, and strengthened programmes of work by specialist staff. The direction of change towards a slimmer and more efficient machinery for central government is clear.

Tackling the Underlying Obstacles to Efficiency

16. Examinations of particular activities or functions are an essential management tool. They reveal deficiencies in and impedi-

ments to management, and provide remedies for particular defects. But they cannot replace the continuous exercise of good management practice, cost-consciousness and cost-responsiveness throughout the management chain. An integral part of the Government's policy is to tackle the underlying causes of inefficiency by creating the right conditions for managers to manage, and by bringing on and rewarding those who are successful.

17. The Government is therefore :-

Clarifying the management responsibilities of Ministers and officials, both at the centre and in Departments;

Promoting a full knowledge of costs at all levels, through an adequate flow of management information;

Helping those responsible for the consumption of goods and services to do a better job by giving them more accountability, not least through carrying the cost on their own budget;

Strengthening internal audit and manpower control, defining the requirements of key posts and selecting suitably qualified people;

Delegating more responsibility down the line and making better use of staff.

18. Progress with these key changes is as follows :-

A sharpening of responsibilities. First, the role of the central departments - the Treasury and the Civil Service Department - is being clarified and strengthened. The White Paper on the Future of the Civil Service Department (Cmnd 8170) set out the Government's views on this. Particularly, it noted, the central departments must see that each department has a proper system for controlling resources and promoting efficiency, and that these are working well. Secondly, the management roles of Ministers and their top officials are being clarified. This means emphasising the Minister's ultimate responsibility for managing his department as well as its policies; more emphasis on the key management role of the Permanent Secretary under his Minister; and spelling out more clearly the support he should get from his Principal Finance Officer and Principal Establishment Officer. The Government will publish material on these matters in due course.

Better information about costs. If Ministers and officials are to manage effectively the goods and services in their charge, they need first to know and then to question their costs. For this they must have adequate management accounts enabling them and the central departments to assess trends and to identify areas requiring closer examination and control.

Action is being taken in individual departments and across Government to improve the standards of management information on costs. In 1980 an important general exercise was carried out by all Departments to review their staff and other running costs and bring these to the attention of their Ministers. A summary of the resulting figures is given in the Annex.

The exercise will be repeated in 1981. The next step is to break costs down between the different units in the department, to help create local cost centres and develop budgets for local managers. Local budgets are already operating in some places for particular running cost items : this is being widened and extended.

Paying for common services. Previously, a number of services have been provided free to departments by central agencies, for example stationery and printing (HMSO), accommodation (Property Services Agency). The Government believes that Departments should be charged for such services, bearing the costs on their own expenditure accounts, as an incentive to efficiency and economy in their use. This will encourage them to define need with ^{an eye} to cost. From April 1980, Departments have paid for supplies and services provided by HMSO and the Central Computer and Telecommunications Agency. The Government has now decided to make Departments pay for services hitherto provided free by the Property Services Agency and the Central Office of Information. The arrangements for introducing these changes are now being worked out. There is already evidence that the incentive is working. Since payment was introduced for HMSO supplies and services, consumption has dropped by 8%.

Seeing that the staff who control and manage resources are fully aware of their management responsibilities and have the necessary training and experience for the job. The Civil Service Department has a central role in seeing that this objective is achieved. On training, the first priority is to encourage the fullest use of effective

training methods. Present systems for defining the requirement of key posts, for identifying in advance suitably qualified successors to the existing holders, and for ensuring that key staff acquire the experience that fits them to fill such posts are being developed. This is particularly important for those posts with major responsibilities for managing and controlling resources. The aim is to ensure that those likely to occupy the highest ranks in the Service have direct experience of managing both people and money.* A concerted effort is being made to strengthen internal audit. Particular attention is being paid to placing in charge of audit units only people with the necessary experience, quality and drive. A greater awareness of management outside the Service, particularly in industry, is being fostered by interchange of staff and in other ways; the number of civil servants on secondment to industry has doubled to nearly 100 since 1977.

Ensuring that staff are given responsibility, commensurate with their abilities, skills and experience and that they are positively encouraged to contribute ideas for improving administration. Many of the changes described in Part II will help - for example, a number of managers are being given wider responsibility; some Executive and Clerical Officers will be handling a more varied range of cases. More generally, efforts are being made to cut out unnecessarily detailed supervision and checking and to increase delegation from headquarters to local offices, and from higher to lower grades. The Chain of Command Review, which the Civil Service Department is undertaking, is examining ways of reducing the number of levels through which work passes.

*White Paper on The Future of the Civil Service Department
(Cmnd 8170)

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19. These changes are reinforcing existing arrangements for ensuring the effectiveness of management in Departments. They are giving added support to Ministers and senior officials, and importantly, to managers down the line. They complement work in Departments towards more accountable management, for example the Secretary of State for the Environment's management information system (MINIS) and the Secretary of State for Social Services' system of accountable management in his Department's regional organisation.

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Part II

Simplifying the Job

20. Departments have found many opportunities for simplifying the way things are done. Some of these are purely matters of administrative practice, others call for policy changes or amendments to the law. Effective simplification makes tasks in Government offices easier to perform, helps the staff to do a better and more satisfying job, and saves the taxpayer money. It may mean that the service is less elaborately fitted to the circumstances of the individual citizen. But it makes it easier for him or her to understand.

21. Here are some examples of ways Departments are simplifying administration :-

Abolition of the lower rate of income tax in the 1980 Budget simplified the tax and reduced administrative costs by about £8 million a year (1300 staff).

The Inland Revenue has simplified procedures for notifying employers of PAYE codes and for keeping track of PAYE deductions and National Insurance contributions; it has introduced new PAYE procedures for people changing jobs or starting work; by obtaining information from other sources, it has been able to discontinue internal registers of Schedule D and Corporation Tax accounts. Savings from these measures are £7 million a year (1240 staff).

Giving unemployed people the choice of signing on and being paid benefit fortnightly instead of weekly has already reduced the cost of the service by £10 million a year (1000 staff). (This put into effect a decision already taken in principle by the previous Government.)

The Secretaries of State for Social Services and Employment have announced their intention to make many procedural changes in the payment of benefits. These result from several separate initiatives. The precise savings in administrative costs are difficult to forecast in advance of detailed decisions, but the best estimate is an eventual £42 million a year (3600 staff) plus £20 million a year in non-manpower costs.

In DHSS too, a new system which transmits information outside working hours enables local offices to obtain details of claimants' contribution records from the department's Central Office at Newcastle more quickly than before, and hence to pay short-term benefits more promptly.

The Ministry of Agriculture, Fisheries and Food is simplifying its administration of capital grants for farmers and reducing the stages through which applicants have to go, saving nearly £3m a year (up to 400 staff) by 1984. The Department of Agriculture and Fisheries for Scotland and the Welsh Office Agriculture Department are making the same changes.

The Ministry of Defence has cut the cost of bill-paying by pruning paperwork and making checking systems more cost-effective. Staff have been reduced by 58 out of about 400, saving £½ million a year, with up to 65 more to come.

The Manpower Services Commission is revising enrolment and matching procedures in Professional and Executive Recruitment, saving £1.5 million a year from 1982-83 (320 staff).

HM Customs and Excise has saved nearly 1000 posts by reducing the boarding of vessels and other routine Customs checks; by reviewing the control procedures in wines and spirits warehouses; and by cutting HQ staff by some 10% through delegating tasks to the regions, cutting statistical work and other measures.

22. In hand are further reviews aimed at simplifying the administration of social security benefits, of Schedule D Tax on the self-employed, of income tax repayments, of the Department of Energy and the Department of the Environment's international business, of the Manpower Services Commission's training allowances and of certain aspects of the Courts Service.

Trying to do too much

23. Governments are continually called on to provide new safeguards and meet fresh needs. Many of their activities start with these

aims. But as conditions change, the need for intervention by Government often diminishes. Ministers are therefore asking three kinds of question :-

Are their activities becoming onerous to the recipient?

Have services become too elaborate and costly in proportion to the benefits they bring?

For the social and economic good of the country as a whole, would they be better performed outside central government?

For example :-

The Secretaries of State for Social Services and Employment have announced that, subject to consultations with the Manpower Services Commission, they propose to introduce legislation abolishing the requirements imposed on unemployed people to register at a Job Centre. Consequential savings in administrative costs will depend on how many unemployed people decide to register, but they could be up to £11 million a year and 1600 staff.

The Ministry of Defence is examining various schemes for reducing the amount of furniture provided from official sources for Servicemen's married quarters. Such measures could save 500 Ministry staff, and further reductions may be possible.

The Department of Health and Social Security is considering proposals for an Employers' Statutory Sick Pay Scheme.

Such a scheme reduces duplication of effort by the State and employers, and therefore increases efficiency and saves staff in the Civil Service.

24. Ministers have been looking particularly closely at the effort involved in the Government's relations with local authorities and industry. Work in departments, culminating in a general review co-ordinated by Civil Service Department Ministers, is resulting in a

reduction of nearly one-third in central Government staffs dealing with the affairs of local authorities (over 1600 posts) and of more than a fifth in those sponsoring industry (over 800 posts).

25. Examples of operations being transferred, in whole or in part, out of central Government are :-

The Ministry of Defence has compared the cost of cleaning by directly employed labour with those of an equivalent contractor service. Decisions have already been taken to go to contract at 50 establishments with some 2000 cleaning posts, ^{at} an estimated net saving of over £3m a year. It has found ways of reducing its quality assurance effort and placing more reliance on quality control in industry. About 650 posts (£ 4m a year) have already been saved and there are more to come.

The Property Services Agency is arranging for suitable minor maintenance work on the Government estate, previously done by direct labour, to be undertaken by private contractors. Between April 1979 and April 1981 it decreased its directly employed works labour force by about 3,200 (19%) with a further 3,500 (making nearly 40% in all) to come by April 1984.

With the decline in the volume of the Trunk Road Programme, the Department of Transport has concluded that the design of trunk roads and the supervision of their construction can be carried out better by private consulting engineers or agent County Councils. After wide consultations, it is disbanding road construction sub-units employing some 1400 staff on secondment from County Councils.

The Secretary of State for Transport has published a policy paper on transferring the testing of heavy goods and public service vehicles to the private sector. This would provide a more flexible and efficient service for vehicle operators, and cut the number of civil servants by about 900. Legislation will be needed to set up the framework for the private sector system.

By transferring re-licensing work to the Post Office and reducing the number of local vehicle licensing offices from 81 to 53 by February 1982, the Department of Transport expects to provide a

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more convenient and local service to the public and save £7 million a year (over 1000 staff).

Streamlining the Service

26. Government business with the individual citizen or firm is conducted mainly through a variety of networks of offices. As exemplified below, many Departments have re-examined their office networks and made substantial improvements in their organisation and efficiency. Civil Service Department Ministers have encouraged other Departments to follow suit, and to apply appropriate lessons learned elsewhere.

The Skillcentre network in the Manpower Services Commission: the closure of 16 Skillcentres and annexes and other rationalisation measures will produce an initial saving of £20 million, plus £6½ million a year (600 staff).

and
Area/District Offices of the Manpower Services Commission's Employment Services Division: economies are being made in area and district services supporting the general placing service, and some offices are being closed; staff are being reduced by 295, saving £2 million a year from 1981-82, rising to 400 and nearly £3 million a year in 1982-83.

The regional structure of Ministry of Agriculture, Fisheries and Food: following a management review in 1979-80, seven regions have been reduced to five and 25 divisional offices to 19, saving about 400 posts.

Inland Revenue Collection and Audit Offices: as computers take on the routine work of collection, the number of offices is being reduced from 320 to 210; a saving of about 2000 staff is expected when the programme is complete.

Following a review of the organisation of 8 joint Department of Environment/Department of Transport Regional Offices and consideration of the possibilities for co-locating Road Construction Unit Headquarters with Regional Offices, savings of well over £1 million a year are expected.

The Property Services Agency's Regional Organisation: an internal review has led to proposals for changes in the organisation of work, contracting out and structural changes (including closure and amalgamation of offices) which will enable staff to be reduced by up to 300 (£5 million a year).

27. Work is continuing on the way social security work passes between local and regional offices and Headquarters, on merging the Land Drainage and Land Services in MAFF, on the Customs and Excise Collection network and on Inland Revenue Valuation and Tax Offices.

Better Methods

28. Departments are achieving good results by applying existing techniques more rigorously and by greater use of modern business methods.

29. Many of the largest clerical operations in the country are in government. The Civil Service makes considerable use of systematic methods for relating workloads to staff in such areas. With the help of the Civil Service Department, these are being reviewed. A survey in Unemployment Benefit Offices has led to a 6½% reduction in staff (1400) from October 1980.

30. Work measurement exercises are nearing completion in County Courts (the Lord Chancellor's Department) and in Valuation Offices in the Inland Revenue. In hand are similar exercises in the local offices of the Department of Health and Social Security and the Tax Offices of the Inland Revenue.

31. Elsewhere a system of staff inspection has long been used to relate staffing to workloads. Blocks of work or units of organisation are examined by teams of inspectors to see that the number and grading of staff allocated, and their organisation, is correct for the efficient conduct of essential tasks. The Civil Service Department has been working with departments to strengthen staff inspection. Inspection is ^{increasingly} helping management to make greater improvements in efficiency and economies in the use of staff. A net reduction of over 3,000 staff is expected to result from staff inspection in 1980. This compares with 1900 in 1979 and 900 in 1978.

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32. Central Government is the biggest single user of computers in the United Kingdom. More than 650 large and medium sized computers are in use in departments for administrative and scientific purposes. An intensified search for cost saving applications of new information technology is an integral part of the drive for efficiency. More use is being made of computers :-

The Secretary of State for Social Services has announced plans for greater use of automated methods for paying certain social security benefits direct into beneficiaries' bank accounts. These methods are more efficient, convenient and secure. They will save an estimated £12m a year in administration costs by 1987. Feasibility tests on the further use of computers in the work of local Social Security offices are under way ; potential savings are estimated at £17m a year.

The Civil Service Department has been encouraging departments to use fewer different payroll systems. The Departments of the Environment and Transport and the Ministry of Defence are working on mutual payroll arrangements which will save £1.1m a year, for an initial investment of £1.6m spread over 3-4 years. The Inland Revenue and the Civil Service Department are using their payroll computers to calculate staff pensions, and other departments will be doing so shortly. It is expected that 80-90 pensions posts will be saved in 1982 and that by 1984-85 about 300 fewer staff overall will be needed.

A new computer-controlled warehouse for HM Stationery Office's Main Distribution Centre for publications is expected to reduce the staffing requirement by about 250 in 1983.

Computerisation of the rating system in Northern Ireland will save £1.4m a year (180 posts).

A new generation of computerised supply systems for the Armed Forces is expected to reduce costs, for example on staff and maintenance, by at least £20m (about 250 staff).

Computerisation of PAYE should eventually enable the scheme to be administered with about 7,000 fewer staff, at a saving of about £45 million a year.

33. The use of small electronic office machines is growing. About 500 micro-computers and 350 word processors have been installed in departments already. The benefits are individually small but cumulatively great. They will further increase as more of these machines are integrated into the large scale information processing systems of the future. A good example is the HM Stationery Office proposal to use micro-computers to assist with the management of their printing presses. This should increase efficiency in the presses and save about £100,000 a year.

34. The Government is paying special attention to the training needs and working conditions of staff operating new equipment.

Supporting Services

35. Departments are looking closely at the costs of accommodation, heating, lighting, transport and common services like typing, messengers and telephones. Being obliged to pay for more of the services provided by other Departments, as mentioned in paragraph 18, gives this an added impetus.

36. To reinforce Departments' own cost-cutting initiatives, the Civil Service Department is directing a programme of reviews of support services common to a number of Departments. The object is to improve cost-effectiveness and set standards of good practice for the future. Studies of messenger services, including some already undertaken by Departments, have shown how efficiency can be improved by better methods and organisation. The resulting manpower savings are expected to exceed 1000. Early studies of telecommunications suggest scope for substantial savings in equipment. Studies of post and typing have recently begun; others of purchasing and stores stockholdings, travel, reprographics and office services will be started shortly. These studies are supplemented by a cost-consciousness campaign designed to bring home to individual civil servants the costs of items in everyday use.

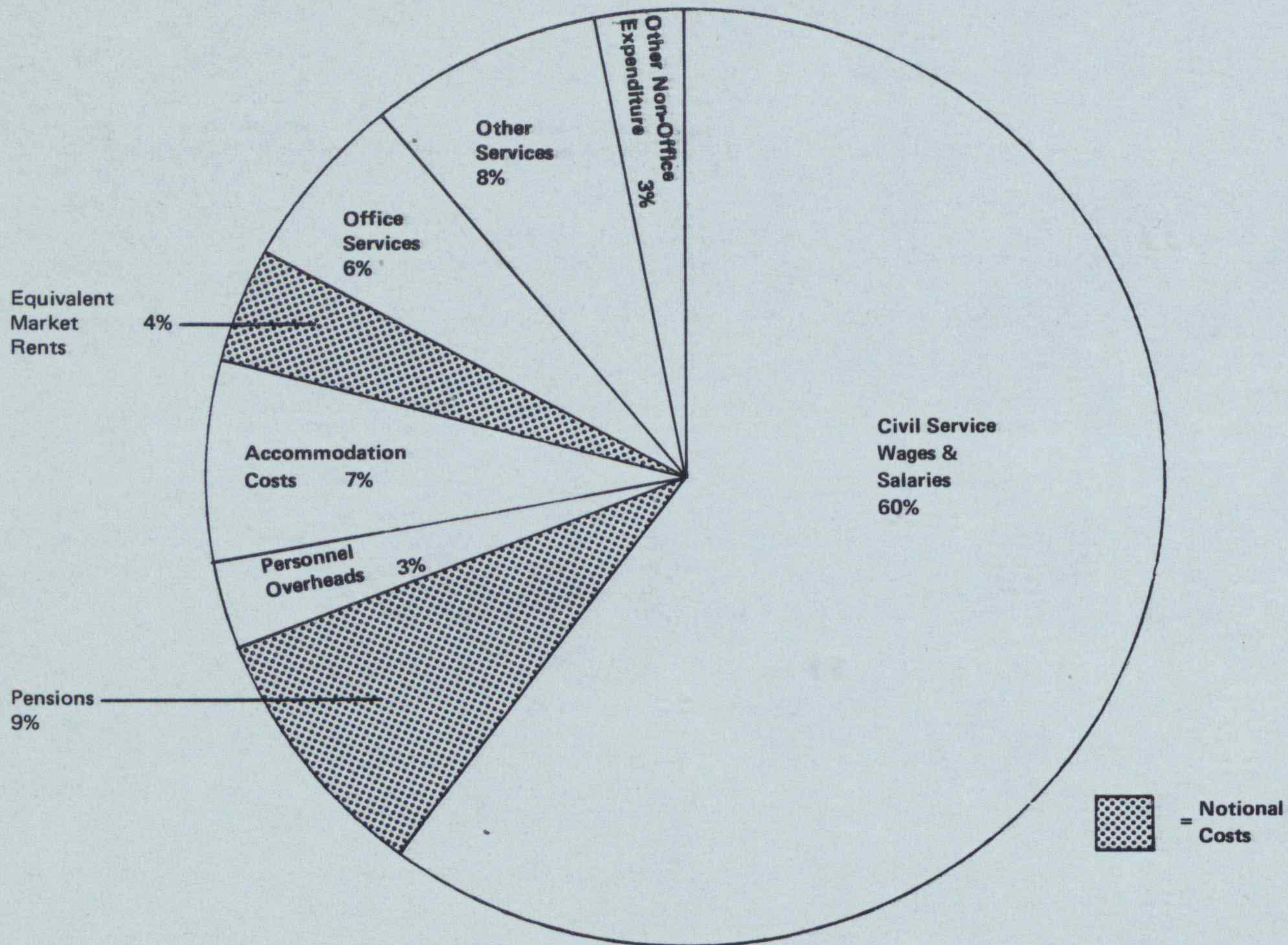
37. The Property Services Agency is likewise engaged in major initiatives to reduce costs across government. With fewer civil

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servants in London, departments can be housed in fewer buildings closer together. This will both improve efficiency and reduce expenditure on maintenance, fuel, rent and rates. Savings of up to £50 million a year are expected eventually. With the Ministry of Defence, the Agency is carrying out a rolling programme of Maintenance Economy Reviews, covering about 20 establishments a year on the defence estate. Similar reviews are being carried out on the civil estate. Land and buildings surplus to present requirements are identified and disposed of, while economies are made in maintaining and operating buildings and plant retained. The consumption of energy continues to be reduced on both civil and defence estates. Savings of about 35% have already been made, compared with 1972. Total savings in 1979-80 were 3%. The target is a further 9% by 1982-83, which would make an annual saving on both estates of some £17 million compared with 1978-79.

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BREAKDOWN OF RUNNING COSTS
IN 1980-81



NOTES

- Wages and salaries = wages, salaries, overtime payments and employers National Insurance contributions for permanent staff, period appointees and casuals, and Ministerial salaries.
- Pensions = notional cost of the accruing liability for pensions of serving staff
- Personnel overheads = travel, subsistence, entertainment, removals, catering subsidies, protective clothing and external training
- Accommodation costs = rates, heating, lighting, utilities, furniture and fittings
- Equivalent market rents = notional market rental value attributed to Crown and leased property
- Office services = postage, printing and publications, telecommunications, publicity and advertising, and administrative computers
- Other services = services provided by the Post Office and other agencies

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- STAFF COSTS** = Wages, salaries, overtime payments, employers' National Insurance contributions, and notional cost of accruing liability for pensions of serving staff;
- PERSONNEL OVERHEADS** = Travel, subsistence, entertainment, removals, catering subsidies, protective clothing and external training;
- TOTAL PERSONNEL COSTS** = staff costs, plus personnel overheads;
- ACCOMMODATION AND RENTS** = Rates, heating, lighting, utilities, furniture and fittings, and notional market rental values for Crown and leased property;
- OFFICE SERVICES** = Postage, printing and publications, telecommunications, publicity and advertising, and administrative computers;
- OTHER SERVICES** = services provided by the Post Office and other agencies.

DEPARTMENT	STAFF IN POST AT 1.4.81 (a)	STAFF COSTS		PERSONNEL OVERHEADS		TOTAL PERSONNEL COSTS		ACCOMMODATION AND RENTS		OFFICE SERVICES		OTHER SERVICES		OTHER NON-OFFICE EXPENDITURE		TOTAL COSTS £m
		£m	% of Dept total	£m	% of Dept total	£m	% of Dept total	£m	% of Dept total	£m	% of Dept total	£m	% of Dept total	£m	% of Dept total	
DEFENCE	208,761	2016	88.5	52.4	2.3	2068.4	90.8	136.1	6.0	43.4	1.9	28.6	1.3	0.5	0.02	2277
FOREIGN AND COMMONWEALTH OFFICE	9,485	160	57.0	16.1	5.7	176.1	62.7	64.0	22.8	29.6	10.5	4.6	1.6	6.4	2.3	281
OVERSEAS DEVELOPMENT ADMINISTRATION	1,948	24	60.2	1.8	4.4	25.8	64.6	5.2	12.9	3.6	8.9	3.9	9.7	1.6	3.9	41
AGRICULTURE, FISHERIES & FOOD	12,980	122	61.1	12.3	6.2	134.3	67.3	25.0	12.6	9.7	4.9	13.8	7.0	16.5	8.3	199
INDUSTRY	8,770	85	67.6	3.8	3.1	88.8	70.7	20.2	16.1	13.9	11.0	2.7	2.2	-	-	126
TRADE	7,082	70	54.5	3.5	2.7	73.5	57.2	17.5	13.6	4.4	3.4	33.4	25.8	-	-	129
ENERGY	1,198	15	52.1	1.3	4.6	16.3	56.7	3.9	13.4	2.3	7.8	6.4	22.0	-	0.1	29
EMPLOYMENT	25,806	154	71.8	5.8	2.7	159.8	74.5	32.2	15.0	13.4	6.3	9.0	4.2	-	-	214
MANPOWER SERVICES COMMISSION	23,408	180	55.4	13.9	4.3	193.9	59.7	79.2	24.3	31.3	9.6	8.9	2.7	11.7	3.6	325
TRANSPORT	13,724	98	41.4	5.8	2.5	103.8	43.9	26.4	11.2	28.0	11.9	76.6	32.5	1.3	0.5	236
ENVIRONMENT	10,197	111	50.5	6.9	3.1	117.9	53.6	24.4	11.1	13.6	6.2	30.0	13.7	33.5	15.3	219
PROPERTY SERVICES AGENCY	30,468	300	72.9	10.9	2.7	310.9	75.6	31.9	7.7	9.4	2.3	59.0	14.3	0.2	0.1	412
HOME OFFICE	25,379	404	63.7	15.9	2.5	419.9	66.2	92.9	14.7	10.3	1.6	9.1	1.4	101.4	16.0	633
LORD CHANCELLOR	9,947	99	57.4	6.4	3.7	105.4	61.1	39.0	22.6	8.2	4.8	20.2	11.7	-	-	173
EDUCATION AND SCIENCE	2,547	28	70.3	2.0	5.0	30.0	75.3	6.8	16.9	2.7	6.8	0.4	0.9	-	-	40
ARTS AND LIBRARIES	1,101	10	69.7	0.2	1.3	10.2	71.0	2.1	14.7	1.9	13.5	0.1	0.8	-	-	14
HEALTH AND SOCIAL SECURITY	97,410	680	60.0	20.3	1.8	700.3	61.8	110.9	9.8	92.4	8.2	228.3	20.2	0.6	0.1	1132
TREASURY	1,029	12	65.0	0.3	1.7	12.3	66.7	3.1	16.5	2.3	12.0	0.6	3.1	0.3	1.7	19
CUSTOMS AND EXCISE	26,827	242	75.4	14.9	4.6	256.9	80.0	38.2	11.9	17.3	5.4	5.1	1.6	3.7	1.1	321
INLAND REVENUE	75,624	569	74.6	15.5	2.0	584.5	76.6	99.5	13.0	65.3	8.6	8.7	1.1	4.8	0.6	763
NATIONAL SAVINGS	9,985	58	39.9	0.7	0.5	58.7	40.4	5.1	3.5	24.1	16.7	56.7	39.4	-	-	144
CIVIL SERVICE DEPARTMENT (incl. PRU)	3,180	34	57.5	3.1	5.2	37.1	62.7	10.7	18.1	8.2	13.8	3.2	5.4	-	-	59
SCOTTISH OFFICE	10,801	103	63.0	5.6	3.4	108.6	66.4	19.0	11.6	10.6	6.5	2.0	1.2	23.3	14.2	164
WELSH OFFICE	2,231	21	71.6	1.3	4.3	22.3	75.9	2.9	10.0	2.7	9.4	0.6	2.0	0.7	2.6	29
NORTHERN IRELAND OFFICE	214	4	54.0	1.0	12.7	5.0	66.7	1.3	16.5	0.8	10.3	0.5	6.5	-	-	8
PAYMASTER GENERAL	924	6	51.2	0.1	0.9	6.1	52.1	0.8	7.5	2.2	19.6	1.8	16.4	0.5	4.4	11
OTHERS	27,434	221	65.2	14.3	4.2	235.3	69.4	43.4	12.8	27.9	8.3	16.0	4.7	15.9	4.7	338
TOTAL	653,560	5826	69.9	236.1	2.8	6062.1	72.7	941.7	11.3	479.5	5.8	630.2	7.6	222.9	2.7	8336

(d) This column shows permanent staff-in-post as defined in the Civil Service manpower count, excluding 31,042 in the Trading Funds (Royal Ordnance Factories, Royal Mint, HMSO and PSA Supplies Division). The figures in the other columns relate also to staff (locally engaged overseas, casuals) not included in the manpower count.



File AS

Card 2

10 DOWNING STREET

From the Principal Private Secretary

9 June 1981

MANAGEMENT IN CONFIDENCE

Dear Jim,

WHITE PAPER : EFFICIENCY IN THE CIVIL SERVICE

The Prime Minister has asked me to thank the Lord President for his minute of 5 June 1981 with which he submitted the draft White Paper on efficiency in the Civil Service.

The Prime Minister is generally content with the draft but she wonders whether an additional column could be included in the analysis of running costs by department which appears at the end of the White Paper giving the numbers of staff in post at whatever would be the appropriate date in the year 1980-81. Subject to this, she is content for the Lord President to circulate the draft White Paper to other members of the Cabinet, with the aim of publishing it by the end of the month.

Yours sincerely,

Anne Whitmore.

Jim Buckley Esq.,
Lord President's Office.

AS

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gc. J. Verker

A. Duquid.

Cr Sem

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

8 June 1980

*Wm
8/6*

The Rt. Hon. Lord Soames, GCMG, GCVO, CH, CBE
Lord President of the Council

Dear Winston

ACCELERATED PROMOTION IN THE CIVIL SERVICE AND
RETIREMENT OF THE LESS EFFICIENT

I am sorry for the delay in replying to your letter of 11 March. It raised some interesting points which I think need our further attention. *Department required* Your Private Secretary's letter of 30 April said that you would like to consider whether the subject should now come back to Cabinet; I think it should.

As regards accelerated promotion, your conclusion that there is no procedural obstacle to early promotion of high flyers is probably correct in theory. It is equally important that full use be made of this in practice, so as to bring the best people forward quickly, and this requires that the openings should exist. I comment on this point below, and we must also bear it in mind when we take decisions following Sir Geoffrey Wardale's review of the open structure grades.

For high class mainstream officers, my Departments claim that the qualifying periods for promotion are not a serious bar. But just as Quintin Hailsham suggests that the four year minimum period from EO to HEO deserves to be reconsidered in respect of graduate entrants, rigid rules may well be holding back able people in other ways. We must not let that happen.

Like other colleagues I am concerned too about the length of time it takes to get rid of the inefficient. I agree with those who have suggested that the Civil Service Appeal Board could be dropped now that it is apparently

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being used increasingly by appellants to give themselves two bites at the cherry, instead of as a cheaper alternative to the industrial tribunal. Even so the procedure still seems much too lengthy; I find it hard to see how it can be completed in less than about 12 months, quite apart from any subsequent appeal. If the procedure is geared to what are thought to be the standards imposed by industrial tribunals, could we ask your legal advisers to look at this afresh to see whether the Service has been unduly cautious? In any event, I am sure we must persuade managers that it is worth paying the price, in terms of time, in order to shed those who are incurably inefficient.

I also question whether we do enough to ease out the weary and less able, though I accept that cost is a factor here. I agree that the new arrangements for early retirement of the less efficient who are willing to go may be helpful, but it will be important to take a careful look at the first year's results to see what lessons can be learnt.

If however we are going to improve significantly the prospects of the young and able we need to look not only at those with limited efficiency, and the inefficient, but also at those with a higher standard of performance who should nevertheless make way for younger people. This would require even more far-reaching changes in approach. The key thing is a determination to get the best man for any given vacancy and to make the best use of talent that is available to us. We must avoid giving primacy to a set of rules, which may have some use for regulating the movement of the average, but must not obstruct the need to do better in promoting better people and better performance.

I am copying this to the recipients of your letter.

Y —
—
—
—

GEOFFREY HOWE

3

CF to file

I think that this line is right.

AM

10/1

PRIME MINISTER (through Mr. Whitmore)

Richard Shepherd enquires about Derek Rayner's lasting reforms proposals. He asks to have any document which is available, and, in the event that there is none, he asks if you would agree to his seeing Sir Derek to hear his views direct.

Sir Derek's lasting reforms proposals, in the form circulated to Cabinet colleagues, are not highly classified, but you may think it better not to set a precedent for publishing such internal advice. The draft below makes it clear that Sir Derek is already preparing to report to the Treasury and Civil Service Committee in some detail, and would be available to amplify particular points to the Sub-Committee which Mr. Shepherd is a member.

Content to reply on this basis?

MA

8 June 1981

Copy to Mr. Prestley quickly, M

MA 18/1

1. Prime Minister.

Can we have
an additional column
giving nos. in post-
office relevant - 80-81
date?
mb.



I understand that Sir Derek
Rayner is generally content with the
draft White Paper.
You will have James Street
concerned re the Cabinet?
Yes - I assume that
D-R has no 5th
comments.
mb.

PRIME MINISTER

WHITE PAPER: EFFICIENCY IN THE CIVIL SERVICE

You have agreed to publish a White Paper reporting progress on Civil Service efficiency and to do this as quickly as we can, now that the Treasury and Civil Service Sub-Committee have decided to begin an enquiry into this subject. I attach a draft of the full text. This includes an Annex with the figures from the running costs scrutiny.

There is a substantial amount to report ranging from Sir Derek Rayner's initiatives, those which my Department has taken (sometimes in conjunction with Sir Derek), to the many separate pieces of work undertaken by Ministers in their own Departments. Results are now coming through as indicated by the substantial reduction of 42,000 in Civil Service manpower already achieved.

We need to demonstrate that we are achieving the reductions both through doing fewer things and as a result of the efficiency drive. I believe that the examples given in Part 2 of the attached draft White Paper do this convincingly. Together they show firm decisions taken by Ministers already to save over 34,000 posts and approaching £200 million. Then they illustrate what else is in hand. These are only significant examples. It is not possible to identify all the savings achieved from the day-to-day decisions of Ministers and their line management let alone all the work in hand. But Part 2 makes the direction clear with a strong emphasis on results.

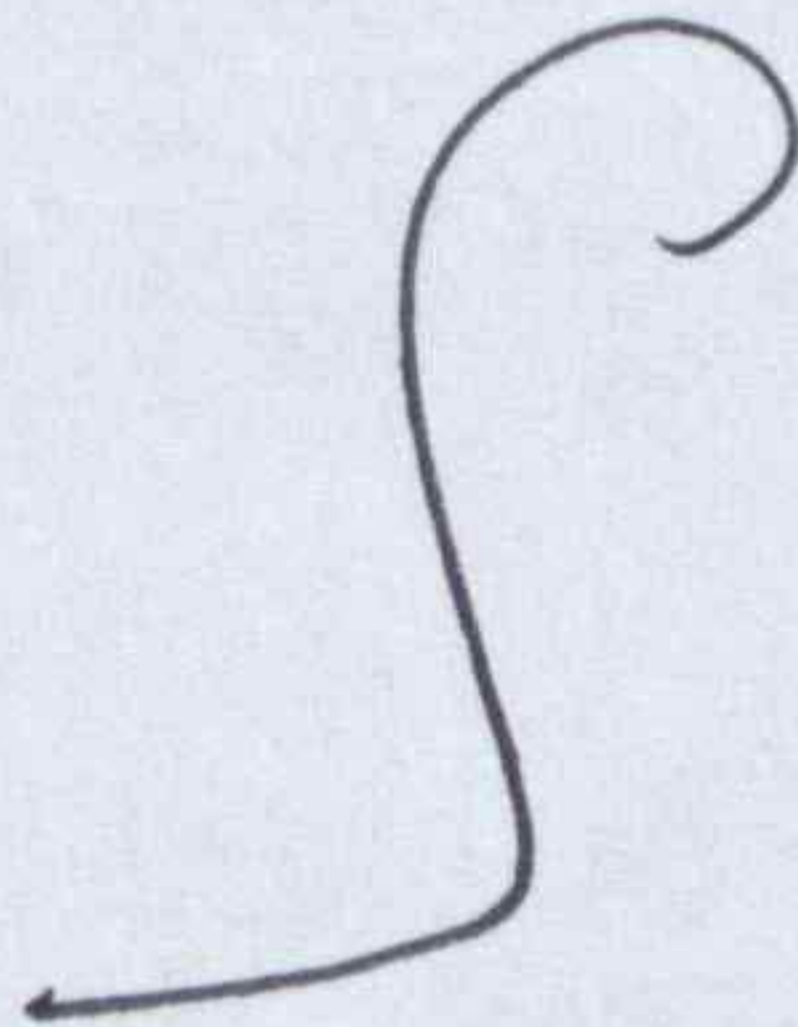
Part 1 is of its nature more general. It sets out the Government's policies for improving management. It is concerned with the important reforms needed to eliminate the underlying obstacles to efficiency and particularly with those which Sir Derek Rayner has identified.

I hope you will agree that early publication will be of use in encouraging a constructive attitude in Parliament and elsewhere for the great deal of further work that remains to be done.

There is a point about the Annex summarising the figures from the 1980 scrutiny of departmental running costs. It does not show the figures for previous years. I have considered whether it should and concluded not. The 1980-81 figures are based on Estimates; those for earlier years are out-turns or provisional out-turns. They are therefore not comparable. Out-turn is usually several percentage points below Estimates. Publication of the figures for earlier periods would therefore overstate the increase in costs and add needlessly to controversy.

MANAGEMENT IN CONFIDENCE

Sir Derek Rayner has been closely consulted in the preparation of the draft. He also thinks that we should now get it out. Assuming that industrial action in the Civil Service will still be continuing at the time of publication, we shall add a reference to it. Subject to your views, I would like to circulate the Paper to Cabinet colleagues towards the end of next week with the aim of publishing by the end of June.

A large, stylized handwritten mark, possibly a signature or initials, consisting of a vertical line with a curved top and a horizontal base.

SOAMES

5 June 1981

MANAGEMENT IN CONFIDENCE

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DRAFT OF 5.6.81

EFFICIENCY IN THE CIVIL SERVICE

Part I

The Government took office determined to improve the efficiency of the Civil Service, to eliminate waste and to promote methods of administration which enable and encourage staff to give the best possible value to the taxpayer. This White Paper reports progress.

2. The Civil Service pay bill for 1981-82 is estimated to be £5,000 million*. Supporting services amount to a further £1,500 million. Of this about £350 million is for travel, subsistence and removals and £300 million for postage and telecommunications. Estimated expenditure on Civil Service superannuation for 1981-82 is about £900 million. Together these costs account for about 7% of planned public expenditure.

3. A scrutiny of costs was carried out by departments in 1980 using 1980-81 Estimates and including ^{the} notional cost of accruing liability for pensions of serving staff and notional market rental values for Crown and leased property. A summary is given in the Annex.

What the Civil Service Does

4. The services civil servants provide are multifarious. Some, by their very nature, are massive and staff-intensive; they deal with large numbers of people. For example, 180,000 civil servants support the armed forces (in the dockyards, ordnance factories, stores etc); 100,000 staff in Social Security and Unemployment Benefit Offices make 1,000 million benefit payments a year to 27 million needy, elderly or unemployed claimants; 60,000 Inland Revenue staff assess and collect taxes, dealing with some 26 million individuals and more than 2 million business accounts; 24,000 run the prisons; 9,000 in the courts help to process 2 $\frac{1}{4}$ million items of court business a year; and so on. The great majority of these staff are in the grades of Clerical Officer and Executive Officer or their equivalents, or in the various industrial grades.

*Supply Estimates for Financial Year 1981-82

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5. By contrast, only a tiny proportion of civil servants are engaged in policy advice, Parliamentary business and the like in Whitehall and other main centres.

6. The services carried out by civil servants must conform to the dictates of Parliament enshrined in law. Each requires its own skills, methods and procedures. Many must meet the needs of different client groups - and meet them fairly. And these services are constantly changing in response to the development of policies and public expectation.

7. Running central government, therefore, means running many businesses, big and small, all serving the community, directly or indirectly.

A Policy for Management

8. Like any other employer and provider of services, Government must ensure that the people and money in its charge are used efficiently and effectively. This Government has a clear policy for meeting that responsibility and giving the taxpayer value for money.

9. The policy is in two parts. First, it is to set a financial framework (manpower and money) to create a general incentive towards economy and efficiency. This is being achieved through strict limits on the amount of money available ("cash limits") and on the total number of civil servants ("manpower targets"). The Government has set a target for the size of the Civil Service of 630,000 by April 1984 - over 100,000 fewer than when it came into office. It is seeking to achieve this in a balanced way, mainly by natural wastage at all levels.

10. The second part is to ensure that this general incentive is translated fully and effectively into specific action to get better value for money. This demands a continuing process of critical examination of activities, functions and policies, with particular

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regard to cost and need. That is a task of management from the very top (Ministers), through the Permanent Secretary, his senior line managers, his Finance and Establishment Officers, and right down the line. It is the Government's policy to enable and encourage managers to manage. This has been too often neglected by earlier administrations. Too often they have left good ideas for better management to gather dust on the shelves while they gave a higher priority to other things. This Government gives efficiency a high priority.

Management from Within

11. An organisation should draw upon relevant outside experience. But to be effective and lasting good management must harness the talent, experience and enthusiasm of those who do the job. These qualities exist in plenty at all levels of the Civil Service. This Government's policy is to tap them.

Scrutinies

12. The scrutinies undertaken by Departments with the help of Sir Derek Rayner have made a substantial contribution to the process of critical examination. Since June 1979 there have been 68 scrutinies of particular activities at a cost of about £1m. This year there will be about 40 more. Savings possibilities of around £200m have been identified so far. Ministers have already taken firm decisions to save £[]m a year by 1984 (and manpower of [] plus £[]m once and for all.

(Figures still to be provided by Sir Derek Rayner's Office)

13. The scrutinies have meant getting down to where the work is done, with the examining officers mastering the complexities and detail; free to question all aspects of the activity (to the point of challenging its very existence); and then, unfettered by Committees and hierarchy, reporting direct to Ministers. They have tapped the initiative and ideas that exist at all levels and have produced reports for action. The recently completed review of

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statistical services* shows that the methods adopted in scrutinies can be successfully applied to the examination of a subject across the whole of the Service.

Achievements so far

14. Many changes are being made. Tasks are being simplified, functions reduced or cut out, office networks streamlined, procedures improved, methods brought up to date with new business practice and technology. Some of this results from the day to day work of line managers, but a great deal flows from reviews of functions by Ministers, scrutinies, service-wide reviews, and the work of specialised personnel in CSD and departments - for example, management services and staff inspection. Part II of this White Paper presents examples of this work, selected to illustrate the range and scale of what has been achieved so far. Overall in the two years since the Government took office, the number of civil servants has reduced by 42,000, despite many thousands extra being required to deal with higher unemployment. The saving in pay costs to the taxpayer is about £270m a year. A further reduction of 60,000 is scheduled for the next three years. This would save about a further £400m a year in pay costs.

Plans for Future Projects

15. Part II gives an indication of the wide range of further work which is now in hand or proposed. Some important changes have a wider impact on the public : these call for consultation with those affected, and often for legislation; / ^{some of these} have still to be fully implemented. At the same time new ground is being broken through the continuing programme of scrutinies in each department, two new service-wide reviews - one on support services in R&D establishments and the other on administrative forms, and strengthened programmes of work by specialist staff. The direction of change towards a slimmer, more efficient and modern government is clear.

Tackling the Underlying Obstacles to Efficiency

16. Examinations of particular activities or functions are an essential management tool. They reveal deficiencies in and impedi-

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ments to management, and provide remedies for particular defects. But they cannot replace the continuous exercise of good management practice, cost-consciousness and cost-responsiveness throughout the management chain. An integral part of the Government's policy is to create the right conditions for managers to manage, and bring on and reward those who are successful. In this way, the underlying causes of inefficiency will be removed.

17. The Government is therefore :-

Clarifying the management responsibilities of Ministers and officials, both at the centre and in Departments;

Promoting a full knowledge of costs at all levels, through an adequate flow of management information;

Helping those responsible for the consumption of goods and services to do a better job by giving them more accountability, not least through carrying the cost on their own budget;

Strengthening internal audit and manpower control, defining the requirements of key posts and selecting suitably qualified people;

Delegating more responsibility down the line and making better use of staff.

18. Progress with these key changes is as follows :-

A sharpening of responsibilities. First, the role of the central departments - the Treasury and the Civil Service Department - is being clarified and strengthened. The White Paper on the Future of the Civil Service Department (Cmnd 8170) set out the Government's views on this. Particularly, it noted, the central departments must see that each department has a proper system for controlling resources and promoting efficiency, and that these are working well. Secondly, the management roles of Ministers and their top officials are being clarified. This means emphasising the Minister's ultimate responsibility for managing his department as well as its policies; more emphasis on the key management role of the Permanent Secretary under his Minister; and spelling out more clearly the support he should get from his Principal Finance Officer and Principal Establishment Officer. The Government will publish material on these matters in due course.

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Better information about costs. If Ministers and officials are to manage effectively the goods and services in their charge, they need first to know and then to question their costs. For this they must have adequate management accounts enabling them and the central departments to assess trends and to identify areas requiring closer examination and control. Various developments have been set in hand in individual departments and across Government to improve the standards of management information on costs. In 1980 an important general exercise was carried out by all Departments to review their staff and other running costs and bring these to the attention of their Ministers. A summary of the resulting figures is given in the Annex.

The exercise will be repeated in 1981. The next step is to break costs down between the different units in the department, to help create local cost centres and develop budgets for local managers. Local budgets are already operating in some places for particular running cost items : this is being widened and extended.

Paying for common services. Previously, a number of services have been provided free to departments by central agencies, eg stationery printing etc (HMSO), accommodation (Property Services Agency). The Government believes that Departments should be charged for such services, bearing the costs on their own Votes, as an incentive to efficiency and economy in their use. This will cause Departments to define need with an eye to cost. From April 1980, Departments have paid for supplies and services provided by HMSO and the Central Computer and Telecommunications Agency. The Government has now decided to make Departments pay for services hitherto provided free by the Property Services Agency and the Central Office of Information. The arrangements for introducing these changes are now being worked out. There is already evidence that the incentive is working. Since payment was introduced for HMSO supplies and services, consumption has dropped by 8%.

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Seeing that the staff who control and manage resources are fully aware of their management responsibilities and have the necessary training and experience for the job. The Civil Service Department has a central role in seeing that this objective is achieved. In advising departments on training, its main priority is to help them get better value for money by focussing attention on the relative costs and benefits of particular training methods. Present systems for defining the requirement of key posts, for identifying in advance suitably qualified successors to the existing holders, and for ensuring that key staff acquire the experience that fits them to fill such posts are being further developed. Attention is being focussed particularly on posts with major responsibilities for managing and controlling resources. The aim is to ensure that those likely to occupy the highest ranks in the Service have direct experience of managing both people and money.* As part of the concerted effort to strengthen internal audit, particular attention is being paid to placing in charge of audit units only people with the necessary experience, quality and drive. A greater awareness of management outside the Service, particularly in industry, is being fostered by interchange of staff and in other ways. The number of civil servants on secondment to industry has doubled to nearly 100 since 1977.

Ensuring that staff are given maximum responsibility, commensurate with their abilities, skills and experience and that they are positively encouraged to contribute ideas for improving administration. Many of the changes described in Part II will help - for example, a number of managers are being given wider responsibility; some Executive and Clerical Officers will be handling a more varied range of cases. More generally, efforts are being made to cut out unnecessarily detailed supervision and checking and to increase delegation from headquarters to local offices, and from higher to lower grades. The Chain of Command Review, which the Civil Service Department is undertaking, is examining ways of reducing the number of levels through which work passes.

*White Paper on The Future of the Civil Service Department
(Cmnd 8170)

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19. These changes are reinforcing existing arrangements for ensuring the effectiveness of management in Departments. They are giving added support to Ministers and senior officials, and importantly, to managers down the line. They complement work in Departments towards more accountable management, for example the Secretary of State for the Environment's management information system (MINIS) and the Secretary of State for Social Services' system of accountable management in his Department's regional organisation.

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Simplifying the Job

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20. Simpler ways of doing things get better value for money. In examining functions, Departments have found many possibilities for change. Some of these are purely matters of administrative practice but some call for major policy changes or amendments to the law. Simplification makes tasks in Government offices easier to perform, helps the staff to do a better and more satisfying job, and saves the taxpayer money. It may mean that the service is less elaborately fitted to all the varieties of circumstance that affect the individual citizen. But it will also make it easier for him or her to understand.

21. Here are some examples of ways Departments are simplifying administration :-

Abolition of the lower rate of income tax in the 1980 Budget simplified the tax and reduced administrative costs by about £8 million a year (1300 staff).

The Inland Revenue has simplified procedures for notifying employers of PAYE codes and for keeping track of PAYE deductions and National Insurance contributions; it has introduced new PAYE procedures for people changing jobs or starting work; by obtaining information from other sources, it has been able to discontinue internal registers of Schedule D and Corporation Tax accounts. Savings from these measures are £7 million a year (1240 staff).

Giving unemployed people the choice of signing on and being paid benefit fortnightly instead of weekly has already reduced the cost of the service by £10 million a year (1000 staff). (This put into effect a decision already taken in principle by the previous Government.)

The Secretaries of State for Social Services and Employment have announced their intention to make many procedural changes in the payment of benefits. Though the precise savings in administrative costs are difficult to forecast in advance of detailed decisions, the best estimate is an eventual £42 million a year (3600 staff) plus £20 million a year in non-manpower costs.

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In DHSS too, a new system which transmits information outside working hours enables local offices to obtain details of claimants' contribution records from the department's Central Office at Newcastle more quickly than before, and hence to pay short-term benefits more promptly.

The Ministry of Agriculture, Fisheries and Food is simplifying its administration of capital grants for farmers and reducing the stages through which applicants have to go, saving nearly £3m a year (up to 400 staff) by 1984. The Department of Agriculture and Fisheries for Scotland and the Welsh Office Agriculture Department are making the same changes.

The Ministry of Defence has cut the cost of bill-paying by pruning paperwork and making checking systems more cost-effective. Staff have been reduced by 58 out of about 400, saving £½ million a year, with up to 65 more to come.

The Manpower Services Commission is revising enrolment and matching procedures in Professional and Executive Recruitment, saving £1.5 million a year from 1982-83 (320 staff).

HM Customs and Excise has saved nearly 1000 posts by reducing the boarding of vessels and other routine Customs checks; by reviewing the control procedures in wines and spirits warehouses; and by cutting HQ staff by some 10% through delegating tasks to the regions, cutting statistical work and other measures.

22. In hand are further reviews aimed at simplifying the administration of social security benefits, of Schedule D Tax on the self-employed, of income tax repayments, of the Department of Energy's international business, of the Manpower Services Commission's training allowances and of certain aspects of the Courts Service.

Trying to do too much

23. Governments are continually called on to provide new safeguards and meet fresh needs. Many of their activities start with these

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aims. But as conditions change, the need for intervention by Government often diminishes. Ministers are therefore asking three kinds of question :-

Are their activities becoming onerous to the recipient?

Have services become too elaborate and costly in proportion to the benefits they bring?

For the social and economic good of the country as a whole, would they be better performed outside central government?

For example :-

The Secretaries of State for Social Services and Employment have announced that they propose to introduce legislation abolishing the requirements imposed on unemployed people to register at a Job Centre. Consequential savings in administrative costs will depend on how many unemployed people decide to register, but they could be up to £11 million a year and 1600 staff.

The Ministry of Defence is examining various schemes for reducing the amount of furniture provided from official sources for Servicemen's married quarters. Such measures could save 500 Ministry staff, and further reductions may be possible.

The Department of Health and Social Security is considering proposals for an Employers' Statutory Sick Pay Scheme in the light of comments received. Such a scheme reduces duplication of effort by the State and employers, and therefore increases efficiency and saves staff in the Civil Service.

24. Ministers have been looking particularly closely at the effort involved in the Government's relations with local authorities and industry. Work in departments, culminating in a general review co-ordinated by Civil Service Department Ministers, is resulting in a

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reduction of nearly one-third in central Government staffs dealing with the affairs of local authorities (over 1600 posts) and of more than a fifth in those sponsoring industry (over 800 posts).

25. Examples of operations being transferred, in whole or in part, out of central Government are :-

The Ministry of Defence has compared the cost of cleaning by directly employed labour with those of an equivalent contractor service. Decisions have already been taken to go to contract at 50 establishments with some 2000 cleaning posts, ^{at} an estimated net saving of over £3m a year. It has found ways of reducing its quality assurance effort and placing more reliance on quality control in industry. About 650 posts (£ 4m a year) have already been saved and there are more to come.

The Property Services Agency is arranging for suitable minor maintenance work on the Government estate, previously done by direct labour, to be undertaken by private contractors. Between April 1979 and April 1981 it decreased its directly employed works labour force by about 3,200 (19%) with a further 3,500 (making nearly 40% in all) to come by April 1984.

With the decline in the Trunk Road Programme, the Department of Transport has concluded that their design and the supervision of their construction can be performed better by private consulting engineers, or by the agency of County Councils. After wide consultations, it is disbanding road construction sub-units employing some 1400 staff on secondment from County Councils.

The Secretary of State for Transport has published a policy paper on transferring the testing of heavy goods and public service vehicles to the private sector. This would provide a more flexible and efficient service for vehicle operators, and cut the number of civil servants by about 900. Legislation will be needed to set up the framework for the private sector system.

By transferring re-licensing work to the Post Office and reducing the number of local vehicle licensing offices from 81 to 53 by February 1982, the Department of Transport expects to provide a

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more convenient and local service to the public and save £7 million a year (over 1000 staff).

Streamlining the Service

26. Government business with the individual citizen or firm is conducted mainly through a variety of networks of offices. As exemplified below, many Departments have re-examined their office networks and made substantial improvements in their organisation and efficiency. Civil Service Department Ministers have encouraged other Departments to follow suit, and in particular to apply appropriate lessons learned elsewhere.

The Skillcentre network in the Manpower Services Commission: the closure of 16 Skillcentres and annexes and other rationalisation measures will produce an initial saving of £20 million, plus £6½ million a year (600 staff).

and
Area/District Offices of the Manpower Services Commission's Employment Services Division: economies are being made in area and district services supporting the general placing service, and some offices are being closed; staff are being reduced by 295, saving £2 million a year from 1981-82, rising to 400 and nearly £3 million a year in 1982-83.

The regional structure of Ministry of Agriculture, Fisheries and Food: following a management review in 1979-80, seven regions have been reduced to five and 25 divisional offices to 19, saving about 400 posts.

Inland Revenue Collection and Audit Offices: as computers take on the routine work of collection, the number of offices is being reduced from 320 to 210; a saving of about 2000 staff is expected when the programme is complete.

The Property Services Agency's Regional Organisation: an internal review has led to proposals for changes in the organisation of work, contracting out and structural changes (including closure and amalgamation of offices) which will enable staff to be reduced by up to 800 (£5 million a year).

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27. Work is continuing on the way social security work passes between local and regional offices and Headquarters, on merging the Land Drainage and Land Services in MAFF, on the Customs and Excise Collection network and on Inland Revenue Valuation and Tax Offices.

Better Methods

28. Departments are achieving good results by applying existing techniques more rigorously and by greater use of modern business methods.

29. Many of the largest clerical operations in the country are in government. The Civil Service makes considerable use of systematic methods for relating workloads to staff in such areas. With the help of the Civil Service Department, these are being reviewed. A survey in Unemployment Benefit Offices has led to a 6½% reduction in staff (1400) from October 1980.

30. Work measurement exercises are nearing completion in County Courts (the Lord Chancellor's Department) and in Valuation Offices in the Inland Revenue. In hand are similar exercises in the local offices of the Department of Health and Social Security and the Tax Offices of the Inland Revenue.

31. Elsewhere a system of staff inspection has long been used to relate staffing to workloads. Blocks of work or units of organisation are examined by teams of inspectors to see that the number and grading of staff allocated, and their organisation, is correct for the efficient conduct of essential tasks. The Civil Service Department has been working with departments to strengthen staff inspection. Inspection is ^{increasingly} helping management to make greater improvements in efficiency and economies in the use of staff. A net reduction of over 3,000 staff is expected to result from staff inspection in 1980. This compares with 1900 in 1979 and 900 in 1978.

32. Central Government is the biggest single user of computers in the United Kingdom. More than 650 large and medium sized computers

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are in use in departments for administrative and scientific purposes. An intensified search for cost saving applications of new information technology is an integral part of the drive for efficiency. More use is being made of computers :-

The Secretary of State for Social Services has announced plans for greater use of automated methods for paying certain social security benefits direct into beneficiaries' bank accounts. These methods are more efficient, convenient and secure. They will save an estimated £12m a year in administration costs by 1987. Feasibility tests on the further use of computers in the work of local Social Security offices are under way ; potential savings are estimated at £17m a year.

The Civil Service Department has been encouraging departments to use fewer different payroll systems. The Departments of the Environment and Transport and the Ministry of Defence are working on mutual payroll arrangements which will save £1.1m a year, for an initial investment of £1.6m spread over 3-4 years. The Inland Revenue and the Civil Service Department are using their payroll computers to calculate staff pensions, and other departments will be doing so shortly. It is expected that 80-90 pensions posts will be saved in 1982 and that by 1984-85 about 300 fewer staff overall will be needed.

A new computer-controlled warehouse for HM Stationery Office's Main Distribution Centre for publications is expected to reduce the staffing requirement by about 250 in 1983.

Computerisation of the rating system in Northern Ireland will save £1.4m a year (180 posts).

A new generation of computerised supply systems for the Armed Forces is expected to reduce costs, for example on staff and maintenance, by at least £20m (about 250 staff).

Computerisation of PAYE should eventually enable the scheme to be administered with about 7,000 fewer staff, at a saving of about £45 million a year.

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33. The use of small electronic office machines is growing. About 500 micro-computers and 350 word processors have been installed in departments already. The benefits are individually small but cumulatively great. They will further increase as more of these machines are integrated into the large scale information processing systems of the future. A good example is the HM Stationery Office proposal to use micro-computers to assist with the management of their printing presses. This should increase efficiency in the presses and save about £100,000 a year.

34. The Government is paying special attention to the training needs and working conditions of staff operating new equipment.

Supporting Services

35. Departments are looking just as closely at the costs of accommodation, heating, lighting, transport and common services like typing, messengers and telephones. Being obliged to pay for more of the services provided by other Departments, as mentioned in paragraph 18, gives this an added impetus.

36. To reinforce Departments' own cost-cutting initiatives, the Civil Service Department is directing a programme of reviews of support services common to a number of Departments. The object is to improve cost-effectiveness and set standards of good practice for the future. Studies of messenger services, including some already undertaken by Departments, have shown how efficiency can be improved by better methods and organisation. The resulting manpower savings are expected to exceed 1000. Early studies of telecommunications suggest scope for substantial savings in equipment. Studies of post and typing have recently begun; others of purchasing and stores stockholdings, travel, reprographics and office services will be started shortly. These studies are supplemented by a cost-consciousness campaign designed to bring home to individual civil servants the costs of items in everyday use.

37. The Property Services Agency is likewise engaged in major initiatives to reduce costs across government. With fewer civil

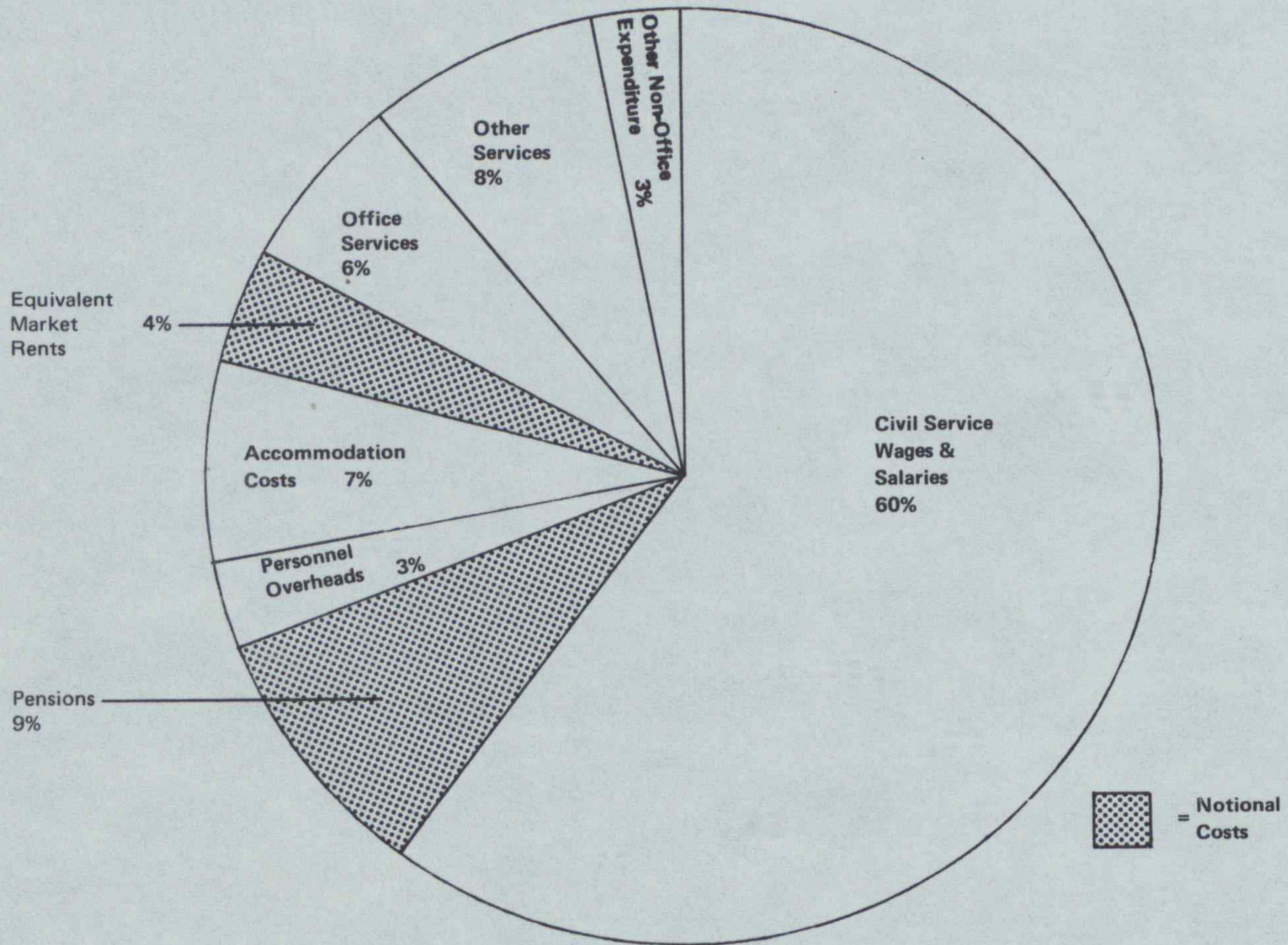
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servants in London, departments can be housed in fewer buildings closer together. This will both improve efficiency and reduce expenditure on maintenance, fuel, rent and rates. Savings of up to £50 million a year are expected eventually. With the Ministry of Defence, the Agency is carrying out a rolling programme of Maintenance Economy Reviews, covering about 20 establishments a year on the defence estate. Similar reviews are being carried out on the civil estate. Land and buildings surplus to present requirements are identified and disposed of, while economies are made in maintaining and operating buildings and plant retained. The consumption of energy continues to be reduced on both civil and defence estates. Savings of about 35% have already been made, compared with 1972. Total savings in 1979-80 were 3%. The target is a further 9% by 1982-83, which would make an annual saving on both estates of some £17 million compared with 1978-79.

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BREAKDOWN OF RUNNING COSTS
IN 1980-81



NOTES

- Wages and salaries = wages, salaries, overtime payments and employers National Insurance contributions for permanent staff, period appointees and casuals, and Ministerial salaries.
- Pensions = notional cost of the accruing liability for pensions of serving staff
- Personnel overheads = travel, subsistence, entertainment, removals, catering subsidies, protective clothing and external training
- Accommodation costs = rates, heating, lighting, utilities, furniture and fittings
- Equivalent market rents = notional market rental value attributed to Crown and leased property
- Office services = postage, printing and publications, telecommunications, publicity and advertising, and administrative computers
- Other services = services provided by the Post Office and other agencies

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ANALYSIS OF TOTAL RUNNING COSTS BY DEPARTMENT 1980-81

- STAFF COSTS = Wages, salaries, overtime payments, employers' National Insurance contributions, and notional cost of accruing liability for pensions of serving staff;
- PERSONNEL OVERHEADS = Travel, subsistence, entertainment, removals, catering subsidies, protective clothing and external training;
- TOTAL PERSONNEL COSTS = staff costs, plus personnel overheads;
- ACCOMMODATION AND RENTS = Rates, heating, lighting, utilities, furniture and fittings, and notional market rental values for Crown and leased property;
- OFFICE SERVICES = Postage, printing and publications, telecommunications, publicity and advertising, and administrative computers;
- OTHER SERVICES = Services provided by the Post Office and other agencies.

DEPARTMENT	STAFF COSTS		PERSONNEL OVERHEADS		TOTAL PERSONNEL COSTS		ACCOMMODATION AND RENTS		OFFICE SERVICES		OTHER SERVICES		OTHER NON-OFFICE EXPENDITURE		TOTAL EXPENDITURE £m
	£m	% of Dept total	£m	% of Dept total	£m	% of Dept total	£m	% of Dept total	£m	% of Dept total	£m	% of Dept total	£m	% of Dept total	
DEFENCE	2016	88.5	52.4	2.3	2068.4	90.8	136.1	6.0	43.4	1.9	28.6	1.3	0.5	0.02	2277
FOREIGN AND COMMONWEALTH OFFICE	160	57.0	16.1	5.7	176.1	62.7	64.0	22.8	29.6	10.5	4.6	1.6	6.4	2.3	281
OVERSEAS DEVELOPMENT ADMINISTRATION	24	60.2	1.8	4.4	25.8	64.6	5.2	12.9	3.6	8.9	3.9	9.7	1.6	3.9	41
AGRICULTURE, FISHERIES & FOOD	122	61.1	12.3	6.2	134.3	67.3	25.0	12.6	9.7	4.9	13.8	7.0	16.5	8.3	199
INDUSTRY	85	67.6	3.8	3.1	88.8	70.7	20.2	16.1	13.9	11.0	2.7	2.2	-	-	126
TRADE	70	54.5	3.5	2.7	73.5	57.2	17.5	13.6	4.4	3.4	33.4	25.8	-	-	129
ENERGY	15	52.1	1.3	4.6	16.3	56.7	3.9	13.4	2.3	7.8	6.4	22.0	-	0.1	29
EMPLOYMENT	154	71.8	5.8	2.7	159.8	74.5	32.2	15.0	13.4	6.3	9.0	4.2	-	-	214
MANPOWER SERVICES COMMISSION	180	55.4	13.9	4.3	193.9	59.7	79.2	24.3	31.3	9.6	8.9	2.7	11.7	3.6	325
TRANSPORT	98	41.4	5.8	2.5	103.8	43.9	26.4	11.2	28.0	11.9	76.6	32.5	1.3	0.5	236
ENVIRONMENT	111	50.5	6.9	3.1	117.9	53.6	24.4	11.1	13.6	6.2	30.0	13.7	33.5	15.3	219
PROPERTY SERVICES AGENCY	300	72.9	10.9	2.7	310.9	75.6	31.9	7.7	9.4	2.3	59.0	14.3	0.2	0.1	412
HOME OFFICE	404	63.7	15.9	2.5	419.9	66.2	92.9	14.7	10.3	1.6	9.1	1.4	101.4	16.0	633
LORD CHANCELLOR	99	57.4	6.4	3.7	105.4	61.1	39.0	22.6	8.2	4.8	20.2	11.7	-	-	173
EDUCATION AND SCIENCE	28	70.3	2.0	5.0	30.0	75.3	6.8	16.9	2.7	6.8	0.4	0.9	-	-	40
ARTS AND LIBRARIES	10	69.7	0.2	1.3	10.2	71.0	2.1	14.7	1.9	13.5	0.1	0.8	-	-	14
HEALTH AND SOCIAL SECURITY	680	60.0	20.3	1.8	700.3	61.8	110.9	9.8	92.4	8.2	228.3	20.2	0.6	0.1	1132
TREASURY	12	65.0	0.3	1.7	12.3	66.7	3.1	16.5	2.3	12.0	0.6	3.1	0.3	1.7	19
CUSTOMS AND EXCISE	242	75.4	14.9	4.6	256.9	80.0	38.2	11.9	17.3	5.4	5.1	1.6	3.7	1.1	321
INLAND REVENUE	569	74.6	15.5	2.0	584.5	76.6	99.5	13.0	65.3	8.6	8.7	1.1	4.8	0.6	763
NATIONAL SAVINGS	58	39.9	0.7	0.5	58.7	40.4	5.1	3.5	24.1	16.7	56.7	39.4	-	-	144
CIVIL SERVICE DEPARTMENT	34	57.5	3.1	5.2	37.1	62.7	10.7	18.1	8.2	13.8	3.2	5.4	-	-	59
SCOTTISH OFFICE	103	63.0	5.6	3.4	108.6	66.4	19.0	11.6	10.6	6.5	2.0	1.2	23.3	14.2	164
WELSH OFFICE	21	71.6	1.3	4.3	22.3	75.9	2.9	10.0	2.7	9.4	0.6	2.0	0.7	2.5	29
NORTHERN IRELAND OFFICE	4	54.0	1.0	12.7	5.0	66.7	1.3	16.5*	0.8	10.3	0.5	6.5	-	-	8
PAYMASTER GENERAL	6	51.2	0.1	0.9	6.1	52.1	0.8	7.5	2.2	19.6	1.8	16.4	0.5	4.4	11
OTHERS	221	65.2	14.3	4.2	235.3	69.4	43.4	12.8	27.9	8.3	16.0	4.7	15.9	4.7	338
TOTAL	5826	69.9	236.1	2.8	6062.1	72.7	941.7	11.3	479.5	5.8	630.2	7.6	222.9	2.7	8336

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MR PATTISON

1. You asked for advice on Mr Shepherd's letter to the Prime Minister of 27 May.

BACKGROUND

2. The "lasting reforms" paper has been through several forms. The first was Sir Derek Rayner's minute to the Prime Minister on 26 March 1980. That was classified "Personal and Confidential" on the grounds that some of the recommendations were in sensitive areas, including Machinery of Government.
3. Extracts from that earlier minute, with the sensitive bits omitted, were later annexed to Sir Derek Rayner's minute for the Prime Minister of 18 April (classified Confidential) reporting on his work generally in advance of the 1 May Cabinet. I attach a copy of the annex, annotated, for your convenience.
4. The minute and annex were circulated under a covering note by the Secretary of the Cabinet on 25 April 1980 for discussion at the 1 May Cabinet.

THE QUESTION AT ISSUE

Confidential Advice to the Prime Minister

5. Releasing the minute to Mr Shepherd would mean making public part of the advice tendered to the Prime Minister by one of her advisers. Taking the view that the paper contains no genuine "secrets", Sir Derek Rayner would have no objection on this in principle if the Prime Minister were agreeable. Indeed, he has spoken publicly on many of the subjects it contains and his next report to the Treasury and Civil Service Committee will report fairly fully on progress so far.



Cabinet Confidentiality

6. Mr Allen has asked Mr Wright whether the fact that the paper was circulated for Cabinet discussion would cause problems if it were published. Sir Robert Armstrong was not available for consultation, but Mr Wright gave it as his personal view that it would not, since the important factor was the paper's origin, namely as a minute to the Prime Minister. However, he noted that there could be claims that a precedent had been established.

7. It could of course be argued that Cabinet confidentiality is not at issue, as Mr Shepherd does not know that he is asking for part a Cabinet paper and, if it were released, it would not be released as such.

Timeliness and Risk of Embarrassment

8. It may be that in this case questions of principle and precedence are less important than prudence. The paper was written over a year ago and while no reasonable person could do other than applaud it, there is plainly a risk of selective and out-of-context quotation if the press got hold of it. Mr Shepherd would undoubtedly show it to Mr Hennessy of The Times, with whom he is very friendly. For example, paras 16, 32 and 33 could just be presented as somewhat provocative to the House of Commons while paras 19 and 21 could be turned into a red rag to the civil service trades unions at a time when the Government may feel it already has an ample supply.

9. Also, there is the obvious risk that witnesses to the Committee, including Ministers if any are called, would be taken through the recommendations in detail, whereas it might be preferable for them to appear on a platform of more recent construction.

10. You might wish to consider whether you needed advice from the Chancellor of the Duchy of Lancaster and Sir Ian Bancroft on this.



DRAFT REPLY

11. I attach a draft reply for use if the Prime Minister decides against releasing the paper.
12. If however she decided to agree to release, I suggest substituting for the last paragraph of the draft the following -

"You asked whether you might have a copy of Sir Derek Rayner's paper on 'lasting reforms'. He is shortly to submit to the Treasury and Civil Service Committee a progress report on his work. I have agreed that he should at the same time let the Committee have a copy of his proposals."

CP
C PRIESTLEY

5 June 1981

ENC: Draft letter to Mr Richard Shepherd MP

PS. Sir Derek Rayner has seen this minute, with which he agrees.

DRAFT OF 5 JUNE 1981

DRAFT LETTER TO RICHARD SHEPHERD ESQ MP

Thank you for your letter of 28 May.

I very much welcome the interest which you, and the Committee of which you are a member, show in efficiency matters generally and in the work of Sir Derek Rayner. I myself attach great importance to these matters.

Sir Derek Rayner's proposals for "lasting reforms" were first submitted to me on a personal and confidential basis and were circulated to Ministers at my request. That being so, I would prefer not to release the text. A good deal of work has been set in hand and progress made. Sir Derek is shortly to submit to the Treasury and Civil Service Committee a progress report on his work, in which he will be dealing fairly fully with the question of lasting reforms. The Sub-Committee on Value for Money in the Civil Service would be able to go into such points as it wished, should it invite Sir Derek to be a witness.

THE EFFICIENCY OF CENTRAL GOVERNMENT: LASTING REFORMS

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

THE SCALE OF GOVERNMENT ACTIVITY

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

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

THE MANAGEMENT OF RESOURCES IN DEPARTMENTS

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

4. There are obviously limits to the extent to which Ministers can or should become managers of their departments and of the resources in their charge. Moreover, the responsibilities of Ministers differ according to the nature of their departments. Nevertheless, under the authority vested in them by the Prime Minister and by Parliament, it is indisputably they who have the ultimate power of management. Indisputably, too, the only power under which their officials act is delegated to them by their Minister. But there is in many minds a lack of clarity about the respective roles of Ministers and officials. I therefore recommend that

Recn 1

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

*Sir D. Rayner
has drafted; has
consulted some senior
officials; and is to
draft again.*

b. No less important, the good habits that Ministers practise Qua manager can be defined for succeeding generations of Ministers. One good habit that exemplifies the whole is the need to look back at the reasons why resources were committed to particular policy objectives and to compare performance achieved with target intended.

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

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

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

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

Recn 2

As above

*Overaken by
Treasury revision of
letter of
appointment,
already approved
by PM.*

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

- specified the management responsibility of heads of units or blocks of work beneath the Permanent Secretary;
- nominated some of those heads as Assistant Accounting Officers so that the burden of explanation before the Public Accounts Committee was shared effectively;
- in the annual procedures for reporting on staff placed a much heavier emphasis than at present on capacity to use resources effectively and economically; and
- enabled Ministers and senior officials to hold their subordinates consistently and fairly to account.

6. The Permanent Secretary has two right-hand men, the Principal Finance and Establishment Officers. In part, the results I should like to see span the divide between "spending" departments and the "central" departments (HM Treasury and the CSD), but it is nonetheless sensible to mention them here. I recommend as follows -

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

Recn 3

*Various work
is in hand to
give effect to
this Recommendation.*

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

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

THE MANAGEMENT OF RESOURCES AT THE CENTRE

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

Recn 4

*This is the
subject of the
Chancellor's
submission to the
PM of 14 May and
Mr. Rickett's reply
of 24 May.*

8. I recommend that -
- a. The aims and practices of central control should be re-stated to update the Plowden concept of partnership between the spending and central departments to take account of modern circumstances; to provide a clear postulation and understanding of the respective responsibilities of the spending and central departments; and to provide a basis on which the types, numbers and qualifications of the staff needed by the central departments can be stipulated.
 - b. Particular attention should be paid in this to -
 - i. the tasks of the central departments in assisting the Cabinet to play its collective role in the allocation and control of resources, including the means by which the Cabinet can be assured that systems and operations through which the need for resources is calculated and the resources themselves are managed or spent are well devised and economical;
 - ii. the correct balance, in present circumstances, between controls over micro and macro volumes of expenditure; and
 - iii. the regime for financial management by Ministers and officials (see below).
 - c. The role and responsibilities of the central departments in relation to systems of control within departments and to the efficiency and effective use of resources should also be stated as matters of principle and practice.

9. I make that recommendation because, in my view, the relationship between the Cabinet as a whole and individual Ministers must be one in which the former looks to the latter to take the responsibility for good management in their departments. But transitory Ministers have to rely upon the Civil Service to provide them with and to operate good systems of resource control and management. This

obviously introduces the risk that, in terms of management, the Minister is merely a decorative element. The underlying structures and practices which outlast successive Ministers should therefore be of quality which convinces Ministers that they are standing on firm ground. It is, even so, unreasonable for Ministers to divest themselves of their constitutional responsibility for, and they need a means of, satisfying themselves that the systems are of good design and effectively administered.

The financial framework

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

- a. The planning and control of public expenditure would be more effective if particular departments were responsible for particular Public Expenditure Survey programmes, rather than these being divided between departments as some at present are.
- b. The Votes for which a department is responsible should cover
 - i. its own operational and administrative costs,
 - ii. grants to bodies outside the department whose costs it meets wholly or partly and
 - iii. benefits, grants and payments for whose administration the department is responsible.
- c. The presentation of expenditures should be in a format covering the management needs of the Minister in charge, those of the Treasury and Civil Service Department. It should promote better cost control, facilitate the development of management accounting systems and underpin the delegation of financial authority to appropriate levels of management (which could then all the more readily be held accountable for that authority).

Recn 5

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

The Financial Management Co-ordination Group has this in hand.

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

Recn 6

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

Scheme considered by Ministers in 1980 but not proceeded with on the grounds that funding year 1 would be too costly.

13. This is the rule under which money Voted for consumption in a particular year must be consumed in that year if the budget for the succeeding year is not to be reduced by a corresponding amount. There are two broad arguments. It is claimed that allowing flexibility between financial years will promote better money management and avoid the incentive to an end-year spending spree. On the other hand, it is said that flexibility would lessen the pressure on departments to improve their financial control and the accuracy of their estimating techniques and give the impression that Ministers are relaxing their grip on public spending.

14. It is argued further against flexibility that it would tend to increase public expenditure. This is because at present departments "aim off" from their public expenditure programmes so as to avoid exceeding their cash limits. "Aiming Off" leads to a shortfall in expenditure of about £1 billion per annum. Under end-year flexibility that shortfall would be decreased because the under-spend achieved by departments in year 1 would be carried forward into year 2 so that the department would "aim off" from a higher

total; in year 2 therefore it would be likely to spend more than it otherwise would. (The fact that this argument can be made is an interesting comment on the existing state of central control, I think.)

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

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

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

Recn 7

Done, 1980

THE CULTURE OF WHITEHALL

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

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

Rewards and penalties

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

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

Recn. 8

*Cabinet considered
and rejected
"merit pay" for
Under Secretaries,
early 1981.*

- a. that success in post where no further hierarchical progression is possible should be rewarded by bonus payments or by personal promotion (as opposed to the upgrading of the post);
- b. that it should be made possible to advance individuals by two or more grades in recognition of their track record, potential and the needs of the Service; and
- c. that individuals should no longer be entitled to automatic annual increments.

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

Management succession

23. Management skills are, I believe, still underrated where they are in fact essential to the efficiency, cost-consciousness and indeed effectiveness of Government. Government has increasingly taken on tasks which were unknown in Whitehall when many of the qualities which denote top officials were developed. Concurrently there has been a growth in the numbers of scientific and professional staffs, many of whose skills are limited to their specialism. Such skills are often of a high order. Too often, in my view, the recognition of this fact has led to their appointment to management positions for which they have had no training nor indeed aptitude (this being the only way in which their excellence can be recognised).

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

25. My recommendations for defining the respective responsibilities of Ministers and officials and the framework for accountability within departments should, if successful, go part of the way towards producing reform. But I think it is also necessary that each department should have a clear plan of succession to its key management posts. Such a plan would affect both individuals and specific management practices, eg length of time to be spent in posts acquiring experience and the training to be undertaken. The issues are of such importance that it would be unreasonable to expect departments to take them on their own. So I recommend that the Personnel Group of the CSD should prepare a model "succession policy" for the Service as a whole, which can then be applied to themselves by departments with such central co-ordination as may be needed. This policy might be submitted to Ministers in draft later this year.

Decn 9

*Ministers agreed
on "succession
planning" for the
higher civil
service, early 1981.*

Staff morale

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

27. Too often staff perceive Government's intended economy drives through overall cuts in numbers and rarely by the removal or simplification of functions. Government proposals often add to the tasks to be done. The traditional responses to inefficiency or mal-practice seem invariably to lead to additional checking and monitoring while the responsibility for interpreting and implementing complex instructions (as in Social Security benefits) rests on the most junior staff.

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

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

30. I believe that Ministers who show positive interest in the well-being of their staffs can reap large benefits in terms of loyalty but that they and their senior officials have to work hard to keep leadership in their own hands. Such leadership would improve the working environment, often at very little cost, and lead to an improvement in productivity through greater staff stability and reduced absenteeism. (I should like to see an analysis of staff turnover, particularly in the London area and the South, as the level that I have come across in my random visits is alarmingly high, in some cases

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

Recn 10

31. I recommend therefore that -

CSJ have this in hand.

- a. a policy for enabling staff to give of their best should be formulated; and
- b. the Government should seize the psychological advantage in presenting it.

32. I would like to make a further recommendation here. The National Staff Side, in a paper they have put to me, have argued that the possibility of being called upon to explain to a Select Committee, perhaps several years after the event, every action and every decision severely inhibits effective management, makes for "alibi consciousness" and produces mountains of paper in order to record actions and justify decisions, purely in case of future need. They have argued further that the establishment of "departmental" Select Committees will add to the burdens of explanation and justification. They do not complain about all this, but have suggested that the implications for Civil Service efficiency and resources should be appreciated by both Parliament and the Government.

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

Recn. 4
DTSS undertake this in 1980; results still to be reported.

FILE

VLB

5/6

MR R SHEPHERD MP

MR. PRIESTLEY

I attach a copy of a letter from Mr. Richard Shepherd M.P. to the Prime Minister about Sir Derek's work.

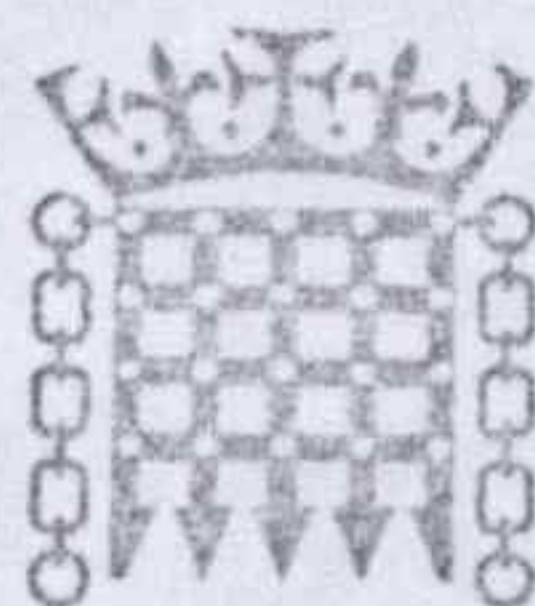
I should be grateful if you would suggest a draft reply for the Prime Minister to send. It would be helpful if this could reach me by 5 June.

M A PATTISON

28 May 1981

5/6

From: Richard Shepherd, M.P.



HOUSE OF COMMONS
LONDON SW1A 0AA

27 May, 1981.

Dear Prime Minister,

R28

Rayner "Lasting Reforms".

I was very interested to see in the recent White Paper on the future of the Civil Service Department a reference to "Lasting Reforms" (Paragraph 27). This reference draws on an earlier one in Sir Derek Rayner's last note on his work to the Treasury and Civil Service Committee, of which I am a member.

As far as I can ascertain, the little which is said in these two documents is all that has ever been said in public about this part of Sir Derek's work. Naturally, I find these references interesting and important. As you may know, the Sub-Committee is just beginning a study on 'Value for Money' in the Civil Service, and I think it would be enormously helpful to know more about this part of Sir Derek's work.

I assume that there is some document available that sets it out in full. If there is, I should very much like to have a copy.

In case there is not, may I say that I hope it would be possible for Sir Derek to outline his thinking and proposals, if he has made any, to the Sub-Committee at a meeting in the reasonably near future.

For my own part, however, as an individual member, I should very much like to have whatever paper or document is available. If there is none, would you be agreeable to my seeing Sir Derek to hear his views on this?

Yours sincerely,
Richard Shepherd

The Rt. Hon. Mrs. Margaret Thatcher, M.P.
The Prime Minister,
10 Downing Street,
London,
SW1.

GD Verker2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/12576/81

Your ref:

28 MAY 81

*J Christopher**WM 28/5*ACCELERATED PROMOTION - RETIREMENT OF THE LESS EFFICIENT

Thank you for sending me a copy of your letter of 11 March to Willie Whitelaw. Both promotion procedures and early retirement are, of course, vital factors in the future shape of the Civil Service, and I agree that further study is needed in these areas. The following thoughts are among those which might usefully be pursued. Some of them correspond fairly clearly with points already made by other colleagues.

PROMOTION

I agree with you that the present procedures in themselves provide ample scope for the real high flyers to make rapid progress through the grades (particularly in the Administration Group). But one of the consequences of the tight recruitment and control of Civil Service manpower, certainly in my Department, is the effect on promotion. This will present a number of problems - how far, for example, we should hold back HEOs(A) and (D) to make room for promotion of SEOs to essential main-stream Principal posts for which they may be better suited; and whether it makes sense, as the Unions will certainly argue, to restrict promotions to the older age group by limiting seniority fields. In present circumstances this might avoid the frustration an able man will feel if an early first promotion is followed by stagnation when further promotion outlets are blocked. We should also consider whether a change is needed in present CSD practice, which prevents us from introducing a voluntary premature retirement scheme to ease the redundancy situation in a particular grade, unless promotion to that grade has first been halted. To my mind this is too rigid an approach.

EARLY RETIREMENT

Relatively few people have hitherto been asked to leave this Department during mid-career. Indeed virtually none in their 40s have gone; nor are they likely to go even on FPR terms, as most civil servants would regard a pension which is not inflation-proofed until age 55 as decidedly unattractive, particularly at a time when the chances of finding another job are pretty small. This, I am afraid, stands in the way of using the otherwise generous premature retirement terms to reduce the numbers in the 45-55 age bracket in grades where we have too many or the wrong sort of staff. Hence even for the willing, FPR is a somewhat limited tool, useful as it should prove for persuading older people to retire early.

For the unwilling the problems are almost insuperable, short of some radical change in procedures. Even for people whose work is bad

enough to attract the full rigours of adverse report procedures, including as they do formal warnings and a six months final trial, your estimate of 6-12 months is optimistic. And even after that the person concerned can appeal to the Civil Service Appeal Board and then to an Industrial Tribunal. I agree with other colleagues who have suggested that we must now look seriously at these arrangements and consider whether the CSAB should not now be scrapped.

I am particularly concerned at the inertia all this can lead to in some senior grades. In any organisation there are bound to be those who have been there for 20 or 30 years, and who, for whatever reason, have slowed down. In the civil service these tend to be in responsible jobs by the nature of the grade they have reached. They almost certainly do not meet the criteria for dismissal on grounds of limited efficiency, but they do slow down the parts of the machine for which they are responsible. It is my own belief that there are significant areas of work which are denied political thrust that would be provided by younger and more flexible civil servants. The existence of those who have, as I say, slowed down depresses the younger grades, not only because their promotion prospects are blocked, but because of the effect on the work.

There is no prospect of resolving this problem through the present tortuous dismissal procedure. In the private sector the route we would pursue is to secure departure through generous compensation terms - albeit the dismissal is compulsory. I believe that in the current circumstances we should have such a policy of generous compensation for officials who have been identified by the Permanent Secretary, of course, with CSD approval.

I believe that the numbers involved should be quite small and they would certainly represent only a small percentage of the managerial grades. It would be wrong to turn our backs on this problem.

One slight variant on this would be to impose a fairly tough review on certain senior grades, perhaps at age 40 or 45. They would know in advance that this would be likely to happen to them. An alternative to compensation and early retirement could, of course, be an offer of a transfer to another job at a lower grade.

But above all, in the present circumstances, we do need to have much more flexible arrangements than we have at present.

Finally, I read with interest Patrick Jenkins' suggestion for exploring the idea of recruiting local staff on short-term contracts. I think it would be very useful to look carefully at this suggestion which would, as he says, make for a much more flexible work force.

I am copying this letter to the Prime Minister, Cabinet colleagues and Sir Robert Armstrong.

Yours
MHE

MICHAEL HESELTINE

From: Richard Shepherd, M.P.



HOUSE OF COMMONS
LONDON SW1A 0AA

27 May, 1981.

Dear Prime Minister,

R28

Rayner "Lasting Reforms".

I was very interested to see in the recent White Paper on the future of the Civil Service Department a reference to "Lasting Reforms" (Paragraph 27). This reference draws on an earlier one in Sir Derek Rayner's last note on his work to the Treasury and Civil Service Committee, of which I am a member.

As far as I can ascertain, the little which is said in these two documents is all that has ever been said in public about this part of Sir Derek's work. Naturally, I find these references interesting and important. As you may know, the Sub-Committee is just beginning a study on 'Value for Money' in the Civil Service, and I think it would be enormously helpful to know more about this part of Sir Derek's work.

I assume that there is some document available that sets it out in full. If there is, I should very much like to have a copy.

In case there is not, may I say that I hope it would be possible for Sir Derek to outline his thinking and proposals, if he has made any, to the Sub-Committee at a meeting in the reasonably near future.

For my own part, however, as an individual member, I should very much like to have whatever paper or document is available. If there is none, would you be agreeable to my seeing Sir Derek to hear his views on this?

Yours sincerely,
Richard Shepherd

The Rt. Hon. Mrs. Margaret Thatcher, M.P.
The Prime Minister,
10 Downing Street,
London,
SW1.

21-5-81

SOME COMMITTEE EXPENSES 1979-80 (£)

Note: This Table omits the expenditure by the House of Commons Commons (Services) Committee (£1,560), the Sound Broadcasting Committee (£1,273), Members' Interests Committee (nil) and Committee of Selection (nil), and their printing costs.

It also omits Witnesses' expenses (totalling £2,632) and Entertainment expenses (totalling £323).

Top Copy filed
Parliament: House of Commons Procedure
Attached to CDC to Home Sec.
21-5-81.

	1. overseas visits	2. UK visits	3. SAs, fees & expenses: and work commissioned	4. transcripts of evidence	Total of Cols. 1 to 4	Printing (Gross)
Agriculture	6,656	1,802	8,213	4,158	20,829	66,240
Defence	5,393	6,738	3,708	4,837	20,676	29,520
Education &c.	8,367	1,639	11,863	5,601	27,470	127,440
Employment	11,025	4,420	2,555	5,348	23,348	45,800
Energy	18,542	153	7,344	6,368	32,407	51,840
Environment	-	23	12,272	2,412	14,707	31,440
Foreign Affairs	22,322	-	11,415	4,490	41,783	98,850
OD Sub-Co.				3,556		22,080
Home Affairs	-	1,152	3,380	3,123	11,550	81,120
RR & I Sub-Co				3,895		65,280
Industry & Trade	31,006	-	4,316	8,074	43,396	62,160
Scottish Affairs	1,915	7,211	3,133	5,551	17,810	71,280
Social Services	-	753	11,255	3,844	15,852	158,160
Transport	3,072	19	2,675	6,827	12,593	51,840
Treasury & CS	-	-	13,784	8,150	24,006	70,560
T & CS Sub-Co				2,072		24,960
Welsh Affairs	-	472	3,621	5,740	9,833	83,520
TOTAL	108,298	24,382	99,534	84,046	316,260	1,143,120
AVERAGE	6,370	1,434	5,855	4,944	18,600	67,242
European Legisl.	2,585	-	1,542	741	4,668	60,960
PCA	-	-	-	1,571	1,571	13,680
PAC	-	-	-	18,193	18,193	175,560
SI (Sel. & Joint)	-	-	-	1,092	1,092	26,520
GRAND TOTAL	110,683	24,382	101,076	105,643	341,784	1,419,840
AVERAGE	-	-	-	5,031	16,275	67,611



COMMITTEE MEETINGS 1979-80

	Nos. of meetings	Percentage attendance
Agriculture	34	84
Deference	43	75
Education &c.	45	79
Employment	32	74
Energy	35	77
Environment	37	69
Foreign Affairs	34	81
OD Sub-Committee	27	87
Home Affairs	32	91
R R & I Sub-Committee	34	91
Industry & Trade	31	84
Scottish Affairs	36	87
Social Services	34	78
Transport	45	73
Treasury & CS	45	92
T & CS Sub-Committee	21	75
Welsh Affairs	36	82
European Legislation &c.	46	64
PCA	19	54
PAC	65	65
Selection	39	67
Sound Broadcasting	7	69
Statutory Instruments	43	62

DRAFT OF 19 MAY 1981

CONFIDENTIAL

J A Wiggins Esq
HM Treasury

DRAFT PAPER ON CONTROL OF EXPENDITURE:
DEPARTMENTAL RESPONSIBILITIES

The Prime Minister is grateful for the Chancellor of the Exchequer's minute of 14 May and for the draft paper and memorandum. Subject to the points made below, she is content that he and the Lord President should circulate them to Cabinet with a view to the endorsement of the memorandum.

The Prime Minister is concerned lest the memorandum may give unnecessary hostages to fortune. ^{JL} There is a certain hesitancy about paras. 11 and 20 which might cause future difficulty. The Prime Minister has asked me to think about this and to offer you some suggestions. These are contained, with a number of other textual points, in the enclosed note.

Secondly, the Prime Minister thinks that Cabinet colleagues might ^{may} well ask whether the central departments ^{have} had sufficient staff of the right experience and training to promote and monitor the best possible control systems in departments. She herself thinks it ^{essential} ~~necessary~~ that the relevant parts of the centre should be staffed ~~in order~~ ^{in such a way} ~~to demonstrate~~ such an excellence as to make the proposed role both credible and effective. ^{She and the Prime Minister ask} ~~It is unlikely~~ that ^{only} ~~that~~ this could be achieved overnight, but ^{is unlikely to} the Prime Minister ^{she} would like to know what plans are in hand to bring it about. She would be grateful for early advice on this, including Sir Derek Rayner's views.

I am copying this to Jim Buckley (CSD), David Wright (CO) and Clive Priestley (Sir Derek Rayner's office).

W F S Rickett

TEXTUAL POINTS

Covering paper

1. There seems to be a slight overlap between para. 3 (last sentence) and para. 6 (second sentence).
2. Given the sensitivities to which the Chancellor refers, it might be worth amending para. 5, line 5 to read: "be complemented by notes outlining in similar fashion the managerial functions" etc.

Memorandum

3. Paragraph 11, describing the duty of the central departments, is helpful but its force is somewhat weakened by deference to departmental opinion, in (i)(b) and in the last few lines. It might be preferable to delete references to "appropriateness" and cost from para. 11 altogether and to put the thought at the end of the paragraph into para. 10, perhaps in these terms:

"10. In their respective fields the Treasury and Civil Service Department are responsible for defining the essential elements of an adequate system to plan, monitor and control the use of resources allocated to departments. They will need to do so in consultation with departments to ensure that the requirements proposed are appropriate to the functions of departments and to the needs of the public interest. It is their duty to verify such systems are in operation, both within the central departments themselves, and within spending departments."

4. Paragraph 11(iii) might perhaps be rounded slightly, to read:

"checking that these systems are working reliably; if weaknesses become apparent, identifying with the department what changes or corrective action is needed; and checking that such action is taken promptly;"

5. The words "More detailed" might be dropped at the start of para. 19.

6. The words "so far as practicable" in para. 20(c) appear to weaken the intention that the centre should be consulted by spending departments "at a formative stage in policy discussions which would have substantial financial or manpower implications" and might be omitted.



MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALING 01-218 2111/3

MO 2/2/6

19th May 1981

WA
12/5

Dear Christopher

ACCELERATED PROMOTION AND RETIREMENT OF THE LESS EFFICIENT

You enquired whether I wished to offer comments on your letter of ~~11th~~ March; I am sorry not to have written before.

I agree with you, and with the general thrust of colleagues' comments, that we want greater flexibility.

The present promotion arrangements certainly permit young people of merit to rise quickly through the grades. But the system is still somewhat rigid, and special cases have to be made out for individual treatment. In the next few years promotion prospects are generally likely to decline and it will therefore be even more important that merit is rewarded in this way. I say this because I consider that, given the nature of the public service, promotion is the best form of rewarding merit and I am very sceptical about introducing some of the extra financial rewards that are practicable in a wholly commercial environment. At the same time I believe

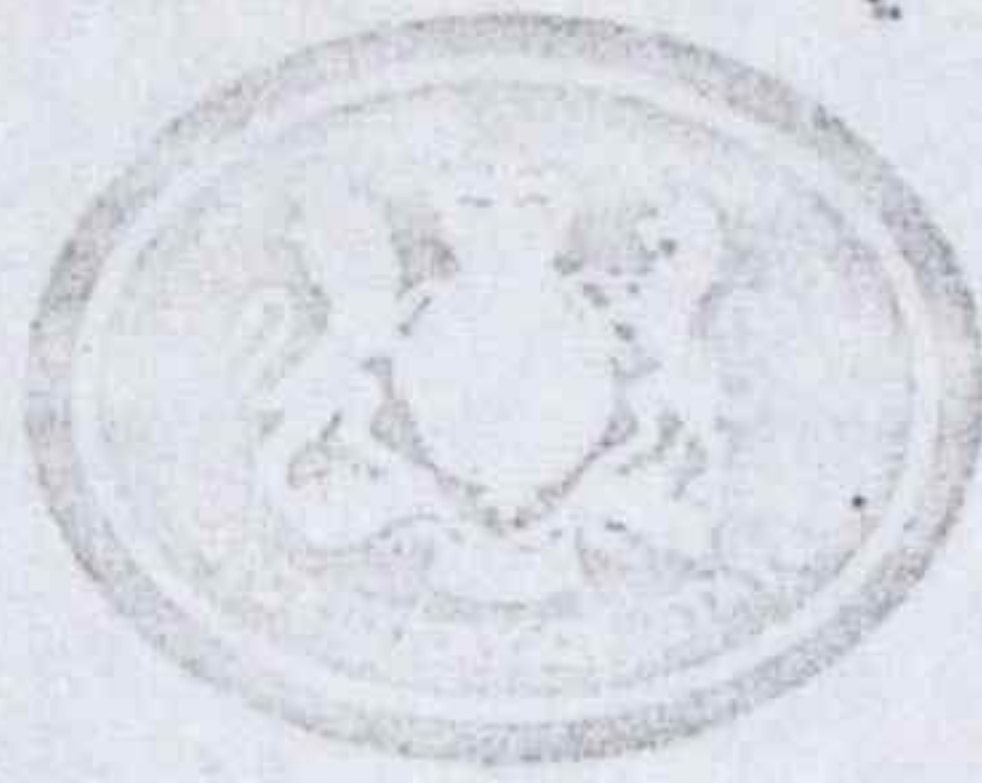
The Rt Hon The Lord Soames GCMG GCVO CH CBE



that there could be a more direct link between performance in a grade and the payment of annual increments. Some of the incremental scales are long and I would like to see efficiency bars within them.

On the question of retirements there is no doubt that we need greater flexibility to retire staff some years before normal retirement age whose performance is tailing off but not to the extent of an adverse report. The reductions which the Ministry of Defence has been carrying out, particularly in the Middle Grades in the last year or two, have been made much more difficult by having to rely wholly on volunteers. There are a variety of ways in which flexibility could be increased but I would like to put forward two suggestions for study. Firstly, while retaining in many areas a career for life it might be possible to have a breakpoint at certain ages (50 could be an important point) when either management or the man could decide on retirement. Secondly, not all our areas of work need career civil servants for life and it could be worth while looking at the Armed Forces system of a range of fixed term engagements which give flexibility both in shedding staff and in extending them to meet changing requirements.

Finally, I agree very strongly that we need to ensure that line managers act positively and decisively in identifying those who are less than efficient and the decisions to get rid of such staff are taken and followed through speedily. We are taking steps



about our reporting standards but the process of disposal is still a very extended one.

I am sending copies of this letter to the Prime Minister, Geoffrey Howe and Sir Robert Armstrong.

John Nott

John Nott



Civil Service ² WM 7/5

~~Prime Minister~~ (weekend -
for info)

WM
8/5

PRIME MINISTER

CIVIL SERVICE NUMBERS

Departmental returns of staff in post at 1 April have just been received. The total of 689,600 is a reduction of 5,500 compared with January 1981. Of these reductions, 2,900 are non-industrials; 2,600 are industrials.

The main areas of reductions are Defence (3,200); Environment and Transport (1,150); DHSS (900) and the Chancellor of the Exchequer's departments (800). There is an offsetting increase of 2,000 in the Department of Employment, where it is necessary to recruit extra staff in the Unemployment Benefit Offices.

This is a good result which speaks well for the efforts made by our colleagues. But the effects of increasing unemployment have not yet worked through fully into the manpower figures. When this happens, it is bound to affect the momentum, and I still have a fear that we could see a "blip" upwards.

I will arrange for these figures to be announced to Parliament in a Written Answer.

SOAMES

8 May 1981

File



285
Civil
Service

10 DOWNING STREET

From the Private Secretary

5 May 1981

The Prime Minister has been following with interest the correspondence between colleagues about Civil Service arrangements for accelerated promotion and premature retirement.

She has considerable sympathy with the points made by the Chancellor of the Duchy of Lancaster and the Secretary of State for Social Services about the role of the Civil Service Appeal Board. She agrees that there is a case for reviewing the continued need for CSAB, although she recognises that this may need to await the resolving of the present pay issues.

I am sending copies of this letter to David Heyhoe (Chancellor of the Duchy of Lancaster's Office), Don Brereton (Department of Health and Social Security) and David Wright (Cabinet Office).

M. A. PATTISON

Jim Buckley, Esq.,
Lord President's Office.

MANAGEMENT - IN CONFIDENCE



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

By letter
See

30w

The Rt Hon Lord Soames GCMG GCVO CB CBE
Lord President of the Council
Civil Service Department
Old Admiralty Building
Whitehall
LONDON
SW1A 0AA

30 April 1981

ACCELERATED PROMOTION - RETIREMENT FOR THE LESS EFFICIENT

Thank you for sending me a copy of your letter of 11 March to Willie Whitelaw.

On accelerated promotion, I agree that the present procedures do not appear to inhibit Departments from promoting high fliers at an early age if, in particular departmental circumstances, this seems the sensible thing to do. But I see a need to preserve a reasonable balance between the interests of the high fliers and the interests of main stream officers for both morale and structural reasons. I share the doubts expressed by John Biffen in his reply of 27 March about the adequacy of financial motivation beyond the Assistant Secretary grade - but that, of course, is an argument for wider pay differentials at these levels rather than for holding back the most able from early attainment of promotion.

On retirement of the less efficient, the compulsory procedures have suffered from two main drawbacks. First, I am told that there has been a reluctance on the part of reporting officers to make sufficiently frank reports on inefficient colleagues, despite continuing efforts by personnel managers in my Department to achieve acceptable standards. There is no doubt that, human nature being what it is, the introduction of open reporting has added to the difficulties on this score. Secondly, the procedures are cumbersome and protracted, although there may be good legal and other reasons why this should be so. Neither of these impediments is easily overcome; but the more flexible arrangements just introduced for the early retirement of the less able officers who are willing to go may help. I do not think that the Scottish Office has many people who are ineffective, have soft-hearted reporting officers and are unwilling to go; but I agree with Willie Whitelaw that it would be worthwhile asking officials to report on the effect of abolishing the Civil Service Appeals Board to see if that would expedite the process of removing such people from the Civil Service.

I am copying this letter to the recipients of yours.

GEORGE YOUNGER



10 DOWNING STREET

PRIME MINISTER

This letter from Mr. Pym comments on one interesting proposal in recent exchanges about the problems of removing dead wood in the Civil Service. He and Patrick Jenkin both feel that the Civil Service Appeal Board constitutes an additional time consuming hurdle in the process, giving civil servants one extra opportunity to protect themselves against dismissal.

Would you like to endorse the thought that the continued need for CSAB should be reviewed?

Mered

ms.

MAP

1 May 1981

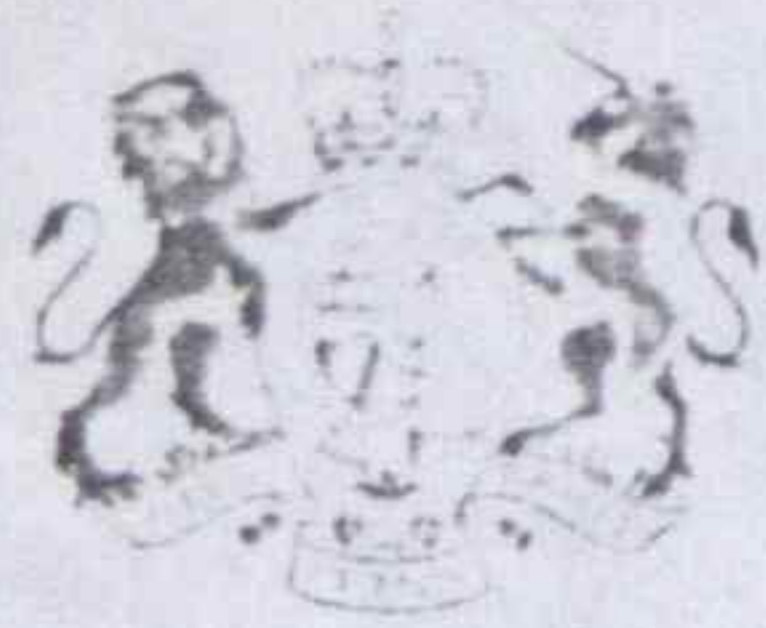


with compliments

CHANCELLOR OF THE DUCHY OF LANCASTER

68 Whitehall London SW1A 2AT

Telephone 01-233-7113



Chancellor of the Duchy of Lancaster

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

29 April 1981

Dear Christopher,

I have been following with interest the correspondence between you and our Cabinet colleagues about the existing arrangements in the civil service for accelerated promotion and premature retirement.

I have, of course, no major departmental interest in either of these subjects, but I should like to support the suggestion made in Patrick Jenkin's letter of 23 April that further consideration should be given to the role of the Civil Service Appeal Board. In cases of both premature retirement and disciplinary dismissal, civil servants are accorded a privilege which is not available to other citizens - they are permitted first to try their luck with the CSAB, and, if that fails, can then start again under the rather more rigorous conditions of an Industrial Tribunal. This seems to me to involve an unnecessary duplication of effort in certain cases, to encourage appeals to the CSAB which would not stand up before an Industrial Tribunal, and to be presentationally undesirable in appearing to place civil servants, who are already well protected by formal internal procedures, in a privileged position. I should therefore be in favour of a review of the continued need for the CSAB, though I recognise that in the present industrial relations climate there are arguments against any immediate action.

I am copying this letter to Cabinet colleagues, and to Sir Robert Armstrong.

FRANCIS PYM

The Rt Hon Lord Soames, GCMG, GCVO, CH, CBE
Lord President of the Council
Civil Service Department
Whitehall



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

Telephone 01-407 5522

From the Secretary of State for Social Services

MAP
to see O/R

MS

24/4

The Rt Hon The Lord Soames GCMG GCVO CBE
The Lord President of the Council
Civil Service Department
Whitehall
London SW1

April 1981

MANAGEMENT IN CONFIDENCE

Dear Christopher,

ACCELERATED PROMOTION IN THE CIVIL SERVICE - RETIREMENT OF THE LESS EFFICIENT

I fully endorse the view you take in your letter of 11 March to Willie Whitelaw on promotion of high-flyers. It is borne out by experience here where we have had no real difficulty in securing advancement of bright young men and women to Assistant Secretary and have not been inhibited by your Department in seeking to do so before the age 35 in some cases.

As regards main stream promotions, I doubt if there is any unjustifiable gulf between the rate of progress of the high flyer and of the good quality main stream people. The minimum periods set for various grades before they can be reviewed for promotion are really quite short (four years at most); and we do not consider that for main stream progression these departmental minima act as any real constraint. They mean that a sufficient time is spent in gaining experience and performing well so that informed judgements can then be made on potential. This is important in a Department where most of our main stream staff are engaged in local office management roles, including essentially the management of staff. Too rapid progression of the many here would lead in time to a blockage of opportunity for the majority of staff because the pyramid tapers very sharply. I am reasonably satisfied that the truly able have the opportunity to show their worth however and to progress rapidly. In a contracting service it will of course increasingly become a problem for Departments to find suitable openings at the right time to secure their necessary development, and to provide posts in which the good quality main stream people can be stretched to enable them to be distinguished clearly from their run-of-the-mill colleagues.

Turning to early retirement and easing out of the less efficient, the figures in my large Department bear out what you say about the very limited extent of this.

E. R.

We welcome the new measures which will help to ease out those willing to go who are less able, particularly if a suitably broad judgement is made on what constitutes only a fair performance. As to the inefficient but unwilling, you are right in saying that a determined manager can secure an officer's dismissal in a relatively short time. One point which it seems to me we might consider, however, is whether there is still justification for the existence of an appeal to both the Civil Service Appeal Board and to an Industrial Tribunal. There could be a saving in dispensing with the former altogether: this would simply place the Civil Servant in precisely the same position as other employers in relation to whether or not a dismissal is unfair. Indeed, I am inclined to think that there may be room - in the whole matter of early retirement - to move somewhat closer to the approach of the private sector, and I shall be discussing the point further with my officials here.

Finally perhaps I could make a more general point. My officials are examining whether present recruitment arrangements and the terms of established Civil Servants contracts provide sufficient flexibility to meet the present and impending future needs of our local offices, particularly at the clerical officer level. Subject to further refinement of views here and to legal advice, we have in mind to explore with CSD whether it would be possible for staff at this level to be recruited locally under open competition (but less formally) for short-term contracts, say, of six months or a year in the first instance, with subsequent extensions of perhaps a year at a time up to, say, five years. The Unions would object of course, but it seems to us that such an arrangement could both speed recruitment when local offices come under sudden pressures and, more particularly, would make for a more flexible work force, capable of being fairly painlessly run down when changes of policy, operational methods or new technology called for reductions. You may care to have this advance notice of the way our minds are beginning to move.

Copies go to recipients of your letter.

Your ever
Patel



✓
MMP

with compliments

CHANCELLOR OF THE DUCHY OF LANCASTER

68 Whitehall London SW1A 2AT

Telephone 01-233-7113

CONFIDENTIAL

Civil Service



Chancellor of the Duchy of Lancaster

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AJ

29 April 1981

Barney

SELECT COMMITTEES: COST TO DEPARTMENTS

You wrote to me on 25 March proposing that the CSD costing exercise in respect of departmental work arising from select committee enquiries should be discontinued.

It seems quite clear from the replies of colleagues that there is general agreement that this exercise has now served its purpose, and I am quite content that it should be brought to an end.

I am copying this letter to the Prime Minister, members of the Cabinet and Sir Robert Armstrong.

Francis Pym

Francis Pym

FRANCIS PYM

Barney Hayhoe Esq MP
Minister of State
Civil Service Department
Whitehall
LONDON SW1A 2AZ

CONFIDENTIAL

PRIME MINISTER

There is a steady flow of correspondence between Ministers about changes in Civil Service staffing arrangements, including accelerated promotion and early retirement for the less efficient.

The attached letter from Patrick Jenkin includes the suggestion that DHSS should have the flexibility to employ clerical staff on a contract basis. This would be done locally, in the hope of speeding up the process, and enabling the Department to respond more rapidly to changes in levels of staff required in local offices.

There will doubtless be considerable opposition to this, but such a development would greatly help staffing flexibility.

Agreed

MS

Civil Service

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



Handwritten initials

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)

Oddi wrth Ysgrifennydd Gwladol Cymru The Rt Hon Nicholas Edwards MP From The Secretary of State for Wales

MANAGEMENT IN CONFIDENCE

27 April 1981

Dear Christopher

ACCELERATED PROMOTION - RETIREMENT OF THE LESS EFFICIENT

Your letter of 11 March asked for views on a number of points concerning promotion and early retirement arrangements.

The Lord Chancellor in his letter of 30 March has said virtually everything I would wish to say on the question of accelerated promotion. In particular, I agree with him that there is a good case for reducing the 4 year seniority requirement for EO/HEO promotions. In practice, as a consequence mainly of manpower reductions, this will make little difference in the Welsh Office in the immediate future but in principle I support his proposal.

As regards retirement of the less efficient, I agree entirely with the Home Secretary and hope that the procedures for compulsory premature retirement can be re-examined with a view to changing the climate and producing a less cumbersome system.

/ I am copying this letter to the recipients of yours.

Handwritten signature
am
Nick

The Rt Hon Lord Soames GCMG GCVO CBE
Lord President of the Council
Civil Service Department
Whitehall
LONDON

Civil Service

MR GAFFIN

cc for information
Mr Patterson ✓
Mr Chaplin
Mr Carter
Mr Colman
Mr Jarmany

1. Mr Rickett to see
2. na
MA

INTERVIEW WITH MISS YVONNE ROBERTS, DAILY MAIL

1. Sir Derek Rayner gave the interview sought by Miss Yvonne Roberts and recommended by your Office on Thursday last.
2. This followed a briefing for Miss Roberts by Mr ~~Allen~~ and myself. I also gave Miss Roberts a short supplementary briefing after the interview, given the line of questioning she had followed at several points.
3. I attach a record of the interview. This is not verbatim since I do not do shorthand, but it will give you a sufficient sense of the line of questioning and answers. As Miss Roberts said afterwards that her article would probably be sceptical, and as her paper is the Daily Mail, I have thought it prudent to send her a copy of the record as well, as a hint that we are interested in an accurate representation of what was said.

CP

C PRIESTLEY

27 April 1981

ENC: Copy record of interview

RECORD OF AN INTERVIEW WITH MISS YVONNE ROBERTS,
DAILY MAIL, 23 APRIL 1981

Q1. Government stated in recent PQ that you have achieved annual savings of £29 million - what is the difference between "identified" and "achieved" savings?

A. That was a particular PQ about particular achieved savings. Fair enough. Reflected mainly Rayner project 1979. 1980 Scrutiny Programme just completed, comprising both small and large scrutinies; the large scrutinies still to be delivered because greater size usually means consultation. The difference between "identified" and "achieved" is at the heart of the problem: easy to identify savings, not to implement them. For example, the GSS review has aroused a lot of criticism from those interested in good statistics. They are naturally concerned that some essential data will be cut out. What I want is better, swifter statistics; tauter statistical services; that process should include savings.

Q2. What is the level of the statistical savings?

A. Of the kind of order I readily find elsewhere, ie in excess of 20 per cent: par for the course.

Q3. Would you like to achieve more than £29 million a year? How do you balance the search for efficiency with the democratic process??

A. The level of savings is progressing reasonably well. Anxious to get implementation unless a vital piece of government activity is affected. Important to realise that the sums saved are in administration, not in policy. Administrative savings means changing things, which in turn means a timetable for bringing about change.

Q4. What about the democratic process?

A. There is a price to pay. I for one am prepared to pay it. You can't run the country like business. A business can drop things which don't make business sense. Government can't. It must do certain things and generally the will of the majority. I sometimes get frustrated over the time consultation takes, however, I feel that it may sometimes be a euphemism for inaction.

Q5. But would you not expect the debate to produce a ripple effect, for example on Child Benefits?

A. I certainly hope for a read-across from one department to another. The GSS Review originated in that way. There may of course be different solutions to different problems. What is clear is that one can never satisfy all the clients.

Q6. How do you police it? You can't be here for ever. What happens then?

A. That is clearly something that I am thinking through very carefully now. My own view is that scrutiny should be a regular part of the management of government, ie you should regularly review established methods of doing work. It should be done at a sufficiently senior level to ensure that action follows. The normal methods (for example, staff inspection, like similar methods in business, are mechanisms for keeping things in order. They are not instruments for major change. I don't want the scrutiny simply to be an annual event but one has to do. I would like to see a small high-powered, multi-skilled group of people carrying

on in much the same way as now. It could not report to me for ever. But it must have the interest and strong support of politicians.

Q7. One could envisage only an outsider making a success of that?

A. No, provided the person selected for aptitude and experience, not to take up an opportunity for promotion. It is worth saying that the scrutiny programme has used well over 200 people as examining officers in the Seo-AS range, with a few more senior people too. I hope they have learned ways of tackling problems. They have worked outside the normal system - worked out their own plan of action, come up with reports of their own writing.

Q8. There doesn't experience (eg Chapman, PAR) show that things like this don't work in the long run. Isn't it a matter of circumventing the system?

A. What I am doing is not a new invention. In 1970, when I was asked to look at procurement, I got together a small group of civil servants. If you fire enough people with an enthusiasm for change and a desire to bring it about, the "system" will work.

Q9. Isn't that precisely the reason why a career civil servant would not have that perspective ?

A. The amazing thing about the Service, certainly up to the age of about 40, is that it contains a lot of people who are frustrated by the way they have to go about their business to a degree, of course, that is a comment on the nature of the political process, of the existence of the vested interest beyond government; and of the important phenomenon well described by Mr Joel Barnett that "one man's waste is another man's living". There is a lot of special pleading for government to cope with. But the Service does contain people like Chapman who can bring change within their own empire. He was frustrated when he went beyond it. One of my main arguments is that good managers have to be selected; they don't happen by accident.

Q10. Would you end up with a two-tier system, "old guard" and an elite "police force"?

A. You induce change by asking the people who have to do things, how they do it and how they would like to see it changed. In my experience, they are full of ideas for doing a better job.

Q11. Which is the resistant power block here?

A. Departments are fairly heavily involved in examining various aspects of how they do their work. Some scrutinies got off the ground because departments themselves wanted to do things, using the Rayner office and the backing of the PM to get changes across departments. Government has a problem which other large organisations have too. Things tend to start simple but complications get added. Each complication is individually sensible but the total adds up to something which is impossible for an individual to deliver. Change is not easily achieved.

Q12. Should the career structure and the board system be more ruthless?

A. "Ruthless" is not the right word. Government should be more selective in requiring that there are areas which need good management. There must be an amalgam of "management" and "policy" posts in the career structure.

Q13. Does that mean a tandem at the top?

A. No. It means identifying the particular requirements of particular posts and making sure that people have them. You need an amalgam of skills at the top of any organisation. Below the very top you want posts filled by those with a successful track record and the right skills for the particular post they occupy.

Q14. Are'nt you making a monumental change, needing a revolution in the CSD?

A. No. Much of this is already recognised. The problem is keeping the impetus going. This time round in government, I am encouraged by the fact that more care is being taken over the appointment of PEOs than last time. On the finance side, I personally believe there are not enough people capable of providing the kind of financial management support Permanent Secretaries need. That requires a crash programme of training plus an injection of people with the right experience - not accountants or auditors necessarily, people who can recognise and express the financial consequences of policy.

Q15. [Note illegible.]

A. I am noting now, in contrast with ten years ago, that younger civil servants come from a wider range of academic backgrounds than I experienced in 1970. The scrutiny examining officers show this. As does my office which includes, as well as a traditional administrator, a statistician, an economist and a scientist.

Q16. Isn't there a strong argument for the civil service taking people in later than 21?

A. There is always an argument for a mix but you should make sure that you are getting the best at the initial intake.

Q17. What about exchanges with industry?

A. Yes, this goes on. We have a civil servant here in M & S. The CSD and departments do try and loan people out.

Q18. People are sent out?

A. Yes, but this should be on a bigger scale now. And, when they return, they must be appointed to posts which enable them to use the experience they have gained.

Q19. What about loosening up the career structure?

A. Yes, I believe that people must develop a specialised knowledge and be able to look forward to a good career within it. It is unfortunate to have to promote people outside their area of excellence in order to give them advancement.

Q20. Is this outside your remit or could you say that there should be an extensive examination here?

A. I undertake a variety of things. My interests were and are in paper; scrutiny, which are an efficiency exercise, looking at something with fresh eyes; and "lasting reform" addressed to substantial change. So I do have a part in bringing about the changes that are necessary. I also have an input into a variety of other things. I don't expect to win on them all. I last on the centre. I aim to be more successful on the payment.

Q21. Wasn't the CSD/Treasury merger if you a heftier lesson in how far you could go and no further?

A. It was an example of where I held a firm view. It was decided that a merger would cause an upheaval left right and proper given everything else that was going on. I can work with the organisation as it is but I still hold that control over money and manpower must be held in a single, small, high-quality department. It should not second "guest departments, which are major management organisations in their own right.. But it should certainly prescribe the systems we adopted, eg internal audit.

Q22. Wasn't this a case of Goliath beating David?

A. I don't necessarily think I am right. I may be wrong. Fulton and the Select Committee both came down for two separate departments. So I didn't lose on one count only, as it were.

Q23. How do you rationalise defeat?

A. There are a number of key areas in which I must express my views strongly so as to get long-term improvements, eg repayment, succession planning, training and qualifications, career progression. There are a number of things I believe in as essential to get long-term reform at up-dating of government administration. But I recognise that I may not be right in everything and that I may not always understand every issue fully; I may not win on everything. What I must do is sustain my views to the end when I think they are right.

Q24. This takes us back to my first question about implementation. Why do you do this job at all?

A. Its an enormous challenge. If I can help the Service, and provided enough people are willing to be helpful, as they are, and provided the politicians back reform, it is a very satisfying and challenging job, which I enjoy. I am not at all depressed and frustrated, but excited by the challenge. I don't get depressed, I look for another way around.

Q25. Are the politicians steady? Doesn't the experience of the Social Security payments report show that only small changes will be made?

A. Even if the total package is not endorsed, the sum saved on social security payments will still be substantial and very well worth having. On top of that, I hope that some recipients of benefit will get what they want - I am keen on people having a choice of payment method.

Q26. Political lessons?

A. The politicians give me the broad support I need. If politically they see that they are pursuing a course not acceptable without modification, they will modify it. That is perfectly reasonable. But they have not things but they have done as much as they could.

Q27. Which three subjects would you like to scrutinise now?

A. The important "targets for me", apart from things which are illustrative, are the departments which consume and manage large numbers of people, notably DHSS and MOD. DHSS in particular has so far been a strong participant in the scrutiny programme, with excellent subjects and excellent examining officers. The scrutiny technique is well adapted to help in such large areas of administration. I think the main challenge for me is to move further into areas which consume large resources of money and people.

Q28. Do you take account of the social effects of scrutiny?

A. Scrutinies are about the how not the what of administration. Ministers are in the lead. There is always scope for looking at how a large organisation administer themselves. That is my job: I am not concerned with how much should be spent on policy programmes.

Q29. What do you feel about the "clubbing" effect of cash limits? Are they efficient?

A. I agree with the principle of cash limits. But I repeat that my only role is in administration. I have no right to comment on how much should be spent on policies. My role is on administration - where, of course, I am concerned that as many resources as possible should be freed.

Q30. How long will you carry on?

A. At the moment I am in the seat. I have slightly withdrawn from the initial level of involvement. My team has been strengthened to cover that. For the time being, it is my intention to give some of my time to ensuring continuity and to seeing through the organisation to succeed me.

Q31. At least six months?

A. Yes.

Q32. Your "epitaph"?

A. Some things give me great satisfaction. I have demonstrated that the civil service have the will and talent to bring about substantial changes in the way things are administered. The scrutinies have shown what the tremendous amount of talent and initiative can deliver on a short time-scale. The gap is a missing professional input to management. Secondly, I didn't want a large office of my own. I wanted a small unit, with the work being done in the departments. I am very happy that this has worked as it has. There have been a few failures in the scrutiny programme but no more than one would expect however the thing was organised. This way is right because departments are fully involved. To my great delight, there are now examples of officials being promoted to implement their recommendations. I am keen that departments and individual civil servants should be motivated to bring about change. I don't believe in the idea of a central "policeman".

Q33. Why do people volunteer for their own execution?

A. They don't. The government is a big organisation. There is natural wastage. The original examining officers were a bit worried, but time has illustrated that this is not the case. People who have done a good job are well regarded.

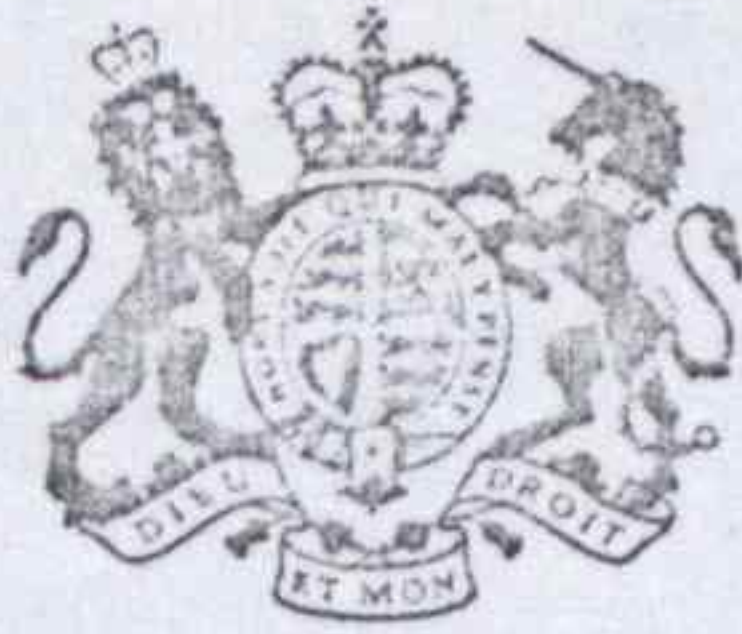
Q34. Why have the service such an out-of-date image?

A. Largely because the actual work of most of the service is so little reported. I was told at the beginning that I would not be welcome in local offices, but I insisted on going. I found the staff delighted to tell me about complexities of their work and full of good suggestions. The service is full of impressive people.

Q35. Does your experience of Whitehall affect your attitudes in M & S?

A. It is not right for people not directly involved in government to spend their time criticising it. We can all make constructive criticisms and suggestions. We need to learn to be constructively critical. The great majority of people in Whitehall are trying to do a good job. They will respond to constructive criticism. It is also important to thank people for doing a good job. It is disappointing that no organisation, including the PAC, is highlighting the success stories. I was glad to see a letter in the Standard praising people at the Passport Office. If all that we do is complain and criticise, we will get what we deserve, a defensive group of people who feel that they are under siege. Any large organisation is bound to make a lot of mistakes. M & S receives many justified customer complaints every week. But we demand efficiency and our staff also get lots of letters of thanks. So I think that we should all more openly and more often make a good response to the Service.

Q36. [Personal details.]

**DEPARTMENT OF HEALTH & SOCIAL SECURITY**

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

Telephone 01-407 5522

From the Secretary of State for Social Services

Barney Hayhoe Esq MP
Minister of State
Civil Service Department
Whitehall
London
SW1A 2AZ

✓
MS

21 April 1981

*Dear Barney,***SELECT COMMITTEES: COST TO DEPARTMENTS**

I too agree that we should discontinue the Select Committee costing exercise as you suggested in your letter of 25[✓] March to Francis Pym. We shall of course be making available, as you anticipate, the results of the exercise which should show how Select Committees affect DHSS.

Copies go to the recipient of yours.

Yours
Patrice

MANAGEMENT IN CONFIDENCE

MAP(O/R)

to see

MS

21/4



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

Minister of State

The Rt Hon Peter Walker MBE MP
Minister of Agriculture, Fisheries & Food
Whitehall Place
LONDON SW1

2nd April 1981

Dear Peter,

CIVIL SERVICE MANPOWER: PRIVATISATION AND HIVING OFF

Thank you for your letter of 25 March. I am glad that the guidance notes will be useful to you.

You raised a question about the PES provision to cover cases of privatisation or hiving off. The present position is as follows.

We have not yet made any adjustment to your PES provision for 1982-3 onwards in respect of staff you might lose through privatisation or hiving off - specifically in your case those in the Royal Botanic Gardens, Kew, the loss of which was taken into account last October in agreeing your 1984 manpower target. Any adjustments needed to reflect such manpower savings will be made for the year ahead (and carried through to the later years) in each year's PES exercise. If the savings arise from privatisation, the PES provision will need to be reduced to reflect the net public expenditure saving. Where the savings arise from hiving off to another public sector body, on the other hand, sufficient PES provision must clearly be retained (though possibly switched from one sub-programme to another) to pay for the transferred activity. Insofar as it becomes more economical to perform it in the new way (and this is of course one of the considerations in deciding to make the change) there will be some PES saving.

There is one further point. In some cases (though not in yours) manpower targets were set for Departments on the basis of prospective savings from increased efficiency or dropping functions altogether, but colleagues have since developed proposals for hiving off or privatisation which were not envisaged when the targets were set. We have so far left it open whether in such cases the agreed manpower figures should be reduced still further; if they are, then some further adjustment to the PES provision will become necessary.

I am copying this letter to Leon Brittan, Ministers in charge of other departments, and to Sir Robert Armstrong.

John
Baron

MANAGEMENT IN CONFIDENCE

15/4/81

✓ MAR



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

Civil Service

From the Minister

MANAGEMENT - IN CONFIDENCE

The Rt Hon Lord Soames CH GCMG GCVO CBE
Lord President of the Council
Civil Service Department
Whitehall
LONDON
SW1A 2AZ

14 April 1981

ACCELERATED PROMOTION - RETIREMENT OF THE LESS EFFICIENT

Thank you for sending me a copy of your letter of 11 March to Willie Whitelaw.

I do not think there is any need to alter the promotion procedures, which already allow for the rapid promotion of the high flyers and the high class mainstreamers. It is up to Departments to use the existing procedures imaginatively.

The problem of dispensing with the inefficient who do not want to go is more difficult. At present this is a long and painful business and many managers understandably fight shy of initiating it. Two changes in procedure might help. The first would be to distinguish much more sharply on report forms the dividing line between adequate and inadequate levels of performance so that the reporting officer was forced to face the issue squarely. It would help if there were fewer levels of overall assessment, so that the facility for blurring the essential question - ought we to keep this officer? - was reduced.

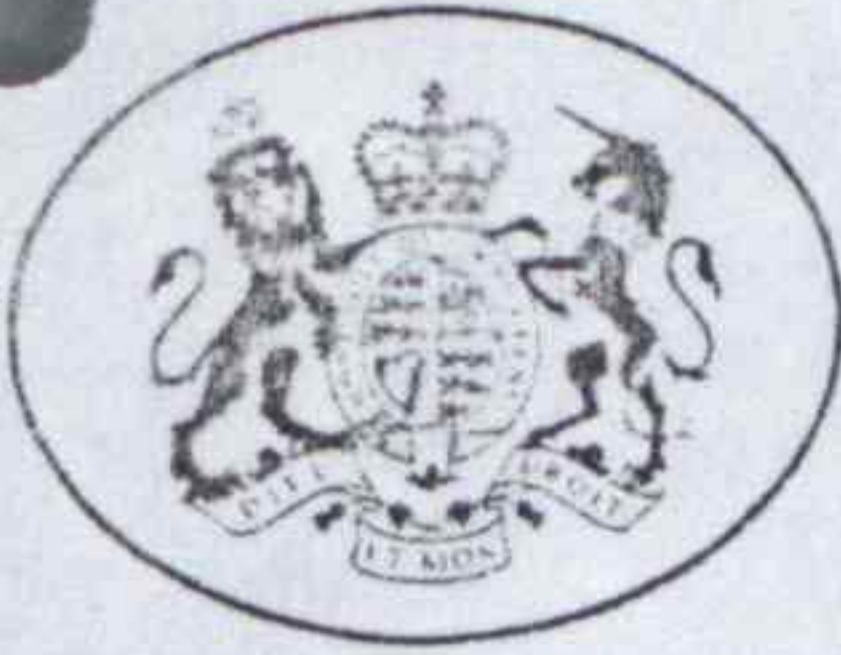
The second would be to simplify the appeals system. At present an aggrieved civil servant has a right of appeal to his Permanent Secretary; if that fails, to the Civil Service Appeals Board; and if that fails, to an Industrial Tribunal, like any other employee. Like Willie Whitelaw, I suspect this is one stage too many, prolonging the agony for all concerned. I suggest that we consider whether the Civil Service Appeals Board is any longer necessary, given the statutory right of appeal to an Industrial Tribunal. To dispense with it would not of course be welcome to the Trades Unions; but it would at least put civil servants on the same footing as everybody else.

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

PETER WALKER

MANAGEMENT IN CONFIDENCE

✓ MAA



Secretary of State for Industry

DEPARTMENT OF INDUSTRY
 ASHDOWN HOUSE
 123 VICTORIA STREET
 LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
 SWITCHBOARD 01-212 7676

14 April 1981

The Rt Hon Lord Soames CH PC
 GCMG GCVO CBE
 Lord President of the Council
 Civil Service Department
 Whitehall
 London SW1

Dear Christopher.

ACCELERATED PROMOTION - RETIREMENT OF THE LESS EFFICIENT

Your letter of 11 March asked for views on a number of points concerning promotion and early retirement arrangements.

2 Promotion ages within this Department have tended to be relatively low in recent years, mainly because of a retirement bulge. The passing of that bulge, however, coupled with the planned reduction in posts will almost inevitably see an increase, perhaps by two or three years, in the typical promotion ages. The Department's management will have to handle this situation without an overall loss of morale and motivation and without detriment to the vital early advancement of the most able people. It will not be easy and if the Department is unsuccessful in that task it may be increasingly difficult, even in a tough job market, to attract and retain enough high calibre people. I think it is difficult to say without careful research whether the present Assistant Secretary pay scale would compare adequately with those of young high flyers in industry. One would certainly need to compare the overall remuneration package, rather than salary in isolation, and the variations between companies and sectors would, I suspect, be too great for random sampling to have much validity. Account would also need to be taken of the fact that many of private industry's high fliers do not succeed in staying in highly remunerated jobs for the twenty years or more that can be confidently expected by a Civil Service high flyer; high salaries in industry do seem to reflect the insecurity which is not experienced in the senior ranks of the Civil Service.

3 The Department does not encounter barriers to the early promotion of its high flyers apart from the availability of posts.

MANAGEMENT IN CONFIDENCE



MANAGEMENT IN CONFIDENCE

I therefore think it important to ensure that early retirement provisions are used not merely as a means of shedding less active and able people but also to create scope, where appropriate, to bring on the high flyers. There is a risk, however, that the very brightest people who win promotion to Assistant Secretary at an early age will regard as inadequate the incentives which lie beyond on promotion to Under Secretary and Deputy Secretary. Differentials at these levels seem to be more severely compressed in the Civil Service than in industry as a whole.

4 With regard to retirement procedures, I agree that the Civil Service should have pursued a more rigorous early retirement policy. The rules as recently revised do offer greater scope for action but there remains a need for them to be interpreted flexibly in order that full advantage can be taken of them. I do hope therefore that the Department's proposal to retire prematurely a substantial number of older Principals will receive your support. If accepted it would do much to ensure that the Department's Principal stock has the quality which is needed if numbers are to be reduced - as I intend - without detriment to the Department's overall efficiency. There are, as you say, some who are unwilling to retire prematurely and that is a problem where a case by case approach should be applied with all the vigour that circumstances permit. I agree with Willie Whitelaw that there is a case for re-examining the procedures for compulsory retirements and I certainly agree with his suggestion that the Civil Service Appeals Board should be abolished.

5 I am copying this letter to the recipients of yours.

Evans

Keir

15 APR 1981



MANAGEMENT IN CONFIDENCE



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet: Sir Robert Armstrong KCB CVO

Ref: A04707

13th April, 1981

*KW
Bw*

I have been receiving copies of the correspondence about accelerated promotion in the Civil Service.

I am not clear that there will be very much more that we can do by way of accelerated promotion to encourage efficiency and give flyers their heads, and I wonder whether we should look again at financial inducements short of promotion.

I know that Ministers came down against the Lord President's proposals for range pay; but I wonder whether it might be possible to think in terms of a more limited scheme of bonus payments for merit. Under such a scheme the pay for the grade could continue as at present. But the Permanent Secretary (or the Minister) could be given authority to make a limited number of bonus payments for merit in each grade each year. The payments would be re-allocated each year, and the fact that someone received a merit award one year need carry no implication that it would continue into future years. People in receipt of responsibility or Private Secretary allowances should presumably be excluded. The awards would be of a fixed amount in each grade; the amount would be increased from time to time in line with pay. The amount available to each Permanent Secretary for distribution would be calculated as a proportion of his Department's pay bill, or as a proportion of numbers in each grade. Managers would nominate people for awards, and award holders could be selected by the Permanent Secretary, perhaps with the help of a small advisory group of senior colleagues.

I think that a scheme of this kind would be seen to recognise and reward efficiency, and would avoid at any rate some of the objections to range pay.

ROBERT ARMSTRONG

Sir Ian Bancroft, GCB



SECRETARY OF STATE
FOR
NORTHERN IRELAND

NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
LONDON SW1P 3AJ

✓
MAJ
9th April 1981

Rt Hon Lord Soames CH GCMG GCVO CBE
Lord President of the Council
Civil Service Department
Whitehall
London SW1A 2AZ

Dear Christopher,

ACCELERATED PROMOTION IN THE CIVIL SERVICE
RETIREMENT OF THE LESS EFFICIENT

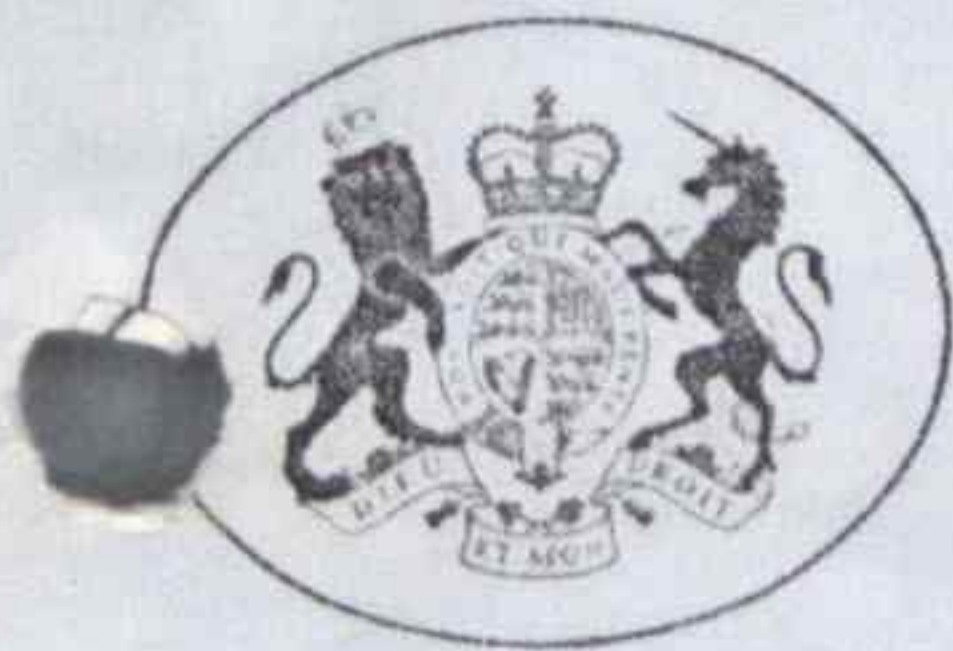
Thank you for sending me a copy of your letter of 11 March to Willie Whitelaw.

I agree that under existing procedures members of the fast-stream can progress rapidly enough. But the rules for promotion of our main-stream staff mean that gifted young men and women, who for a variety of reasons, are not in the fast-stream, can wait a very long time to move up the ladder. The forthcoming HEO(D) scheme will enable the best of them to be promoted rapidly; but the numbers will be very small.

I understand that the average age of promotion from HEO to SEO is about 41; and from SEO to Principal about 47. This is a daunting prospect to bright youngsters, particularly graduates. These tend - certainly in my own Department - to be promoted to HEO early (in their late 20s). But the Service-wide rules combined with the present grade-distribution mean that they could have to wait well over 10 years for promotion to SEO and another 5 or 6 before promotion to the key grade of Principal.

I have said that this is a daunting prospect for the people concerned. It should also be depressing for us; by the time these people reach Principal - if they do not weary and take their talents elsewhere - they will probably have been moulded by the system and possibly have lost their capacity for innovative thinking.

I acknowledge that there is and will continue to be a need for the executive type of civil servant who acquires expertise by long service and experience and whose progress up the promotion ladder is measured. I believe the great majority of the Service will probably have to continue to consist of people like this.



But I do not think that this should be the way ahead for the well-educated and creative-thinking young men and women the Civil Service has been attracting in recent years and whom we need in Headquarters Departments. I hope therefore, that it will be possible to find some way of bringing on quickly the brighter youngsters of this sort.

I am advised that although the standard report form for civil servants envisages the possibility of grade-skipping and that this is also mentioned in the Regulations, no detailed advice on this method of accelerating promotion is available. This is a pity. If it were possible for suitable HEOs of proven ability to be promoted direct to Principal, I am sure the Service would gain; and the possibility of skipping the SEO grade (which incidentally is almost irrelevant in my own Department) would act as a considerable spur to the ambitious and talented.

I think this is something officials need to look into.

At the other end of the scale, I am content with the present arrangements for the early retirement of staff who are willing to go. The unwilling inefficient are still too difficult to get rid of, partly, I suspect, because of over-benevolent reporting; but largely because of the protracted nature of the process. Some form of stream-lining would seem to be desirable.

I am copying this letter to the recipients of yours.

Yours ever

Cabinet / Cabinet Committee Document

The following document, which was enclosed on this file, has been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES.

Reference: CC(81) 15th Conclusions, Minute 1 (extract)

Date: 9 April 1981

Signed Wayland Date 8 March 2011

PREM Records Team

Civil Service

✓
MA

MC

CONFIDENTIAL



Caxton House Tothill Street London SW1H 9NA
6400

Telephone Direct Line 01-213.....

Switchboard 01-213 3000
GTN 213

Barney Hayhoe Esq MP
Minister of State
Civil Service Department
Whitehall
SW1

9 April 1981

SELECT COMMITTEES: COST TO PARLIAMENT

I agree with the proposal in your letter of 25 March to Francis Pym that the exercise of costing requests from Select Committees to Departments should be discontinued. I am sending copies of this letter to the Prime Minister and members of the Cabinet and to Sir Robert Armstrong.

Long Term 128

MANAGEMENT IN CONFIDENCE

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

Civil Service Management
Log



Minister of State

The Rt Hon William Whitelaw CH MC MP
Home Secretary
Home Office
Queen Anne's Gate
LONDON SW1

JA April 1981

Mr Whitmore New for
Mr Peterson CXP
May like to see
na
MAD 9/4

Dear Willie,

STRENGTHENING STAFF INSPECTION

Paul Channon wrote to you last August with proposals for strengthening staff inspection. The reports which I have received in response to his letter indicate that by and large staff inspection is now set on a much sounder course. The trend which led to the very poor results from staff inspection in 1978 has been sharply reversed. During 1980 staff inspection recommended a net reduction of nearly 4,100 posts, of which nearly 2,600 in reports received by the end of September had been implemented and we estimate well over 3,000 for the full year. While the effectiveness of staff inspection cannot be judged only in these terms, it is an important test. I find this improvement encouraging, particularly the rate of implementation (now averaging about 75% of recommended reductions). It is clear that staff inspection can make a valuable contribution to improved efficiency and the achievement of our manpower targets.

But progress has not been uniform (for example in one or two departments implementation is still well below 50%). Much more remains to be done. Almost all departments make clear in their reports that they have further plans to improve the management, deployment, scope and quality of staff inspection and the speed of implementing its recommendations. I have three general points to make on this.

The first is to re-emphasise the part that staff inspection can play in questioning need and organisation. This is not a question of challenging the broad framework of policy and functions, but an increasing number of recent inspections shows that staff inspectors operating within that framework can make a large impact by critically examining tasks. Good quality inspectors are required if existing assumptions about work are to be challenged effectively.

The second point is closely related. Staff inspection operates most effectively when it can concentrate on inspecting the actual work in hand. In some areas inspectors are still called upon to address

MANAGEMENT IN CONFIDENCE

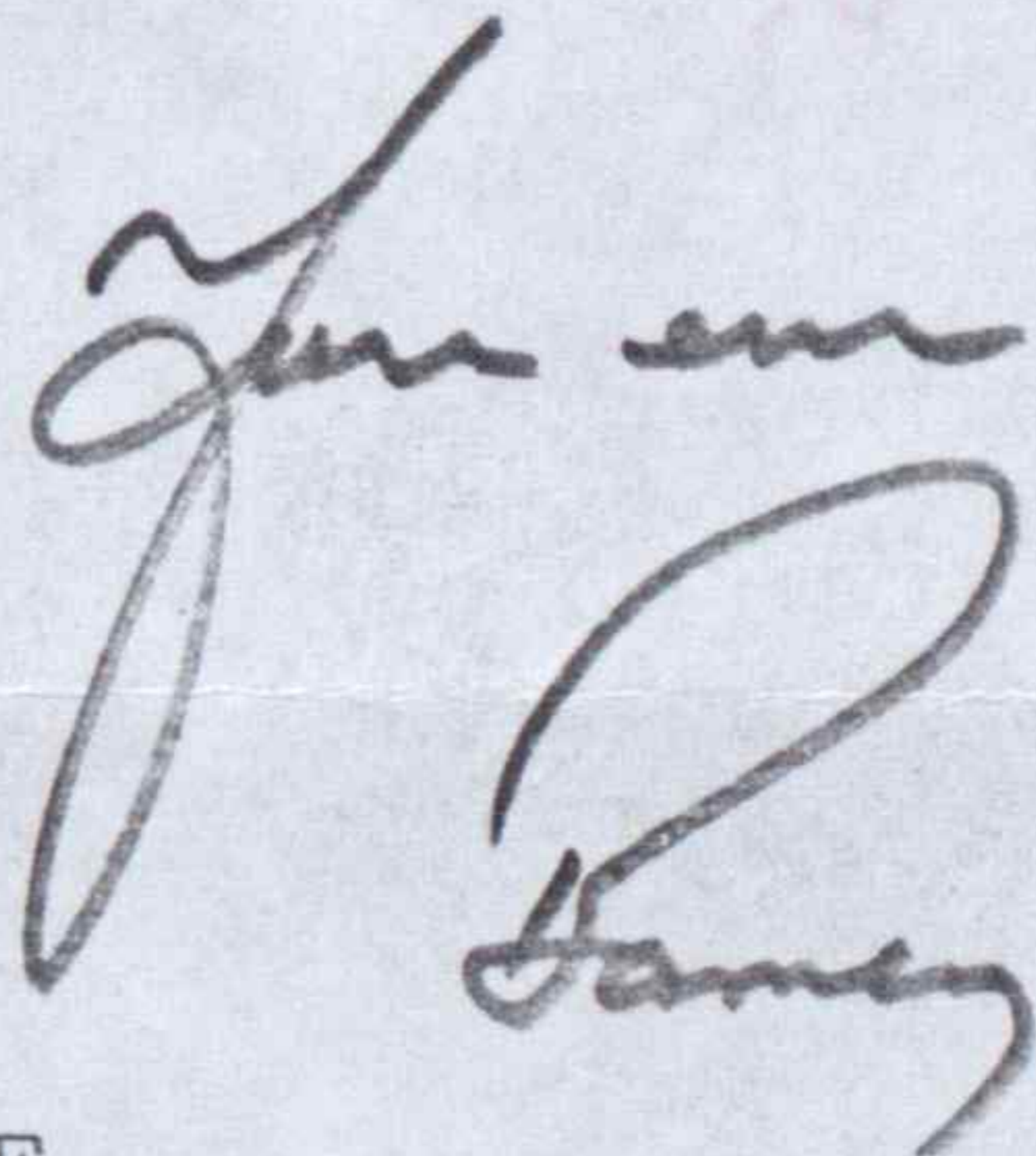
themselves to out-dated and unrealistic complements which no longer relate to work actually being undertaken. Every effort should now be made to bring complements into line with reality and I hope this will be achieved.

The third point concerns grading. While the information in the Annual Reports is not complete, it is clear that this impact of staff inspection has been modest: net reductions amounting to only £400,000 have resulted from grading changes recommended by inspection in 1980. I believe that much more could and should be achieved. Evidence from a number of recent inspections, in which CSD staff inspectors have participated, show scope for substantial adjustments to grading. CSD's inspectors have a leading role to play here because they are in the best position to see that consistently rigorous and realistic standards are applied across the Service. I have asked them to emphasise this aspect of their work and I hope that departments will co-operate fully in this.

My people will be discussing the detailed points in the annual reports with each department and maintaining the close working relationship which has been developed over the past year. I would like to take this opportunity to pay tribute to those in departments who have clearly put much effort into the task of strengthening staff inspection; I know that there have been many other pressures. If further progress can be made on the lines we have set, we can be confident that staff inspection will make a substantial contribution to efficiency.

I would be grateful if you and other colleagues would maintain a personal interest in the progress made by staff inspection in your departments.

I am copying this to colleagues in charge of departments and for information to the Prime Minister, Sir Robert Armstrong and Sir Derek Rayner.

A handwritten signature in dark ink, appearing to read 'Barney Hayhoe', written in a cursive style. The signature is positioned above the typed name 'BARNEY HAYHOE'.

BARNEY HAYHOE



Civil Service

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
TELEPHONE 01-928 9222
FROM THE SECRETARY OF STATE

[Handwritten initials]

Barney Hayhoe Esq MP
Minister of State
Civil Service Department
Whitehall
London
SW1A 2AZ

7 April 1981

Peer Barney.

SELECT COMMITTEES: COST TO DEPARTMENTS

Your letter of 25 March to Francis Pym sought agreement to the discontinuance of the exercise monitoring the costs caused to Departments by the operation of the new Commons Committee system.

We have found this a useful exercise in indicating the magnitude of costs in the initial year of the new system. However, I would agree that the exercise can now be discontinued at least until we see the conclusions drawn from the wider exercise currently being mounted by DHSS.

Copies of this letter go to Francis Pym, other members of the Cabinet and Sir Robert Armstrong.

Yours ever

Mark.

MARK CARLISLE

File with MOP

Civil Service

✓ MOP

Y SWODDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)



WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)

Oddi wrth Ysgrifennydd Gwladol Cymru

The Rt Hon Nicholas Edwards MP

From The Secretary of State for Wales

CONFIDENTIAL

6 April 1981

De Barry

SELECT COMMITTEES : COST TO DEPARTMENTS

Thank you for sending me a copy of your letter of 25 March to Francis Pym about costing the requests to Departments from Select Committees. I agree that the exercise should be discontinued.

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

John

Not
—

Barney Hayhoe Esq MP
Minister of State
Civil Service Department
Whitehall
LONDON

JH



Secretary of State for Industry

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

✓ MAF

6 April 1981

Barney Hayhoe Esq MP
Minister of State
Civil Service Department
Whitehall
London SW1A 2AZ

Dear Barney,

Thank you for letting me have a copy of your letter of 25 March to Francis Pym.

I agree with the points made in your letter about the CSD exercise to cost the requests from Select Committees. It would seem sensible to discontinue this exercise. As you say, we can always decide to take another "snapshot" at a later date if necessary.

I am copying this to recipients of your letter.

Yours faithfully,
Kevin Keene



10 DOWNING STREET

Clare ^{only}
bio

5/5
Incl
to
P.M.
31/3/81

Toni says that the PM
came back to these
figures with Wernstock -
especially the numbers
of accountants and
economists.

M.P.
3/4

CONFIDENTIAL



Minister of State

The Rt Hon James Prior MP
Secretary of State
Department of Employment
Caxton House
Tothill Street
LONDON SW1H 9NA

Civil Service Department

Whitehall London SW1A 2AZ

Telephone 01-273 3000

TV to see

na

MP

2nd April 1981

Dear Jim,

STAFFING FORMULAE AND LEVELS OF UNEMPLOYMENT

You wrote to me on 4 February about the Treasury reinstating quarterly forecasts of unemployment. I am glad to say that, in consultation with my officials and yours, Treasury officials have agreed to do this. The forecasts will cover the two quarters ahead, and it may be possible to extend this period to 18 months which would be even more helpful. These forecasts will be strictly confidential, and this will limit the use that can be made of them, but they will greatly assist both our Departments in assessing our future manpower needs, particularly in the context of the 630,000 target for 1984. So far as publication is concerned the Treasury would continue to publish forecasts once a year as part of the economic assumptions contained in the Public Expenditure White Paper. So far as your suggestion of regional forecasts is concerned, I understand that you do not now wish to pursue this.

I am copying this letter to the recipients of yours and to Geoffrey Howe.

James Prior
Barney

BARNEY HAYHOE

CONFIDENTIAL

Rw 31/3

- 1. MR WILDING ✓
- 2. PS/MINISTER OF STATE ✓

- cc PS/Lord President
- PS/Permanent Secretary
- PS/2nd Permanent Secretary
- Mr Pestell
- Mr Russell
- Mr Good
- Mr Turner
- Mr Wilson
- Mr Daly
- Mr Robinson

M/S 31 MAR 1981 I 10

STAFFING FORMULAE AND THE LEVELS OF UNEMPLOYMENT

In his letter of 4 February Mr Prior asks whether the Treasury could issue quarterly forecasts of unemployment. (He also asked whether regional forecasts might be produced but DE officials, on his behalf, have withdrawn this request.) Mr Jenkin supported his request in his letter of 16 February.

2. You will recall No 10 informally indicated that they did not think the Prime Minister would want quarterly forecasts reinstated (they were issued by the Treasury until 1979) and suggested we explore the possibility of refining the DE forecasts and using them for planning purposes. On the first point we have assumed that what No 10 meant was that more frequent forecasts should not be published; this is relevant to what follows in paragraph 3. On the second point this is not an option which is open to us. The Treasury is the expert Department in projecting economic indicators including industrial output. For this reason we are obliged to use Treasury forecasts of unemployment for Estimates and PES purposes. There is no question of using DE projections which have a narrower base.

3. We have discussed with the Treasury the prospects of their producing quarterly forecasts of unemployment which can be used by DE and DHSS in planning short-term staffing requirements. I am pleased to say that they have agreed to do this, and the process of regularly having a fresh look at the relevant trends should produce fairly accurate assumptions on which to plan. We have definite agreement to such forecasts for two quarters ahead at each forecasting date. AT DE's request, with our support, the Treasury is also considering producing each quarter a forecast for 18 months ahead. The forecasts will be made in March, June, September and December each year which fits in well with DE's internal staff planning arrangements; and, assuming the forecasts will cover at least a year ahead, will be of great help in determining manpower requirements in Estimates and PES.

Mr Pattison (No. 10)

In view of your earlier interest in this matter you might be interested to see the above explanation provided by CSD officials for the Minister of State. These forecasts will not, of course, be published. Mr Hayhoe has now written to the SPS for Employment (copy attached).

GDRogers
3.4.81.

Civil Service

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



From the Minister

CONFIDENTIAL

✓ MP

Barney Hayhoe Esq MP
Minister of State
Civil Service Department
Whitehall
London
SW1A 2AZ

2 April 1981

SELECT COMMITTEES: COST TO PARLIAMENT

I agree with the proposal in your letter of 25 March to Francis Pym that the exercise of costing requests from Select Committees to Departments should be discontinued. I am sending copies of this letter to the Prime Minister and members of the Cabinet and to Sir Robert Armstrong.

PETER WALKER

Civil
Service

MANAGEMENT IN CONFIDENCE

ds



10 DOWNING STREET

From the Principal Private Secretary

2 April 1981

Manpower in the Department of Industry

The Prime Minister is grateful to your Secretary of State for his minute of 31 March 1981 about manpower in the Department of Industry.

She has commented that the numbers of staff employed on non-core activities still look very large even after the planned cuts. She welcomes therefore the review of the effectiveness of the Department's procedures for the management of staff and financial resources which your Secretary of State proposes to begin after Easter. She hopes that this will make possible further reductions of staff.

C.A. WHITMORE

Ian Ellison, Esq.,
Department of Industry.

MANAGEMENT IN CONFIDENCE

ds.



Minister of State

The Rt Hon William Whitelaw CH MC MP
Home Secretary
Home Office
Queen Anne's Gate
LONDON SW1H 9AJ

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

2nd April 1981

Dear Willie,

DIRECT RECRUITMENT TO SENIOR ADMINISTRATIVE POSTS

I am grateful to you and other colleagues for your responses to my letter of 6 February.

Although Keith Joseph and one or two others saw some virtue in holding a Direct Entry Principal competition, the body of opinion was predominantly against such a competition this year. The Prime Minister's opposition to direct recruitment, on the grounds that there are already many good people in the Service for whom providing the right career prospects will not be easy in the next few years, is of particular importance especially in the context of the difficult morale problem we must tackle in the aftermath of industrial action, against a background of manpower cuts and media sniping at the Civil Service generally.

I have therefore told the Civil Service Commission that there will be no competition this year.

I am copying this to the Prime Minister, other members of the Cabinet and Sir Robert Armstrong.

Barney Hayhoe

BARNEY HAYHOE

File
Civil Service
Letter

2 papers



QUEEN ANNE'S GATE LONDON SW1H 9AT

51 APR 1981

underneath ✓ *MP*

SELECT COMMITTEES : COST TO DEPARTMENTS

Thank you for sending me a copy of your letter of 25th March to Francis Pym. I agree with the line you suggest.

The figures collected by Departments have given us a helpful impression of the impact of the select committee system but I do not think that we would learn much more from allowing the exercise to continue. I doubt, for example, whether the exercise, if repeated would be sufficiently accurate for us to detect, with confidence any trends in the general level of demand imposed by the system. As you say we can resurrect the proposal if need be.

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

Barney Hayhoe

Barney Hayhoe, Esq., M.P.



QUEEN ANNE'S GATE LONDON SW1H 9AT

MANAGEMENT IN CONFIDENCE

31 March 1981

NRM.

RM

W

Dear Christy

ACCELERATED PROMOTION -
RETIREMENT OF THE LESS EFFICIENT

Thank you for your letter of 11th March.

We see no need in the Home Office for any new procedures to enable either high flyers or high-class mainstreamers to get accelerated promotion.

As to early retirement, present indications are that the relaxed criteria for willing victims will involve only a handful of staff here. Cases of unwilling victims, however, generally take longer than six to twelve months. Where the officer is determined in his opposition and uses all the procedures open to him, they can take very much longer, and that is without taking into account the time that can be swallowed up when he appeals. There is no doubt that the present rules and procedures are protective and reassuring to staff. Practically no civil servant ever imagines that he could be compulsorily retired in the interests of efficiency.

We think that there is a good case for re-examining the procedures for compulsory premature retirement, with a view to changing the climate. Much time would be saved by abolishing the Civil Service Appeals Board. This would leave Civil Servants like employees at large, with recourse to Industrial Tribunals only. As this would involve abrogating a national agreement (perhaps unilaterally), and in view of the complicated issues involved and the way the C.S.A.B. and Industrial Tribunal procedures have developed, it might best be first considered in depth by officials before being put to Cabinet.

I am copying this letter to the Prime Minister, Cabinet colleagues and Sir Robert Armstrong.

[Handwritten signature]

The Rt. Hon. Lord Soames, C.H., G.C.M.G., G.C.V.O., C.B.E.



4 I should explain that those supplying statistics and other common services support the Department of Trade as well as the Department of Industry. Although the costs are apportioned the manpower numbers appear entirely on my Vote, which exaggerates the apparent size of this Department and reduces the apparent size of the Department of Trade. Manpower in the Common Services is accounted for as follows:

	1 April 1979	1 April 1984
a Accountants	100	102
b Solicitors (including prosecutors for Department of Trade)	170	142
c Economic Services	110½	70 why?
d Personnel Services	472	365
e Finance	206	155
f Manpower and other services ?	523	429
g Information (less Press offices)	64	48
h Support staff for the above	337	257
	<u>1982½</u>	<u>1568</u>

I am concerned about items d, e and f; they look too large. A full review of the effectiveness of the Department's procedures for the management of staff and financial resources will start after Easter. I should also mention that "support staff" covers typists, messengers and reprographic staff.

5 I think you are familiar with the work of the separately justified activities. The Industrial Research Establishments include the Computer Aided Design Centre (CADC), the Laboratory of the Government Chemist (LGC), the National Engineering Laboratory (NEL), the National Maritime Institute (NMI), the /National ...



National Physical Laboratory (NPL) and the Warren Spring Laboratory (WSL). I plan to privatise the NMI and I am exploring the scope for similar action with other Establishments. The Establishments serve public needs; for example the LGC supports the Home Office and the Police on drug control, the NPL provides calibration and metrology services and WSL supports many of Michael Heseltine's activities. The Regional Organisation provides Export Support Services to the Department of Trade as well as administering the Regional Development Grant and selective financial assistance arrangements. The regional offices also provide a framework for emergency services in case of need. The Statisticians provide a service to all industry and commerce.

6 This leaves only a small "core". The core activities cover a wide range of highly complex problems. Subjects covered include small firms, information technology, computer systems, micro-electronics, robotics, telecommunications liberalisation, public purchasing, postal services, vehicles (including BL), aerospace (now excluding British Aerospace but including Concorde, space questions and Rolls Royce), the public and private steel industries, shipbuilding, inward investment, research and development policy and sponsorship of most manufacturing industry.

Despite the width and depth of these subjects, the numbers concerned are in fact counted in "hundreds" and not "thousands".

7 In our second term the numbers could be further reduced by privatising more of the research establishments, by returning

/more ...



more of steel and shipbuilding to the private sector and by reducing sponsorship of manufacturing industry which will have been revived by our policies. Functions like these cannot be shed overnight and for the present our numbers and resources are fully stretched.

KJ

K J

31 March 1981

Department of Industry
Ashdown House
123 Victoria Street
LONDON
SW1E 6RB

MANAGEMENT - IN CONFIDENCE

Sir Derek Rayner

Civil Service
cc Mr Pattison (with
copy note of 23 March)

Mr Pattison
J. Gurney. Dr. Lumsden
Mr Whitmore
1/2

*I fear that we shall be getting
an unconvincing paper from*

CHAIN OF COMMAND REVIEW: OPEN STRUCTURE *this exercise*

- MAF*
4/4
1. I had a call from Mr Gurney yesterday to follow-up the meeting I had with him and his colleagues on 18 March, when Mr Russell was also present. It was about handling the Wardale report.
 2. The report is due to go to Mr Hayhoe next week. Mr Hayhoe will be invited to seek your "quick reactions" on about 10 April, allowing you (probably) two weeks to comment. I said that, on that timetable, you would no doubt expect to let Mr Hayhoe have fully considered comments.
 3. Sir Ian Bancroft would send the report to Permanent Secretaries at the same time. The plan would be that the report should go to the PM and Cabinet at about end-April and that it would be released to the Civil Service unions (as promised), the press and Mr du Cann as chairman of the Treasury and Civil Service Committee early in May.
 4. Mr Gurney said that he thought it would be very helpful if Sir Geoffrey Wardale could see you next week to explain his recommendations. (Sir GW's last day on this assignment is Thursday 9 April.) I said that next week was pretty full and that on the whole I thought it unlikely that you could fit Sir GW in. You could see him (and he is free) on the afternoon of Thursday 9 April when he would no doubt be willing to come to Baker Street.
 5. Mr Gurney is clearly anxious for you to see Sir GW. That is explained by the fact that (as he put it) the trades unions would have no difficulty about the report, ie no grade at the top of the Service is proposed for outright abolition but proposals are made for more systematic criteria for reviewing posts. Mr Gurney thinks that, if you did not

see Sir GW, your reading of the report and your response to it might be hostile. He made the curious point (which I interpret as representing some sort of compromise in the team) that the drafting could be read differently according to one's starting prejudices.

6. Would you like to see Sir GW on 9 April or would you prefer me to offer to do so on your behalf?

SP

C PRIESTLEY
31 March 1981

Enc: Copy note, 23 March

NOTE FOR THE FILE

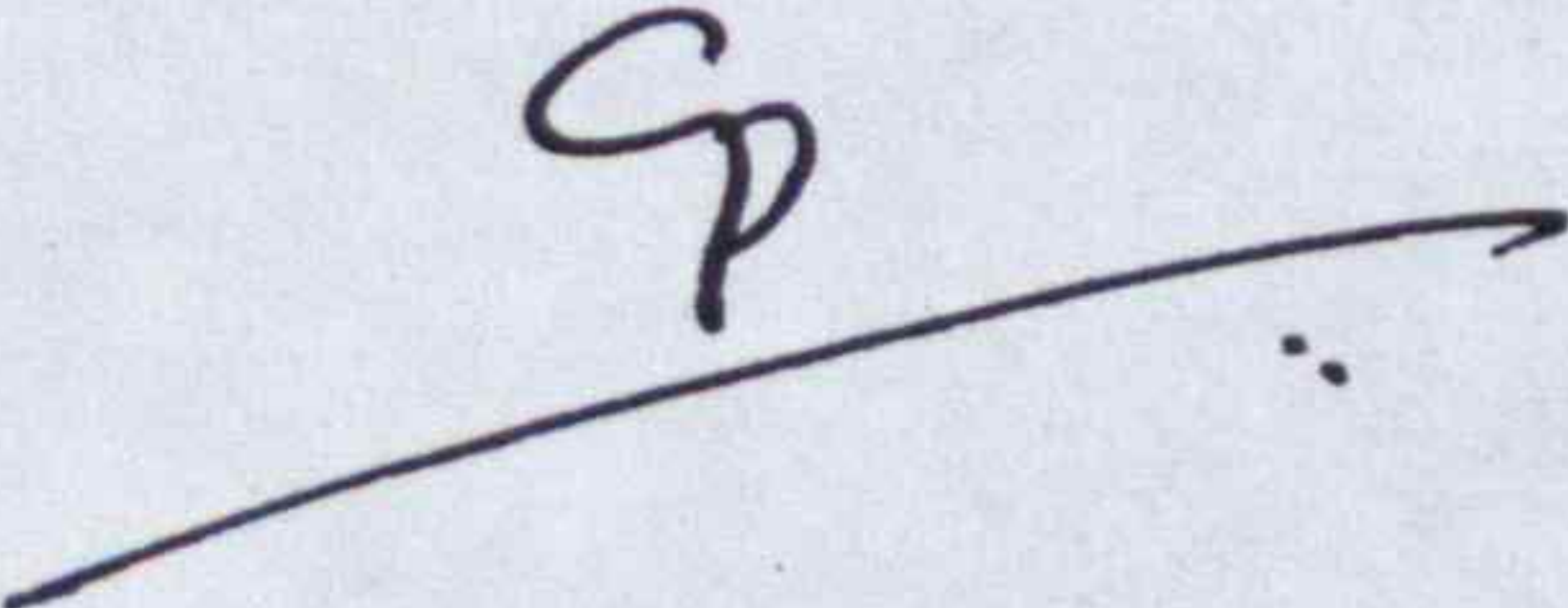
CHAIN OF COMMAND REVIEW

1. Mr Russell and I met with Mr Hopkinson, Mr Gurney and Mr Taylor on 18 March to receive an account of the "open structure" exercise. Mr Hopkinson made the following points:
 - a. The team saw a need for a level above AS to co-ordinate and manage the work of AS divisions. This applied generally across the Service and they could see no way round it. This provisional conclusion endorsed the US grade.
 - b. They then saw a need for another superior level ("DS") to pull together discrete but complicated areas of work; in some departments, to provide a true deputy to the Permanent Secretary; and to pull US commands together where there are many of them.
 - c. The team had looked at the need for the 2/PS in DOE, DHSS and MOD. They believed that there was a "true need" in principle in some cases, but more obviously in DHSS and MOD than DOE. They were also satisfied, where a 2/PS existed, work did not ascend grade by grade.
 - d. But the team were not convinced that all the posts they had seen were necessary. They would be drawing attention to the fact that there was no established machinery to review the need for open structure posts.
2. In discussion, I made the point that unless the team's evidence was convincing and well presented their report would be seen outside the Service as a whitewash. I thought they would need to show very good reason why there would not be a substantial benefit in abolishing one of the open structure grades. Mr Russell argued, rather, that the reasonable man

would recognise a case for two grades between AS and Permanent Secretary and that the main benefit of the review was likely to be (i) the opportunity to reduce the numbers of posts in the open structure as a direct result of the exercise and (ii) the provision of principles and machinery for applying them by which departments and the centre could scrutinise the open structure in future.

3. My main worry is about the quality of the evidence. The team have visited a sample of 9 departments and their evidence consists chiefly of comparatively short (one-hour) interviews with senior officers. While Mr Russell's argument about grades needed may seem plausible to the insider - and I myself was not unimpressed by his references to the co-ordination of the Police USs in the Home Office, an example which he himself had looked at - I fear that we may be left with evidence which satisfies no-one.

4. I had a brief word with Sir Derek Rayner about this after the meeting. He said that much would depend on the way in which the team's report was written.


C PRIESTLEY
23 March 1981

Civil Service

✓ MJD



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

Tel: 01 211 6402

The Rt Hon Lord Soames
GCMG GCVO CH CBE
Lord President of the Council
Civil Service Department
Whitehall
LONDON
SW1A 2AZ

31 March 1981

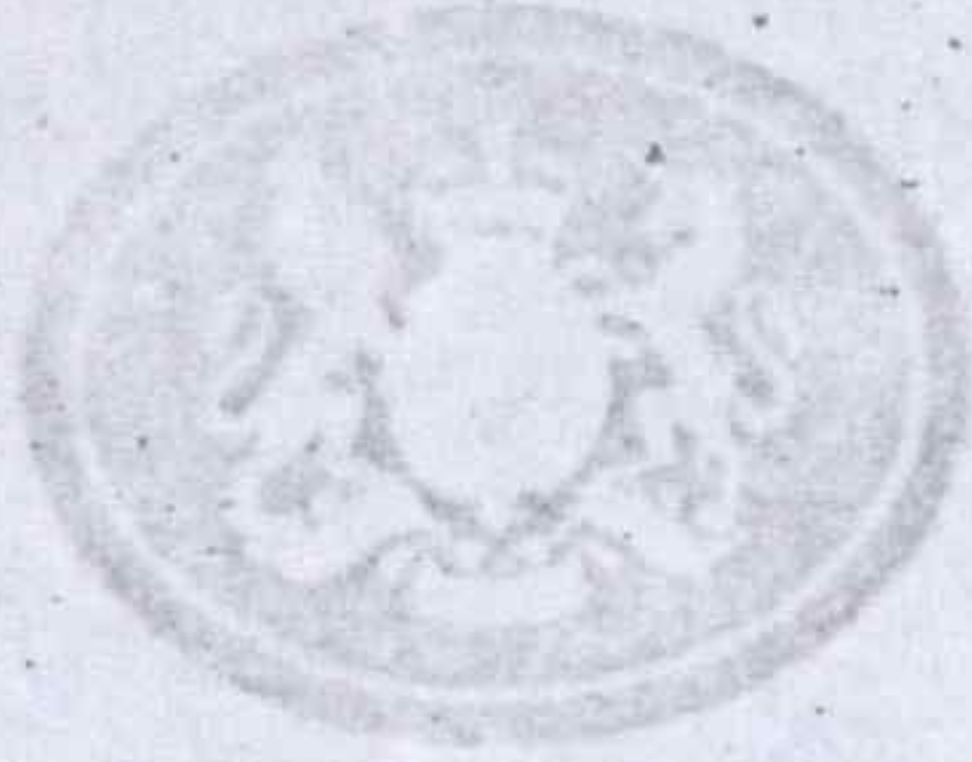
Dea Christy

CIVIL SERVICE MANPOWER

Thank you for sending me a copy of your letter of ~~19~~ March to the Chancellor of the Exchequer.

My Department is doing its utmost to achieve the 1 April 1982 target of 1156 and, although there are areas of the Department's work that are under considerable strain leading, for example, to serious backlogs of Ministers cases, it should prove possible to achieve it. The position regarding the 1 April 1984 target of 1096 posts is less clear. The only way that savings of this magnitude can be achieved is by implementing my proposal to re-organise the work of Gas Standards Branch and the Electricity Meter Examination Service by giving it off to an independent body. This proposal is currently with you for consideration. The necessary legislative provisions will be included in the Energy (Miscellaneous Provisions) Bill which I put forward for the 1981-82 session. This time-table would have meant that there was a reasonable chance of my achieving some, if not all, of the savings by 1 April 1983. However, the Home Secretary has suggested that this Bill might be squeezed out of the 1981-82 legislative programme. Although deferring the Bill to the 1982-83 session could still leave sufficient time for me to achieve the savings by 1 April 1984, it would remove the possibility of my securing any part of them by 1 April 1983.

The convention behind Public Expenditure Survey figures is that they do not reflect decisions which have not received collective ministerial approval. My Department's forecasts will therefore assume that the required further savings will occur by 1 April 1984, in line with the Cabinet decision setting targets for each Department. As the means by which I shall achieve the savings has yet to receive collective approval and a firm place in the legislative programme, I cannot reasonably submit a forecast which would advance the savings beyond the 1 April 1984 target date.



-2-

My Department's forecasts will also include provision for an extra 11 posts in 1982-83 to cope with the PWR Inquiry. By the time the Department has achieved the 1 April 1982 target, there will be no flexibility to cope with additional work. There are no other functions that can readily be dropped to make room for an increase of this size, and further savings yet to be identified in Staff Inspections or following Rayner Reviews are already ear-marked for parts of the Department that simply must be re-inforced (eg Internal Audit and the Energy Policy Unit).

It follows that, regardless of what may happen to unemployment or of other Department's failure to achieve their targets, there is no prospect whatsoever of my small Department reducing below 1096 posts.

I am sending a copy of this letter to the Prime Minister, Cabinet colleagues, Sir Robert Armstrong and Sir Derek Rayner.

Jan 82

David

D A R HOWELL



Chancellor of the Duchy of Lancaster

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

30th March 1981

✓
MFD

Dear Christopher,

Geoffrey Howe sent me a copy of his letter to you of 25 March about the legislation required for civil service manpower savings. I must say that I find myself very much in sympathy with his argument that paper reductions in civil service manpower should not be achieved at the cost of overall efficiency. I can think of several recent examples where departments have put forward schemes for achieving their own manpower targets by effectively shifting the burden of administration either to another department or to local authorities or some other part of the public sector. We are rightly committed to divesting central and local Government of those functions which can be better carried out by the private sector, and to eliminating waste and inefficiency within the public sector wherever it occurs. But there will always be an irreducible core of activities which must be carried out in the public sector, and by central rather than local government. We must not weaken the carrying out of the essential functions of Government by forcing departments to reorganise their responsibilities in unsatisfactory ways in order to make paper manpower savings.

I am copying this letter to the recipients of the earlier correspondence.

James

Francis

FRANCIS PYM

The Rt Hon Lord Soames GCMG GCVO CH CBE
Lord President of the Council
Civil Service Department
Whitehall
LONDON SW1A 2AZ

HOUSE OF LORDS,
SW1A 0PW

✓
MAD

*With the
Lord Chancellor's Compliments*

FROM:

THE RT. HON. LORD HAILSHAM OF ST. MARYLEBONE, C.H., F.R.S., D.C.L.



HOUSE OF LORDS,
SW1A 0PW

30th March, 1981

The Right Honourable
Lord Soames, GCMG, GCVO, CH, CBE
Lord President of the Council,
Civil Service Department,
Whitehall,
London,
SW1A 2AZ.

My dear Christopher:

Accelerated Promotion -
Retirement of the Less Efficient

I agree with the conclusion which you draw in your letter of 11th March that the high-flyer can pass through the grades to Assistant Secretary quickly enough to satisfy any reasonable criterion for rewarding merit by promotion. Whether this will remain so as Departments contract in size, and whether the possible abolition of the Under Secretary grade will affect the prospects of future high-flyers, remains to be seen. As things stand at present, the machinery to reward the high-flyer is there, including those who entered the Service as clerical or executive officers and who are later identified as candidates for accelerated promotion.

As to main-stream civil servants, the reduction of the seniority requirement for promotion from CO to EO from 4 to 3 years removes the frustration felt by many that seniority played too great a part at this level. The retention of a 4-year seniority requirement for EO/HEO promotion is, however, questionable. Graduate entrants to the EO grade in particular are unhappy about this waiting period and, as they enter the Service three years later than school leavers with GCE A level qualifications, they may not be considered for promotion until they are about 26 years of age, while their colleagues enter the field for consideration when they are about 23. A reduction in seniority, perhaps coupled with a minimum age requirement, would go quite a long way to prevent some of our EOs who are very good prospects for the future, if not quite up to Administration Trainee standard, searching round for other jobs after they have been in post for about a year.

Early Retirement

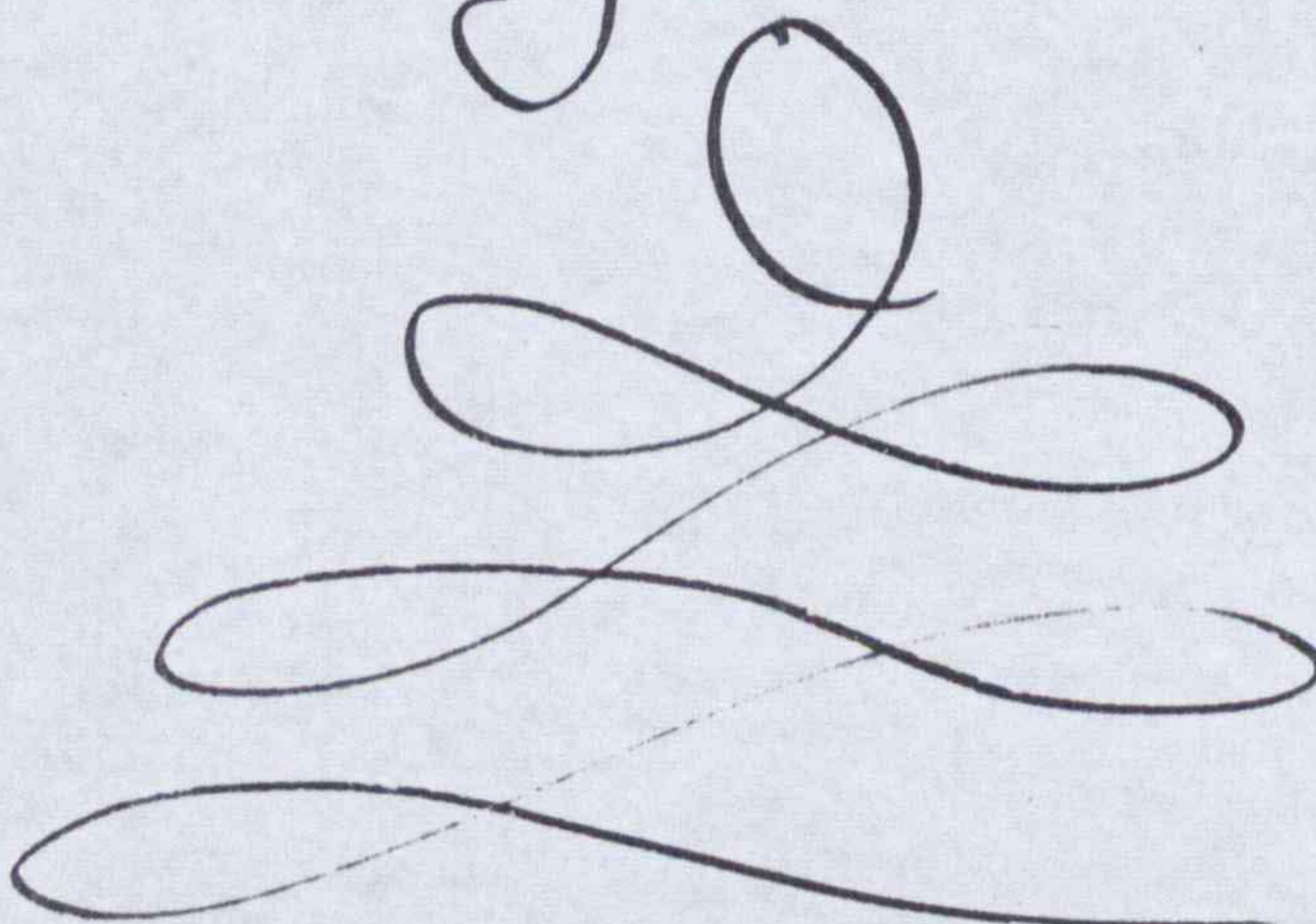
The new arrangements for dispensing with the less able who are willing to go should certainly help, but my Department's experience is that, in present circumstances, the search for "willing victims" is by no means easy. And I do not see any easy answer to the problem of those who are unwilling to go.

/Contd.

You ask what makes it difficult to get rid of staff who are unwilling to go. Naturally I have little personal experience of this. But I am advised that one factor is a reluctance on the part of reporting officers to complete reports on their staff which are sufficiently adverse to warrant compulsory retirement on grounds of inefficiency. For perfectly understandable reasons, staff are inclined to give their colleagues the benefit of any doubt and to turn a blind eye to all but the most glaring inadequacies. I would judge that it is this, coupled with the formidable task of defending appeals to the Civil Service Appeal Board or an Industrial Tribunal, which explains why there are so few dismissals for inefficiency. To remedy this renewed effort is needed to improve standards of staff reporting and to impress on reporting officers that it is their responsibility to complete reports as accurately and fairly as they can without shrinking from giving sufficiently adverse reports to those whom the Service would be better off without.

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

Yrs:





Civil Service

✓
MA*From the Secretary of State*

The Rt Hon The Lord Soames CH GCMG GCVO CBE
Lord President of the Council
Civil Service Department
Whitehall
London, SW1A 2AZ

27 March 1981

*Dear Christopher,***ACCELERATED PROMOTION - RETIREMENT OF THE LESS EFFICIENT**

Your letter of 11 March asked for views on a number of points concerning promotion and early retirement arrangements.

With regard to promotion ages, it is certainly our experience that we have not by tradition felt inhibited under existing rules from bringing on quickly the brightest people. The position will naturally worsen for a spell in consequence of the cuts exercise, and the typical ages of promotion to Principal and Assistant Secretary are likely to rise over the next year or two; but not to the extent of posing serious problems so long as premature retirements can be used as a sensible safety valve in case of need.

Whether or not salary expectations for the brightest young hopes within the Civil Service match those of their peers outside is difficult and perhaps dangerous to judge in an impressionistic way. It would certainly be unrealistic, however, to make comparisons solely in the context of salary as distinct from the overall remuneration package. It may also be misleading to make such comparisons only in the context of relative earning capacity at a particular age, because many people will have a mind to likely financial rewards over a life-time when making career decisions. So whatever the comparisons might suggest at the age of 35-40, I think it likely that the modest salary progressions involved in further Civil Service promotion, to Under Secretary and Deputy Secretary, would be found to be modest compared with similar



From the Secretary of State

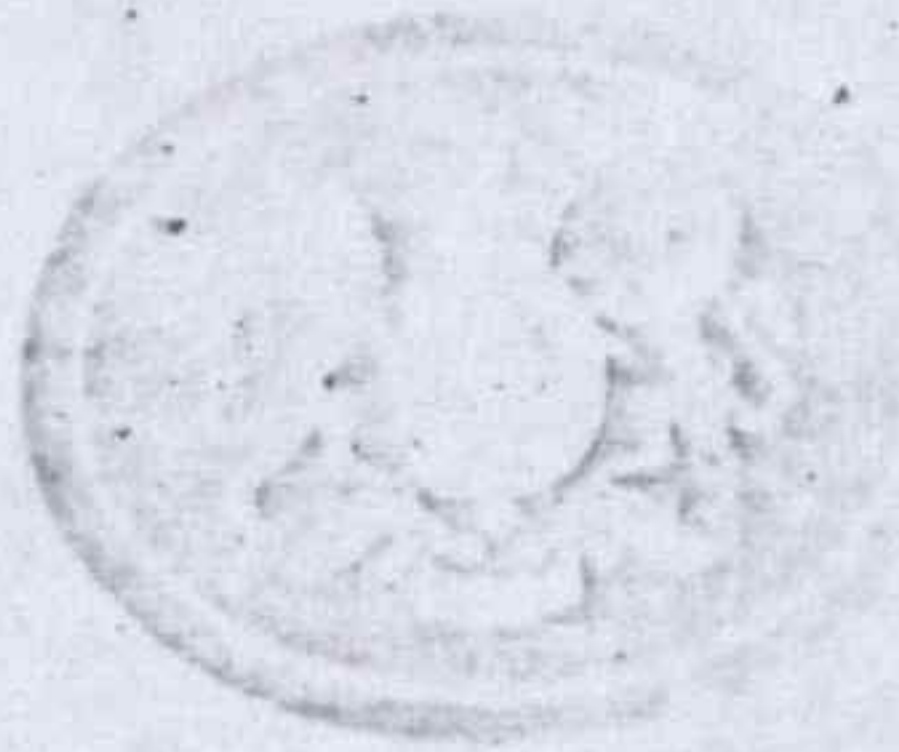
progression in industry and commerce. At worst therefore the high flyer given accelerated promotion to the rank of Assistant Secretary may not seem to have much financial motivation to drive him upward for the next two notches on the ladder. Of course financial motivation is necessarily paramount but there is certainly some risk that accelerated promotion during the early part of a Civil Service career may, for some people, build up frustration at a later stage.

With regard to early retirement, we are already active in this respect, and we are still hoping, following initial resistance, to persuade the CSD to let us shed a substantial number of our older Principals. This would certainly remove a number of the less efficient and will also enable us to promote and motivate some brighter, younger people. There will remain of course some who are unwilling to go and the procedure for getting rid of them is rather lengthy. I doubt that we can do much about that problem but it is not in my judgement a major worry (because the numbers are fairly small) so long as we can continue to have considerable flexibility in dealing with the far more numerous "willing victims".

I am copying this letter to the recipients of yours.

John Biffen

JOHN BIFFEN



SECRETARY OF STATE FOR ENERGY

THAMES HOUSE SOUTH

MILLBANK LONDON SW1P 4QJ

01-211-6402

✓ MAF

Rt Hon Lord Soames CH PC GCMG GCVO CBE
Lord President of the Council
Civil Service Department
Whitehall
London SW1A 2AZ

27 March 1981

John Gifford

ACCELERATED PROMOTION - RETIREMENT FOR THE LESS EFFICIENT

Thank you for sending me a copy of your letter of 11 March to Willie Whitelaw. I doubt whether there is scope, or indeed need, for significant changes in current practice on either count.

Promotions

For the fast stream arrangements are, as you suggest, already adequate.

So far as main stream entrants are concerned, the revised AT/HEO(D) scheme will enhance the opportunities for accelerated promotion. It might be argued that promotion fields should be abolished; but any such proposal would be opposed by the TU's who would argue, not without justice, that seniority and experience are not factors to be ignored, and that there is a case for uniformity of opportunity over the service as a whole. The fields are significantly shorter than they were 10-15 years ago. With civil service numbers being run down it is inevitable that promotion opportunities will decline and, although it will be painful, most civil servants will have to adjust their aspirations accordingly. To abolish seniority fields would not help that adjustment.

So far as promotions up to Assistant Secretary level are concerned therefore, I do not think that any change is necessary. However, if it were generally thought that something more should be done to accelerate rewards for outstanding merit, then it might be worth considering whether individual merit promotions,

which are applicable to the Science Group, might be extended to the Administration Group. This would allow a small number of outstanding administrators, whose merit cannot for the time being be rewarded for age or seniority reasons, or because of the lack of vacancies, to be promoted other than through the hierarchy. It would involve a measure of 'fluid complementing' and there would be marginal additional cost; but it is fairly common practice in industry and commerce.

Above Assistant Secretary level the minimum age for promotions to Under Secretary is about 40. A more flexible approach in the case of the absolute flyer who seems clearly destined to reach Permanent Secretary or at least Deputy Secretary rank would be beneficial.

To my mind if we are to improve efficiency in the Higher Civil Service more movement both in and out of the Open Structure is essential. This would have the advantage of bringing in people with a new outlook; and the fact that outsiders would sometimes be competing for jobs would in itself be a spur to efficiency. Moreover, the greater flexibility such movement would create could lead to more opportunities to promote the very able to Under Secretary under the age of 40. I appreciate that attempts have been made to increase the number of people moving in and out, and that the prospects of success will not be increased by staff reductions, but I am sure we must maintain and reinforce our efforts on this issue.

Early Retirement

The new procedure for Flexible Premature Retirement for those willing to go seems adequate. For the unwilling the procedure is more cumbersome and protracted. But, given honest and stringent reporting standards, beginning with the probation period, we have all the weapons we need. There must be safeguards against dismissal before the officer concerned has been given the chance to reach an acceptable standard, and given current legislation on employment protection, I do not see much scope for speeding up the process. What is important, and this is a message constantly promulgated in my Department, is that those who do not reach an acceptable standard are not shielded by kind hearted or lenient reporting officers.

I am copying this letter to the Prime Minister, to Cabinet colleagues and to Sir Robert Armstrong.

D A R HOWELL

Howell
David



✓
MAP

Civil
MINISTER OF STATE FOR DEFENCE

WHITEHALL LONDON SW1A 2HB

Telephone 01-218 6621 (Direct Dialling)
01-218 9000 (Switchboard)

Senior

CONFIDENTIAL

D/MIN/TT/22/1

26 March 1981

Dear Christopher

CIVIL SERVICE MANPOWER

I have seen a copy of your letter of 19th March.

In John Nott's absence abroad, may I say that we are not aware in this Department of any sign of what you describe as a general tendency to draw back from the full rigour of planned savings. Nor have our bids on the contingency reserve increased. They remain those for the Trident programme and a special problem over GCHQ which seems to be moving towards a solution.

As a Government, we have placed an increased emphasis on defence and the absence of conscription in this country means that we have to rely on a substantial civilian component. Nonetheless, the numbers of UK-based staff employed by the Ministry of Defence have fallen from around 248,000 when we came into office to some 231,000 now and should be around 221,000 by 1st April 1982. This means that we remain on course for the 200,000 allocation which we have accepted out of the 630,000, provided that, in the final two years, efficiency cuts which will continue to be made can be supplemented by some major measures of privatisation. John Nott and I will come forward shortly with firm proposals on this. We shall also need some further help with early retirement.

Copies of this letter go to those who received your letter.

Lord Trenchard

The Rt Hon The Lord Soames GCMG, GCVO, CH, CBE

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010
with compliments

MINISTER OF STATE

**CIVIL SERVICE DEPARTMENT
Whitehall London SW1A 2AZ**

Telephone 01-273 5563/4086



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

Minister of State

The Rt Hon Francis Pym MC MP
Chancellor of the Duchy of Lancaster
Privy Council Office
Whitehall
LONDON SW1

25th March 1981

Prime Minister

Mr Hayhoe's approach accords with
your wish to avoid over-elaborate
studies in these 'cost of
democracy' exercises.

Dear Francis, MB

SELECT COMMITTEES: COST TO DEPARTMENTS

MP 26/3

As you know, the CSD has been costing the requests from Select Committees to departments and these total about £1½ million for the year. I see little point in continuing this exercise and I gather Permanent Secretaries are of the same opinion. Next year's figures are not likely to look very different from this year. The exercise itself puts an additional burden on departments and does not reveal the full story: the new Select Committee system has added to the specific load on Ministers and a few senior officials, and this cannot be measured adequately in money terms.

The Cabinet decided last May (C(80)20th Item 4) that the DHSS should keep comprehensive records in the present Session of all the indirect costs of Parliament including those arising from Select Committees. I hope you and colleagues will agree that we discontinue the separate Select Committee exercise, at least until we see what comes out of the DHSS study. We could, if need be, take another across-the-board "snapshot" at a later date. Ministers in charge of departments will, of course, continue to judge whether or not to maintain their own records for management purposes.

I am sending copies of this letter to the Prime Minister, members of the Cabinet and to Sir Robert Armstrong.

Barney Hayhoe

BARNEY HAYHOE



Carl
Lano

10 DOWNING STREET

PRIME MINISTER

You asked about the system of promotion fields.

This is of some help to management, especially in Departments with very large numbers of staff. The requirement for staff to serve several years in a grade before being considered for the next one means that fewer people have to be considered. The unions have also always had a great interest in a seniority requirement, which they feel protects the career prospects of all their members.

Neither of these reasons amounts to a "good management" justification for the promotion field system, although the unions could be expected to resist any attempt to change it.

MAP MB

25 March 1981

attached to HPC to MAP

20/3/81

RESTRICTED



CV
MD
Seamus

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

25 March 1981

The Rt. Hon. Lord Soames, GCMG, GCVO, CH, CBE
Lord President of the Council

Lord Soames

LEGISLATION REQUIRED FOR CIVIL SERVICE MANPOWER SAVINGS

In reply to your letter of 12 March, I do not think I will need special legislation. Any legislative requirements my Departments may have for the forthcoming session to enable them to effect manpower reductions will be covered in the Finance Bill.

Perhaps for completeness I could just mention two possible items where possible staff savings in my Departments depend on legislation by others. One is the proposal to switch staff in weekly paid non-industrial grades to monthly pay by bank credit transfer on which I note that your department proposes to have discussions with the Unions. Leon Brittan will be writing about the expenditure aspects. The second refers to one of the Inland Revenue Rayner scrutinies last year which proposed certain changes in the procedures for dealing with rating valuations and appeals. A final decision on these remains to be taken.

As to proposals for "privatisation" and "hiving off" I have no candidates for a Bill of the kind you suggest. I remain convinced, however, of the desirability of transferring functions to the private sector if it is cost-effective to do so. This would be in line with the policy announced by the Prime Minister in her statement of 13 May last and the general guidance in Barney Hayhoe's letter of 11 March. In that respect, I found myself disturbed by many of the proposals outlined in the annexes to your letter. On the face of it, around 18 of these appear to consist of hiving off work within the public sector and the setting up in the process of a dozen or so new fringe bodies.

/It seems

RESTRICTED



It seems to me that we have three clear objectives: reducing the size of the Civil Service; cutting public expenditure; and improving efficiency and eliminating waste. All of these aims are related. But they are not parallel. I fully realise the importance of cutting Civil Service numbers to achieve our collective target for the size of the Civil Service at 1 April 1984 but, as I said in my letter of 13 March to David Howell, a mere re-classification of staff within the public sector will be seized upon by Parliament and the public as a patently phoney device. There is surely a fundamental difference between privatisation, truly understood, and merely moving an activity from central government to another (perhaps new) organisation within the public sector. And there is a good case for saying that removing activities from the direct control exercised within central government leads to less efficiency and therefore higher costs. Indeed our general policy has been to reduce not increase these quasi independent bodies funded by Government as experience shows that they result in the worst of all worlds. If, as I suspect, the main reason behind certain of the proposals for hiving off is to score savings in Civil Service numbers at an overall cost in terms of efficiency and expense they should be questioned very hard indeed.

I am copying this letter to recipients of yours.

A handwritten signature in dark ink, appearing to be "Geoffrey Howe", written in a cursive style.

GEOFFREY HOWE



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

From the Minister

MANAGEMENT - IN CONFIDENCE

Barney Hayhoe Esq MP
Minister of State
Civil Service Department
Whitehall
London SW1A 2AZ

25 March 1981

Barney
CIVIL SERVICE MANPOWER: PRIVATISATION AND HIVING OFF

Your letter of 11 March to Willie Whitelaw covered some very useful guidance notes for colleagues considering whether to transfer work to the private sector or elsewhere in the public sector. However, there seems to be a notable omission in relation to finance.

Where work now carried out departmentally is being considered for transfer either to a private sector contractor or to another public sector organisation in circumstances in which there would be a continuing charge on public funds, the notes go into some detail about the factors to be taken into account in comparing costs. But if it is decided that privatisation or hiving-off would satisfy the Prime Minister's criteria, would the necessary additional PES provision be forthcoming? What concerns me is whether Treasury Ministers may be tacitly assuming that the Exchequer should gain the full monetary equivalent of all reductions in Civil Service manpower and seek to argue that any additional expenditure on paying third parties must be offset by corresponding reductions elsewhere in Departmental Estimates. This would of course be a massive disincentive to privatisation and hiving-off.

Although I am addressing this letter to you, perhaps Leon Brittan would care to comment? I am copying this letter to him as well as to Ministers in charge of other Departments and to Sir Robert Armstrong.

Peter Walker
PETER WALKER

Civil Service
has been
taken



✓
MMP

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

23 March 1981

Barney Hayhoe, Esq., MP
Minister of State,
Civil Service Department.

Barney

In your letter of 6 February to Willie Whitelaw you asked whether colleagues would be willing to find places for fast-stream Principals from a direct entry competition in the autumn.

I think it is important that we should continue to bring outside people into the Civil Service if they have relevant qualifications and experience - and of course the necessary level of ability.

As other colleagues have mentioned, however, this is a particularly difficult time at which to find vacancies. When we are rightly reducing numbers, I think that we must give priority to people who were recruited some years ago and who have proved their ability. As complements and recruitment come into line it will become easier to find vacancies for direct entrant Principals: but I do not see scope for taking people into my Departments from a competition later this year.

At Assistant Secretary and Under Secretary level, there may be occasional opportunities to bring in outsiders but this would depend very much on the requirements of the job concerned. At present however I could not identify any general Under Secretary or Assistant Secretary posts in my Departments where outside experience would be of

/sufficient



sufficient value to overcome a newcomer's unfamiliarity with the Government and Departmental machines. Here too the need to reduce numbers makes it particularly hard to offer vacancies for the time being.

I am copying this letter to the recipients of yours.

A handwritten signature in black ink, appearing to be "Geoffrey Howe", with a horizontal line underneath.

GEOFFREY HOWE



From the Private Secretary

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

M Pattison Esq
Private Secretary to the Prime Minister
10 Downing Street
LONDON SW1

20 March 1981

Dear Mike,

ACCELERATED PROMOTION

Thank you for your letter of 16 March.

The weight given to experience in determining promotion fields varies in different work areas and levels of the Service.

In certain levels of the Administration Group, there are standard Service-wide seniority criteria. (They were reaffirmed with the unions last year). The standard is 3 years before a CO can be considered for promotion to EO and an HEO to SEO; and 4 years before an EO can be considered for promotion to HEO. At other levels of the group, there is no standard limit. Departments can - and some do - introduce different Departmental standards after consulting CSD; or they may, of their own accord, introduce more restrictive fields for particular promotion exercises. From the CSD point of view there would be some advantage in reducing the seniority constraints, particularly in specialised areas like ADP and accountancy.

In the professional and specialist groups also, there are sometimes seniority criteria. These vary considerably, according to the amount of specialist experience thought necessary before advancement becomes a possibility.

Yours sincerely,

J. Buckley.

J BUCKLEY



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

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

19 March 1981

ms
Prime Minister

Lord Soames is increasingly concerned about the prospects of achieving the 1984 manpower target.

Dear Geoffrey,

CIVIL SERVICE MANPOWER

Last autumn we agreed departmental targets adding up to a total of 615,000 for 1 April 1984, and set aside a contingency margin of 15,000. *MAF 2073*

Since then our prospects of achieving these figures have deteriorated sharply. The upward revision of the unemployment assumptions from 2 million to 2.9 million for the year 1983-84 means over 12,000 additional staff in that year. We have lost what will probably turn out to be a high proportion of the savings we planned from ESSP (perhaps 2,500). We have confirmed our decision to go ahead with taxing unemployment benefit from 1 April 1982 (some 3,500). Other claims on the contingency margin are multiplying - an experience you must be all too familiar with. And I have noticed what seems to be a general tendency to draw back from the full rigour of the savings which have previously been planned or which scrutinies etc have shown to be possible. If we go on as we are heading at present, we shall miss the 630,000 target by a wide margin.

I am particularly worried about the prospects for 1982-83. The target figure for 1 April 1982 is now 689,000; if unemployment rises faster than the present assumptions, the actual figure may be higher. The gap between that and 630,000 is nearly 60,000; it has to be covered in two years. We must arrive at a figure for 1 April 1983 which leaves a manageable last stride for 1983-84. If we cannot do that, the credibility of the target will collapse as soon as the 1983 figure becomes known. Present indications are that it will be much too high.

The figures which departments put forward for 1982-83 in this year's Public Expenditure Survey will therefore be crucial. I must ask you and all other colleagues to scrutinise these very carefully in order to make sure of producing a credible half-way step to your final targets. I have instructed my officials to examine departmental

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bids with the utmost rigour. I will then report back. I look to colleagues to help me avoid having to propose crisis measures when we get to Cabinet.

Copies of this letter to to the Prime Minister, all Cabinet colleagues, Sir Robert Armstrong and Sir Derek Rayner.

Yours ever

Chris Patten

SOAMES

Civil Service

DEPARTMENT OF HEALTH AND SOCIAL SECURITY
 ALEXANDER FLEMING HOUSE
 ELEPHANT AND CASTLE
 LONDON S.E.1

TELEPHONE: 01-407 5522

The Rt Hon Lord Soames CH GCMG GCVO CBE
 Lord President of the Council
 Civil Service Department
 LONDON SW1

*NAF to Cee**MS
18/3*

17 March 1981

Dear Christopher,

LEGISLATION REQUIRED FOR CIVIL SERVICE MANPOWER SAVINGS

Thank you for copying to me your letter of 2 March to Keith Joseph.

We are currently considering the range of measures needed if we are to achieve the manpower target we have been set for 1 April 1984. The nature of our work on Social Security is such that in order to make manpower reductions we are bound to consider a wide range of measures, most of which require legislation. There is no other way in which we can significantly reduce our functions because they derive from legislation. You are predominantly concerned with the 1981-82 legislative programme and I think our position can be summarised as follows.

i. You are right in thinking that we need to find a place for the Employers' Statutory Sick Pay scheme in the next session and we intend to use that Bill as the vehicle for a number of other measures requiring legislation. I have in mind here measures in relation to simplifying the system of national insurance contributions, changes in registration in the train of the joint DE/DHSS Rayner Scrutiny on arrangements for unemployed people, and possible changes in the basis of death grant. I should stress that at the moment other possible contenders for inclusion in the ESSP Bill are still under consideration, both as to merits and timing, and we would hope to use that Bill for as many measures as possible. This is important because, as you will readily recognise, later measures requiring legislation will take time before they are reflected in the number of staff in post.

ii. You also referred in the annex to your letter to the short-term supplementary benefits scheme. On this the position is less clear because it is still uncertain whether we shall need main legislation for it. The introduction of a short-term scheme is, however, dependent upon legislation to be initiated by Michael Heseltine on what used to be referred to as 'unified housing benefit'. You will have seen the proposals on this in the DOE's consultative document on "Assistance with Housing Costs". I very much hope that this legislation will also form part of the 1981-82 programme.

iii. There are a large number of other possible measures under consideration. The outcome of the review of Industrial Injuries Benefits is a case in point. But at this stage our judgement is that none of these is likely to reach the point of being ripe for legislation in the 1981-82 programme. If they do develop to that point, there may be scope for including them in the ESSP Bill.

iv. For completeness I would add that I hope to use the Health and Social Services Bill, which had to be dropped from this session's programme, as the vehicle for some changes which will product administrative savings, eg, by enabling the Central Council for Training and Education in Social Work to undertake the administration of grants which at present is done by staff in my department. As a further contribution to manpower savings at HQ, I expect shortly to be discussing with colleagues a proposal to establish an independent NHS Whitley Council management side secretariat. If it were agreed, a relatively minor amendment to the present law would be needed and I would hope that this could also be covered in the Health and Social Services Bill, for which I am anxious that a place should be found in 1981-82.

I am writing separately about the possible scope for legislation on "privatisation", to which you also referred in your letter.

I am copying this to the Prime Minister, Geoffrey Howe, Francis Pym, Jim Prior, Michael Heseltine and Sir Robert Armstrong.

Yours ever
Peter



Secretary of State for Industry

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

16 March 1981

Barney Hayhoe Esq MP
Civil Service Department
Whitehall
London SW1A 2AZ

✓
MP

Barney

DIRECT RECRUITMENT TO SENIOR ADMINISTRATIVE POSTS

You wrote to Willie Whitelaw on 6^{pk 7.} February, asking whether there would be support for a small competition for the recruitment of direct-entry Principals (DEPs) in 1981 and about direct recruitment at more senior levels.

2 I strongly support direct recruitment to the Civil Service and the Industry and Trade group have benefitted from such recruitment in past years, both from the quality of Principals recruited in this way and from the wider experience which they bring with them. On the other hand, there are undoubted difficulties in maintaining promotion prospects over the next few years, as the Department contracts, and direct recruitment would be, as your letter suggests, one more blow to morale. Poor promotion prospects can also damage the Department by leading to greater wastage, particularly of the better people.

3 My conclusion is that we should hold a DEP competition this year. I would be prepared to accept two or three DEPs into the Industry and Trade group but on condition that the Civil Service Department will approve a structural scheme, which officials here will shortly be putting forward, for the early retirement of a number of Principals aged 50 and over, who constitute too large a proportion of the total stock.

4 As to more senior levels, I expect to continue recruitment at Under Secretary level to the Industrial Development Unit to replace staff whose contracts come to an end.

5 I am copying this letter to the recipients of yours.

Ernie Keir



ms

10 DOWNING STREET

P.M.

* I believe this is a real problem.

The most able young managers can
move much faster in Industry than,
say, in the Office of the D.H.S.S.

The Union can control promotion in the
Executive Jobs. The more computerized
we are, the more likely that the
younger people will justify faster
promotion.

If held back, they may go outside,
reducing our long-term efficiency.

Dr

David - can we
add this to the things
we must discuss. ms.

LPO



10 DOWNING STREET

From the Private Secretary

16 March 1981

The Prime Minister has seen a copy of the Lord President's letter of 11 March to the Home Secretary about accelerated promotion.

She would like to know more of the basis on which there is a length of service qualification for inclusion in promotion fields at various grades.

MDH

Jim Buckley, Esq.,
Lord President's Office.

MDH

RESTRICTED



Civil Service
MAP

2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/12101/81

Your ref:
13 March 1981

See Christie

LEGISLATION REQUIRED FOR CIVIL SERVICE MANPOWER SAVINGS

I am responding to the request for information contained in your letter of 2 March to Keith Joseph.

First, in relation to legislative requirements, I have made some corrections and additions to the DOE schedule and attach a revision. (In particular, I have added an item on the possible transfer to an independent body of work at present done by the Department on ancient monuments and historic buildings. This is separate to proposals I am also pursuing to extend contracting-out in this field and I will be coming to colleagues shortly with proposals). The precise nature of the proposals and the necessary extent of legislation are not yet clear in every case, but you will see that, with the exception of proposals for the Countryside Commission which are in my current Wildlife and Countryside Bill, I have bid for the necessary provisions in the next session.

You will note that the savings shown for each item are indicative only - in particular they may be reduced by savings achieved before the date of transfer.

Also included in my bid for next Session's legislation are several other items that fall outside the scope of this exercise but will, if enacted, achieve some other modest but useful manpower savings - such as the relaxation of statutory controls and the abolition of grants.

Your letter also touches more generally on "privatisation" or "hiving off". On the whole, colleagues have not been attracted to my suggestion for general legislation in this field. Your own suggestion for a composite Bill of small, uncontroversial proposals might be a useful alternative approach. But as you will see from the schedule, I doubt whether my proposals would be suitable and I hope to cover them in DOE legislation this or next session.

I am copying this letter to the recipients of yours.

Yours
Michael Heseltine

MICHAEL HESELTINE

Rt Hon Lord Soames

Revised
9 March 1981

ENVIRONMENT

<u>Item</u>	<u>Staff Numbers</u> /	<u>Legislative Session and possible vehicle</u>
1. Transfer of District Audit Service to Accounts Commission	600	1981/82 Public Bodies (Management) Bill
* 2. Building Research Establishment - partial privatisation	1000	1981/82 Public Bodies (Management) Bill
3. Countryside Commission to become grant-aided body	100	1980-81 Wildlife and Countryside Bill
* 4. Ordnance Survey - to become statutory company (other possibilities also being studied)	3000	1981-82 Public Bodies (Management) Bill
* 5. Hydraulics Research Station to become research association	260	1981-82 Public Bodies (Management) Bill
6. Unified Housing Benefit	2000 (savings in DHSS)	1981-82 Housing Bill
* 7. Directorate of Ancient Monuments and Historic Buildings - partial transfer of work to an independent body	1000	1981-82 Public Bodies (Management) Bill

* Need for ^{and} scope of legislative proposals not yet certain.

/ All figures are approximate and may be reduced by savings before the date of transfer.

Civ Service

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



From the Minister

Barney Hayhoe Esq MP
Minister of State
Civil Service Department
Whitehall
LONDON
SW1

✓
MA

13 March 1981

Barney

167

Thank you for sending me a copy of your letter of 6 February to Willie Whitelaw.

I am very much in favour of the principle of direct recruitment of people at Principal level when circumstances allow it, and my Department has benefited from this kind of recruitment in the past. But this is clearly a very difficult time to introduce it. The cuts we are making in numbers mean that there will be fewer posts to fill; but we have just as many good young SEOs and HEOs(A) as before, and I do not think it would be fair to them, or good for morale, to take in people at Principal level during the next year or two, when frankly my Department will not need them. I would not therefore want to argue for a resumption of the DEP scheme this year.

At the Under Secretary and Assistant Secretary level, I can see much potential benefit from being able to recruit direct from outside when we need special skills or experience that our existing staff do not have. At present there is no such post falling vacant in my Ministry; but I shall be keeping a close watch on this and I shall certainly be ready to recruit direct when there is a case for it.

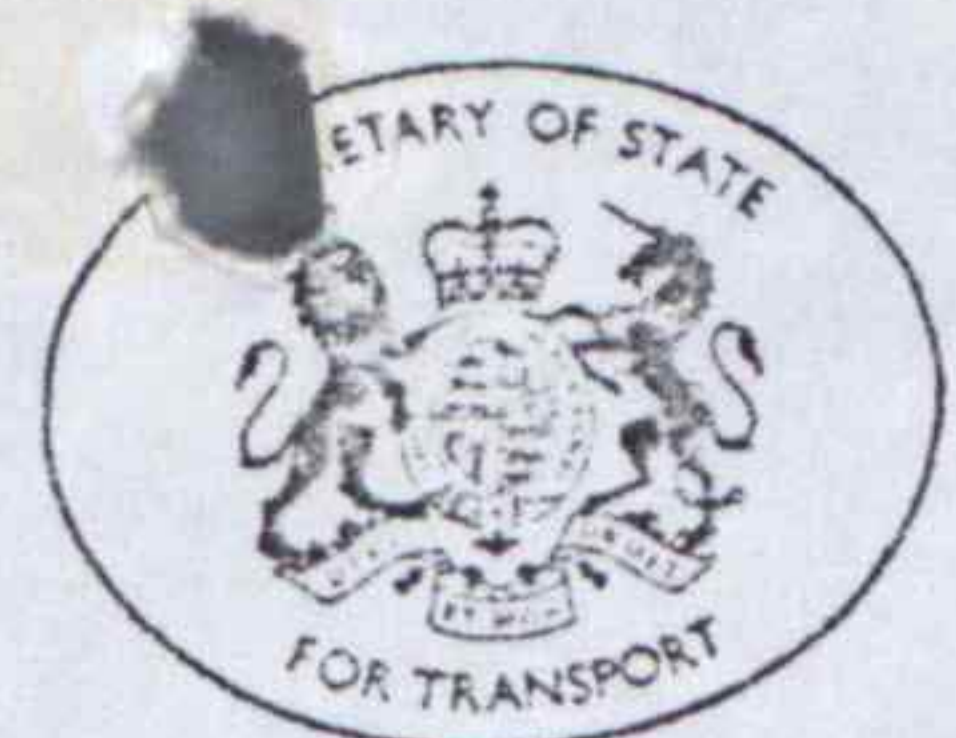
I am sending copies of this letter to the other recipients of yours.

Peter Walker

PETER WALKER

CONFIDENTIAL

Cont Service



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

MAD

The Rt Hon The Lord Soames CH GCMG GCVO CBE
Lord President of the Council and
Leader of the House of Lords
House of Lords
LONDON
SW1

12 MAR 1981

John Chastock

LEGISLATION FOR CIVIL SERVICE MANPOWER SAVINGS

Thank you for sending me a copy of your letter to Sir Keith Joseph about our legislative requirements for the manpower reductions programme in 1981/82.

My plans include one major item which will require legislation next year, and that is the creation of a new holding company to carry out annual heavy goods vehicle and public service vehicle testing. This is recorded in your note: there are some 900 staff savings involved. I intend to include the necessary clauses in the Transport Bill which I am looking to introduce next session. As you know, these clauses were originally prepared for the current Transport Bill and were omitted to reduce the programme on the understanding that a place would be found for them in 1981/82.

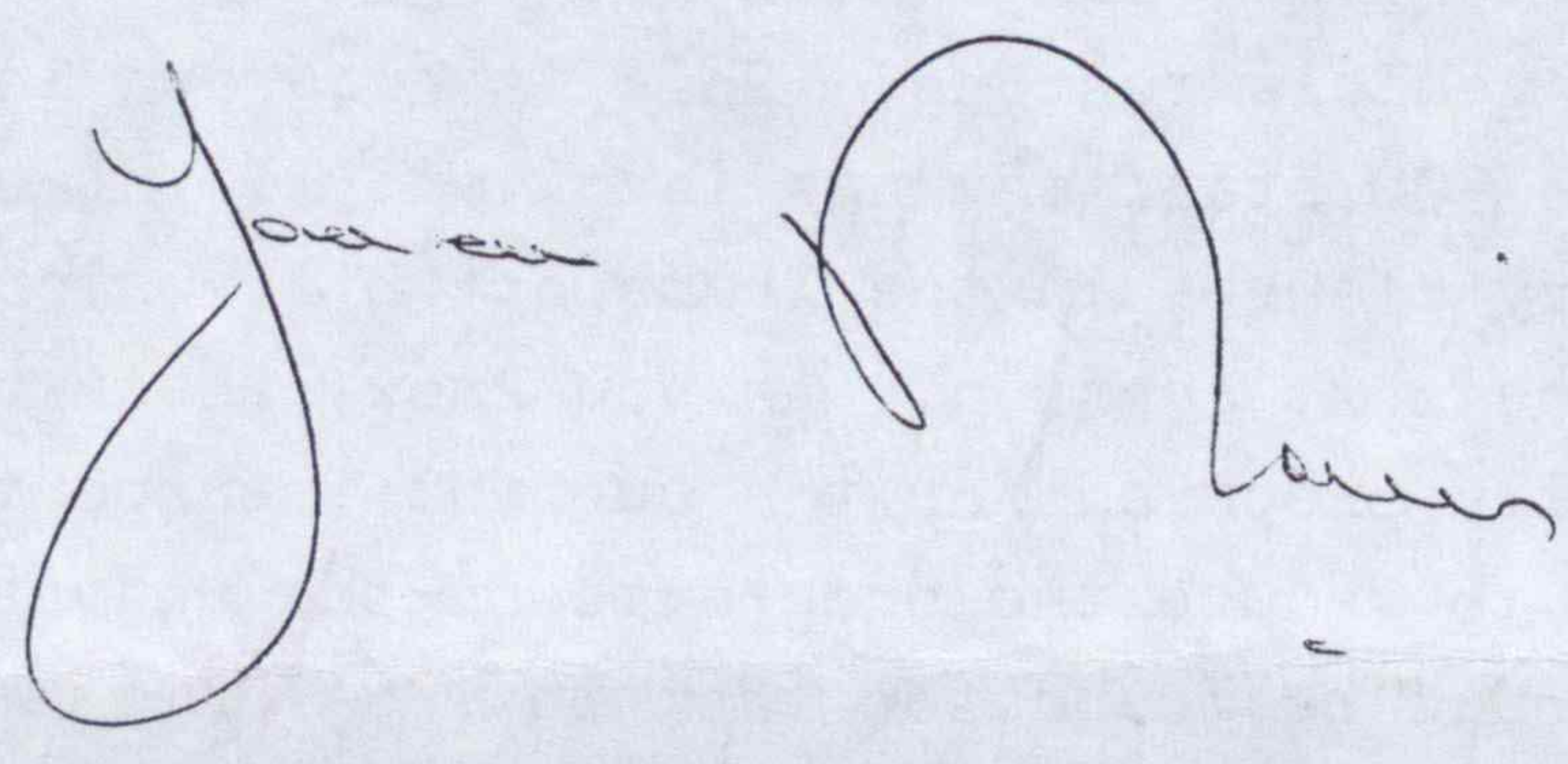
I have also included in my bid provisions to enable me to create a company for the exploitation of the research and development carried out by my Department's Transport and Road

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Research Laboratory (TRRL). The design of powers to enable research and development institutions, such as the TRRL, to develop trading with private capital is, however, an area which I have suggested to Michael Heseltine in response to his letter of 5 February that officials might usefully examine. It may be that general powers of this type would be appropriate to the composite Bill you propose, thus obviating the need for specific proposals in a Transport Bill. There may also be advantage, in so far as it is considered desirable to legislate on the redundancy issue, to do so in a composite Bill.

Copies of this letter go to the recipients of yours.



NORMAN FOWLER



112 MAR 1981

CONFIDENTIAL

cc Mr Verster

MANAGEMENT IN CONFIDENCE



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

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

Prime Minister 11 March 1981

Ld Soames is canvassing opinion on exactly what colleagues want in the way of accelerated promotion possibilities, following rejection of merit pay.

MAP 12/3

Dear Willie,

ACCELERATED PROMOTION - RETIREMENT OF THE LESS EFFICIENT

At Cabinet on 15 January it was decided not to proceed with merit pay. I was invited instead to examine the possibilities of rewarding merit by accelerated promotion and, at the same time, of providing for early retirement of officials who were not considered to be up to their jobs. The general run of opinion seemed to be that existing procedures were too restrictive. I have been looking at this and it seems to me that what we have to do is resolve the following questions:

1. Promotions

i. From the statistics which I have been shown it seems clear that the high flyer can already pass through the grades very rapidly indeed. For example, in recent years Departments have promoted to Principal level at 27 or less in over a third of the promotions from HEO(A): this shows, I think, that where Departments judge it right they are not inhibited and I take it that colleagues would not want anything more. At the higher levels of the Administration Group, getting on for 40% of all promotions from Principal to Assistant Secretary have been taking place up to and including age 35. Surely this is as quick as a high flyer in industry would expect to get to a level which pays between £16,500 and £19,500.

Yes ||

ii. But perhaps colleagues consider there is too big a gulf between the high flyers and the high-class main stream civil servant. When colleagues said in Cabinet that we wanted to reward merit by accelerated promotion did they have in mind that there were some barriers to promoting able people at the intermediate levels? For example staff must serve for a minimum length of time in some grades before being considered for promotion to the next. Does this prevent the right people being promoted at the right time? If this is the case I would like to know how colleagues feel our practices should be modified.

* why?
Yes

2. Early Retirement

i. Here the statistics show without doubt that the proportion of people eased out from the Civil Service during mid-career has been extremely low - though it does vary between Departments. Generally speaking the smaller Departments have done more of this than the larger Departments.

ii. No doubt the new arrangements which we have approved for introduction on 1 April this year should make it simpler to get rid of the less able who are willing to go, but

iii. There remains the problem of the unwilling who management want to be rid of. At face value the present arrangements should allow a determined management to deal with unwilling cases, despite the employment protection legislation, within six to twelve months. I should be glad to know if colleagues feel that they are still inhibited in their own Departments in getting rid of the inefficient as quickly as they would like. In particular, I would like to know what it is that stops colleagues shedding the staff they do not want.

I hope to hear of colleagues' anxieties in the near future in both these fields. When I have studied them I will come back with suggestions to Cabinet as to how we might improve the arrangements for both promotion and early retirement, if that seems necessary.

I am sending a copy of this letter to the Prime Minister, Cabinet colleagues and to Sir Robert Armstrong.

Yours ever
Christopher

SOAMES



see CSD
KMP

K6

10 DOWNING STREET

THE PRIME MINISTER

11 March 1981

Dear Lynda

I was delighted to learn from your letter of 4 March about the successful introduction of Datalink in DHSS offices.

When the Datalink project was discussed over lunch here last year, there was a prospect of very real problems over its introduction. The speed with which you were eventually able to proceed, and the success of the new service which you describe in your letter, are an excellent example for the future. Please pass on my personal congratulations to all those who have had a hand in this achievement.

Yours ever

(sgd) M T

Mrs. Lynda Chalker, M.P.

28/3

010 File with M.A.P. (Civil Service Pt 7 Long Term Managment)

Hidden copies:

- PS/SofS (B)
- PS/Mr Alison (L&B)
- PS/PUS (L&B)
- PS/Mr Bell
- Mr Shimeld
- Mr Mayne

NORTHERN IRELAND OFFICE
 GREAT GEORGE STREET,
 LONDON SW1P 3AJ

✓ M.A.P.

The Rt Hon Lord Soames
 CH, GCMG, GCVO, CBE

Lord President of the Council

11th March 1981

Dear Christopher,

LEGISLATION REQUIRED FOR CIVIL SERVICE MANPOWER SAVINGS

I am writing in reply to your letter of 2 March to Willie Whitelaw which you copied to other Cabinet colleagues.

The manpower savings which I am making in those groups of public servants for which I am responsible will not require primary legislation in the 1981-82 Session.

It is possible, however, that some DHSS measures (eg employers' statutory sick pay) leading to manpower savings which require GB primary legislation will require corresponding Northern Ireland legislation. This would be by Order in Council (subject to negative resolution) and will not add in any significant way to the Parliamentary time required for the GB legislation.

As you know from my recent letter, some of my proposals for restructuring the Northern Ireland Departments as part of my measures for Better Government for Northern Ireland may require Orders in Council under the Northern Ireland Act 1974 (which would be subject to affirmative resolution). I cannot yet give precise details, but again, the demands on Parliamentary time should be minimal.

I do not have any proposals for "privatisation" or "hiving off" in Northern Ireland which might require legislation; in any case I want to avoid legislative measures which can be seized upon by our critics as evidence of "creeping integration".

I am copying this letter to the recipients of yours.

Yours ever

H. Humphrey

2 pps
Civ Serv



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

11 March 1981

The Rt. Hon. Lord Soames GCMG, GCVO, CH, CBE
Lord President of the Council

SUCCESSION PLANNING IN THE CIVIL SERVICE

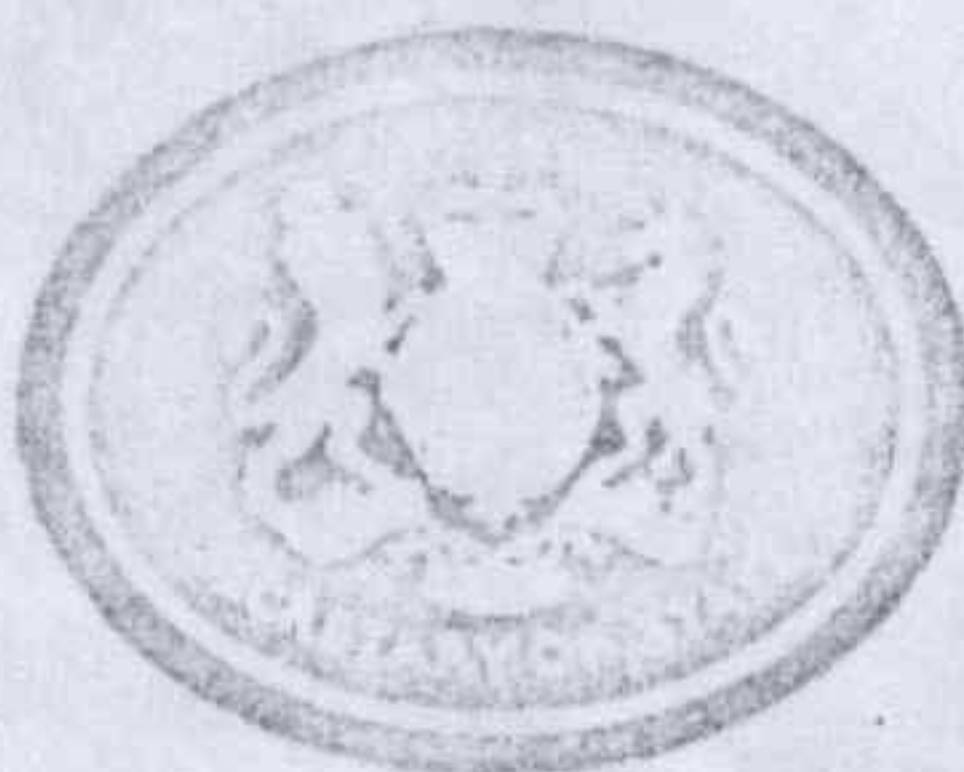
I go along with the plans for succession planning at senior levels in the Civil Service which you commend in your letter of 24 February to Willie Whiteley. No doubt some of this is being done already, but it is right that it should be made more systematic, and I welcome the emphasis on training and experience in the efficient use of financial and manpower resources. I imagine you will want to review the arrangements in a few years time, to see whether any modifications are needed.

I strongly agree, as you know, with the importance of ensuring that moves are not so frequent that people are too often in jobs they have not yet mastered. At this stage there is little risk of falling into the opposite error of dividing functions too rigidly. The case for a wide range of experience for the senior posts in the Civil Service is well recognised; there is, for example, a relationship, sometimes quite close, between Departmental finance and manpower work and the other tasks on which administrative staff are engaged.

I am copying this letter to the recipients of yours.

GEORGE HOWE

MANAGEMENT IN CONFIDENCE



Handwritten initials/signature

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALLING 01-218 2111/3

MO 1/5

10th March 1981

Dear Barney

DIRECT RECRUITMENT TO SENIOR ADMINISTRATIVE POSTS

Thank you for sending me a copy of your letter to Willie Whitelaw of 6th February, about direct-entry staff.

As you will know from your own time here, there are no in-built prejudices on this in the Ministry of Defence; two of our highest level posts, those of the Chief Scientific Adviser and the Head of Defence Sales, are traditionally recruited direct, and we are in the market for the Sales post again this year. We also have used the Direct Entry Principal ~~sch~~eme in the post (I am advised with some, but not outstanding, success).

The next eighteen months will see a major drop, by as much as two-thirds, in promotion opportunities to Principal here. Importations will, therefore, be difficult to justify. But we are, with all the line management areas outside Whitehall, a big Department and there are still some skills eg: sales and accountancy for which we are in short supply from internal sources. If there was a response from other Departments which justified a centrally

Barney Hayhoe Esq MP



run recruitment effort, I would, therefore, be prepared to take one, or at most two recruits, into MOD preferably with sales and accountancy experience. I assume that if you went in for a Civil Service Commission scheme you would clear this centrally with the Council of Civil Service Unions.

I am sending copies of this letter to the Prime Minister; and Sir Robert Armstrong.

*Yours ever
John*

John Nott

PRIME MINISTER

(through (f/w))

I think x/ what is a good name. Agree?

*AMH
9 in*

Derek Rayner would like to have the opportunity of a talk with you over the next few weeks. There are still problems in the Marks and Spencer factions, and he is thinking he may have to set a definite date for withdrawal from Government, although he hopes that this can be in 1982. In thinking about this, he is also thinking about the future of the kind of initiatives you have launched, both with his help and elsewhere in Government. He has been talking privately to Lord Soames and Mr. Hayhoe recently, and finds that they privately share his serious concern about the very top layer of CSD management. He would like to talk through these issues with you. He believes that the succession issues in the CSD might usefully be looked at alongside the question of how to keep up the impetus of his work in the medium term.

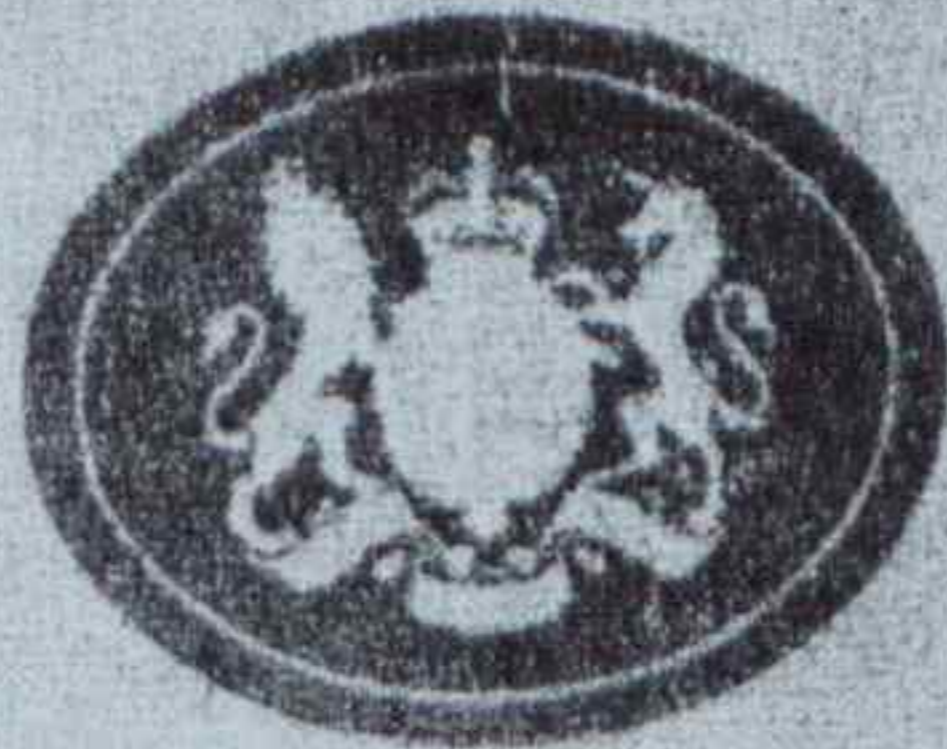
x | This kind of discussion never fits conveniently into the working week. Would you think it worthwhile inviting him to come to Chequers for a talk? It might, for instance, be possible for you to have him and Clive for lunch on Saturday 11 April, or after your return from India/The Gulf. (Derek will be away in Canada at the end of this month.)

Excellent

MA

mb

9 March 1981



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

David Howell
Pl 4

The Rt Hon Lord Soames PC GCMG GCVO CBE
 Lord President of the Council
 Civil Service Department
 Whitehall
 London SW1A 2AZ

9 March 1981

Dea Armstrong

it would help to have a heading! na

Thank you for sending me a copy of your letter of 2 March to Keith Joseph on this subject. The enclosed note recording the one proposal that I have put forward should read:-

<u>Item</u>	<u>Staff Numbers</u>	<u>Legislative Session and possible vehicle</u>
Gas standards and electricity meter examination - transfer of functions to new body	110	1981-82 (Energy (Miscellaneous Provisions) Bill)

I am sending a copy of this letter to the Prime Minister, Geoffrey Howe, Francis Pym and Sir Robert Armstrong.

David

D A R HOWELL

PART 7 ends:-

6.3.87

PART 8 begins:-

9.3.87

