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PREM 19/967

Part 12

2/47

Confidential Filing

Management and Manpower
Slimming down of local
city staff.

CIVIL SERVICE

finance related pay.

Part 1: March 1979

Financial Management.

Part 12: December 1982

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
2-12-82		10-5-83					
11-1-83		13-5-83					
7-1-83		18-5-83					
21-1-83		26-5-83					
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PREM 19/1967

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PART PT 12 ends:-

RTA to Chanc. Inchy 9

Lancaster A083/1495

24. 5. 83

PART 13 begins:-

RTA to RB A083/1536

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
C(82)40	8.12.82
CC(82) 53 rd Meeting, Minute 8	16.12.82
H(83)11	7.2.83
H(83) 5th Meeting, Minutes	14.2.83

The documents listed above, which were enclosed on this file, have 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

Signed Wayland

Date 5 March 2013

PREM Records Team

Civil Service 2



70 Whitehall, London SW1A 2AS Telephone 01-233 8319

Secretary of the Cabinet and Permanent Secretary to the Management and Personnel Office

Sir Robert Armstrong GCB CVO

Ref. A083/1495

CHANCELLOR OF THE DUCHY OF LANCASTER

I have been asked to advise you on the letter which you have received, as Chairman of the Conservative Party, from the General Secretary of the Association of First Division Civil Servants, asking for the Party's answer to two questions. I attach a copy of Mr Ward's letter for ease of reference.

2. I attach the draft of the reply to Mr Ward, which I think represents Government policy in relation to the two questions which Mr Ward asks.

3. I am sending copies of this letter and of the attachments to the Prime Minister, the Chancellor of the Exchequer and the Lord Privy Seal.

ROBERT ARMSTRONG

24 May 1983



Association of First Division Civil Servants

17 Northumberland Avenue London WC2N 5AP · Telephone 01-839 7406/7

From the General Secretary
JOHN WARD

Your ref
Our ref

The Rt Hon Cecil Parkinson MP
Conservative Central Office
32 Smith Square
London SW1

16 May 1983

Dear Mr Parkinson

All four main political parties have been invited by the Council of Civil Unions to answer questions on major issues affecting the Civil Service.

One issue not covered by the CCSU questions but which is of great interest to members of my Association is the concept of a politically neutral Civil Service. I would be most grateful therefore if you could give me your party's answer to the following questions:

1. Do you support the concept of a politically neutral Civil Service as it has been traditionally understood?
2. Would you propose to make any changes in the way in which senior civil servants are appointed and promoted?

I will see that your party's response is circulated to FDA members.

Yours sincerely

JOHN WARD

DRAFT LETTER FROM THE CHANCELLOR OF THE DUCHY OF LANCASTER TO JOHN WARD ESQ, ASSOCIATION OF FIRST DIVISION CIVIL SERVANTS, 17 NORTHUMBERLAND AVENUE, LONDON WC2N 5AP

Thank you for your letter of 16 May, on which you ask for my party's answers to two questions.

In answer to the first question, the Civil Service in this country has traditionally been politically neutral, and has served the duly elected Government of the day without fear or favour and with the same professional skill and loyalty, whatever party has been in power. The Conservative Party believes this to be a healthy tradition, and right for the constitution and circumstances of the United Kingdom. We shall continue to support the principle of a politically neutral Civil Service. If a Minister or the Government feels the need of advice which is specifically oriented to the politics of the party in power, there are other and better ways of securing that than by seeking to replace particular civil servants or grades of civil servants with non-career civil servants chosen on the basis of their political opinions.

As to the second question, the appointment of civil servants at Permanent and Deputy Secretary levels is made with the approval of

the Prime Minister on the recommendation of the Official Head of the Home Civil Service after consultation with the Minister in charge of the Department concerned. We do not propose to make any change in these arrangements.

2 JULY 1965

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CAMP BELL





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

18 May 1983

Michael Scholar Esq.
Private Secretary
10 Downing Street
LONDON
SW1

Dear Michael,

OBLIGATIONS OF CIVIL SERVICE MANAGERS

With his letter of 11 May, Laurence Oates enclosed a note dealing with the specific legal question raised in your letter to me of 3 May. We are preparing, in consultation with MPO and employing departments, a further note on the practical steps involved in moving to the specific endorsement of personal files in cases of industrial action and shall submit it to you when it is ready.

I am copying this letter to Richard Mottram (Ministry of Defence), David Clarke (DHSS), Barnaby Shaw (Department of Employment), Mary Brown (Lord Privy Seal's Office), Laurence Oates and Henry Steel (Law Officers' Department), Richard Hatfield (Cabinet Office).

Yours sincerely,

Margaret O'Mara

MISS M O'MARA
Private Secretary

Civil Service
Long Term
H/2



LT MAX 1988

CONFIDENTIAL



CC No
2
Prime Minister

MUS 13/5

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

PRIME MINISTER

CIVIL SERVICE NUMBERS

You may like to know the latest position on Civil Service
staff numbers.

2. Departmental staff-in-post figures at 1 April 1983 show a total of 648,700. The reduction of 3,800 achieved in the last quarter is made up of 2,000 non-industrials and 1,800 industrials. Gross savings totalled 4,600, the largest contributors being Defence (1280), Environment (1150), my own Departments (970) and DHSS (590). There were off-setting increases of just over 800. Just over 350 of these were in the Department of Employment, reflecting recruitment in the Unemployment Benefit Service, and 170 in the FCO, the majority of which were transferred from PSA to deal with the Diplomatic Estate. We remain on course to achieve the target of 630,000 by April 1984.

3. The figures show that there has been a reduction of 83,600 (or 11.4 per cent) in the number of civil servants since we came to office and that we now have the smallest Civil Service for twenty years.

4. The April figure will be announced by means of a Written Answer today.

(G.H.)
12 May 1983



FILE

DA
V2 - sub mit
revised draft by
end of June

10 DOWNING STREET

From the Private Secretary

11 May 1983

Dear Tom,

The Prime Minister has now seen the Chief Secretary's minute of 9 May reporting on progress with the Financial Management Initiative. She was pleased to hear of the progress which has been made and in principle favours the Chief Secretary's proposal for a minute to Ministerial colleagues along the lines of the draft attached to his minute. She considers however that such a minute would have greater impact at the beginning of the new Parliament. She would be grateful therefore if the Chief Secretary could return to this question after the Election.

I am sending a copy of this letter to Mary Brown (Lord Privy Seal's Office), Richard Hatfield (Cabinet Office) and Clive Priestley (Rayner Unit).

Yours ever,

The Secretary

Timothy Flesher

John Gieve, Esq.,
Chief Secretary's Office.

CU

SECRET

→ v.c. NO.

8

405 7641 Ext.

Communications on this subject should be addressed to

THE LEGAL SECRETARY
ATTORNEY GENERAL'S CHAMBERS

ATTORNEY GENERAL'S CHAMBERS,
LAW OFFICERS' DEPARTMENT,
ROYAL COURTS OF JUSTICE,
LONDON, W.C.2.

11 May 1983

2

Michael Scholar Esq
Prime Minister's Office
10 Downing Street
London SW1

MS

Prime Minister

This is the Law Officers' response to your question.

MS 12/5

Dear Michael,

OBLIGATIONS OF CIVIL SERVICE MANAGERS AND NOTING OF FILES

You copied here your letter of 3 May reporting the Prime Minister's comments on whether there should be an obligation on civil service managers to record lack of reliability during periods of industrial dispute.

I attach a Note, endorsed by the Attorney General and Lord Advocate, dealing with the specific legal question the P.M. raised.

Copies go to the recipients of your letter and to Christine Duncan.

Yours sincerely
Laurence Oates

LAURENCE OATES

SECRET



For the purposes of this Note, we assume a situation in which Departments have issued an instruction to managers in the civil service that as part of their duties of reporting on staff for whom they are responsible they will record lack of reliability in periods of industrial dispute. There are two aspects arising on a manager's failure to do so; first, the legal liability of the manager to the Department and, secondly, the legal liability of the Department (or manager in question) to members of the public affected by subsequent industrial action within the civil service.

2. Any manager who deliberately fails to act in accordance with the instruction will be in breach of his duty and his contract of employment. The remedy for a Department in those circumstances would be the use of the disciplinary procedures and sanctions under Estacode against the manager in question. There are sound reasons in law (and in practice) why the alternative course which may be theoretically available at common law of the Department's suing in the Courts for damages for breach of contract is unlikely to be a practical option - it will be difficult to establish a good cause of action (even where loss is caused to the Department by the actions of an individual taking part in industrial action, the failure to have reported on previous unreliability is unlikely to be regarded as a sufficiently proximate cause of the loss).

3. A failure to report unreliability would not give rise to any separate ground of action against the Department (or any individual civil servant) by a member of the public. Any legal claim against a Department arising out of loss suffered by a member of the public as a result of industrial action within the civil service would have to be based on a breach of statutory duty (where such a duty exists) and not on the basis of the failure to report unreliability.

CIVIL SERVICE : LT Management
PT12

12 MAY 1983

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COMPTROLLER

12



Management and Personnel Office

Whitehall London SW1A 2AZ

Telephone 01-273 } 4400
GTN 273 }

The Rt Hon Norman Tebbit MP
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
LONDON SW1H 9XF

10 May 1983

Dear Norman,

will request, if required. 11/5

Thank you for your letter of 19 April about my proposals for the future of the Civil Service Appeal Board.

I thought you would like to know that my officials have been looking at the Board's procedures, and the specific point you raise about disciplinary dismissal does form one of a number of amendments to the Civil Service Pay and Conditions of Service Code which have been held in abeyance pending a final decision on the future of the Board. Action is now in hand to get the changes agreed and promulgated.

I should, of course, be glad to consider any other suggested changes in existing procedures which colleagues may wish to make. I am copying this letter to other members of the Cabinet.

Yours ever

Baroness

BARONESS YOUNG

CIVIL SERVICE: L-T Management

Pt 12.

MAY 1983



1. The Ministry of Agriculture, Fisheries and Food (MAFF) is responsible for programme expenditure and receipts totalling £500 million. About 70 per cent is for agricultural support, land drainage and flood protection, and the balance for other agricultural and food services including advice, research and development, and support for the fishing industry. MAFF also has the leading programme responsibility in relation to the common agricultural policy of the European Community which gives rise to expenditure and receipts by the Intervention Board for Agricultural Produce (IBAP) totalling £1,500 million annually.
2. MAFF employs some 12,000 staff. Its administrative expenditure is £200 million. In addition to the headquarters staff, there are five regional and nineteen divisional offices and five main laboratories.

Summary to date

3. In 1981 consultants reviewed the department's financial management systems. Their main recommendations were accepted in November 1981 by the Minister and the Management Board. A team was established to develop a plan for implementing the consultants' recommendations. The strategy proposed by the team was approved in June 1982. It is now being pursued in the wider context of the Prime Minister's initiative.

General approach

4. The approach has three main components:-
 - a. systems to provide the financial and other information required at both planning and control levels;
 - b. improved planning of the deployment of resources; and
 - c. control of administrative expenditure through a network of budget centres aligned with the management structure.

Information systems

5. Improvements are being made on three fronts:-
 - a. Financial - MAFF's present computerised accounting system does not permit enough flexibility or detail of analysis. A computerised Management Accounting Information System (MAIS) is therefore a first

priority. This will be designed to provide the necessary management accounts for planning and control purposes and to prepare the Appropriation Accounts. The aim is to start initial testing of the new system during 1984-85.

- b. Management - a wide range of non-financial information is already available on the use of manpower and other physical inputs, levels of activity and outputs. It needs to be fuller and more efficiently processed. The aim is to develop co-ordinated systems, computerised as appropriate, in stages over the next few years.
- c. Ministers - a system of Ministerial Information in MAFF (MINIM) is being developed. This will provide annually for each Under Secretary command an analysis of main programmes, including objectives, targets and achievements, and use of resources, both manpower and financial. The system will be integrated with the public expenditure survey and manpower reviews. A preliminary round was completed in 1983.

Planning and the management of programme expenditure

6. In 1982 a systematic appraisal was started of the department's main expenditure programmes. This has involved defining each programme, its objectives, targets or criteria of achievement, measures of performances in use and resources committed. The provisional structure this year provided the basis for the 1983 MINIM round. It will be further developed and refined for use in forming policy and planning the deployment of resources, notably in the public expenditure survey.

7. A major requirement for the MAIS is to provide a continuing analysis of the administrative resources deployed on each main programme. This will require some development of existing time recording systems. Pilot work has already begun.

8. Work will also continue on improving the assessment of the output of programmes. The quantitative measurement of final output is both difficult and costly but in many cases intermediate indicators are in use or may be devised. Wherever possible these will be developed further.

9. The arrangements for overseeing fringe bodies have been reviewed. An additional accountant is to be recruited to strengthen the financial input into reviews of individual bodies.

Control of administrative expenditure

10. Under the present system this expenditure is controlled through central divisions. It is planned to move to devolved control through a network of budget centres aligned with the management structure. A preliminary network, prepared in close consultation with line management, has been determined. The identification of those items of expenditure which can most effectively be controlled by budget centres and therefore attributed to their budgets is now in hand. Pilot work is being carried out at the Divisional Office in Norwich.

11. To maintain effective overall control the development of a budget centre system under which managers take full responsibility for budgeting and controlling their costs will be staged. It is planned to complete the process in 1986-87.

12. Budget centre managers and their superiors need to be able to assess the efficiency, economy and activity of their units. Two small groups have been established to develop the performance measures likely to be most useful in specific areas. Their reports, due in 1983, will be used to determine the direction of further work.

Internal audit

13. An audit committee chaired by the Permanent Secretary has been established. Following a thorough study by consultants, the Audit Division has been restructured, its terms of reference reviewed and its non-audit functions removed. Since April 1982 the number of professional accountants in post in it has increased from six to ten with three more to be recruited; the proportion of staff above Executive Officer level engaged on audit in MAFF and its associated bodies has risen to two-thirds. An experienced leader has been engaged for its specialist computer audit team.

Staffing and training

14. The team now engaged on the financial management programme comprises the equivalent of nine full-time staff (including two accountants). It is planned to increase the team to sixteen. Many other staff are involved with the FMI as a result of the extensive consultation and work programme required. Their number will increase.

15. The skills and calibre of finance staff are being improved and financial awareness increased throughout the department. Succession planning down to Assistant Secretary level has been introduced; able Principals and Assistant Secretaries are being posted to the finance divisions; specialist skills are being strengthened by recruiting qualified candidates and training existing staff. A systematic training programme is currently

being prepared to cover the specific needs of the finance group and budget centre managers, and to give staff generally a broad understanding of the objectives of the financial management programme.

Costs

16. In 1981-82 costs amounted to around £250,000. In 1982-83 they exceeded £350,000. Costs are likely to continue at or above this level until at least 1985-86, with accounting software costing perhaps £50,000 in 1983-84 and training being heaviest in 1984-85.

INTERVENTION BOARD FOR AGRICULTURAL PRODUCE

The Intervention Board for Agricultural Produce (IBAP) is responsible to the four agricultural ministers for the operation of market organisation measures under the common agricultural policy (CAP) in the United Kingdom. Policy for the resulting programme expenditure is determined by the agricultural departments. The measures comprise:

- (a) over 50 internal market measures, including intervention buying and selling of cereals, beef and dairy products, subsidies to producers, processors and consumers and co-responsibility levies;
- (b) the licensing of agricultural trade and the payment and collection of refunds and levies on exports of foodstuffs covering some 720,000 transactions a year;
- (c) accounting arrangements (for expenditure and receipts currently aggregating £1.5 billion) to satisfy both Parliamentary and Community requirements.

There are 600 staff in two operating divisions and a finance and accounts division supported by an establishment branch. The department relies for operational support on unpaid services provided by other departments (including Customs and Excise on external trade transactions) and on paid services mainly from the Department of Agriculture for Northern Ireland (DANI), the Meat and Livestock Commission and the Home-Grown Cereals Authority. These agency payments account for £12 million of total administration costs of £18 million.

Existing financial management

2. The department's functions are closely defined by Community legislation, almost wholly Community-financed and entirely demand led. Expenditure financed by the Community is subject to audit by the European Commission and the Court of Auditors, and may be disallowed if the rules have not been strictly observed. Financial management therefore aims at minimising the risk of disallowance, and consequent Exchequer liabilities, at minimum administrative cost. The first part of this objective is pursued by a comprehensive programme of reviews of individual Community measures. Disallowances since the formation of the department in 1973 have amounted to under 0.2 per cent of turnover. Administrative economy has been sought by using staff flexibly to respond to the rapid growth of the department's functions and the unpredictable demand for them. Managers at all levels monitor workload, resources employed and time spent and resources are reallocated accordingly. This system is reinforced by overall manpower and cash limits and by regular external staff inspection. Administrative costs have fallen since 1973 from about 1 per cent to 0.4 per cent of turnover.

3. Further improvements in effectiveness and economy are expected mainly from a five-year computer development programme recommended by consultants. The department's Estimates and stock and operating accounts will be presented in a revised format in 1983. The department's paid agents, apart from DANI, operate under financial agreements subject to audit and staff inspection in the same way as the department, and to technical supervision and administrative liaison arrangements.

Financial management programme

4. Objectives and management information. The department's objective is to maximise the benefit of the CAP to the national economy, consistently with avoiding disallowance at the minimum administrative cost. A revised programme of reviews of Community measures has been undertaken. Measures of input and output are already available for each area of work in terms of staff numbers and costs and the volume and value of transactions completed. These will be refined by pilot studies to be completed by the end of October 1983, so that by the end of the year indicators can be established for comparing performance over time and between areas of work. Costing of policies by the agricultural departments will be starting in April 1984; the computer development programme will be designed so that IBAP's own expenditure can be added to the relevant policies in MAFF's MAIS and Ministerial information systems.

5. Cost centres. Day-to-day responsibility for manpower and other resources at present rests with the heads of the three divisions of the department and the head of establishments branch. A structure of cost centres and the agreement of budgets and responsibilities for their managers is to be completed by the autumn of 1983 so that a new budgetary control system can start in 1984-85.

6. Agencies. The initiatives in paragraphs 4 and 5 will include a review of the agency costs referred to in paragraph 1. Decisions will be taken by October 1983 on the changes required in responsibilities and methods of control over agency costs.

7. Internal audit. Revised terms of reference have been agreed for the department's internal audit. A review of the structure of the internal audit branch is to be completed in 1983 to give more emphasis to systems based audit.

8. Staffing and training. The Board is closely linked for personnel purposes with MAFF. Subject to that, succession planning and career management are undertaken by the head of department and his establishment officer. The use of consultants has been limited to computer development. Training will follow the programme being prepared by MAFF. The department's staff are already highly motivated by the delegation of responsibility, reflected in the high turnover per head of £2.5 million a year; by the challenge of intensive

external audit; by their day-to-day contacts with industry; and by their participation at all levels in the continuing review of operations and performance. These factors will be reinforced by their contribution to the development of computer systems and programmes and by the opportunities for training and working with computers that will replace many routine and repetitive clerical operations under the development referred to in paragraph 3. Progress will feature in the department's future annual reports.

9. Costs. The direct staff cost of the initiative will be additional staff in the department's finance division (£15,000-£20,000 a year); further unquantifiable costs will be incurred indirectly throughout the department. It is the objective that the MAFF's MAIS system described in paragraph 5a of the MAFF summary will meet the department's requirements and accordingly the two departments are in close consultation.

HM CUSTOMS & EXCISE

The department is responsible under Treasury Ministers for collecting and administering customs and excise duties and VAT, for enforcing a range of prohibitions and restrictions on external trade, and for work on behalf of other departments such as the compilation of overseas trade statistics.

2. Responsibility for the management of the department lies with a Board comprising the Chairman, two Deputies (one of whom is Principal Establishment Finance Officer) and seven other Commissioners. Four Commissioners are responsible for the technical operations in VAT, customs and revenue duties and two for personnel and general administrative support. The seventh heads a network of 22 regions (outfield collections) which deal with the operational aspects of the department's work in their own geographical areas.

3. At 1 April 1983, there was a permanent staff of 25,439 of whom some 20,150 work in the outfield. It is estimated that of the total manpower 37 per cent is devoted to work on VAT, 30 per cent to Customs, 12 per cent on Excise, 11 per cent on administrative support services including personnel, office services and other back up to the practical operators, 7 per cent on accounting and computer services and 1 per cent on specialist investigation and legal work. The net cash limit for 1983-84 is £321.7 million of which 85 per cent relates to salaries and associated costs.

General approach to improving financial management

4. A review of the department's current practices showed that significant progress had already been made. Plans for further improvement have now been drawn up under four broad headings:-

- (a) Management planning;
- (b) Measuring achievement;
- (c) Control of resources;
- (d) Information systems.

5. Each plan has its own timetable for implementation but each is a part of an integrated structure and their development will be co-ordinated. Implementation is the responsibility of a Board member, supported by project teams. Co-ordination and guidance is provided by a project management committee and progress will be monitored by the Board and Treasury ministers.

Management planning

6. In May 1982 the Board issued to senior managers a management plan which stated its objectives for the major work areas, gave an account of the resources to be directed to each, and indicated relative priorities. This provided a basis upon which managers down the line could set their own objectives. In March 1983 the Board expanded the management plan to include the resources, aims and objectives of each directorate and major office, and the Board's main priorities between the various area of work. The management plan, together with the annual review of running costs, formed a report to Ministers comparable to MINIS.

7. In April 1983, within the framework of the revised plan, the managers of selected areas of Headquarters and the outfield started work revising or introducing their own management plans. Following the completion of these pilot projects guidelines of general applicability will be issued across the department to ensure uniform planning, to start in April 1984 and be fully implemented by April 1985.

Measuring achievement

8. Much is being done to improve the monitoring of the quantity of output and the quality of performance. Because of the diverse nature of the department's activities and the varying circumstances in which similar activities are undertaken in different locations, comparisons between offices are often difficult and assessment has to be on a local basis. Improved means of measuring how far objectives are being achieved are being developed. During 1983, concurrently with the projects on management planning, further ways will be established for local managers to evaluate achievement. The feasibility of collecting and reporting common measures will be tested with a view to developing a departmental system. In early 1984 options for a computer-based system will be worked out and a technical specification for all areas of work will be prepared by March 1985.

Control of resources

9. Each year, in a programme which is integrated with the public expenditure survey and supply Estimates bid, the Board reviews the department's resource requirements. Although headquarters maintains a central allocating and monitoring role, over recent years the Board has pursued a policy of delegating to the outfield responsibility for control of resources and operations. The programme of delegation of operational management is largely complete and the responsibility for complementing has been generally devolved to local management. Control of financial resources is currently devolved to a number of head office budget centres, each of which has overall responsibility for one or more items of departmental expenditure. However, responsibility for controlling running costs is increasingly being further delegated to local managers.

10. Work is in hand to refine the present system of accounting, costing and budgetary control so that managers will be able to control their resources more efficiently. Based on existing organisational units, a system of cost centres will be developed so that the costs can be ascertained and outputs measured. The department is studying how to create a net-work of local budget holders who will be responsible for the costs they incur and over which they can exercise control.

11. A start has been made on reviewing the current financial accounting system. The object is to identify the technical changes which will be necessary in order to analyse costs to the point of expenditure and provide information which is both timely and in a form suited to the needs of management at each level. Improved systems for controlling resources will be developed progressively with full implementation starting in April 1986.

Information systems

12. Statistics on operations, time spent on various activities, and manpower allocated to the department's functions are collected and made available to senior managers who decide priorities and allocate resources between functional groups. In recent years much work has gone into improving and rationalising these systems. But to obtain the maximum benefit from the developments on management planning and control of resources they will need to be improved further. The systems for local managers must provide information which is relevant and timely for the decisions they take. Those systems will be the foundation on which to build high level information systems to meet the needs of the senior officials and ministers, who will in the meantime be served by interim systems. Assessment of management needs will go on throughout the development programme and it will be well into 1986 before new systems are fully operational.

Management audit

13. Responsibility for ensuring that the financial management is fully effective and that delegated authority is properly and responsibly used will lie primarily with line management. The control exercised by local managers will continue to be tested by a recently enhanced and strengthened internal audit and by staff inspections, specialist inspections and specific reviews.

Staff commitment

14. It is a prime responsibility for line managers to motivate their staff. The Board has circulated its revised management plan to all staff, and will give priority to improving communications. Commitment at all levels will be strengthened by recognition of the usefulness of the job being done and the individual's contribution to it.

Training

15. The training programme for managers already deals with resource planning and cost awareness. Courses will reflect the changing emphasis in managers' responsibilities. Throughout the development programme training will be given to meet new tasks and develop awareness. For those personnel in key posts who require specialist training full advantage will be taken of courses at the Civil Service College.

Expected costs

16. It is estimated that over the course of three years development the manpower requirement for project teams will be about 50 man years. There will be a further transitional cost of involving managers in development work and implementing changes. It is intended to use consultants to supplement departmental efforts in designing the costing and financial and management information systems. The cost is likely to be in the order of £100,000 to £200,000. Computer options have still to be considered but the costs, including the involvement of the specialist staff, could be in the region of £200,000 to £300,000.

MINISTRY OF DEFENCE

The Ministry of Defence (MOD) is the largest department in Whitehall. It controls over 550,000 Service and civilian personnel; spends some £17.5 billion a year; and collects annual receipts of over £1.7 billion, mainly for goods and services provided to external bodies. Its task extends over the three Services and the Procurement Executive, covering such large industrial businesses as the Royal Ordnance Factories, the Royal Dockyards and the repair and maintenance organisations of the Army and Royal Air Force.

2. The department's main concern is with the direct management of physical resources rather than with legislation or the performance of advisory and regulatory functions. Its size and diversity call for a clear management policy. This is based on strong central control of defence policy and resource allocation; on delegation of executive authority, both to the three Service Boards and the Procurement Executive Management Board and as far as possible down the line to achieve the most efficient and effective use of resources; on the overall co-ordination, as necessary, of this management activity; and on the use of management audit to help achieve the best balance between effectiveness and economy.

General approach to the programme of improving financial management

3. Central control of policy and resource allocation is achieved through the Long Term Costing, a comprehensive annual projection of the defence programme over a 10 year period. The most important procurement decisions are taken centrally through a formal approvals procedure based on a step by step approach to the development and production of major equipments. Decentralisation of management to the Service and Procurement Executive Boards is well established. A comprehensive system of management inspection and audit is being developed by a new management audit organisation which has brought together the functions of central management services, staff inspection and internal audit. Substantial economies in the use of resources to undertake an expanding programme have been achieved in recent years, especially in civilian manpower, where the targets assume a reduction by the MOD of 19% over the 5 years to April 1984.

4. The initiative has brought together and given further impetus to a wide range of work aimed at improving financial management. Central control has recently been enhanced by the revised Ministerial structure of the department and by the new Chief of Defence Staff's organisation (described in Statement on the Defence Estimates 1982). With the same object the work of the central equipment committees has been concentrated on a smaller number of key projects. In the procurement field there has been emphasis on improving procedures, the flow of information between department and industry and, drawing on a major study completed in 1981 (Open Government Document 81/01 of 18 November 1981), the forecasting and control of expenditure. A programme of improvements in the management

of the department's repayment business has been set in hand. Improvements in the department's management tools, including investment appraisal and information systems, are being made, planned or examined; and the process of strengthening management audit will continue. Work is in hand to promote a greater professionalism in the department's approach to financial management, including greater attention to functional specialisation and career planning; and the encouragement of study for professional qualifications. Internal training is being restructured; attendance on courses will be mandatory for staff due to undertake finance work for the first time; and ways are being sought to create greater financial awareness in training generally. Better use is made of specialist staff, including economists, statisticians and management accountants.

Management information systems

5. Particular emphasis is placed on the clarification of responsibilities and improving control over costs. Ministers and senior management must ensure that the objectives and priorities of defence policy are translated into effective programmes of action throughout the defence organisation. Managers at every level must be aware of their functions and the value of the resources they manage. To improve this aspect of MOD management the MINIS system* is being introduced into the department. MINIS will record detailed information about MOD's activities, costs and performance to provide a basis for Ministers and senior officials to review the work of the department and to decide on future action, including studies leading to changes in organisation and the deployment of departmental manpower and other resources. Because the MOD is essentially executive, MINIS is being adapted so that it not only provides detailed information on the work of headquarters staff (including the Procurement Executive) but also covers essential aspects of the wide variety of executive support operations outside headquarters, such as the Royal Dockyards, stores, depots, workshops, maintenance units, training establishments and R & D establishments. The first, experimental, round of MOD MINIS will run from March to July 1983. About a quarter of a million servicemen and civilians and the resources they manage will be encompassed by the new system. The second, full round will take place from August 1983 to March 1984 and will be repeated annually thereafter. An important feature of MOD MINIS is the link it will establish between the Long Term Costing process on the one hand and the management information and control systems on the other.

6. Other current work contributes to these objectives. Cost and management accounts now cover about 70 per cent of the defence budget excluding procurement. The ABC system begun in 1979 has provided a link between the current year's cash (Acquisition)

*The Management Information System for Ministers and Top Management introduced into the Department of the Environment in 1980.

through stocks (Buffer) to the use of resources (Consumption) to meet the department's objectives: development of the system will continue within available resources. Steps are being taken in the supply field to simplify the provision of information to managers controlling stock levels. A comprehensive system of travel and subsistence budgets for both service personnel and civilians came into operation in 1982-83. A system of civilian staff budgets is under development which will be designed to give managers more freedom of action within the constraints of numbers and costs. Recent studies on the dockyards are planned to lead to the introduction of new forms of management information as an aid to decision-making.

Financial management and accountability

7. Other recent work, notably on the report of the Study of Financial Accountability completed at the end of 1981 (Open Government Document 82/25), has concentrated on ways in which responsibility is defined and distributed, including responsibility for controlling the costs of activities. Although delegation of authority is now an established feature of MOD organisation it has not always operated in such a way as to allow line managers to be called fully to account for their performance. In areas such as service training for example, where many interests interlock, no individual has sole control over all the resources consumed. One of the main recommendations of the Study of Financial Accountability was the introduction of a system of responsibility budgets which might eventually cover all the activities of the Services and the Ministry of Defence. The essence of the system, which would represent a significant extension of accountable management, is that selected line managers should accept responsibility for achieving a specified level of performance in a defined area of activity against a financial budget. This would involve the development of indicators against which managers' performance could be measured and a clear definition of managers' tasks and lines of responsibility. Managers would be made fully aware of the cost of the activities they manage and of their responsibility for controlling them; and would be given greater flexibility, within such constraints as annual cash limits, to manage the resources needed to achieve their tasks. To assess these proposals the department has instituted trials at a Naval aircraft yard, two Naval hospitals and the Institute of Naval Medicine, a REME workshop, three RAF basic flying training schools and an R & D establishment. There are plans for including other locations in the trials programme. The department is determined that firm decisions on the value and practicability of responsibility budgets should be taken not later than 1985.

8. In response to a further recommendation of the Study of Financial Accountability, the department has set the aim of issuing by 1 April 1984 to all service and civilian staff a "financial role charter" defining their objectives and responsibilities. Other important recommendations of the study on clarification of responsibility and improvements in cash management and resource control are being pursued within the same timescale.

Co-ordination

9. Development and execution of the department's programme of work is being co-ordinated by a Steering Group, chaired by the department's Principal Finance Officer, which reports directly to Accounting Officers and the Secretary of State.

Review and audit

10. The department regards the review and audit of its financial and management information and control systems as a most important element of its management policy. The Management Audit Organisation (paragraph 2) will continue to be developed as a constructive service to line managers to help them to tackle problems of organisation and management and thereby to improve the efficiency and effectiveness with which the department conducts its business.

Staffing and costs

11. The immediate staff cost of the initiative will be financed within existing cash limits. It is calculated at rather more than £500,000, which covers the establishment of a number of small teams principally to set up the first round of MINIS and the trials of responsibility budgets. In total these are expected to comprise about 30 officials working full time (about half probably for a limited period only). Full use will be made of computer systems already available to the department or planned, and of new investment concentrated on software and microprocessors.

12. In the longer term, work arising from the initiative is likely to call for increased staff effort within total numbers. No precise estimate can be made at this stage. An object of the work immediately ahead, particularly the trials of responsibility budgets, will be to assess the possible requirement for extra numbers and the extent to which they could be provided within available staff resources.

DEPARTMENT OF EDUCATION AND SCIENCE

The Department of Education and Science (DES) has about 2500 staff. Its role is to secure the effective provision of services and the execution of national policy by local authorities and others by the exercise of regulatory and other powers and through discussion, explanation and persuasion. The department is responsible for programme expenditure of nearly £1300 million, about three-quarters of which is expenditure by local authorities; most of the rest is by other independent bodies such as universities and research councils. The department's domestic expenditure is about £50 million.

Present arrangements

2. DES formulates policy through discussion between ministers, senior officials and Her Majesty's Inspectorate (HMI) and in consultation with its partners, and through a network of standing policy groups, at the top of which is the Policy Steering Group, chaired by the Permanent Secretary. These groups are supported by a Planning Division free from routine policy commitments. For management and organisational purposes DES is divided into 17 branches. The programme for each is reviewed annually in meetings between senior management and branch staff to discuss activities, priorities and objectives. The department has launched an annual staffing of functions exercise which provides a detailed picture of its activities and the staff resources allocated to each.

3. In 1982 DES took part in the Rayner scrutiny of departmental running costs, the recommendations of which are being implemented. Staff numbers and running costs are monitored centrally but budgets for specific items have been allocated to individual branches which incur substantial non-staff costs. Output measures are well developed in the few areas where the department has executive responsibility, notably in the administration of the Teachers Pension Scheme. For its own Vote expenditure DES has developed an accounting system which aligns financial and policy responsibilities and enables expenditure to be closely monitored.

The Department's Programme

Meeting the needs of Ministers and top management

4. Arrangements are being established for Ministerial reviews of priorities about twice a year. These will lead to the dissemination of Ministerial priorities widely within the department. The first review was held in spring 1983.

5. The staffing of functions return is being developed to include an examination of future staffing requirements. This will improve co-ordination of expenditure and manpower planning and help senior management to deploy staff more effectively. It will also provide

an input to branch programme meetings and facilitate the systematic review of branches' activities.

Control of administrative expenditure

6. The department plans to devolve to individual branches more responsibility for controlling their running costs. An experiment is under way using the University Grants Committee as a pilot cost-centre, and two more will be introduced in 1984-85. The objective is that staff should be informed of all costs relating to their work and accountable for those costs they can control. During 1983-84 a comprehensive financial information system will be developed to permit the attribution of costs to user branches and to extend the existing system of branch budgets.

Management of programme expenditure

7. More work will be done on the means of assessing output and value for money in education spending, and the results applied in policy development. Systematic procedures will be introduced for evaluating directly funded (and perhaps other) policy initiatives.

8. The Secretary of State proposes to take a limited power to make specific grants to local education authorities to encourage redeployment of resources to national policy objectives. The department is reviewing its arrangements for allocating and monitoring local authority capital expenditure. It is hoped that a report will be ready by December 1983 and that any new arrangements proposed will take effect in April 1985. DES is also developing work on the relationship between authorities' expenditure and the Government's assessment of their needs for the purpose of Rate Support Grant.

9. DES is reviewing the exercise of its responsibilities in relation to the Science and Engineering Research Council, with particular reference to financial management. This should highlight practices and improvements that might be applicable to other fringe bodies.

10. Day-to-day management of vote expenditure can be improved by better handling and distributing of financial information. A review of the use of such information in Finance Branch is in progress, as a first stage in a systematic mapping of its sources and flows.

Staffing and Training

11. Many of the ablest graduate entrants already spend some time in Finance Branch. Staff with significant financial responsibilities are sent on a specially designed course in financial management. The financial management content of the general training courses run by the department is being increased. These developments should provide a sizeable pool of staff with financial experience and encourage cost-consciousness throughout the

department. Succession planning has been introduced for senior finance posts. The department is implementing a recent recommendation that Internal Audit should be strengthened.

Implementation

12. Most of the work will be undertaken by staff within their existing responsibilities. The resource cost is estimated at around £300,000 mostly falling in 1983-84. The use of outside consultants, particularly to advise on a financial information system, is being considered.

OFFICE OF ARTS AND LIBRARIES

13. Paragraph 1 above applies to the Office of Arts and Libraries (OAL), which for domestic administration purposes is a branch of DES. OAL has a staff of 43 and an expenditure programme of £500 million (60 per cent of it the responsibility of local authorities). Progress and priorities are kept under continuous review by the Minister for the Arts. Special financial scrutinies of certain arts organisations are being undertaken and planned.

THE DEPARTMENT OF EMPLOYMENT GROUP

The Group

The Department of Employment Group's main functions are to improve the functioning of the labour market (notably through the provision of employment and training services and the improvement of industrial relations), to assist those with the most serious problems of unemployment (including the disabled), and to improve the health and safety of people at work.

2. The Group consists of the Department of Employment, the Advisory Conciliation and Arbitration Service (ACAS), the Manpower Services Commission (MSC) and the Health and Safety Commission (HSC). Separate plans for the MSC, for the HSC and for the rest including the Department itself are described in this section.

3. Employment Ministers are answerable for expenditure throughout the group, and the Accounting Officer of the Department of Employment, in addition to his responsibilities for the department's own expenditure, has responsibility for ensuring that MSC and HSC have adequate systems of control. Employment Ministers will monitor closely implementation of all three plans. They will also receive each year the recommendations emanating from all three top level management systems.

The Department of Employment

4. The department has 31,000 staff and administers the unemployment benefit service (UBS), redundancy and maternity fund payments, and some of the special employment measures. These measures include the Temporary Short Time Working Compensation Scheme, the Job Release Scheme, the Young Workers Scheme and the Job Splitting Scheme and cost in all £440 million (1983-84). The department also covers the costs of such diverse functions as race relations employment advisers, industrial tribunals, the Employment Appeal Tribunal, the Office of Manpower Economics, and specific grants to local authorities in England to fund specialist posts in the Careers Service.

Recent Developments in Financial Management

5. Under the Permanent Secretary an Economics Group was set up in 1979 to improve control over running costs. Regional cash limits for general administrative expenditure were introduced in 1980, and in the following year local budgets for travel and subsistence were applied within the headquarters offices. Several cost centres have been piloted since 1981-82, providing amongst other things for an inter-office comparison of support service costs in regional offices. The department participated in the review of running costs in the 1982 efficiency programme and this contributed significantly to its present approach.

6. In the UBS where over 80 per cent of the department's running costs are incurred there is a long-standing scheme of work measurement. In recent years simpler procedures (including fortnightly attendance by claimants), computerisation and economies of scale have significantly increased productivity. A range of output measures and performance indicators is used for both administrative and programme expenditure, and a computerised management information system was introduced in the UBS in the second half of 1982 to monitor the speed and accuracy of benefit payment.

New plans

- 7. There are five main elements in the department's programme:
 - (a) meeting the needs of Ministers and top management
 - (b) cost centre accounting and a resource information system
 - (c) the introduction of devolved budgeting
 - (d) improved management of programme expenditure
 - (e) improved staffing and training in financial management.

Meeting the needs of ministers and top management

8. A Senior Management Group (SMG) was established in April 1983 to carry out reviews of performance against objectives and of resource use for all the activities of the department itself. The SMG consists of the Permanent Secretary and the department's two policy Deputy Secretaries. The Principal Establishments Officer and the Principal Finance Officer attend its meetings.

9. For the first round of SMG reviews, which will be completed by October 1983, the department has been divided into 40 management commands, mainly led by assistant secretaries. Each command is providing a statement covering organisation, activities, policy objectives, targets, output measures, performance indicators, proposals for increasing efficiency, quality or output, proposals for accommodating changes in resource allocation, and approximate current and planned resource use (both programme expenditure and administrative costs in staff and cash terms). The SMG will examine each head of command on his statement.

- 10. The main purposes of the 1983 SMG reviews are to:
 - (a) examine organisation, defining clear lines of responsibility both down the line within commands and between commands;

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- (b) identify any necessary further work on performance/output measures to monitor attainment of the command's objectives; and
 - (c) review workload against use of resources as a first step towards budgeting by commands.

11. The SMG will report its recommendations to Ministers and review with them the deployment of resources across the department.

12. A small branch of 9 staff has been set up in the finance division to service the SMG and deal with other developments in financial management. The time of these staff, plus about 4 man years pa which are also being devoted to servicing the SMG by staff in other central branches, costs about £200,000 a year. Staff time spent in commands preparing for SMG reviews is also being recorded to enable total costs to be compared eventually with benefits.

Cost centre accounting and a resource information system

13. Cost centre accounting is being introduced comprehensively throughout the department to provide management at all levels with the accurate detailed information on resource use needed for future SMG reviews and delegated budgeting.

14. The network of about 1,000 cost centres will be serviced by a resource information system (RIS) which will contain financial and non-financial records of each centre's resource use, and in some instances will also hold information on outputs. The detailed design will be settled by a feasibility study, started in February, of the proposed cost centre network and associated RIS. The study will lead to a detailed user requirement for the RIS by August 1983. When the user requirement is available final decisions will be taken on the timescale for introducing the RIS. If the requirement specifies a system suited to an off-the-shelf accounting package compatible with the department's existing computers, the target will be live running from April 1985; and this is the preferred aim. If the feasibility and pilot studies indicate that much system design or programming work is required, however, the target would have to shift to live running by April 1986. Pending completion of the user requirement no firm estimate of computing costs is possible, but they are unlikely to exceed £300,000.

Devolved Budgeting

15. Budgeting responsibilities will be devolved to line managers, controlling groups of cost centres. Responsibility will be devolved as far as practicable down the line within the 40 management commands. Given the varied nature of the department's activities the levels of delegation will not be uniform. In HQ policy areas, for example, budget holders are likely to

be assistant secretaries; in the UBS they might be senior executive officers at area level, or senior principals at regional level. The aggregated budgets would form the basis for PES and Estimates provision.

16. Devolved budgeting is being piloted in 1983-84 in six management commands covering just under 10 per cent of all staff, to identify which costs can be attributed to potential budget holders with a reasonable expectation that they can be planned and controlled; and to test budget holders' abilities to monitor resource use and control any variances which develop between budgeted expenditure and outturn. The pilots also seek to show whether delegation leads to local efficiency initiatives. As responsibility is devolved, control by central divisions and departments will change to authorisation when budgets are submitted and monitoring to guard against significant variances from budget or from other centrally determined standards. Identifying the new freedoms and responsibilities to be given to budget holders is a major task, with implications reaching outside the department.

17. If the pilots are successful and the RIS is test run in 1984-85 it is intended to introduce devolved budgeting throughout the department so that budget holders prepare trial budgets for 1985-86, and go "live" for 1986-87. It is also intended to integrate the RIS with vote accounting for 1987-88 at the latest or sooner than that if technically possible.

18. Two SEOs in the branch described in paragraph 12 are working full-time on the budget pilots, assisted by other staff part-time. When devolved budgeting is adopted throughout the department 18 more junior staff might be involved - the precise number depends on the level at which budget holding is set. Running costs in 1984-85 could then amount to £300,000.

Management of programme expenditure

19. Programme expenditure is to be incorporated in all the proposed systems and is covered by the SMG reviews. Commands with programme expenditure are therefore including statements on related objectives, targets, outputs, and output measures, and their estimates for this expenditure are being reviewed. The intention is that the RIS will hold information on programmes which involve large numbers of separate payments like redundancy payments or special employment measures. Some final outputs for the department's programmes are less easily measurable than others, and the feasibility of regular monitoring will vary accordingly; for example, the product of grants for careers officers is harder to assess than that of the community programme. Where regular monitoring is not feasible ad hoc surveys are undertaken where relevant. For special employment measures as a whole in both the department and MSC - costing around £1.8 billion in 1983-84 - a special study of monitoring arrangements was commissioned in March 1983 and is due to report by the end of July.

Staffing and training

20. The team working on the RIS was assisted by a consultant who is a qualified management accountant, and the department has continuing close links with a senior consultant in the HMT/MPO FM Unit, to ensure that the systems contain the best features of both commercial and public sector practice.

21. A programme of six briefing seminars was completed by April for heads of management commands, their supervisors, and senior line managers within commands to explain the objectives of the Prime Minister's initiative, the department's plans, and the requirements of this year's SMG reviews. Two circulars have been issued, and the department's detailed plan was made available to all staff by distribution to all local offices. Discussions have been held with the trade union side which received the department's plan in draft in early February. In addition plans are being made to give internal training to budget holders before devolved budgeting is introduced. This will cover basic training in simple budgeting methods and the implications of devolved responsibility. At cost centre level there will also be a need for training in the interpretation and use of the information flowing from the RIS. This basic training will be required for up to 2,500 managers, of various grades from Executive Officer upwards.

Internal audit

22. An internal audit committee was established in the department in 1980 to conduct improved planning and reporting for audit. Since then further steps have been taken to strengthen the contribution internal audit can make to efficient management. A system-based approach is being generally adopted and effectiveness and efficiency are included within the scope of internal audit. The audit unit reports direct to the PFO.

Resources

23. Total development costs are expected to amount to £0.75 million, with running costs (when all systems are fully developed) of just under this sum each year. To some extent these running costs will replace conventional establishments and finance work.

THE HEALTH AND SAFETY COMMISSION

The Health and Safety Commission, established under the Health and Safety at Work Act 1974, operates through the Health and Safety Executive (HSE) and has an estimated expenditure of £88 million for 1983-84. The Executive has 3,700 staff, about two-thirds of whom work in the Inspectorates and the Employment Medical Advisory Service. The Commission takes steps to secure the health, safety and welfare of persons at work and to protect the public from risks arising from work.

General approach to financial management

2. Since 1979 HSE have reviewed their financial management systems and introduced further measures to improve financial planning and control. Each year divisions submit work plans to the Executive (consisting of the Director General, his deputy, and the Chief Inspector of Factories). The work plans include:

- (a) separate proposed allocations for all resources other than accommodation and office services (eg salaries, travel and subsistence, extra mural research, support and testing, agency agreements, capital costs etc)

and (b) aims, broad objectives, and priorities for each unit in the division.

These divisional work plans are consolidated into the Commission's plan of work which provides the basis for its public expenditure survey and Estimates submissions, and a yard-stick against which progress and performance can be reviewed. Once the grant-in-aid is fixed detailed operational plans are prepared for individual items within divisional budgets with sub-budgets for each laboratory site, the 21 area offices (headed by senior principal equivalent), and some parts of HQ. These detailed plans are monitored by budget holders and their line managers each month against expenditure information produced by a computerised accounting system. This information, suitably aggregated, is considered by the Executive both monthly and at year-end. The year-end review also involves comprehensive review of results by the Executive which ensures that value for money has been obtained. The Executive maintains a detailed register of all current projects undertaken within each division's work plan identifying objectives, justification, and timetable. This enables the Executive to review individual projects within the overall divisional plans and monitor progress.

3. Over the next 3 years about 850 of the 1180 staff at present based in London will be dispersing to Merseyside and progress on much of HSE's programme for further development of its financial management system cannot go much further until this has taken place. Among the sections dispersing are those responsible for accounting and authorisation, for computer systems and for internal audit and about 95 per cent of the staff in those sections

will be new and some 50 per cent new to the Civil Service. A heavy training programme has been planned but it is bound to be some time before these sections become fully effective.

Future programme in response to the financial management initiative

4. The Executive plans

- (a) improved accounting systems to provide further disaggregation of costs;
- (b) improvements to the project register;
- (c) development of performance measures for both administrative and programme expenditure;

and (d) training developments.

5. The accounting system which provides outturn information for HSE management should be replaced in about 3 years time. A new system will allow more detailed allocation of resources and further disaggregation of costs, in particular the attribution of direct costs to smaller units than at present. It will also enable indirect costs to be allocated. This information will provide the option of further delegation of budgetary control and this will be reviewed at that time. The target date for introduction of the new system is April 1986. However a new computer database covering manpower figures, which should be operational in April 1984, will provide much improved information for manpower planning and control.

6. HSE's Project Register will be expanded to identify more clearly the support given to the lead division or inspectorate by other parts of HSE and to classify projects and indicate high priority ones.

7. Further performance measures on accommodation and office service costs are being developed. First results of the studies are due in June 1983 but because of dispersal and the planned relocation of the London headquarters it will be possible to make only restricted use of these performance indicators over the next 3 years. Fuller information on travel and subsistence costs, which form a substantial part of HSE's salary-related costs and which can be influenced by budget holders, was produced from April 1983.

8. A study of the efficiency of the field activities of the inspectorates and the Medical Advisory Service is under way and will be completed by August 1983. The principal aim of this study is to identify performance indicators.

9. Work is in hand on ways of measuring the effectiveness of HSE's activities with particular emphasis on enforcement activities. It will include research carried out by Wolfson College Oxford in conjunction with HSE. An HSE working group with Treasury

Report is assessing the effectiveness of different types of enforcement regimes on health and safety. This will be a long term study but an interim report is planned for September of this year.

10. HSE's training programmes are increasingly including material on financial management for staff at all levels. In particular the senior management course for principal level and above is paying special attention to this element. Following a successful pilot in November a second seminar on the management of resources is to be held in July for higher level management.

Resources

11. Considerable resources are already devoted to the improved financial management system through the processes described in paragraph 2. Additional costs attributable directly to developments amount to about £30,000 a year over the next two years falling to £15,000 thereafter. There will also be an additional cost of up to £10,000 in computer systems in 1985-86 to provide more detailed information than originally planned.

MANPOWER SERVICES COMMISSION

Manpower Services Commission (MSC) spending amounts to £1.9 billion for 1983-84 and arises in two main operating areas:

- (a) Employment Division (ED) is responsible for the running of an employment service through its Jobcentre network. It also provides specialist employment and rehabilitation services for disabled people, and administers the Enterprise Allowance Scheme and Professional and Executive recruitment which operates as a self-financing agency for executive level appointments. In addition MSC administers several services on behalf of the Department of Employment including the Community Programme to provide temporary work for long-term unemployed adults (costing about £382 million), and the provision of sheltered employment for seriously disabled people through Remploy, local authorities and voluntary bodies (about £75 million).
- (b) Training Division (TD) is responsible for developing and delivering training programmes for adults and young people, and is committed to providing in 1983-84 at a cost of £873 million places for up to 460,000 young people on the Youth Training Scheme. The MSC's Skillcentres, which until 31 March 1983 were managed within Training Division, are now run by a Skillcentre Training Agency (STA), established as a separate management unit, with the aim of achieving better value for money for Skillcentre activities.

These operating divisions are supported by Corporate Services Division (CSDn) and Manpower Intelligence and Planning Division (MIPD).

2. The Estimate of expenditure for 1983-84 (including services administered on behalf of Department of Employment) and the projected numbers of staff employed in each division at 1 April 1983 are as follows:-

	<u>Administrative expenditure</u> £ million	<u>Programme expenditure</u> £ million	<u>Total expenditure</u> £ million	<u>Staff numbers</u>
Employment Services Division	160.5	475.2	635.7	12,450
Training Division	158.0	1,080.4	1,238.4	10,580
Support Services	26.1	5.5	31.6	1,200
	373.9	1,531.8	1,905.7	24,230

Basis of financial management in MSC

3. Financial management in MSC has always emphasised the need to operate and develop on the basis of management units with devolved responsibility and accountability for resource budgets and output targets. This is supported by inspection and review systems to ensure efficiency and effectiveness, training of staff in resource management and the availability to line managers of specialist support, eg from accountants, economists and statisticians. The planning and setting of performance targets is conducted in MSC at both corporate and divisional level. The corporate plan is a 4 year strategic plan drawn up annually and submitted to the Secretary of State for approval. At divisional level a one year operating plan is prepared by the two operating divisions.

4. To monitor performance, regular monthly expenditure, staff numbers, and performance figures are presented to senior management in each division. For the MSC as a whole, monitoring is carried out monthly by the Chairman's Management Committee (CMC), by the finance sub-committee of the Commission and the Commission itself.

5. The Principal Finance Officer will be accountable to the CMC for developments throughout MSC following the Prime Minister's initiative and will report progress regularly to MSC top management, the Department of Employment and the Treasury. Additional costs of £100,000 a year could be incurred in support costs.

MSC's programme of action

6. A review of MSC financial arrangements has identified a number of areas where improvement is possible. The main elements are:-

- (a) Corporate management information system (COMIS)
- (b) Financial and management accounting system
- (c) Budgetary control
- (d) Performance measurement
- (e) Establishment of a Skillcentre Training Agency
- (f) Internal audit
- (g) Financial management training.

Corporate management information system (COMIS)

7. Following detailed studies, a corporate management information system (COMIS) has been designed to permit top level scrutiny of MSC's activities by bringing together in a more efficient way a number of strands of MSC's planning and performance review activities. COMIS will provide for two top level review processes each year, one related primarily to

strategic issues of planning, organisation and performance in the spring, and one in the autumn related to the emergence of operational plans and related estimates of proposed expenditure for the forthcoming financial year. Management commands will be expected to review performance against plans for the preceding 6 months or year and to put forward plans for the coming year and beyond. The COMIS reviews will enable the Chairman and Director supported by the PFO and Director of MIPD to undertake a detailed scrutiny of who does what and of the related costs and value for money of each task.

8. The CMC has set up a 4 person implementation team and a steering group to prepare for a first exploratory COMIS round in the autumn of 1983 (relating to 1984-85 plans) and for full operation in the following year. Arrangements are to be made by July 1983 for this first round. The costs of the implementation team and its continuing role as co-ordinator of the COMIS process are estimated at about £90,000 per annum.

Computerised financial and management accounting system (FMAS)

9. MSC management have been aware that the existing FMAS system, which has been running since 1976, would need to be updated. To take matters forward the following developments are in hand:-

- (a) the installation of mini-computers throughout the new Training Division to speed up the processing of payments and the transmission of expenditure information to a central processor;
- (b) a project team has been set up to redesign and implement a revised FMAS which will provide on-line access to various parts of the MSC field network. The aim will be to have the system tested and running by April 1985.

The additional costs associated with the redevelopment of FMAS are difficult to quantify accurately before the option for meeting the user requirement is determined in August 1983. They will include the project team of 4 (including an outside consultant), which is likely to cost over the 2 year period £250,000. More speculatively, the systems hardware and software may cost about £700,000.

Budgetary control

10. Since April 1982 a decentralised budgetary control system, based on management units responsible for budgets related to cost elements which they can control (mainly administrative costs excluding salaries) has been operating in support divisions and in the Employment Division down to regional level. The level of devolvement, the cost items covered and the degree of flexibility given to budget holders in these arrangements will be kept under review. An HEO with management accounting training has been appointed in each region of Employment Division to contribute to Training Division down to the 56 Area

Offices and a 3 man project team (with support from management accounting specialists) has been set up to develop a system to cover both programme and administrative expenditure. The exercise was launched in April 1983 and budgets for 1984-85 will be established by December 1983.

11. Until now manpower in MSC has been budgeted in staff numbers rather than money but a pilot scheme in the use of salary budgets will operate in TD Regions for 1983-84. This pilot will be kept under review with a view to extending to other parts of MSC.

12. In view of the size of network and the average spend of each Area Office (£30 million) in Training Division, the administrative costs of the budgetary control system might be of the order of £700,000 annually.

Performance measures

13. Wherever possible MSC seeks to measure output targets and the related unit costs for its activities. Many such measures are in use, eg cost per placing for ESD, cost per trainee completion or YOP entrant for TD. However, the Commission is constantly reviewing what more can be done and further actions (some related to the developments in planning and information systems mentioned earlier) are already taking place or scheduled:-

- (a) Performance assessment and other internal management issues will form the main agenda items for the Chairman's Management Committee at least once a month;
- (b) The COMIS planning system will, as part of its first round in 1983, identify gaps in both programme and administrative performance measures (including the analysis of administrative costs in multi-functional offices) and establish firm lines of action to fill those gaps;
- (c) the redeveloped FMAS will provide a greater range of analysis codes so that the costing of programme activities can be refined and, for instance, the ability to analyse the same cost information in several different ways (including linking costs with units of output) will be more readily available;
- (d) As well as the intention to develop performance indicators for TD, MSC plans to extend its performance indicators on the ED side by developing a comprehensive set of cost-efficiency ratios for regular use by April 1984;
- (e) From 1983 onwards the Commission will be developing key ratios, unit costs and other performance measures for administrative costs, including those incurred in the two support divisions.

Establishment of a Skillcentre Training Agency

14. The MSC Skillcentre network was hived off from Training Division and established as a separate management unit on 1 April 1983. It is accountable for training provision to other parts of MSC (eg for adult and youth training programmes) and to outside customers on a trading account basis. Under the arrangement skillcentre managers have delegated responsibility and accountability for their operations. Success in recovering their costs by raising revenue will be a prime measure of performance. The first STA trading account will be prepared for the financial year 1983-84.

Re-organisaiton of internal audit unit and its methods and scope

15. The major review of the organisation, methods and scope of internal audit has been completed with the aim of developing and implementing systems audit comprehensively over MSC activities on the basis of risk and materiality. Systems audit will be progressively introduced during the next two or three years (to be completed by June 1986) as audit studies of particular areas of work are completed and the associated audit documentation produced for use in the field. The audit complement has been increased from 43 to 63 posts including the addition of a senior principal (a qualified accountant) as Head of Audit and 4 new SEO level positions of which 2 will be filled by professionally qualified staff. It is intended that a large proportion of auditors shall undertake training for the Institute of Internal Auditors' diploma. Plans are being made to send 6 nominations for places on approved 2 year courses for each of the next 3 years. Other staff will attend courses on internal auditing and related subjects. The estimated additional costs of these developments are £450,000 per annum for staff salaries and travel costs and £70,000 for training costs.

Training

16. MSC provides internal training to lower and middle levels of management relating to planning, organisation and control aspects. Senior levels of management attend relevant external courses. In recognition of the need for financial management training an additional modular programme of in-house training is being developed for middle and senior managers and these are expected to cover 800 staff in 1983-84. The tuition costs are estimated at £250,000 and the opportunity cost of trainees' time £340,000.

DEPARTMENT OF ENERGY

The Department of Energy (DEn) is responsible for general policy on energy matters. It regulates the development of oil and gas resources in Great Britain and on the UK Continental Shelf; handles the Government's relations with the oil industry; finances energy research and development; promotes economic efficiency in the use of energy; and is responsible for testing of gas quality and of gas and electricity meters. The department also sponsors the energy nationalised industries, the British National Oil Corporation, the Atomic Energy Authority, the civil nuclear construction and services industry and the offshore supplies industry.

2. The department has about 1,100 staff. It is responsible for expenditure in 1983-84 of some £945 million, of which £625 million is in support of the coal industry. Receipts from petroleum royalties total some £2 billion. The running costs of the department are about £27 million a year.

Approach to improving financial management

3. The department's plan for improving financial management includes the following main elements:

- (a) a statement of strategic aims
- (b) an annual Programme Expenditure Review
- (c) development of the Department of Energy Management Information System (DEMIS)
- (d) extension of divisional responsibility for administrative costs
- (e) expenditure reports to top management and Ministers
- (f) examination of the scope for use of performance indicators or output measures
- (g) developments in staffing policy and training.

Implementation of the plan will be supervised by a group under the Principal Establishments and Finance Officer.

Strategic aims

4. A statement of strategic aims for the department has been prepared. It will form the background to the Programme Expenditure Review and DEMIS.

Programme Expenditure Review

5. To enable relative priorities to be considered in a more informed way, the department proposes to define and review objectives for each significant area of programme expenditure in the annual public expenditure survey. From 1984, the objectives of the areas of expenditure will be cross-referenced to the department's strategic aims. The first review was put in hand early in 1983.

6. The annual review will also enable the department to consider whether to initiate fuller, strategic, reviews of the policy governing certain areas of programme expenditure.

DEMIS

7. The department's management information system (DEMIS) was introduced in 1982 to review in a more systematic way how manpower resources are deployed. A forecast of activities and objectives is built up every year on the basis of statements prepared by section heads (Principal and equivalent). From this year, each division will provide a statement of its overall objectives, cross-referenced to the department's strategic aims, and will report on the extent to which objectives stated in last year's DEMIS have been met. Top management and Ministers will scrutinise these reports in time to take into account implications for 1984-85 Estimates and the 1984 public expenditure survey. Where possible, actual rather than apportioned costs will be used in informing divisions of their administrative expenditure.

8. During the past three years, a gross reduction in staff of about 17 per cent has been achieved, despite intensification of work in some areas. Progress in reducing overheads has also been made. Following the introduction in 1980-81 of divisional budgets for travel and subsistence and tighter rules on overseas travel, expenditure was reduced by 11 per cent.

Responsibility for administration costs

9. The department was one of six departments which participated in a scrutiny of running costs in 1982. Following the recommendations of the scrutiny, some changes will be made. As a general principle, location of control of administrative expenditure will be determined by where the different elements can most effectively and efficiently be controlled. From 1 April 1984, divisions will assume greater responsibility for certain administrative costs, including expenses of independent members of committees and conference fees. Staff and accommodation costs will continue to be controlled centrally, but divisions will have discretion to deploy staff as they think best within agreed manpower budgets. The department will periodically review whether the ambit of divisional budgets for administrative costs should be widened.

The Electricity Meter Examining Service and Gas Standards Branch are run as self-financing trading accounts. The scope for making these or other relatively self-contained areas into cost centres will be explored.

Expenditure reports

11. Expenditure monitoring reports, comparing actual and forecast expenditure in the current year with Estimates provision, are now made regularly to the department's top management and Ministers.

Performance indicators and output measures

12. The Operational Research Division of the Treasury is helping the department to explore the scope for using performance indicators or output measures in the field of non-nuclear R & D. In the light of their report, the department will decide this year how this work should be carried forward.

Staffing and training

13. Career management is being developed to strengthen professionalism and expertise in financial management. The frequency of postings in key policy areas is being reduced. Outward secondments to merchant banks and private sector companies are being integrated into career development plans. The inward secondment of business advisers will be maintained. Use of outside consultants for specific tasks will continue.

14. The department's training programme emphasises the efficient use of financial and manpower resources. Training requirements of posts with financial responsibilities have been identified with the aim of mounting a comprehensive programme to improve professionalism over 3-5 years.

15. Following a review in 1980, a new head of Internal Audit has been appointed on secondment from a leading firm of accountants. The organisation and methods of operation of Internal Audit have been revised; and a training standard has been established for staff working in this field.

Costs

16. Implementation of the plan is likely to result in additional running costs of about £200,000 a year in the short term.

DEPARTMENT OF THE ENVIRONMENT

The Department of the Environment (DOE) has responsibility for policy on housing, town and country planning, the protection of the environment, sport and sponsorship of the water, inland waterways and construction industries in England. It also has the general responsibility for the organisation and finance of local government. The Property Services Agency, dealing with the construction and management of the Government's property estate, has a separate programme of financial management work. Central DOE (ie excluding PSA) employed 8,414 staff at 1 March 1983.

2. The expenditure for which DOE has responsibility falls into 3 main categories:

- (a) Direct expenditure by DOE itself on administration and research;
- (b) expenditure by public bodies sponsored by DOE, including regional water authorities, the Housing Corporation, and a wide variety of small bodies;
- (c) expenditure by local government. Expenditure under these heads in 1982-83 was as follows:

£ billion

	Gross Expenditure by bodies concerned (inc. expend financed by fees, charges, rates, sales, rents etc)	Of which DOE provides or controls finance as follows:	
		DOE Voted expenditure (direct expenditure or grants)	Net External borrowing
DOE direct expenditure	0.115	0.115	-
Sponsored bodies	4.3	0.8	0.9
Local authorities total gross expenditure	33.0	11.2	0.6
(of which DOE services account for)	(11.7)	n.a.	n.a.
Total	37.415	12.115	1.5

Financial Management in DOE

3. The different types of expenditure in DOE's field require different forms of financial management. Direct expenditure by DOE needs to be subject to a comprehensive financial management regime. Objectives and responsibilities of the different units of the

Department under Ministers need to be clearly defined. Performance needs to be monitored systematically. Allocation of resources needs to be carefully planned.

4. Expenditure by local government and by other sponsored bodies raises different issues. They themselves have the primary responsibility for managing their expenditure and giving value for money. DOE's responsibility here is more indirect. The department must ensure, so far as it can, that the bodies operate under a regime which includes clearly defined objectives, and which encourages strong financial discipline and value for money. The department must also ensure that its own systems for supervising, regulating and grant-aiding sponsored bodies operate economically and effectively as systems, and encourage efficiency and effectiveness in the sponsored bodies.

5. Under the present Government major new policies and systems have been developed to strengthen financial management throughout DOE's areas of concern. The most important are:

- (a) the introduction of the Management Information System for Ministers (MINIS) which has provided Ministers and senior officials with a comprehensive system for the regular review of each part of the department's work and expenditure assessments of priorities and allocation of resources;
- (b) the strengthening of the Permanent Secretary's Policy and Management Group which inter alia co-ordinates under Ministers all aspects of financial management in the department;
- (c) the establishment of a system of cost centres responsible for managing their own administrative expenditure within a planned budget, and supported by a computerised accounting and monitoring system (MAXIS);
- (d) for indirect expenditure by sponsored bodies, the development of corporate planning processes and the setting of financial or other targets, or performance measures where possible;
- (e) the introduction of a regular annual system within each such body for reviewing manpower performance and budgets on MINIS lines;
- (f) strengthening of the arrangements for auditing these bodies;
- (g) the establishment of a new statutory framework for controlling total capital expenditure and influencing the total of current expenditure by local authorities;
- (h) reduction of detailed specific controls, advice and influences by central government over local government;
- (i) publication of more information about local authority output or performance, particularly on a quantitative and comparative basis;

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- (j) strengthening the audit arrangements for local government with a much greater emphasis on value for money with the formation of the Audit Commission.

6. Most of these developments were initiated in DOE before the Prime Minister's initiative was launched in 1982, and are now well established. The MINIS system in particular attracted favourable attention from the Treasury and Civil Service Select Committee in 1981-82 and provided a model for the Government's general financial management initiative launched in Cmnd 8616. The following paragraphs explain the present position on each of these developments.

MINIS

7. MINIS provides for an annual detailed review by Ministers and senior management of the work of every part of the department. There are three main stages. Firstly every autumn each directorate prepares a detailed statement of its work, and how much each task costs. The statement must say what has been achieved in the first six months of the financial year, what is expected to be achieved in the following six months and what objectives might be appropriate for the next financial year. Secondly, the statements are considered at meetings during the winter and early spring with senior management and Ministers. Decisions are made about each directorate's work. Suggested objectives are probed, endorsed or rejected and further reviews of policy or management issues can be set in hand. Appropriate resource allocations for each directorate are determined. Finally action is taken following the meetings, to ensure the Minister's decisions are implemented, the Trade Unions are kept informed and the statements are published.

8. The system has been successful not only in revealing substantial scope for economies in the department but in enabling Ministers to ensure that resources are allocated in accordance with their priorities and objectives. The disciplines of the system have also helped develop in line management a more acute awareness of the need to manage well the resources for which they are responsible.

Development of financial management in DOE

9. The Permanent Secretary's Policy and Management Group consists of the two Permanent Secretaries, the Chief Executive of the Property Services Agency, and the 6 Deputy Secretaries. It is supported by 3 central divisions responsible respectively for MINIS, MAXIS and for general studies. Under Ministers the group guides the general development of financial management in DOE. It has also commissioned a number of specific studies or reviews of particular aspects of financial management. Recent or current reviews include general studies on the role of the Finance Divisions in the department, training for financial management, the flow of monitoring information to senior

management, and studies on a variety of specific topics such as monitoring and evaluation of the urban programme, value for money in external research, future policy on housing improvements etc.

10. The group has also recently commissioned studies of the way in which the MINIS system could be further developed and linked to the system for planning and monitoring the whole of DOE's public expenditure programmes.

11. The reports of these studies are considered when they come in, and may lead to further improvements in detailed aspects of financial management within the department. For example, following the recent study of value for money in external research an improved system for monitoring and reviewing research projects will be introduced during 1983. This will include the development of regular research audits involving an analysis of projects against objectives, and a standardised information system.

12. In 1983, the Policy and Management Group has also taken on the function of an Audit Committee for the Department. It receives reports from the recently strengthened Internal Audit unit, and considers the future programme of audit work.

MAXIS

13. A computerised system of cost centre accounting and budgeting (MAXIS) for DOE administrative expenditure - about £80 million gross in 1982-83 - has been introduced as from 1 April 1983. Individual cost centre managers are required to make estimates of resources required based on past expenditure patterns and assessment of future needs. Final budgets for each centre are then established as part of the MINIS round. Cost centre managers (who vary in grade from Senior Executive Officer to Deputy Secretary) are then responsible for managing their expenditure with these budgets.

14. As the system develops it is hoped to give cost centre managers greater responsibility for ensuring value for money in management of the resources within their command, including freedom to vire between different items of administrative expenditure, thus further strengthening their financial responsibility and accountability.

Sponsored bodies (other than local government)

15. In order to improve the department's management of its relationships with sponsored bodies, and to strengthen financial management within those bodies the present Government

have pursued four main themes, with appropriate variations to suit the particular needs of the different bodies:

- (a) clarification of the objectives given to the body, particularly the financial objectives. Financial targets have been introduced where appropriate, eg in the water industry, and appropriate bodies have been encouraged to develop a corporate planning process intended to lead to the identification of quantified targets or objectives over a period of years worked. As this planning process develops the department intends to relate it more directly to the public expenditure planning process, and would hope in return to be able to provide the bodies with a greater degree of assurance about their likely level of resources over the medium term 2 to 3 years ahead;
- (b) strengthening the management of the bodies, and encouraging them to adopt internal methods of financial planning and control similar to DOE's MINIS system in order to ensure that they give value for money. Most bodies have made some progress and several, with assistance from the department, have already introduced their own systems, eg the Nature Conservancy Council, the Housing Corporation, the London Docklands Development Corporation and New Towns Development Corporations. A consultant is currently exploring with the water authorities the scope for development of manpower control systems on MINIS lines;
- (c) the audit arrangements of all the department's sponsored bodies have been reviewed under the present Government, and the auditors have been given an additional remit to consider and report on value for money aspects of the bodies concerned. This should provide valuable material both to the bodies and to the department for improving efficiency over time.

Local government

16. Local authorities are elected bodies with a range of statutory powers and functions. They are responsible for their own internal organisation and management; and for providing services economically, efficiently and effectively. They are accountable to their electorates and ratepayers for the discharge of their functions.

17. Central government is however concerned with many aspects of local authorities' work:

- (a) it promotes the legislation which defines the areas of authorities, establishes their electoral arrangements, their functions and duties, and their powers to raise rates, to borrow money and to spend it;

- (b) it is concerned with the overall level of current and capital expenditure by local government as part of its management of public expenditure and control of the economy;
- (c) in providing financial support for local government, central government has responsibilities ranging from rate support grant, where no specific condition can be imposed on the use of the finance, to highly specific grants and agency payments;
- (d) in relation to some services it has more specific statutory responsibilities to set and monitor standards of provision (including various statutory duties); to offer advice on methods and objectives and to influence the way in which the service is provided or in which investment is made;
- (e) it has established arrangements for authorities to publish their accounts and other information about their performance and for effective audit of local government.

18. Under the present Government a number of important legislative and other changes have been made which are relevant to the interface between central and local government and to the Prime Minister's initiative. These changes include the creation of the block grant system, and the new capital expenditure control system. They also include the formation of the Audit Commission, with its duty to undertake comparative value for money studies of local authorities' services; the publication provisions of the Local Government, Planning and Land Act 1980; and the reduction of specific controls and of the number of departmental circulars.

19. In the context of the current initiative further discussions are proceeding with local government on a number of aspects of central/local relations, including:

- (a) more emphasis on medium term expenditure planning for long-term capital programmes as a basis for improved financial management;
- (b) the operation of the general systems for influencing total current expenditure through the RSG, and total capital expenditure through the capital expenditure control systems, which are already kept under regular review in the RSG and PESC cycles;
- (c) specific controls and specific grants. These are needed for a number of services. But they tend to involve additional administrative effort both at local and central level. All such controls and grants need to be scrutinised periodically therefore to see whether their administration could be simplified and made more efficient;

- (d) continuing efforts to develop more quantified measures of performance. The improvement of such measures could improve financial management both in central and in local government. Even though final outputs may often be very difficult to define, the measurement and publication of inputs, activity measures and intermediate outputs of various kinds will gradually help to clarify objectives more precisely.

Costs

20. The annual cost of operating the various financial management initiatives within DOE will be about £290,000 for MINIS and £590,000 for MAXIS, and a further £85,000 for a specialist unit; a total of about £965,000 (in 1983-84 prices).

PROPERTY SERVICES AGENCY

The Property Services Agency (PSA) was set up in 1972 with responsibility for 'the provision to other Government Departments of property management services, building construction and maintenance, and the appropriate supplies (Hansard 5 May 1972, col 217). The Agency's task is primarily one of managing the estate, including new works and major repairs; building and construction work is placed with private contractors; all property disposal work is placed with private agents once the preparatory work has been done, and an increasing proportion of new works is designed by consultants.

2. The Agency has some 29,000 staff, of whom half are industrial and half non-industrial. Their work is widely dispersed throughout the UK and overseas. Over 60 per cent of the non-industrial staff, and almost all industrials, are employed in the Regions, of which there are 14; 10 in the UK (including Scotland and Wales) and 4 overseas. The Regions' primary tasks are to manage and maintain the estate and to control minor works services and those major projects delegated by Headquarters Directorates. The HQ Directorates are responsible for overall programming and financial control, for most of the larger new works projects, and for specialised professional and technical services.

3. PSA is responsible for expenditure of some £1,600 million on the provision of works and estates services. In addition PSA Supplies, a Trading Fund, has an annual turnover of about £200 million*.

Present Arrangements

4. Work on the FMI is co-ordinated by the Principal Finance Officer. The Agency has been able to build on much work already done, in particular on resource costing systems and arrangements for setting objectives and priorities for the Agency:

- (a) PSA uses a computerised resource costing system (PATOCAP) which identifies and monitors all PSA resource costs on works services in the UK, including such imputed costs as superannuation and accommodation at market rents, and relates these to cost centres, specific activities, projects and clients. Resources for major new works projects are budgeted and controlled through the system. Monthly and quarterly print-outs are issued to various levels of management. These include a series of performance ratios;

* PSA Supplies is discussed separately below, paras 8-12

- (b) Overall objectives for the Agency are set by the Chief Executive. These are translated by Directors into more detailed objectives for their own operations. The PSA Executive Board reviews annual and half yearly reports assessing progress towards these objectives.

5. PSA operates the MINIS system which provides management information for the Secretary of State and enables him to conduct regular reviews of the Agency's work and use of resources.

General Approach to Improving Financial Management

6. Major proposals for structural change in the PSA have been developed. The aim is to have final decisions by the end of June 1983, with a view to implementation over a period from April 1984. These proposals are intended to bring about radical changes in the Agency aimed at improving efficiency and value for money: they involve a reduction in the tiers of management in the Territorial Organisation and the possibility of separating the Defence and Civil activities; a radically revised approach to property responsibilities; and the development of commercial property accounting systems for the civil estate. A reshaping of the design activity is also under study. These changes will involve a far reaching programme of work. In addition to detailed studies of how best to achieve the structural changes, they will require the development of new commercial accounts and management information systems (the latter already underway), a review of delegations throughout the Agency, and new procedures to achieve a sharper focussing of responsibility at all levels.

7. There are several important areas in which work is required to tighten and expand control and monitoring systems, and to improve other aspects of the Agency's operations. Work in these areas will be linked with the development and implementation of the restructuring proposals, but is separate from them. The main areas are as follows:

(a) Control of Administrative Costs

At present, Directors have local budgets for funds for those services which are within their direct control. Of the 1982-83 Cash Limit for the Administration Vote, some 39 per cent was allocated to Directors in this way. The aim is to extend these arrangements. Work is in hand under the Principal Establishment Officer to examine the possibility of local budgeting for postal services, stationery and printing, and telecommunications services. It is intended to introduce new arrangements progressively from 1984-85.

(b) Management Information Systems

The Agency is fully satisfied as to the value of a system such as PATOCAP, described above. But the system requires improvement, both to extend the scope

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and quality of the management information produced (particularly to the District Works Office level) and to improve turnaround time. An earlier project for a new in house costing system had to be abandoned because of problems in computer development. The PSA Computing Committee has initiated a review led by the PFO, supported by his Management Information Division and by Computing Division, of the options for meeting the Agency's future resource costing requirements. Stage I (broad confirmation of the requirement and a review of the options for handling) should be completed by September 1983; Stage II (detailed development and implementation) will follow.

(c) Financial control and estimating

The Agency recognises that there are major problems in the systems for the estimating and control of works expenditure, notably maintenance expenditure. Two major exercises are in hand:

- (i) on the estimating side, it has not yet been possible to set specific cost targets for the bulk of maintenance expenditure, as has been done for the maintenance of married quarters on the Defence estate. The development of unit costs more widely is crucial to improved estimating. The Agency is employing consultants to help carry forward work on this problem. As results emerge for particular areas they will be incorporated into the budgeting process. The full exercise will take some years, but some further applications should be available from April 1984.
- (ii) The Agency needs greatly improved management information, other than resource costs, on a property by property basis, as an aid to budgeting and financial control. To this end, the Agency is developing UKTOMIS, a distributed computerised information system. The final form of the system will depend on decisions on restructuring of the PSA. The current target is to develop an interim Estates system by June 1984, and to achieve full development of the complete system by 1987. The project team is also studying an interim works system.

(d) Major works projects

A team has been set up under the PFO to monitor the quality of investment appraisals carried out in the Agency, and the extent to which investment appraisal is used. Revised instructions to staff have been issued. The position will be reviewed in the light of the team's experience in April 1984.

The long term aim of these and other exercises is to improve the general quality of financial estimating for the Votes controlled by the Agency, and hence the overall use made of the funds available.

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(e) Management Services and Responsibilities

The PSA is to participate in the 1983 Rayner Review of consulting, inspection and review capabilities. Two particular issues are to be examined: the relative responsibilities of the PFO and PEO for the control of the Administration Vote, and the needs of PSA for its own management services team. At present, PSA relies for O&M and Operation Research facilities on common service provided by DOE (Central).

(f) Internal Audit

A joint Treasury/PSA Review of Internal Audit, and of Computer Audit, was conducted in 1980-81. The recommendations were accepted, and implementation is well advanced. The full strengthening of Internal Audit recommended by the Review will be completed in the course of 1983. Changes in auditing methods are being brought in over the next two years.

PSA Supplies

8. PSA Supplies has operated as a Trading Fund since 1 April 1976. Its task is to provide government departments and other public sector bodies with furniture, furnishings, equipment, materials, heating fuels, transport and selected services related to their domestic and operational needs as efficiently and economically as possible. In doing so it takes into account the need to help industry to operate more efficiently, improve the standard of design and promote the exploitation of successful new materials and technologies. In 1981-82 the turnover of the Trading Fund was £205 million; assets employed were £40 million; and the current cost operating surplus before long term interest was £4 million (10 per cent against a target of 5 per cent).

9. The creation of the PSA Supplies Trading Fund required the introduction of a comprehensive management accounting system and a set of commercial accounts compatible with the standards required from the private sector and nationalised industries. The Fund operates 16 separate trading accounts with 70 budget centres and 260 cost centres. Each budget centre manager is personally responsible for controlling the costs charged to his budget centre and performance is continually monitored against budget. The Supplies Management Board receives monthly financial reports and quarterly and final accounts. Annual Accounts, audited by E and AD, are presented to Parliament by the Comptroller and Auditor General. These include comparisons of price performance against external commodity prices. To a large extent therefore the Trading Fund has already achieved the aims of the Financial Management Initiative.

payment

10. The introduction of repayment arrangements for most government departments on 1 April 1983 will help to make them more conscious of the costs of the goods and services which they consume. Supplies prices and standards will have to be fully competitive to retain a satisfactory level of business. A detailed marketing plan, based on consultants' advice, is being prepared aimed at attracting a wider spectrum of public sector clients.

Purchasing

11. Supplies Purchasing has been examined and a number of changes are planned to improve efficiency and reduce manning. The main organisational changes will be introduced during the summer of 1983.

Accounting and Information Systems

12. The accounting systems in use date from the inauguration of the Trading Fund. For speed and economy they utilise systems and programs used by the PSA parent body. This arrangement inhibits development for both organisations and it is planned to end them by 31 March 1984. Complete accounting separation from the parent body will enable other business systems to be updated to take account of modern technology. An internal review has highlighted the need for an on line computing system for ordering, stocking and delivery of goods. Marketing consultants have delivered an interim report which stresses the need for an improved information system. Detailed proposals will be completed by 30 September 1983. It is expected that implementation will start from 1 June 1984. The requirement for fast response to client demand and improved information flow to increase management effectiveness will require extensive change to current systems. It is proposed to employ consultants to advise on the design of new systems and subsequently to implement them. Present indications are that the new systems are unlikely to be completed before 1986 or cost less than £2.5 million.

EXPORT CREDITS GUARANTEE DEPARTMENT

Under the terms of the Export Guarantees and Overseas Investment Act 1978, the Export Credits Guarantee Department (ECGD) gives credit insurance cover to UK exporters against the risks of non-payment, and provides guarantees to banks to facilitate the financing of UK exports. In addition, ECGD administers the fixed rate export financing facility. This involves equalising the difference between the floating market rate of interest charged by the banks and fixed export credit rates determined in accordance with international agreements. During the financial year ended 31 March 1982 ECGD issued guarantees and made refinancing loans and interest rate grants in support of UK exports and overseas investments to a total value of £29,632 million; at the year-end the cumulative outstanding liabilities under all guarantees amounted to £32,900 million. Total income on the export credit insurance trading operation was £319.9 million; administrative expenses for the year were £28.5 million. The total net public expenditure cost of the fixed rate financing facility was £5866 million. The department employs about 1800 staff.

2. In addition to its statutory objective of encouraging trade, the department has a financial objective of operating its credit insurance activities at no net cost to public funds.

Existing Financial Management Systems

3. The department operates its credit insurance facilities as far as possible on a commercial basis. An extensive financial and management accounting system has been developed, culminating in the production of annual trading accounts and balance sheets which present the trading outturn of each underwriting year's business. The determination of the appropriate level of provisions for loss for each underwriting year is a major feature of this work.

4. The department conducts an annual financial review, using a computer model, to assess current and projected cash outturn over the next 5 years in order to determine the appropriate level of premium rates for future business.

THE DEPARTMENT'S FINANCIAL MANAGEMENT PLAN

Trading Objectives

5. As explained, the department's basic financial objective is to operate at no net cost to public funds. A more specific financial objective, to maintain a set ratio between reserves and amounts at risk, has for a variety of reasons been found wanting. The plan looks to an early conclusion of current work by the department and the Treasury on an alternative, and more realistic, measure.

Improved Underwriting Performance

6. Because the level of claims paid under its guarantees (£303m in 1981-82 against premium income of £237m and administrative expenditure of £28.5m) is a major determinant of its financial outturn, the department's plan gives priority to the establishment of a management information system designed to improve underwriting performance. This will provide individual underwriters with detailed and up-to-date correlated information about the performance of the facilities and markets for which they are responsible. This system should enable better-informed decisions to be reached about future exposure on buyers, markets and facilities and will enable a comparison to be made between the actual outturn for different classes of business and that projected in the annual financial review. The information made available will also assist Ministers in undertaking an annual review of ECGD's trading operations.

7. The development of this information system will be achieved through additional computer facilities. These will also enable the newly formed Financial Analysis Unit to carry out improved analytical and interpretive work using more complete financial and statistical data than has been available hitherto.

Administrative Costs

8. Another major element in the Plan is to develop and fully computerise the department's management accounting system. The existing system which relates administrative costs to individual credit insurance facilities will be refined to relate the costs to organisational units. This will represent the first step in the creation of cost and budget centres within the department, ensuring a tighter control of administrative expenditure both centrally and by line managers. It is also hoped that this system can be further developed by the introduction of output measures for the cost centres.

Underwriting Efficiency

9. In the longer term it may prove possible to link the management information system with the enhanced management accounting system to determine an overall indicator of underwriting efficiency. However, in view of the long horizon of risk on some business and the changes in economic conditions both generally and in particular markets, this may be difficult to achieve.

Public Expenditure

10. The Department is computerising the fixed rate export financing facility to improve operating efficiency, audit control and public expenditure forecasting. The plan also envisages steps to produce a more detailed analysis of expenditure and thus provide an improved measurement of the value of the scheme.

Implementation

11. In view of the continuing world recession, the department's plan places most emphasis on measures designed to improve its underwriting performance. The enhanced management accounting system, which will lead to better control of administrative expenditure and to increased efficiency, will also help in improving financial control. The timetable for implementation of the plan envisages early completion of the review of the department's specific financial objective (see paragraph 5). The management information system will be introduced in stages; the first stage will be undertaken this year, but completion is not expected before end-1986. The enhanced management accounting system is expected to be ready this year but cost centres can only be introduced on a gradual basis over the next 2-3 years. The full range of improvements will not be realised until 1988. Four posts have been allocated to oversee implementation of the plan, but in view of its phased nature the full staffing and cost implications can not yet be fully assessed.

FOREIGN AND COMMONWEALTH OFFICE

The Foreign and Commonwealth Office (FCO) (Diplomatic Wing) is responsible for all aspects of the Government's foreign policy, for conducting diplomatic relations with foreign governments and for representing the UK in major international organisations, such as the United Nations.

2. Its public expenditure amounts to about £600 million a year, of which 53 per cent is the administrative costs of the diplomatic service both at home and abroad - eg salaries and allowances, accommodation and travel. Other major elements are £130 million on the overseas information programme (including grants-in-aid of the BBC External Services and the British Council), £70 million on international subscriptions, £20 million on the running costs of the Passport Office and £13 million on military aid (to cover courses in the UK and training teams abroad).

3. The FCO maintains 214 diplomatic posts in 131 countries. UK-based staff total 9,469 (of whom 2,792 are posted abroad) and there are 6,875 locally employed staff overseas. In addition to conducting official government-to-government relations and reporting on political and economic developments in overseas countries, the diplomatic service provides services in the fields of export promotion, consular and visa work, aid administration, information and cultural work and specialist activities (such as scientific or civil air attaches).

General approach to improving financial management

4. The FCO has in the past regarded the principal task of financial management as being to ensure that public moneys have been properly spent. With financial resources diminishing, it became clear that this was inadequate and a radical new approach was needed. The FCO took part in the centrally co-ordinated review of the control of running costs that was included in the 1982 efficiency programme and added to a growing awareness that better quality (and qualified) staff and technological innovations were required. A financial information and monitoring system has been in use since 1980 and the accounting system of the FCO was fully computerised in 1982.

5. The two most significant steps in the department's efforts to improve its financial management will be the evaluation at all levels, and especially at the top, of objectives in terms of resources in order to set priorities; and the devolution of financial responsibility from the centre. The Principal Finance Officer is responsible for co-ordinating this work.

Management and financial information systems

6. A top level financial planning group has been set up to consider the deployment of FCO financial resources and make recommendations to Ministers. It is normally chaired by the permanent under secretary. Its main functions include supervision of the FCO's annual public expenditure and Estimates proposals; the allocation of resources between the department's programmes; and the review of programmes to ensure that they are meeting their original objectives. To enable the Group to do its job properly a management information system (MIS) will be set up. It is planned to come into operation by 1 April 1986. It will need to be linked with the existing financial computer systems in the FCO, providing facilities for expenditure profiles, as well as details of regional, functional etc., costings. Consultation and planning have begun. The FCO is discussing with the Treasury the creation and application of performance indicators such as output measures and key ratios where applicable; there is little prospect of devising satisfactory output measures for political and economic reporting.

7. In the shorter term the assumption in April 1983 by the FCO of the responsibility for the Diplomatic Estate Overseas (previously administered by the Property Services Agency of the department of the Environment) has required swift action to rationalise the old PSA vote expenditure to FCO systems. A new computer system is being introduced, to be ready by 1 April 1984, providing both accounting and a specialised information system for property acquisition and development.

Delegated budgeting

8. The most far-reaching proposal, for what has traditionally been a tightly-centralised financial administration, is to delegate responsibility for progressively greater proportions of their total costs to line managers. This will enable them to know their costs and to deploy their resources more effectively. Each overseas post will progressively become the equivalent of a cost centre. In 1983-84 the sums devolved represent about 20 per cent of all local costs: this percentage will increase as experience is gained. The scheme is expected to promote more efficient local management, and will within a couple of years enable posts to play a more informed and crucial role in the determination of their own annual budgets. Similar measures of delegation within the FCO itself will be considered in the light of experience with local budgeting overseas.

Programme Expenditure

9. The FCO is responsible for relatively little programme expenditure and much of that is given in the form of grants-in-aid or international subscriptions. However, to the extent that this can be achieved without infringing the independence of institutions such as the BBC External Services and the British Council, the FCO intends to apply FMI principles in

his area, notably when decisions are taken about the relative priorities for FCO expenditure.

Internal Audit

10. The two wings of the FCO (diplomatic and aid) share a joint internal audit unit. It has been strengthened by the appointment as its head of a partner in a leading City company, and by increasing its staff and scope. Internal Audit is now an important part of the management team.

Staffing and training

11. A policy decision has been taken to switch higher calibre people into financial work, and to increase the use of qualified staff. Training in financial management is now a standard feature of FCO management training at all levels. The FCO uses specialised Civil Service College courses, but is also giving much more in-house training on financial topics and specialist subjects such as investment appraisal. Before the inception of the local budgets scheme for posts on 1 April 1983 and the concurrent assumption by the FCO of the responsibility for the Overseas Estate, a series of 11 seminars for post managers was held in London and at regional centres overseas.

Costs

12. In staff and training terms, the effort will be met from existing resources. The cost of the MIS and associated computer facilities is expected to be small.

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Most of the 95,000 staff of the Department of Health and Social Security (DHSS) deal with social security.¹ This involves the payment of £31 billion a year in benefits, either direct by departmental staff or by the Department of Employment (Unemployment Benefit) or local authorities (housing benefit) acting as agents; and the collection of £18 billion in National Insurance contributions. The staff are widely dispersed in a network of central, regional and local offices, with administrative costs of £1.1 billion a year.

2. The department is also responsible for programme expenditure of £12 billion a year on Health Services in England:

- £8.9 billion on hospital and community health services, managed by 192 District and 14 Regional Health Authorities within policies and guidelines set centrally
- £2.8 billion on family practitioner services provided by independent professional staff under contracts administered by Family Practitioner Committees
- £545 million on centrally financed services (CFS) - health and personal social services, managed direct by the department or by non-departmental public bodies (NDPB's).

In addition, the department sets national policies and guidelines for the provision of personal social services by local authorities (expenditure of £2.4 billion a year, funded mainly by rates and the Rate Support Grant). The annual administrative costs of the department's health and personal social services responsibilities amount to £78 million.

General approach to improving financial management

3. The department's work on improving financial management is being overseen by a steering group of the senior officers responsible for finance, manpower, and management building on previous management reviews and on work already in hand. The main elements of the plan to improve management of the department's administrative resources are:-

- (a) The introduction of a formal annual review of functions, tasks and use of resources through a new system of divisional management accounts (DMAs)
- (b) A system for the budgeting and control of administrative costs
- (c) Restructuring of the Social Security Regional Organisation to clarify responsibilities and to increase delegation to local management
- (d) Training of staff in financial management.

¹ Figures are for 1982-83

A small central unit has been set up in the department to act as secretariat for the DMA and to monitor progress.

4. At the same time, the principles of the initiative are being applied to the management of the National Health Service as a development of the 1982 restructuring by the introduction of annual accountability reviews for Health Authorities, by the wider use of performance indicators, and by an independent enquiry into the management of the hospital and community health services. There will also be a systematic programme of reviews of the management of the centrally financed health services.

5. Management of the social security programme is being strengthened by the development of output measures and of a standard framework for the appraisal of policies, and by a joint programme of work with the Treasury and other Government departments to improve the forecasting of expenditure on benefits.

Top management: priority setting

6. Major issues relating to the organisation and efficient running of the department as a whole are considered by the Departmental Management Board, composed of the 3 Permanent Secretaries, the Principal Finance Officer and the Principal Establishments Officer and directly accountable to Ministers. The First and Second Permanent Secretary chair two Strategy Committees which consider major strategic issues and advise Ministers on priorities in relation to health and personal social services, and social security respectively. Supporting these are a Cross-Sector Committee examining the interaction of policies across the different responsibilities of the department, and a Research and Development Committee. The day to day running of the department is overseen by a Management Team of senior officers under the Principal Establishment Officer; under it are equivalent bodies overseeing the management of the social security regional organisation and the two central offices, and departmental computer development.

Divisional management accounts

7. To provide Ministers and top management with an overview of the department's work, its current objectives and the allocation of resources, a new system of Divisional Management Accounts (DMA) is being introduced. Each division (under-secretary or equivalent command) is dealt with as an accountable unit and has its own management account which is a short statement covering:

- (a) basic functions
- (b) specific objectives over 12 months
- (c) manpower and non-manpower budgets

- (d) the cost of programmes for which the division is directly or indirectly responsible.

After the first year the account will also include a "stewardship" report on progress towards previously established objectives.

8. These accounts will be discussed with divisions on an annual cycle with the aim of ensuring that the continuing work of the department correctly reflects Ministerial priorities, and of ensuring that objectives and the resources available to achieve them are compatible. One possible development of the DMAs would be less frequent but more detailed reviews on a selective basis of the functions and related organisation and manpower of units within the department concerned with particular blocks of work. Such a review was undertaken for the department as a whole in 1980, with the aim of achieving a 20 per cent reduction in Headquarters staff by April 1984.

Budgetary control

9. The department introduced computerised central accounting in April 1981. Building on this, a budgetary control system (being developed with the assistance of management consultants) is being introduced in phases from 1 April 1983 to cover all expenditure on the department's administration vote. Some 800 cost centres have been identified and the manager of each will be provided with a monthly financial report detailing all expenditure charged against his centre. In 1983-84 the system will cover a limited range of expenditure; in future years managers will submit bids based on past experience and forecast changes in demand and budgets will be agreed with Finance Division through line management. Cost centre managers will be responsible for keeping expenditure within their budget for supplies and services over which they can exercise control. Development of the system to bring as much expenditure as possible - including the costs of manpower and accommodation - under cost centre control will continue. The intention is that ultimately cost centre managers should have the flexibility to operate within a single budget for all administrative costs.

Management information

10. The divisional management accounts, and the monthly financial reports on budgetary control will supplement existing flows of management and programme information, and others under development. On the operational side, the Management Team receives monthly summaries of social security activity and performance and of the use of manpower and of money. The heads of the three main operational commands produce their own annual reports, as do the Chief Scientist and the heads of operational research services, management services and audit. Increasingly, micro-computers are being used to process management information.

11. The extensive information available on Health and Personal Social Services programmes is brought together in the department's programme budget analyses, in summary fact sheets prepared for Ministers and in more detail in the papers prepared for regional reviews (paragraph 14) as well as in national reviews of particular issues. The supply of manpower information has been improved and accelerated, and a major review of the information needs of the NHS covering activity, finance and manpower will be completed during 1983-84.

Restructuring of the social security regional organisation

12. A major study of the shape of the social security regional organisation, and of the handling of work in regional and local offices, was carried out by a departmental team in 1980-81. They concluded that there was too much movement of work between different management tiers, that levels of responsibility were often not sufficiently clear, and that there was overwhelming support among local office managers for greater delegation of responsibility to them. Ministers decided to accept the main thrust of the report towards devolution of authority in a number of areas including recruitment, personnel function and training, casework on supplementary benefit, contributions and compliance and decisions on legal action. Another important change flowing from the report is a reduction in the number of regions from 12 to 7. Implementation of these proposals is well under way, with a target of complete implementation by autumn 1983.

Application of the principles of the initiative to the National Health Service

13. The restructuring of the Health Service in 1982 was very much along the lines of the Prime Minister's initiative, with a strong emphasis on maximum delegation of responsibility, on strengthening management at the local level and on simplification of lines of command. The role of Chairmen, members and officers of Health Authorities is now to be studied with the aim of clarifying responsibilities and sharpening up accountability.

14. A new system of annual reviews has been introduced to call authorities to account for the way they use their resources, to ensure that these are used efficiently and effectively in accordance with the Government's priorities, to review progress against agreed plans and to develop action plans for the next year. Performance indicators are being developed for use in these reviews, to point to areas where standards of provision of efficiency need to be scrutinised. Comparable arrangements will be introduced for Family Practitioner Committees when they are set up as independent authorities in 1984.

15. Management within the Hospital and Community Health Service is to be made more effective by an independent enquiry. This will complement the review of NHS information

eds already mentioned (paragraph 11), and an experiment in four Regions into an independent Management Advisory Service.

The Centrally financed services

16. Three improvements are planned:

- (a) a feasibility study of computerising the vote accounting system for the health and personal social services as a whole and of providing individual budget holders with regular feedback;
- (b) a systematic programme of reviews of services not already covered by the standard review system for non-departmental public bodies;
- (c) strengthening of the annual budget cycle for all services to identify objectives and to review past performance and cost effectiveness.

Training

17. A special working group under the Departmental Training Officer has been set up to supervise the training of departmental staff in the principles of good financial management. The main elements of the department's plans have already been explained to senior staff at a series of meetings, and a briefing pack has been prepared and circulated to help dissemination of the message throughout the organisation. The principles of the initiative are being incorporated into the department's existing management training programme. In addition, arrangements are well in hand for training in special aspects such as budgetary control.

Expected costs

18. Work to achieve the aims of the initiative involves a wide variety of activities across the department, and the costs are not easily isolated. The main identifiable costs of the work reported here arise from:

- (a) the introduction of budgetary control, involving one-off expenditure of some £300,000 in 1982-83 and a rather lesser sum in 1983-84, and running costs estimated at perhaps £42,000 a year once the system is fully established;
- (b) some £75,000 a year on the production and scrutiny of the Divisional Management Accounts;
- (c) some £30,000 on preparation of the department's response to the initiative.

19. The most directly identifiable benefit will come from the restructuring of the Social Security Regional Organisation, which should lead to a net reduction in staff of at least 1000, and substantial savings on administrative costs.

HOME OFFICE

The functions of the Home Office and the resources for which it is responsible are extremely diverse. The rather more than £4 billion for which it provides in public expenditure plans falls into three large blocks. Some £3½ billion (80 per cent) is incurred in the first place by local authorities, on a variety of services of which the police is the largest. Of the remainder, two thirds (£½ billion) is spent on the prison service. The rest (about £¼ billion) is expenditure on central administration (including some support services for the police) and relatively small items, eg the criminal injuries compensation scheme. The department employs about 35,000 civil servants, of whom all but 9,000 are in the prison department.

2. The Prime Minister's initiative occurred when the Home Office was already giving attention to improvements. Much continuing work is relevant; but the initiative has also stimulated fresh thinking and further studies in a number of areas. The emphasis is on the clear definition of task and area of responsibility and on improvements in management information.

Expenditure planning and performance review

3. In recent years internal arrangements for the public expenditure planning of Home Office services have been enhanced to enable ministers and senior management to take a more strategic view of requirements. Since 1981, senior officers outside the finance and manpower department have been more fully involved in discussing priorities for programmes for which they are responsible.

4. The Annual Performance Review (APR) was introduced in 1982. Together with clearer designation of responsibilities, it provides management information about functions, objectives and costs, as a basis for divisional work plans and systematic review of performance and plans by senior management. The system, as it develops, will represent the Home Office response to the Government's commitment in Cmnd 8616 to introduce such systems.

Prisons

5. Since its reorganisation in 1980, the Prison Department has pursued a management strategy which has given high priority to the more effective and efficient use of resources. The main relevant elements of continuing work are:

- (a) better and more timely financial and management information, from a computerised activity costing system which was introduced in April 1983;
- (b) improvements in monitoring and control systems, and in procedures;

- (c) developments in accountable management at prison establishments; and
- (d) bringing to fruition the next stages of several major reviews: of resource control; of manpower (jointly with the Treasury); and of the management structure of prison establishments.

Other directly incurred expenditure

6. The expenditure which the Home Office incurs directly (outside the prison department) was the subject of a series of preliminary studies in selected areas during autumn 1982. These were designed to describe existing systems and to illuminate questions about the arrangements for financial management, including the respective roles of central divisions and local management. The evaluation of these studies, the information requirements of the Annual Performance Review described above, and some general questions which the evaluation of the first APR has raised about the nature of divisional responsibility for expenditure, have generated a programme of work for the next eighteen months and beyond. Its main elements are:

- (a) a review of the expenditure concerned and of the nature of existing responsibility for budgets;
- (b) systematic appraisal of the arrangements for managing administrative expenditure, including the scope for decentralisation of budgetary authority and involving the construction and introduction of model budgets for several of the preliminary study areas; and
- (c) the development of more detailed cost information, to support both the APR and the activity described above at (b).

This work has already begun. The intention is that sufficient progress should be made by the end of 1983 for new budgetary arrangements to be piloted in the selected areas in 1984-85.

Local authority services

7. In the local authority field, the focus has so far been on police expenditure. An approach has been developed which takes account of the respective responsibilities of central Government and police authorities. These have been discussed with representatives of the authorities and with chief officers of police. The principal features of the approach are:

- (a) the linking of national and local objectives and priorities with manpower review and allocation;
- (b) the enhancement of estimating procedures, in time for the 1984 public expenditure survey; and

- (c) the development of a financial information system for use by the Home Office and HM Inspectorate of Constabulary, to be operational in time to make a contribution to the 1984 inspection round.

Associated with this programme will be a review by the Home Office research and planning unit of the literature on the use of output measures for non-profit service agencies and their applicability to the measurement of police efficiency. Similar, and linked, steps are being taken in relation to metropolitan police expenditure.

8. The Home Office's intention is to explore successively the extent to which this general approach is capable of application to the other services in which it has an interest, bearing in mind the respective responsibilities of local and central government.

Internal audit

9. The internal audit unit has been relocated in central London, bringing it physically and organisationally closer to the central management of the Office. Audit strategy has been reoriented to give emphasis to systems audit and systems review, and other special project audits are being initiated. The enhanced status and role of audit as a management service has been reflected in a revised complement, with the unit's staffing structure upgraded. For the future, there are programmes for establishing a more precise assessment of audit needs, for the setting of audit plans, and for improving the training of the unit's staff.

Staffing and training

10. Activity flowing from the initiative continues to be given high priority. It is a central preoccupation of senior officials in the relevant parts of the office. The work is being co-ordinated by a steering group under the chairmanship of the Principal Finance Officer, which will from time to time report on progress to the permanent and deputy secretaries and, through the permanent secretary, to the Home Secretary and his ministerial colleagues.

11. A programme of financial training is being developed. It has three main elements:

- (a) the improvement of general awareness of financial matters; a series of seminars for senior staff has already been held, and plans are in hand to introduce a two day middle management course by the end of 1983;
- (b) training in investment appraisal, both in house and using the Civil Service College; and
- (c) training related to changes in procedures described in this annex; the prison department undertook a major programme prior to the introduction of the new management information system (paragraph 5 above), and the financial

information system for HM Inspectorate of Constabulary (paragraph 7) is likely to generate training requirements.

12. A systematic study is being undertaken of requirements for specialist skills in finance and accountancy.

Costs

13. The cost of the programme will be substantial, but is difficult to quantify, not least because much of the activity is integral to the work of the department. It is estimated that the direct staff costs of the programme for 1983 will be of the order of £150,000.

DEPARTMENT OF INDUSTRY

The Department of Industry is responsible for programme expenditure totalling about £1,100 million a year. About 40 per cent consists of regional development grants. The rest is mainly made up of various forms of selective financial assistance (mainly for R&D projects and for certain investment projects): support for BL, Rolls-Royce and shipbuilding has also been substantial. The department sponsors four nationalised industries (British Shipbuilders, British Steel Corporation, British Telecoms, and the Post Office), with net aggregate external financing of about £400 million in 1983-84.

2. Annual administrative costs are about £132 million, £27 million of which is recovered from the Department of Trade for common services. Staff total about 8,000 including those in common services shared with the Department of Trade. There are seven regional offices as well as the headquarters establishment and four research establishments.

General approach to improving financial management

3. The department is working to an eight-point development plan. Responsibility for co-ordination lies with the Finance and Resource Management (FRM) division, reporting to a steering group chaired by the Principal Establishment and Finance Officer (PEFO, a Deputy Secretary). The elements of the plan are:

- a. promotion of the department's strategic aims;
- b. the development of annual exercises to review priorities at senior levels;
- c. the introduction of the Activity Costing and Targeting (ACT) management system;
- d. the extension of cost-effectiveness analyses;
- e. progress in the attribution of administrative costs to spending units and changes in responsibilities for them;
- f. the introduction of responsibility cost centres;
- g. action stemming from a study of the department's requirements for a management information system; and
- h. parallel modification in staffing and training arrangements and access to expert advice reflecting the emerging financial management needs.

4. Much of this work was in hand. A study by consultants in 1981 led to more formal arrangements for priority setting, the extension of work on cost-effectiveness and on the

attribution of costs, and initiatives on cost centres and information requirements. Work on strategic aims was begun in early 1982 and a possible management system was being tried out on three divisions. The Prime Minister's initiative added impetus and helped to bring these various initiatives towards a coherent whole.

Top management priority setting

5. Departmental aims and resources are overseen at official level by the Resource Management Group (RMG), chaired by the Permanent Secretary and supported by two specialist management groups dealing with selective assistance under the Industry Act, and scientific and technological assistance. The Secretariat for these groups is provided by FRM division. The RMG was established in March 1982, and about the same time a Policy Planning Unit (PPU) was set up on the initiative of the Secretary of State to work on departmental objectives and priorities. Its work has led to the formulation of 'strategic aims', which are being related to activities at the divisional (Under Secretary command) level through the ACT system.

6. Annual conferences with the participation of industrialists have been held since 1980 on priorities for R&D support to particular technological areas, and these are supplemented by discussions of longer-term issues. Surveys with sponsorship divisions of the possible support needs of industries or technologies are also carried out jointly by FRM Division and PPU. It is intended that the findings of these and other exercises, for example a review of regional policy, should be discussed by the RMG prior to submission to ministers, so that guidance can be provided for the public expenditure and ACT management exercises for the following year.

The ACT management system: improvements in information supply

7. The activity costing and targeting (ACT) system is a management system designed to provide Ministers and officials at all levels with the data needed to allocate resources according to priorities and to decide the actions necessary to achieve specific objectives. The first ACT round covering 1983-84 was launched in January 1983. Divisions were required to set out their work by main activities and to attribute costs and prepare performance targets for the coming year. Divisional returns were considered initially by the RMG and then by Ministers and action plans were agreed for the following year. In subsequent years actual performance will be assessed against the previous action plans, including the targets which divisions had set themselves. The operation of ACT is being reviewed in the light of experience this year.

8. In April 1982, with the assistance of management consultants and in conjunction with the Department of Trade the department launched a wide-ranging study of management

information requirements. This was completed early in 1983. The main conclusions were that:

- a. there was a need to improve the information systems supporting departmental management processes, such as those described above;
- b. a strategy was required to allow an integrated and co-ordinated approach to a comprehensive system; and
- c. given the scale of programme spend and running costs, even a small improvement in effectiveness and efficiency resulting from better management information would more than justify the costs.

9. Implementation involves establishing integrated computer systems covering financial, human and physical resources, sponsorship including assistance, and summarised information for departmental management purposes. In the latter context, one feature will be the provision of regular reports to managers on the same basis as the ACT system (and its Department of Trade counterpart). Access to the computer systems will be through about 400 terminals. The first components of this system will be introduced from 1984.

Administrative expenditure: responsibility cost centres

10. The department is developing its expertise in the analysis of administrative costs. Quarterly attributions of staff pay costs on a divisional basis have recently been introduced. Attributions of other running costs, together with the introduction of management ratios and other performance indicators, will follow as improvements in management accounting information allow. This work should enable divisions progressively to be given financial responsibility for their direct costs.

11. A steering group chaired by the PEFO has directed a feasibility study of responsibility cost centres based on three pilot cost centres - the Yorkshire and Humberside Regional Office, the Business Statistics Office, and the Laboratory of the Government Chemist. The object was to examine the implications of devolving control by setting budgets for administrative costs and delegating more powers to take decisions within those budgets. Pilot centre managers were allowed to vary their staff complements, for example, on condition that they did not exceed their respective cash limits for wage and salaries or ceiling for manpower numbers.

12. After a review in April 1983 it was concluded that the principle should be extended to other areas of the department, starting with self-contained units such as the remaining

regional offices and research establishments. It is intended that they should receive full delegated powers in April 1984. This will cover some 50 per cent of the department's manpower. The team will carry out further work in 1983-84 to examine how far it would be practicable and beneficial to extend the approach to central policy divisions.

Programme expenditure

13. As explained above the various priority exercises are being drawn together in the autumn to provide guidance for the subsequent PES and ACT exercise. It is intended that bids for additional public expenditure on support measures should provide more data on the associated administrative costs. The linkages between the ACT exercise (which covers the immediate year ahead) and the PES exercise (which covers the 3 years after the ACT year) will be reviewed in the light of the first year's experience of the ACT system.

14. A key aspect of the department's support measures is the evaluation of their effectiveness, and several studies have been carried out. The department recognises the importance of the link between ex ante and ex post evaluation and proposes that all new schemes should incorporate 'quantified objectives' against which performances may be compared. A recent scrutiny of the cost-effectiveness of selective financial assistance has also pointed up the need for a more systematic comparison of the eventual outcome of projects with the forecasts and judgements made at the time of the appraisal. More generally, the department is carrying out a substantial exercise to introduce output measurement more widely across its existing support measures by October 1983. A further area which will be examined in 1983-84 is the department's oversight of its nationalised industries and other non-departmental public bodies, and the framework for monitoring their performance.

Review and audit

15. The system for controlling and monitoring administrative expenditure will include procedures (developed in the light of the pilot studies) for the review by senior line managers, assisted by establishments and finance staff, of the performance of the units under their command. A major programme of improvement to the department's Internal Audit (which also serves the department of Trade) has been in train since 1981. An Audit Committee has been set up and the post of Head of Internal Audit upgraded to Assistant Secretary in February 1981. The accountancy and computer expertise of the Branch is also to be strengthened.

Staffing and training

16. The department recognises the importance of adequate staffing and training for the successful implementation of its programme for improving financial management. This may involve further use of consultants, perhaps working in teams under the direction of departmental staff to ensure the maximum transfer of knowledge and experience. The department is also considering whether to use more outside advisers to look at the cost-effectiveness and assist with the administration of particular industrial support measures.

17. Arrangements are in place for succession planning down to Principal level in finance work. Existing and potential FRM Division staff are being sent on courses at the Civil Service College and business schools to study financial management and related subjects and the division includes qualified accountants.

18. The implementation of the development plan will require new training efforts for staff in all divisions. As a first step the department is extending its course in the control of public expenditure to cover budgeting and monitoring of running costs. It also intends to draw up by July 1983 a schedule of enhanced training for line managers.

19. The principal costs of the development plan arise on:-

- a. the implementation of the management information study: these have been tentatively estimated at £2-3 million capital costs (for computer hardware, software and telecommunications facilities) and an annual running cost of over £250,000 a year for both departments;
- b. the operation of the ACT system: this will principally be the costs of the ACT team of three officials and the work done by liaison officers and other senior staff in each division: it is intended to assess these costs at the end of the first ACT round this summer;
- c. training: it appears likely that the cost of the present training efforts associated with the plan (£50,000 a year) will be considerably exceeded when a new schedule of training is introduced.

CENTRAL OFFICE OF INFORMATION

The Central Office of Information (COI) is a common service department providing home departments with publicity services in the UK, and the Foreign and Commonwealth Office and the British Overseas Trade Board with information services overseas. Programmes of work are agreed with client departments at the beginning of the year within a total public expenditure ceiling and expenditure is met by COI on behalf of each department. Charging for these services will be introduced on 1 April 1984. Some work for non-exchequer bodies is already on repayment. The total gross vote for 1983-84 is £62 million of which £13 million is on repayment.

2. Staff will be reduced to 949 by 1 April 1984. There are 6 specialist divisions - advertising; films & television; publications; exhibitions; overseas press & radio; overseas visitors and information studies - some extra-divisional sections and 7 regional offices together with the establishment & organisation and finance & accounts divisions. The department is headed by the director general (who is the Accounting Officer) supported by 2 controllers, one responsible for home and the other for overseas publicity. This organisation is currently under review.

Role and Objectives

3. The COI is responsible for advising client departments on the most cost-effective solution to their publicity needs and carrying out the necessary work. It assesses the relative merits of in-house production and commissioning from the private sector to achieve the best outcome. When Ministers decided that COI should recover its costs the department commissioned management consultants to design a management accounting system. It brings together and enhances the existing management controls and makes more delegation possible.

Programme for future action

4. From April 1984 COI's performance will be measured by its trading results, and management performance at all levels will be judged by the ability to perform tasks to predetermined budgets. A review of the management structure and organisation of COI has been undertaken to meet the demands of the new system of control. The major objectives are to shorten lines of communication by bringing heads of operational divisions more directly into the overall policy management of the department. It is intended that day-to-day financial control will be largely delegated to line management. The central finance branch, now headed by a qualified accountant at principal level, will concentrate on monitoring the overall trading and financial position of COI.

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5. Under the management accounting system, administrative costs will be allocated to jobs and services as far as possible on the basis of usage. Time-recording is being introduced wherever possible in production areas and processed by the computer on calculated daily rates to provide details of actual costs for each job. Accommodation will be charged on the basis of space occupied and similar arrangements are being made for other costs such as telephones, postage, stationery, etc. Responsibility accounting is fundamental to the system and will be introduced to the maximum extent possible. All the major steps, including the management reorganisation and the introduction of the management accounting systems, should be brought into effect by 1 October 1983 to allow adequate running-in time before the repayment system goes live the following April. To report progress, the COI plans to produce an annual report at the end of each financial year, based on the trading account.

Training

6. A first series of training seminars for managers of all levels has explained the detailed operations of the management accounting system and the new responsibilities have been discussed. Further internal training on the management accounting system will follow later in the year. A number of key staff will attend the management appreciation courses at the Civil Service College during 1983-84.

Measuring performance

7. One major performance indicator under the new repayment arrangements will be the financial viability of each service. This alone will not necessarily indicate optimum efficiency and a study has been started to develop output measurements for each service. These will be introduced by April 1984.

8. The department's Research Unit regularly undertakes market surveys to measure the results of publicity campaigns in the UK. On the overseas side, COI has established with the Foreign and Commonwealth Office a detailed system of annual reporting from overseas posts on the effectiveness and use made of all COI information material and services. These reports are analysed by computer and provide valuable guidance for future information policies and methods.

Internal Audit

9. The effectiveness of the financial control systems will be monitored by a small internal audit team headed by a qualified accountant. A full programme of training in computer audit will be completed by the end of 1983.

Costs

10. The cost of introducing a full computerised management accounting system including the computer and the services of the management consultants is expected to be about £500,000 over the two years it will take to set the system up.

Review

11. It is proposed to review both the management accounting system and the departmental management structure after two years' operation (ie, mid 1986).

INLAND REVENUE

The Inland Revenue employs about 73,000 staff. The great majority of these - over 90 per cent - are in more than 1,200 local offices throughout the United Kingdom. Total running costs in 1983-84 will be about £900 million a year. The department is responsible for collecting about £60,000 million a year.

2. The main functions of the department are the administration of the direct taxes and duties (income tax, corporation tax, petroleum revenue tax, etc): and the provision of rating and other valuations. Networks of tax and collection offices assess and collect the principal taxes, with a management line running through regional offices and the Director of Operations to the Board and Treasury Ministers. A network of valuation offices reports similarly through the Chief Valuer.

Foundations

3. In drawing up its programme of work, the Inland Revenue has been about to build on several initiatives already in hand. A review of the line management system in the taxes and collection networks had already been set up by the department: an internal study had led to a decision to engage consultants to help develop the financial information system; and work over a period of years had prepared the way for early improvements in the taxes information system.

General approach to improving financial management

4. The Inland Revenue has developed plans on four major fronts:

- (a) objectives and targets;
- (b) management information;
- (c) budgetary control and financial information; and
- (d) management audit

Although each of the plans has its own implementation timetable, the department sees them as parts of an integrated structure for the management of resources. The aim will be to combine into a single statement information about objectives, targets, resources and performance.

5. The department has set up a small central co-ordinating unit to assist the Principal Finance Office (PFO) in overseeing the implementation of the various exercises, and to act as a secretariat to the senior management system described below. The PFO will chair a steering group with members drawn from the Finance, Manpower and Operations divisions

(Under Secretary commands) and from the central services making up the management and function.

Senior Management System (SMS)

6. The Board of Inland Revenue is a statutory body responsible for the care and management of the direct taxes. Its Chairman is the Permanent Secretary. The Board directs the department's work and reviews and co-ordinates the plans of individual divisions. The department therefore sees the need for a senior management information system that will allow the Board:

- (a) to decide priorities and objectives;
- (b) to allocate targets and responsibilities accordingly;
- (c) to measure performance against target;
- (d) to monitor costs; and
- (e) to reveal areas where change is or may become necessary.

7. The proposed system for senior management will operate on a cyclical timetable. It will involve around July each year a broad overview of the main areas of concern to senior managers; the formulation around November of detailed plans; and in-year monitoring and, if necessary, corrective action, based on regular reports from managers and from the Management Information System and the Financial and Management Accounting System (see below).

8. The process will require the collection of information about past and present activities, performance, and resources; and about planned activities, targets and resources. The information will be presented to senior management for collective consideration so that departmental objectives can be translated into plans for transmission down the line.

9. The Inland Revenue is committed to linking the various elements of financial information, management information, and management audit, etc. The proposals are designed to provide a flow of information in sufficient detail to enable the Board and Treasury Ministers to take an overview of the department's resources and operations.

10. A pilot exercise for the SMS was mounted between November 1982 and February 1983, and development will be carried forward in 1983-84. The department is committed to a programme of development covering several years.

Management Information System (MIS)

11. Inputs to the SMS will be provided by the Management Information System (MIS) and the Financial and Management Accounting System (FAMAS). The Management Information System for local office networks is being developed to provide the following categories of information:

- (a) current responsibilities of managers and the targets they are expected to achieve;
- (b) progress achieved against the targets, in terms both of volume and of quality;
- (c) staff available to the operational unit; and
- (d) indicators of the efficiency of the unit - the relationship between the outputs achieved and the staff used in achieving them.

12. The department envisages that systems designed to meet the specific requirements of the networks will be in full operation according to the following timetable:

<u>Taxes</u>	1985
<u>Collection Service</u>	
- PAYE audit offices	1985
- accounts office	1985-86
- recovery offices	1986-87
<u>Valuation Office</u>	1985

Financial and Management Accounting System (FAMAS)

13. Consultants reported in March 1983 with recommendations for the development of an improved Financial and Management Accounting System (FAMAS). The system proposed will improve the recording of costs and budgets by cost centre and vote sub-head. It will therefore:

- (a) enhance awareness of costs;
- (b) held managers to be aware of exceptional expenditure or departure from expected patterns so that they can take corrective action if necessary;
- (c) allow comparisons to be made among different units;
- (d) reveal year-on-year changes in the relative costs of different items; and
- (e) provide the means for monitoring managers' use of the resources allocated to them.

To ensure that there are common reporting channels and information flows for resource use and performance monitoring, it is proposed to develop close links between MIS and FAMAS.

14. A project team has been established to carry forward the detailed design and implementation of the FAMAS with a view to live running from April 1984.

15. Once implemented, FAMAS will enable the department to develop its budgetary control system. This will be based on the principal of identifying who has the authority and ability to control costs with a view to giving him budgetary responsibility for those costs. The department envisages a rolling programme of implementation in which responsibility for different categories of cost will be transferred in stages to budget centres, leading to complete implementation by 1986. To help determine where and at what level responsibility for each cost category should lie, a pilot exercise will be undertaken during 1984-85.

16. From April 1984 the FAMAS will report current costs to local managers. In 1985-86 it will report both current and the previous year's costs, distinguishing costs within the manager's control from those outside it. The results of the pilot exercise will then be evaluated, and trial budgeting introduced. The first full year of operation of the extended system for delegated budgeting will be 1986-87.

Review and Audit

17. The management audit functions in the Inland Revenue are grouped under the command of a single Under Secretary, the Principal Finance Officer and Director of Manpower, who co-ordinates the central manpower section, staffing inspectors, management services and internal audit. He also oversees the programme of Rayner scrutinies and similar reviews.

18. A group has been set up under the chairmanship of the PFO to co-ordinate and, where appropriate, combine the programmes of work of the management audit services. The group will meet regularly to discuss and co-ordinate forthcoming inspections and visits, to review the results, and to discuss follow-up procedures. An operational review into one area of the department's activities involving representatives from each of these services has now been launched. This is a pilot exercise for a more extensive programme of such reviews. The group will report to senior management on the outcome of the reviews, and in addition present regular reports on management audit as part of the SMS.

Staffing and Training

19. As noted above (paragraph 5) the department has set up a small central unit to help co-ordinate implementation of its plans. Their job will include co-ordination of the training

and education needed for staff engaged in finance work, and for the managers at all levels who will be using the improved financial management system.

20. The main training effort will be concentrated on the two fronts of induction training (introducing staff to the principles of financial management) and specific training (related to the running of the system itself). Detailed specifications will be drawn up as implementation proceeds.

21. Induction training will fall mainly to line managers themselves, assisted by manuals and training packs provided by Finance Division. Group Controllers and Assistant Group Controllers will be given early introductions to the development plan.

22. Training plans will be discussed with the department's Training Section and with operational managers as soon as outstanding decisions have been taken on the plans, to agree a programme to start in 1983. Ways of explaining the plans to managers, and of feeding their views back to the centre, will be considered. Plans have already been made for a users panel of line managers to advise on the development of MIS, FAMAS etc. General awareness of financial management will be spread through explanatory kits, backed up by seminars, courses and visits.

23. Further consideration will be given to personnel and career development in the department in the light of the findings of the Review of Personnel Work. This will include such issues as the scope for further delegation of authority to local managers, and a more open system of staff reporting.

Costs

24. Implementing these plans will require a substantial investment. Additional computer hardware and software will be needed; outside consultants will continue to be used; and departmental staff will be needed to implement the SMS, FAMAS, and MIS. Some increase in review and audit staff is also planned. The department's provisional estimate is that, including training, the resource cost of setting up and running the improved systems over the initial years will be about £2 million a year (representing some 200 staff); this is equivalent to about $\frac{1}{4}$ of one per cent of the department's running costs.

HM LAND REGISTRY

The main function of HM Land Registry is registration of title to land in England and Wales and of subsequent transactions in the land. Registration is compulsory on sale in areas containing 75 per cent of the population and this work is carried out by the Registration of Title department at 13 district land registries. The very much smaller Land Charges department, based at Plymouth, registers encumbrances and other matters which relate to land where the title is not registered and which might not appear on an abstract of title. On 1 April 1983 there were 6529 staff in post, of whom 159 were land charges personnel, and the department's vote provision for 1983-84 is £64.9 million. Costs are covered by fees. The Land Registry reports to the Lord Chancellor.

Existing arrangements

2. A management accounting and information system (MAS) was introduced in April 1975 to meet management planning and control requirements. It incorporated techniques of budgetary control and standard costing, comparing actual manpower and financial resources used with planned resources for the equivalent output.

3. The system uses a hierarchy of accounting, budget and cost centres in each of the 13 district land registries and the land charges department. Accounting centre managers submit bids for manpower. Budgets for non-staff costs are drawn up by the appropriate headquarters divisions and apportioned among the accounting centres and to individual functions among them. All budgets are considered by a budget committee chaired by the chief executive. Manpower budgets are translated into financial terms by the headquarters finance division and this information, together with non-staff costs, is disseminated by means of quarterly financial accounts. For budgetary control purposes, work for which daily output standards have been quantified is classed as "direct". Other work is classed as "indirect".

4. In parallel with the MAS a system of job guides has been devised. These contain performance indicators for each job from executive officer upwards. In addition to providing a clear understanding of what is expected in terms of, for example, output, quality, speed of service, communication and staff development, the guide provides the means of periodically reviewing performance and, where necessary, agreeing plans for improvement. The operation of the system has developed differently in individual district registries.

Managerial responsibility

5. The HQ organisational structure was changed earlier this year to provide a single management line throughout the department. The new structure provides for a policy committee which will be responsible for a continuous forward look. A co-ordinating group will also be set up under the chairmanship of the chief executive to monitor the progress and effectiveness of financial management procedures.

6. To make accounting centre managers responsible in the fullest sense, their budget responsibility will be enlarged to include all the costs they can control, both staff and non-staff. To have an individual budget instead of apportionments from centrally-controlled non-staff budgets should provide an incentive to seek more cost effectiveness. A working party will report to the budget committee by 31 May 1983 on the changes needed in the information provided by the MAS to support this move. The target date for implementation of the delegation of non-staff costs is 1 April 1984. Delegation of staff costs will follow later, and for the time being accounting centre managers will continue to bid for staff in terms of manpower.

7. An explanatory booklet has been prepared to provide the basis for a more uniform approach to the arrangements for job guides and performance reviews, involving managers at all levels. The revised system will be in operation by October 1983.

Management information

8. At present, the processing of financial information is manual; consequently, information as to costs etc contained in the quarterly accounts is about four months old when it reaches line managers and is inadequate in terms of detailed analysis. The question of computerising the management accounts to achieve a more flexible and timely system is being considered. A provisional target date for implementing such a system is 1 April 1985.

9. The system of budgetary control described in paragraph 2 was not initially applied to the Land Charges department. However, the first stage of such a system, defining units of work and daily output standards, was implemented on 1 April 1983. Standard costing will be introduced by 31 October 1983 so that by 1 April 1984 there will be a system of budgetary control in operation.

10. On 1 April 1983 the range of 'direct' work for budgetary control purposes was extended when output standards were introduced for HEOs, SEOs and lawyers engaged on casework. The work of all staff engaged on casework is now subject to measurement. Output standards were also formulated for 230 "indirect" staff employed in the Registration of Title

Department. A review of the remaining "indirect" work areas will be undertaken during 1983-84 to establish output standards wherever possible.

Internal audit

11. A strong internal audit team is being developed with direct responsibility to the chief executive. Emphasis is being placed on the effectiveness of operational and financial systems and controls throughout the department, with special regard to value for money.

Staffing

12. The need to train and develop managers is recognised and career management is designed to ensure that staff are familiar with most aspects of the department's work. There is a succession plan for most senior posts and arrangements to gain proper levels of experience. The first seminar for senior staff on the developments in financial management was held in March 1983 and more are planned. All management courses are being modified to emphasise the latest developments and how they will provide a positive stimulus to improve performance even further.

Costs

13. Because the department already had a comprehensive management accounting system, the changes are largely a natural development of present procedures. The extra computer costs would be only about £80,000 and most of the extra work can be absorbed with present tasks.

ORD CHANCELLOR'S DEPARTMENT

The Lord Chancellor is responsible for the administration of all courts in England and Wales above the level of magistrates' courts; for civil and criminal legal aid; for legal advice and assistance; and for costs from central funds (mainly prosecution costs). His other responsibilities include judicial appointments, civil law reform and various associated offices such as the Law Commission, the Council on Tribunals and the Public Trustee.

2. The work of the department is interwoven with that of the judiciary, a separate and constitutionally independent arm of Government. It is a prime responsibility of the Lord Chancellor to safeguard that independence. Judges and judicial processes exist to protect the rights of the individual. Court work is, and must be, governed by procedural requirements which have the force of law and by judicial decisions and directions. The main administrative task is to provide the framework within which judicial processes can operate effectively and economically. This requires a close working relationship between the judiciary and the administration.

3. The present organisation was set up following the Courts Act 1971. Management of the Crown Court and the county courts is decentralised to 6 Circuits, the management line running from the Chief Clerk of a court through his Courts Administrator and his Circuit Administrator to the Deputy Secretary (Legal Administration Division) in Headquarters.

Control of running costs

4. Gross annual running costs (1983-84 Estimates) can be divided roughly into civil business (8,200 staff, £123 million) and criminal business (2,200 staff, £71 million). Much civil business, particularly in the county courts, does not involve court hearings and is required to be largely self-financing. Criminal business is court (trial) related. Thus it is more straightforward to apply normal resource management considerations in the civil courts than in the Crown Court.

5. About 400 offices in England and Wales have been established as cost centres. Each Chief Clerk is given information about the costs incurred by his office, shown under individual expenditure items, but he has no powers of financial virement and his delegated authority is limited. The aim now is to provide for greater delegation to and within the circuits, with powers of virement within fixed budgets and powers of complementing and staff allocation within controlled ceilings. The target date for decisions is late 1983.

6. In order to make the most effective use of greater delegation, local managers will require more comprehensive information to be readily available to them. The first aim is to ensure that all accountable units in the department have management accounting systems

which bring together running costs, personnel numbers, and receipts (where appropriate) related to volumes of business under defined activities. A start will be made with civil business, the new systems being introduced in July 1983 for county courts and district registries and by April 1984 for the remainder of civil business. For the Crown Court the development work should be completed by December 1983 and systems introduced by July 1984. Training has already begun with a pilot course that emphasised the relationship between funding, control and accountability, and a programme of courses is being introduced for all staff who will carry the greater degree of delegated responsibility.

7. The flow of information from the individual cost centres to the centre of the department needs a more effective channel than the present separate management information systems. These need to be co-ordinated so that they are working to common criteria and catering for separate needs (eg for policy and procedure development, for control of resources and for operations). A preliminary investigation has been completed, and proposals will be put forward in July 1983 on the course of action to be followed.

8. Gross programme costs (1983-84 Estimates) include costs from central funds (£5 million), criminal legal aid (£127 million), civil legal aid and its administration (£80 million), legal advice and assistance (£48 million) and the court building programme (£29 million). Developments in these areas include:

- (a) Costs from central funds. Following the report of the Royal Commission on Criminal Procedure a Home Office working party is now studying prosecution arrangements. Whatever the outcome a change in the funding and control arrangements will almost certainly be required;
- (b) Criminal legal aid. A major change has recently been made through the Legal Aid in Criminal Proceedings (Costs) Regulations 1982 which prescribe rates and scales of payment for both solicitors and counsel. They will provide a base for closer monitoring and improved information. A micro processor pilot scheme is also being tested at one Crown Court centre;
- (c) Civil legal aid and the legal advice and assistance scheme. Expenditure is demand related and can, therefore, be most readily influenced either by restricting or expanding the scope of the schemes or by changing the financial limits governing eligibility and contributions. These powers must be exercised in a way which reflects the social objectives of legal aid without prejudice to the proper administration of justice. The Solicitor General is leading discussions with the Law Society and Bar Council on ways of improving control over civil legal aid and its administration. Meanwhile, to provide better information, an improved computer system for civil legal aid is being developed and

micro processors are being introduced in Law Society Area Offices to process cases and to provide management information;

- (d) Court Building Programme. Decisions on the siting and building of individual courts are subject to investment appraisal techniques developed jointly by the department, the Treasury and the Property Services Agency.

9. Programme costs could also be affected by the outcome of deliberations on procedural matters, as follows:

- (a) Conciliation. An inter-departmental working party has been studying the extent to which public money might be saved by a more integrated approach to the provision of facilities and services to assist the parties to matrimonial disputes to reach a settlement, or at least reduce the area and intensity of conflict between them;
- (b) Matrimonial procedures. A committee is examining the extent to which the procedure and practice of the High Court and county courts might be changed to achieve greater simplicity and thus save costs through reducing the scale of disputes.

Internal Audit

10. The Internal Audit Service has responsibilities which extend beyond the department. It audits the accounts of Magistrates' Courts as an agency service for the Home Office and has access to the legal aid administration where it works in concert with the Law Society's own auditors. In addition it now undertakes, on an agency basis, the internal audit of the Treasury Solicitor's Vote and that of the department of the Director of Public Prosecutions. This gives it an effective oversight of most aspects of the court service in England and Wales, covering both administrative and programme expenditure. This arrangement has proved effective in the identification of common problems which concern separate administrations.

Headquarters and Senior Management

11. The Head of Finance Branch will shortly become responsible for resource management policy and for scrutiny and analysis of all resource management information. His staff will be strengthened by the addition of a Principal to take forward the Prime Minister's initiative. He will ensure that there is effective co-ordination of all analysis routines; that the policy branches and circuits are aware of the resource implications of proposed changes in court procedure; and that no proposal is put forward without resource costing and, where appropriate, the consideration of costed alternatives.

12. Regular reports and proposals on resource management will be submitted by Finance Branch to the Lord Chancellor and his senior management at appropriate points in the financial calendar. These papers will be considered at one of the Deputy Secretary (Legal Administration Division) regular meetings with Circuit Administrators and senior staff at Headquarters or by one of the regular meetings held by the Accounting Officer with his senior staff or by both. Other questions on financial management will be considered as they arise.

Costs

13. The new systems outlined are improved versions of established systems of local budgets and flow from work already in hand. The additional cost attributed solely to the initiative is one Principal post in Finance Branch (£22,000 a year) and an enhanced training programme (about £30,000 a year for 2 years).

MANAGEMENT AND PERSONNEL OFFICE

The Management and Personnel Office (MPO) promotes the efficiency and effectiveness of government departments; maintains a service-wide framework for the development of personnel policy and practice; and provides certain central services.

2. It employs about 1,240 staff and comprises four discrete areas: central MPO (including management and efficiency, personnel management and the Establishment Officer's group), the Civil Service College, the Civil Service Commission and the Medical Advisory Service. The MPO vote (Central management of the civil service) also covers the Prime Minister's Office, the Whips' Offices and the Office of Parliamentary Counsel. The 1983-84 net Estimate is £30.7 million, nearly all for running costs.

3. In 1982 the MPO participated in the multi-departmental review of running costs. The MPO study identified shortcomings and recommended action. The main criticisms were that:

- (a) there was no direct link between activity planning, estimating and monitoring;
- (b) the delegation of responsibility for estimating and monitoring expenditure varied widely in the department; and
- (c) the existing system, although adequate for vote accounting purposes, did not fully meet the needs of the minister or senior management in providing information for long-term planning or the day to day management of the department.

It was recognised, however, that the Civil Service College and the Civil Service Commission in particular had done much in recent years to develop their own information systems.

Outline of MPO's programme

4. To clarify responsibility for budgeting, monitoring and controlling costs, the MPO has from April 1983 been divided into 7 responsibility centres at under secretary level and 2 at assistant secretary level. No. 10 Downing Street, the Whips' Offices and the Office of Parliamentary Counsel have also become responsibility centres. Where appropriate, responsibility centres are supported by lower level management blocks termed budget centres (mainly at assistant secretary/senior principal level) and cost centres (mainly at principal level).

5. A closely linked system of activity planning, resource allocation and financial monitoring will be introduced over the next two years. The annual cycle will begin each April with a long-term strategic planning exercise by top management to provide an input to

the preparation of the public expenditure survey bid and to help determine the department's major objectives for the next financial year. This will be followed in the autumn by detailed planning of the activities to be undertaken during the next financial year and the resources/budgets to be devoted to them, thus providing the main input to the preparation of the Estimates.

6. A full trial run of the new system will take place during 1983-84. Responsibility, budget and cost centre managers will be required to bid through their line management chains for the total resources (including centrally provided services such as typing and reprographics) they will need for their proposed activities in 1984-85. The outcome of this process will be an agreed set of activities and an agreed budget for each centre manager for 1984-85.

7. Performance and costs will be monitored at monthly intervals. Cost statements, showing actual costs against budgets, will be produced from 1 April 1984 by the Treasury's computer-based management accounting system (MAISY). As the MAISY system is being redesigned, information will be presented to central managers during 1983-84 in stages as it becomes available. Measures of output will be specified by 1 September 1983 for inclusion in the control mechanisms for 1984-85 onwards. One objective will be to relate inputs to outputs so that better value-for-money assessments can be made.

Role of the Principal Establishment Officer/Principal Finance Officer

8. The role of the PEO/PFO and his staff in relation to that of line managers is being reviewed (for completion by end-October 1983). This is the first step in a process aimed at transferring responsibility for certain staffing and budgeting matters to line managers.

Programme expenditure

9. The MPO is not directly responsible for any programme expenditure. It does, however, make grants of £2.1 million net to a number of organisations, mainly in the welfare field. The basis on which these grants are assessed and the associated control systems will be reviewed during 1984-85.

Internal audit, inspection and efficiency initiatives

10. An internal audit unit which will also cover the Cabinet Office and the Privy Council Office will be established by the end of June 1983. New arrangements were introduced during March/April 1983 for the selection and authorisation of management services work, new technology proposals and staff inspections.

Staffing and training

11. The MPO's succession planning arrangements will pay particular attention in future to those posts that have significant financial or resource management responsibilities. The basis on which staff records are held in the department will be reviewed by the end of July 1983 to ensure that staff with financial experience or expertise can be readily identified.

12. All MPO managers should be wholly familiar with the new system by 1 April 1985. Specialised training will be provided for the 40 or so responsibility centre and budget centre managers, concentrating initially on those with the most significant resource management responsibilities. Other staff at SEO level and above will receive a one day domestic training course covering the broad aims and objectives of financial management; the principles of cost and budgetary control as they will operate in the MPO; and the new MPO management and information system. These courses will commence in Autumn 1983.

Implementation

13. Progress towards full implementation will take place throughout 1983-84. There will be experiments as well as development work, and the new system will not be regarded as fully operative until April 1985. A detailed timetable for implementation has been agreed by senior management.

14. The cost of the implementation team during the period November 1982-March 1985 will be approximately £188,000. Additional costs relating to training and the time that will be devoted to the new system by the minister, senior management and line managers cannot be quantified at present.

DEPARTMENT FOR NATIONAL SAVINGS

The functions of the Department for National Savings (DNS) are to ensure as far as possible that it meets the borrowing targets set for it by Treasury Ministers and to ensure a satisfactory service to national savings customers. The department is responsible for looking after a stock of savings of some £23 billion. The net inflow of new money plus accrued interest is about £3 billion a year. The stock of existing savings, the outflows and the intake of new money involve about 60 million transactions a year and a gross cash flow of some £10 billion a year in 1982-83. DNS has a total administrative vote of some £145 million, of which some £53 million is spent on services provided by its selling agents, the Post Office and the banks. Staff at 1 April 1983 numbered 8335, all but 180 located in operating divisions at Durham, Glasgow and Lytham St Annes.

Existing management information systems

2. The system for managing the net intake of money provides daily information about the main intakes and repayments and weekly information for all of them: this is available to managers who require it for their work. Information about vote expenditure for each of the three operating divisions, for publicity, and for other HQ expenditure is issued monthly to senior management as well as information about transaction numbers and cash flows, to provide the basis for any necessary corrective action. A monthly reporting system to senior management compares the volume of transactions with capacity as measured by staff numbers and work rates derived from staff inspections. Measures of output for each product (eg savings certificates, income bond) have been developed which relate aggregate transactions to staff numbers and to costs. A first round of MINIS on a trial basis was completed for 1982-83 and a second round is in progress. Capital expenditure is evaluated by the application of investment appraisal techniques.

General response to Prime Minister's initiative

3. DNS's programme for improving its financial management is based on four main lines of development: cost centres; management information; internal audit; and monitoring of services supplied by the Post Office. A small unit has been established to work on the development of the initiative.

Cost centres

4. DNS's expenditure is already controlled internally on the basis of five areas corresponding to the Assistant Secretary-level commands of the three operating divisions, publicity and HQ Finance. The department, with assistance from the Operational Research Division of the Treasury, has started a study to determine how best to establish cost-centres which build on these areas. It will aim:

- (a) to integrate
 - (i) the formulation of objectives and expected workloads in the 6-monthl / MINIS rounds;
 - (ii) the existing assessments of workloads and resources required which go into the Estimates procedure; and
 - (iii) the existing cash limits control systems;
- (b) to derive formulations of explicit responsibilities to the extent that these need supplementing or do not already exist;
- (c) to specify the information required to allow managers to carry out those responsibilities and recommend how it should be provided; and
- (d) to make any necessary improvements in performance measures and key ratios and the use made of them.

The study will also make recommendations for the training and staffing needed. The report of the study is expected to be complete by the end of October. The present aim is to have the cost centres working at least on a trial basis for 1984-85.

Management information

5. In addition to the management information required for the development of cost centres, the department also requires information for management purposes on the performance of individual products; the aggregate net intake in relation to target; the flow of transaction money; and the workflows of transactions and correspondence. DNS intends to develop information of this kind, in some cases to improve its coverage and quality, and in all cases to ensure that it is made regularly available to appropriate levels of management, including Ministers, in order to improve the standard of reporting, supervision and control. It is expected that this process will take 12 months to complete.

Internal audit

6. The service-wide programme for the strengthening of internal audit is being followed within DNS, both through intensified training, and through the gradual upgrading of posts over a period of years. The audit programme is controlled through a quarterly Audit Committee chaired by the Director. Implementation of internal audit recommendations is reinforced by a strong Headquarters interest and intervention when needed.

Post Office

7. The department is developing with the Post Office a programme of work to ensure that it receives value for money in the agency services provided by the Post Office and that

he service to customers is improved. A new liaison unit has been created to handle this programme and to work out priorities and a timetable.

Costs

8. The cost of implementing DNS's programme is difficult to estimate since its final shape will depend on the outcome of the study recently started. However, it is likely that the once-for-all costs will be in the region of £250,000 (computer £100,000 and staff £140,000). Direct running costs may be under £50,000 a year.

NORTHERN IRELAND OFFICE

The Northern Ireland Office (NIO) was created in 1972 at the advent of direct rule. The department is responsible for programme expenditure of the order of £390 million almost two-thirds of which consists of grants to non-governmental bodies. The largest is to the Police Authority for Northern Ireland with a 100 per cent grant of £241 million. The department employs some 4,324 staff (including 2,796 prison staff). Its running costs amount to some £98 million a year (including some £73 million for the Northern Ireland prisons).

2. The greater part of the NIO's resources (and expenditure) are employed in law and order and relate to security policy, policing, the treatment of offenders, compensation and other "home affairs" subjects. The Office also assists the Secretary of State in the development of policies for constitutional and political development in Northern Ireland and bears the costs of 5 ministers who assist the Secretary of State for Northern Ireland in supervising the 6 other Northern Ireland departments.

General approach to improving financial management

3. The department's organisation, vote structure and arrangements for budgeting, monitoring and controlling expenditure have developed on lines amenable to analysis by cost and responsibility centre. An annual review of objectives, priorities and assumptions for programme expenditure is included in the internal procedures of the public expenditure survey cycle.

4. A new management information system (MIS), is presenting from 1983 onwards information on programme and administrative expenditure for the whole department by cost and responsibility centres. It provides a statement of the functions and objectives of each responsibility centre, the resources of money and manpower it uses and controls and, where appropriate, quantified measures of output.

5. A second phase has the following main elements:

- (a) systematic annual review of objectives, functions, allocations and use of resources based on the MIS reports, culminating in a meeting of senior management chaired by the Permanent Under Secretary and a report to the Secretary of State;
- (b) computerisation by 1985-86 of the department's financial and accounting systems and their development to allow full attribution of administrative costs to responsibility and cost centres;

- (c) a continuing programme to increase the amount of useful management information on output and resources;
- (d) examination of the scope for greater delegation of financial responsibility;
- (e) a programme of training and career development in finance and related matters.

The management information system

6. The information on output and resources in the MIS report relates to the forthcoming financial year and the two preceding years. The second MIS round, beginning in Autumn 1983, will be integrated with the preparation of Estimates. Consideration is being given to the development of MIS to assist resource planning over the public expenditure survey period. In the second and subsequent rounds the MIS reports will also include an assessment of performance against targets set in the previous round.

Administrative expenditure: responsibility/cost centres

7. Managers of certain responsibility centres are already responsible for budgeting, monitoring and controlling administrative costs attributed to them in the vote. A pilot study is in hand to explore the merits of delegating to them greater discretion over the use of resources within a budget and manpower limit. In the light of this study consideration will be given to the scope for more general delegation of responsibility for administrative costs. For some responsibility centres, it is unlikely to be practicable or cost effective to attribute administrative costs for budgeting, monitoring and accounting purposes without a computerised accounting system. In the interim an apportionment of administrative costs will be assigned to them in MIS.

Programme expenditure

8. The MIS provides a synoptic view of programme expenditure and a framework for the systematic selection of areas for programme review and the development of output measures.

9. It is intended by 1986-87 to develop a financial information system for prisons which will provide a more comprehensive analysis by functions and cost for each prison establishment. The Police Authority for Northern Ireland is committed to applying the principles of the Prime Minister's initiative to its own administration. Its statutory independence and its size make separate arrangements appropriate, but there will be regular liaison with the NIO about implementation. Application of the principles to other grant-aided bodies is being discussed with them.

Internal audit

10. The organisation and functions of internal audit have been revised and appropriate formal training has been instituted. An audit committee, chaired by the Principal Establishments and Finance Officer, directs and monitors the audit programme.

Staff training

11. Departmental training and career development programmes have been instituted for both home and NI civil servants and will be further developed to give staff at various levels the skills and awareness required for improved financial and resource management. The project team for the computerisation of financial and accounting systems is receiving training to assist the definition of user requirements, but consultants will be employed to provide specialist advice.

Expected costs

12. At this stage in the computerisation programme it is not possible to make reliable estimates of the costs of the NIO financial development plan. A preliminary estimate suggests, however, that the implementation costs of computerisation over 1983-84 and 1984-85 will amount to about £390,000 for project team staff and training (including staff for the prisons project team), £60,000 for consultants and £110,000 capital costs for computer hardware. Continuing staff and computer maintenance costs thereafter might approach £50,000 a year. These figures do not take account of additional work falling on operational divisions, or the costs of the general programme of financial training. It is not possible yet to estimate costs for the Police Authority or other NIO grant-aided bodies.

ORDNANCE SURVEY

The Ordnance Survey (OS) is responsible for the official survey and mapping of Great Britain including geodetic survey and associated scientific work. On 1 April 1983 3000 staff were employed of which 1900 were surveyors and draughtsmen. Fixed assets - buildings, vehicles, plant and equipment - are worth about £29 million; net current assets about £4 million, giving a total capital employed of about £33 million. Expenditure in 1982-83 was about £45 million, of which some £20 million was recovered from sale of maps and services. Financing is by vote but a Trading Fund is under consideration. OS operates within interim financial guidelines and aims to recover 30 per cent of cost on large scale mapping, at least full cost on small scale mapping and repayment work, and 45 per cent of its total costs overall.

2. The organisation is headed by a professionally qualified Land Surveyor of Under Secretary rank who is the Accounting Officer reporting to the Secretary of State for the Environment. The operational organisation is structured in two main Directorates - Surveys and Production and Marketing and Planning - each headed by an Assistant Secretary equivalent.

Foundations

3. OS has already developed comprehensive budgetary control systems for management and charging purposes. Computer-based management information and accounting systems have been in use since the early 1970s. The department's programme of work builds on and improves these existing systems.

Long-term planning

4. Departmental objectives are set out in the OS Five Year Plan which is revised annually and presented to Ministers for appraisal in July. Demand levels and resource requirements are analysed in a detailed programme, which forms the base on which managers frame annual budgets covering manpower, equipment, rate of working, sales and revenue. Plans and resource allocations are reviewed throughout the year and management action taken as necessary. The present computer based manpower modelling system will be improved by October 1983.

Finance and Accounting

5. The financial aspects of production, marketing and administration are summarised periodically by the management accounting system which also provides the annual vote appropriation accounts. Annual accounts are prepared under the Historic Cost Convention

with Supplementary Current Cost Accounts. MINIS is used to summarise information for Ministers.

6. A financial general ledger computer software package will be introduced during 1983-84. This will permit earlier presentation of financial reports and will lead onto financial modelling.

Budget and cost-centre structure

7. The department is divided into 17 budget and about 80 cost centres, reflecting departmental functions. Operating costs and overheads are allocated to budget and cost centre managers, who are held responsible for operational and financial performance and for the assets assigned to them. A study by consultants of management information needs was completed in April 1981. The short term improvements recommended have been carried out. Longer term developments, which involve substantial changes to existing computer based systems or the introduction of new ones, are scheduled to be finished in 1986.

Marketing and sales

8. Costs of sales are analysed by products on the basis of usage of resources using management accounting techniques. Sales are analysed by products sold. Overall performance is summarised in the Annual Trading Accounts with Balance sheet and Statement of Sources and Application of Funds. Periodic management information compares actual costs with budgets, analyses variances and forecasts outturn. Extensive non financial data and performance indicators are produced covering, for example, manpower utilisation, production rates, job state, marketing analysis, vehicle usage and stock levels. The department is considering further developments to these systems, to improve sales forecasting and reporting.

Survey and production control

9. Extensive developments to management information systems providing data on production flowlines and survey information are underway, using the ICL OMAC 29 software package. An on-line production control system providing work-in-progress tracking for all flowlines, should be effective from October 1983. A capacity requirements planning module is scheduled for November 1983, to monitor work in progress. Enhancements, planned to be complete by December 1984, provide for the monitoring of production standards, elapsed times, throughput times etc. The computer based systems, which will replace largely clerical procedures, should provide more data more quickly and ultimately permit financial modelling of flowlines.

10. The present HQ work recording and performance monitoring system, which provides job costing and productive and non-productive time analysis, will be improved by April 1984 to give earlier reports. The system, which will interface with the on-line production control system should be fully revised by October 1986. In addition a common Field Control System to provide management information on regional survey costs and achievement, will be introduced by April 1984.

Staffing and Training

11. Through its staff selection and development strategy OS aims to provide the necessary skills and expertise for all levels of management from within the organisation whenever possible. Development projects on the technical aspects of computer assisted map production, management information and financial systems are carried out by OS staff, although consultants have been used to carry out reviews of management systems and operational efficiency. Internal Audit is currently being strengthened to include specialist computer skills.

12. The department is committed to a continuing programme for training surveyors and draughtsmen. Training Branch also carries out extensive management training. Modules developed to meet the needs of the various management levels include sections on financial management. Most training is carried out in-house, but OS staff also attend courses at the Civil Service College and external institutions.

Costs

13. OS does not expect that its programme for improving financial management will lead to any increase in operating costs or specialist staff numbers.

OVERSEAS DEVELOPMENT ADMINISTRATION

The Overseas Development Administration (ODA) of the Foreign and Commonwealth Office (FCO), in consultation with other government departments, formulates and carries out British policies to help the economic and social development of developing countries and is responsible for the management of the British aid programme. It also manages the payment of 60,000 Colonial and Indian service pensions and is the sponsoring department for the Crown Agents and the Commonwealth Development Corporation. On 1 April 1983 ODA had 1,849 staff in post. Just over one third of them were in its four scientific units (which undertake research directed at the needs of developing countries, for example in tropical agriculture, pest control, etc). ODA has three Votes:

- (a) the overseas aid vote (£1,027 million net in 1983-84), finances direct British bilateral aid (60 per cent of the total) and aid channelled through multilateral agencies (40 per cent);
- (b) the superannuation etc (overseas service) vote (£111 million in 1983-84) for pensions;
- (c) the aid administration vote (£25 million net in 1983-84) covers the costs of ODA's staff and accommodation, purchase of agency services and most other administrative costs for managing the other two votes.

What has already been done to develop financial management

2. As part of a long-standing system, objectives are clarified and reconsidered each year in the Aid Framework which plans and co-ordinates allocations to individual countries, UK development institutions and multilateral aid organisations for four years ahead. This rolling programme is considered and approved by Ministers. Systems and procedures for appraising proposals before new spending decisions are made, for monitoring the implementation of projects and for selectively evaluating completed projects and programmes are well developed.

3. One outcome of a Management Review in 1980 was to consolidate all financial planning and control responsibilities for the aid programme within a division under the Principal Finance Officer, directly responsible to the Permanent Secretary; subsequently an improved system of current year financial control was developed.

4. The scientific units are being re-organised and reduced in size. New arrangements for financing their work are being made to make them more directly responsive to aid policy and the needs of individual developing countries. Memorandum trading accounts will be drawn up as appropriate.

5. A project to establish a comprehensive computer-based Management Information System (MIS), particularly for aid programme funds, began in January 1979. The first phase will be in operation from April 1984. The intention is that the whole system will be fully operational by the end of 1985. It will replace a number of separate systems, some computerised and some manual. It will cover all aspects of expenditure and manpower paid for from the overseas aid programme. It will also produce statistics on British aid and will handle the payroll for aid-financed staff working overseas. There will be links with computer systems operated by the Crown Agents and the British Council for ODA funds handled by them. The accounting system will also cover in due course the aid administration and pension votes. The introduction of the MIS, which is given the highest priority by ODA management, should improve the quality of decisions about new financial commitments; ease the task of keeping programme spending in line with the cash available in each financial year; and facilitate better monitoring and control of spending on individual projects or programmes which extend over a number of years.

Three further proposals

6. Three further proposals are now being developed.

7. First, data will be produced to link selected elements of programme spending to the UK administrative costs of delivering it. The aim is to assess whether such information will help improve the efficiency with which the administrative resources are used. A pilot exercise probably covering two Under Secretary commands, and producing the fullest cost data possible will be completed by April 1984. Depending on the experience gained, data for other cost information centres may be produced for all segments of the aid programme. An assessment will also be made of the extent to which it would be appropriate to transfer to cost centre managers formal control for administrative resources used by them.

8. Secondly, the ODA and the Treasury will consider whether further delegations of authority are feasible from the latter to the former over both programme and administrative resources. The ODA will also review delegations of authority within ODA, and the scope for defining more precisely the tasks and responsibilities of individual officers, especially below Assistant Secretary level.

9. Thirdly, ODA intend to compare running costs of like activities in different parts of the office and to look at trends in them through time. In 1983-84 senior and line management will be given data on the aid administration vote, sub-divided between divisions and departments. This will run in tandem with the pilot exercise linking administrative costs and programme expenditure.

Staffing and training

10. Particular attention is being given to the introduction of the right mix of ability and personal qualities into the finance and personnel areas. Following review of training needs (with MPO assistance) work has started on developing training profiles for each grade. Short financial management courses have been re-established and all appropriate staff will be expected to participate. The training required for using the new management information system is in hand.

Costs

11. A new unit staffed by a Principal and an EO and costing £55,000 a year will carry out the exercises on cost centres and internal delegations. No additional costs arise from the remainder of the work described, which was already in hand.

PAYMASTER GENERAL'S OFFICE

The Paymaster General's Office (PGO) is a small agency department without a major policy role. The work carried out is determined by statutory requirements, Treasury rules and the policy of pension-awarding departments and much of it has to be completed within tight deadlines. The staff of 872 supported by computers pay 1.1 million public service pensions, provide banking services for government departments and produce expenditure analyses to aid Treasury monitoring. The Accounting Officer (at Assistant Secretary level) is responsible for two votes covering administration (£10 million) and civil superannuation (£1,092 million).

Present position

2. A central pay and accounts section administers the domestic vote. The need to pay each pension by its due date and to clear each day's flow of banking work means a close watch is kept on output and performance throughout the Office. A large number of quantity and quality checks are used. Overall performance is currently measured by the unit cost of paying a pension and of a banking transaction.

Plans

3. It is proposed to identify cost centres within the Office based on line managers at the level of Senior Executive Officer. Each will be informed of the costs of his centre (both those he can control and those that have to continue to be administered centrally.) He will be responsible for analysing variances. He will report to a central coordinator and, through him, to senior management. Each line manager will thus be better able to relate costs to his agreed objectives and tasks. Comparisons between cost centres will over time highlight any areas of poor performance and aid improvement.

4. Control of resources and performance measurement in computer systems and programming areas has been a problem for which an automated project control system was designed and introduced in October 1982. A project management technique will be introduced in 1983-84 and an annual review of running costs and variance analysis, timed to coincide with the scrutiny of Supply Estimates, will be carried out.

5. The financial management system will be subject to systems appraisal when fully operational, and the internal audit team will be involved during all stages of systems development.

Staffing

6. A job description is prepared for each member of staff. Performance is measured through the completion of annual reports, job appraisal reviews and promotion boards. Aptitudes and skills of potential promotees are identified early and these personnel placed in key jobs with succession planning in mind. Discussions are in progress with the Treasury's departmental staff records unit at Chessington Computer Centre to provide, during 1983-84, an automated system which will produce up to date and speedy personnel analysis to replace the present manual recording system. In a department with limited promotion opportunities it is difficult to plan career development ahead. However, a restructuring of the financial organisation is planned which should provide more scope to develop specialist career planning in this area. Interchanges with other departments of staff with high potential are under consideration. Staff are all in one building so that communication lines are short. Top management is in constant touch with supporting staff, both personally and through Whitley/TUS/management briefing/discussion meetings, Office and Establishment Notices. The financial management system will share understanding by making staff aware of the resources consumed at individual cost centres as well as in total. Consultants are used whenever appropriate. Coopers and Lybrand are currently studying the pension paying function.

Training

7. The main training objectives are to emphasise the need for efficiency and cost awareness and to instruct managers in the preparation of budgets, setting objectives, interpretation of data and output measurement. The department is in discussion with the Civil Service College about "FMI concept" training. Training staff will attend suitable courses and draw up an in-house training programme. The precise content of these courses will be designed when the final shape of the PGO system for financial management is known.

Timetable

8. The fully automated system is planned to be operational by 1 April 1985. User requirement and feasibility reports are now being prepared and a manual MINIS type system will be introduced by stages from May 1983. Procurement of software/hardware, installation and changeover is planned from October 1983 to January 1985. Training will commence in June 1984. Annual system reviews and regular progress reports for the Minister are planned. Computerised stock control and accounting systems are also planned for later introduction.

9. The initiative is expected to cost a total of £135,000 in 1983-84 and 1984-85.

THE OFFICE OF POPULATION CENSUSES AND SURVEYS

The Office of Population Censuses and Surveys (OPCS) is a small department employing about 2,000 permanent staff. It is responsible for the administration of the Marriage and Registration Acts and the local registration of births, deaths and marriages. It maintains a central record of the events registered and provides certified copies of, or extracts from, that central record. The department also supplies demographic statistics for national, regional and local planning; supplies statistics on the medical condition of the population; conducts social surveys for other government departments; carries out and reports on the Census of Population; and maintains the national health service central register.

2. In 1982-83 the estimated gross expenditure of OPCS was about £26 million, with receipts of about £6 million.

Developments to date

3. Much of the current work to improve financial management continues previous plans. OPCS has however re-appraised these plans to ensure consistency with the aims of the Prime Minister's initiative.

4. Since 1978 there has been a deliberate effort to make more use of management accounting techniques and to provide appropriate specialist advice and assistance to management. At the centre of recent developments is a computerised management information system, installed in 1981. Interlocking with the department's accounting system, it is being developed to provide management with information essential to effective planning and control. It also provides information for the head of the Government Statistical Service, for the public expenditure survey, Estimates, etc.

The Programme

5. OPCS is seeking to achieve the main aims of the FMI through a 7-point programme:
- (a) a small group of senior OPCS officials reporting directly to the Director & Registrar General was given responsibility in January 1983 for co-ordinating and developing financial management; in this context it reviews departmental strategies and plans in order to assist the Registrar General in exercising his overall responsibility for approving budgets, Estimates and the public expenditure programme;
 - (b) OPCS plans to improve and develop budgetary control procedures in stages. Budgets are already used to control expenditure on social surveys, and wider introduction of budgetary control is planned for 1983-84. A significant boost to these developments is expected on 1 April 1984, when various improvements to

the management information system are due for implementation (see (c) below). OPCS plans to move progressively towards greater delegation of responsibility for resources where appropriate;

- (c) the management information system and the accounting system upon which it depends are being further developed to ensure that information will be timely and will give the right degree of detail. A project team is co-ordinating the development of a new computerised accounting system which is due to go live on 1 April 1984;
- (d) a review is in hand to clarify the objectives of managers at all levels and to eliminate any weaknesses in the responsibility structure. Initially the review is concentrated on the Establishment and Finance Division. Other divisions will be brought in as soon as possible. This work is of fundamental importance to the decentralisation of responsibilities that it is hoped will follow later in the programme;
- (e) a working group will be studying problems of output measurement during the summer with Treasury/Management and Personnel Office support. As a first step costs will be matched with projects and outputs identified;
- (f) a training programme is being developed which aims to give managers an understanding of the changes that the Prime Minister's initiative is likely to bring, and where necessary to develop their financial management skills. Some of the training - particularly for junior and middle management - can be provided from existing internal facilities. For more senior managers external courses will be needed. The possibility of sharing training resources with other small departments is being investigated. In the meantime, short introductory seminars for senior managers are being arranged;
- (g) to improve management information systems and to provide managers with the access to expert advice that they need, OPCS has sought to recruit more specialist staff such as management accountants. If progress with the programme is to be maintained it may be necessary to seek assistance from outside consultants.

Costs

6. The cost of developing the management information and accounting systems is estimated at about £100,000 over the first 3 years and about £5,000 a year thereafter.

SCOTTISH OFFICE

The Scottish Office consists of five departments and a group of central services divisions. The departments are:

- Department of Agriculture and Fisheries for Scotland (DAFS);
- Scottish Development Department (SDD);
- Scottish Economic Planning Department (SEPD);
- Scottish Education Department (SED);
- Scottish Home and Health Department (SHHD).

Each department is under the charge of a Secretary (Deputy Secretary rank) who is responsible to the Secretary of State for its work. The Permanent Secretary is general adviser to the Secretary of State and directly supervises the work of the central services divisions (Finance, Establishments, Scottish Office Computer Services etc) assisted by Deputy Secretary (Central Services). Under the chairmanship of the Permanent Secretary, the heads of departments, and Deputy Secretary (Central Services) constitute a Management Group to ensure coordination of work and to consider common problems across the whole field of Scottish Office responsibilities. The total staff of the Scottish Office was 10,318 on 1 December 1982, including 3,151 in the prison service and State Hospital. The total expenditure for which the Secretary of State for Scotland is responsible is around £6.3 billion in 1982-83, of which around £3.5 billion is incurred by local authorities. The cost of directly managed departmental operations including the prison service runs to about £170 million a year. In addition to their direct management responsibilities, Scottish Office departments have responsibility for 76 non-departmental public bodies with executive functions and 132 with advisory functions, for relations with three nationalised industries (South of Scotland Electricity board, North of Scotland Hydro-Electricity Board, Scottish Transport Group) and 15 Health Boards and for financial relationships with local authorities in Scotland (including the control of capital programmes and the operation of the rate support grant and housing support grant systems).

Recent developments

2. Over recent years the Scottish Office has been moving in the direction now signposted more definitively by the Prime Minister's initiative and has developed a management structure and management systems in which:-

- (a) the Management Group exercises overall responsibility for the management of resources, the systematic development of common strategies and the allocation of priorities for public expenditure and civil service manpower;

- (b) within the framework described at (a), each departmental head - and, down management line, each line manager - is responsible for the management of specific blocks of public expenditure programmes, his use of manpower resources and the setting and monitoring of objectives;
- (c) managers review their functions for the forthcoming year in annual management plans in relation to manpower and other constraints;
- (d) departmental reviews of policies for a range of expenditure programmes are regularly undertaken in depth;
- (e) a management accounting system for prisons expenditure has been set up and is being further developed; and
- (f) travel and subsistence is managed by a system of tight budgetary control.

Meeting the needs of ministers and top management

3. A review will be completed by December 1983 of the way top management and ministers obtain a clear view of objectives and can review policies and allocate priorities and resources for expenditure programmes. At the same time the management planning system is being redesigned as a better basis for the review of departmental activities and the allocation of manpower and other resources. The redesigned system will operate from Autumn 1983 and will perform the same functions as MINIS.

Control of administrative expenditure

4. Despite the progress already made the Scottish Office recognises the need to improve the accountability of managers for the resources which they consume. It has therefore set up a financial management review team to:-

- (a) review the structure of departments to achieve lines of management responsibility which are invariably clear;
- (b) establish by mid-1984 a system of budgetary control for departmental administrative expenditure which gives each line manager a budget for a defined block of expenditure over which he can exercise direct control and for which he will be held accountable;
- (c) institute by April 1984 a management information system to give managers relevant, reliable and regular statements of the value of resources consumed by their units;
- (d) devise objective measures of performance, regularly assessed and incorporated from April 1984 in the management information system;

- (e) ensure that the revised management planning system is used to review the tasks and objectives of each unit in relation to available resources.

Management of programme expenditure

5. The structure of responsibility for the management of programme expenditure in the Scottish Office is fundamentally sound and meets the needs of the department. But the approach to financial management by each expenditure division has been reviewed and a programme of further work drawn up. This will include the clearer definition of objectives, the wider use of output measures and investment appraisal and the assessment of effectiveness of expenditure. This work has begun and substantial progress will be made in 1983-84, but given the wide range of Scottish Office work and the number of bodies for which they have responsibility, it will not be completed before 1985-86. Arrangements have also been made for a more rigorous and consistent approach, from 1983, to the annual internal review of expenditure proposals in the early stages of each public expenditure survey and to expenditure reviews by top management and ministers.

Internal audit

6. The Scottish Office has for many years had an internal audit team. It is now supported by computer and capital audit specialists. A review in 1981 was satisfied with the unit's organisation, methods of operation and planned future performance: its detailed recommendations have been implemented. A training programme prepares auditors for membership of the Institute of Internal Auditors and they are encouraged to take full accountancy qualifications. More resources will be devoted to this from mid-1984. The posting and career development policy for auditors takes full account of the needs of the department for effective audit.

Staffing

7. Good financial management is the concern of all staff and efforts are being made through management circulars, and otherwise, to ensure that the objectives are clearly understood. The successful development of financial management depends crucially on the staff of the central services divisions - especially in finance divisions - and on staff at Executive Officer level and above exercising financial responsibility in operational divisions. Priority is being given to ensuring, eg by career planning and training, that such staff can carry out their role effectively.

Training

8. The Scottish Office recognises the importance of training in improving motivation. Seminars have been held for senior managers. Training courses for managers at all levels

below assistant secretary start in September 1983. They will cover the management public expenditure, including the determination of policy, policy reviews, top decision making, objectives and effectiveness, monitoring, investment appraisal, the management of non-departmental public bodies and local authority expenditure. They will also cover changes in management responsibility, management plans and the management information and budgeting system for operational costs. In January to March 1984 courses will be held for staff directly involved in the handling of management information and budgeting systems.

Expected costs

9. The principal identifiable costs arise on the implementation and running of the management information and budgeting system for operational expenditure. Implementation is likely to cost a total of £450,000 (including the purchase of computer hardware) to 1984-85. Running costs should be of the order of £150,000 a year thereafter. The costs include training staff in the operation of the system. There will be additional work for divisions throughout the department in the management of both operational and programme expenditure and for finance divisions and the training unit in the training of staff. These will be met by changes in working methods and the diversion of resources from other areas of work.

DEPARTMENT OF TRADE

The Department of Trade coordinates Government policy on overseas trade, helps to promote exports and tourism and is responsible for competition policy, standards and the protection of the consumer. It provides for the regulation of trade through registration of companies, patenting and insolvency services, marine safety (including the Coastguard) and reform of the law in these fields. It answers within Government for the interests of the shipping and civil aviation industries and co-ordinates airport policy. It sponsors British Airways, the British Airports Authority and the Civil Aviation Authority, and supports or contributes to a range of (mainly small) bodies which help to implement Government policy in the fields for which the department is responsible.

2. The department is responsible for net public expenditure of about £290 million in 1983-84 and its staff is planned to number 6,700 by 1 April 1984. The majority are employed in the regulatory services, much of the cost of which is recovered in charges. Non-regulatory expenditure includes international subscriptions (eg to GATT), support of tourism (£32 million) and promotion of exports (£23 million). It pays the Department of Industry for its use of the common services organisation, which provides many support services.

Action to improve financial management

3. Responsibility for implementing the department's plan lies with the Finance and Resource Management (FRM) division of the common services organisation of the Departments of Trade and Industry. Some developments, notably the high level review of resource allocation and the management of the larger regulatory services as discrete units, build on long-standing practices. For example Deputy Secretaries currently have manpower budgets for their commands. The main elements of the plan are:

- a. setting objectives for all areas of the department's work;
- b. the introduction of a Resource Allocation Review (RAR);
- c. the establishment of responsibility cost centres;
- d. reviews of the control arrangements for external bodies;
- e. work on targets and output measures;
- f. improved management information systems; and
- g. revised staffing and training arrangements, reflecting the department's changing needs.

The clarification of objectives

4. A statement of departmental aims has been agreed with Ministers and sets the frame within which managers are setting objectives for all areas of the department's work. This has been an important part of the initial Resource Allocation Review. It is expected that the systematic attempt to set detailed objectives will itself lead to questioning and refinement of the department's statement of aims and it is proposed to review it at least once a year in the Resource Management Group (RMG) prior to discussion with Ministers.

The resource allocation review (RAR)

5. It is intended that the RGM which consists of the Permanent Secretary, the department's deputy secretaries and the Principal Finance and Establishment Officer will develop its corporate interest in resource management through the Resource Allocation Review. Under the department's Ministers, this links the setting and review of managerial objectives with decisions on resource allocation. The first, partly experimental, RAR cycle will be completed by mid-Summer 1983 and then be reviewed critically by the RMG. It is intended to integrate RAR with the annual manpower and public expenditure survey exercises. This will be examined further in the review.

6. The cost of the first round - mainly in the time of line managers diverted from other tasks - will rise sharply in its last phase (of intensive meetings between Ministers, RMG members and divisional managers). So far management have found the RAR experiment useful and will build on it. But if it is to 'pay its way' it will have to yield significant savings or the more efficient deployment of resources, not otherwise achievable.

Responsibility cost centres (RCC's)

7. An important feature of the department's effort to improve the control of administrative expenditure is to be the formation by 1984-85 of Responsibility Cost Centres giving major increases in formal delegation of financial authority to four main managerial areas - the Patent Office; the Insolvency Service, the Companies Registration Office and Marine Division (including the Coastguard and the Marine Surveyors). This development will be based on the pilot exercise in the Department of Industry and a scrutiny in 1982 of the control of running costs in the Department of Trade. RCC's will cover some 70 per cent of the department's staff. The development will build on the substantial financial and management autonomy enjoyed in these areas for many years.

8. Detailed work involving significant costs will be needed if, as intended, the 1984-85 financial and manpower estimates are to be produced on the new basis in the autumn and full responsibility for control is to pass to the RCC's on 1 April 1984. The team of 3

allocated to this task in FRM division will also be responsible for the extension of the RCC principle in the Department of Industry with which the department is sharing experience. Most of the net cost of this management change will however be in the cost of diverting line management from other duties.

9. Parallel with this major development in the regulatory areas of the department, it is proposed to have in place by April 1984 a new system for the regular reporting of administrative costs to policy and other central or HQ divisions. The scope for extending budgetary control to these divisions will be examined during autumn 1983.

Control arrangements for external bodies

10. It is proposed to complete, by mid-Summer 1983, a review of the methods of departmental control over the non-departmental public and other bodies which the department supports wholly or in part. Prospects for the privatisation of British Airways and the British Airports Authority continue to be kept under review. In the meantime control over these bodies and over the Civil Aviation Authority (which is treated like a nationalised industry) is the subject of continuing review with the Treasury.

Targets and output measures

11. A further important element in the RAR is the attempt, right across the department, to set tactical targets for as many as possible of its functions. Difficulties have been found in areas when work is responsive to externally determined needs or largely consists of policy analysis for Ministers. Coupled with setting operational targets is the identification, again where practicable, of usable output measures. Final output measures (eg in terms of the health of British exports) are hard to specify or to attribute to specific departmental acts, but progress is being made in devising intermediate measures eg in the regulatory services. Progress in this field will be assessed in this Summer's review of the first round of RAR by the RMG.

Information systems

12. Many of the developments sketched above can only be carried through in the longer term if the ADP based information systems which the department in part shares with the Department of Industry are improved. Plans for this area based on the shared Management Information System study described in the Department of Industry's summary. The first components of this system will be introduced from 1984. The initial cost (shared with DOI) of the total set is estimated at £2-3 million spread over a number of years.

Staffing and Training Review and Audit

13. Under the common service arrangements these areas are dealt with jointly with the Department of Industry.

DEPARTMENT OF TRANSPORT

The main functions of the Department of Transport (DTp) are:-

- (a) development and management of the national road system;
- (b) sponsorship and regulation of, and financial assistance to, public transport; and sponsorship and regulation of road haulage;
- (c) allocation of resources and guidance to local authorities for their transport functions;
- (d) road safety, including regulation and licensing of vehicles and drivers;
- (e) sponsorship and regulation of the ports industry.

The department's responsibilities for railways, the regulation of public transport and road haulage, ports and road safety extend to Great Britain: the other responsibilities apply to England only. In association with its licensing functions, the department assesses and collects Vehicle Excise Duty on behalf of the Treasury and maintains registers of vehicles and drivers to assist law enforcement agencies.

2. the expenditure programmes associated with these functions, and the amounts provided by the department's votes are as follows:

	Public expenditure £ billion	Vote provision £ billion
(i) construction and maintenance of motorways and trunk roads	0.7	0.7
(ii) local authority expenditure on roads and public transport	2.2	0.45
(iii) grants to nationalised industries (chiefly British Railways)	1.0	1.0
(iv) ports, licensing and research	0.3	0.3

The department employs about 13,000 people and has running costs totalling about £230 million a year. About 70 per cent of these costs are in areas where the department provides services to the public for a fee - eg driver and vehicle licensing, driver testing, goods vehicle and bus licensing. Memorandum trading accounts for these services provide a basis for fees and for monitoring efficiency and economy.

4. For trunk roads the department has developed sophisticated procedures for assessing the costs and benefits of new schemes, which are subject to financial and economic appraisal; and also systematic techniques for measuring road condition and residual life so that maintenance can be planned effectively.

5. Basic responsibility for the use of money by local authorities and national industries lies with the spending organisation, but a variety of means is used to influence these elements of transport expenditure. For British Railways and the National Bus Company, they include investment appraisal, submission of corporate plans and monitoring of financial objectives and performance indicators. Publicly financed port investment is also subject to financial appraisal. Local authorities' transport plans and investment proposals are appraised as part of the process of accepting expenditure for Transport Supplementary Grant; and the Transport Act 1983 provides for the Secretary of State to give guidance to the Greater London Council and metropolitan county councils on appropriate levels of revenue grants for public transport.

6. In addition to the annual consideration of priorities for the public expenditure survey, the department carries out or commissions reviews and studies to inform the development of policy. Recent or current examples include the Serpell report on railway finances, and studies of the comparability of appraisals of road and rail investments, of the values of time and physical risk, and of the benefits of public transport subsidies.

Developments in hand

7. Effort is currently concentrated on:-

- (a) a review by Ministers of objectives and costs of the activities of the department; and
- (b) financial management of administrative resource use.

The management of programme expenditure is already well developed but it is also intended to carry out

- (c) a review of systems for controlling it and to adapt existing practice where necessary.

Objectives and costs

8. For this review, activities have been grouped into 19 main areas. Information about objectives, functions, administrative costs, programme expenditure and manpower in each area will be reviewed by Ministers. The basis will be an aggregated presentation addressing broad questions about the value of particular activities and the balance between them. The first review is under way. Further developments will depend upon how valuable Ministers and senior management find it.

Resource management

9. Building upon experience with manpower budgeting, the department is introducing a unified resource management system which will cover all categories of administrative expenditure. The main features of system are:

- (a) the department is divided into about 120 cost centres based on the management structure;
- (b) each cost centre prepares an annual budget covering all categories of administrative expenditure and any revenues in the next financial year. The budgets are agreed through the line management hierarchy in the light of the expected functions and workload of the cost centre concerned. Where possible, the budgets are supported by performance indicators or output measures for these functions and workloads;
- (c) expenditure in aggregate and for each category is monitored against budget by a computer-based management information system to which every cost centre has direct access via a computer terminal

Items (a)-(c) comprise the system known as MAXIS which is being implemented jointly with the Department of the Environment.

- (d) linked to MAXIS, each of the department's main executive activities will have a management accounting system. Ten systems (covering over 90 per cent of running costs) will provide information for fee revisions and, where appropriate, assessment of output, performance and cost effectiveness.

10. The resource management system came into operation on 1 April 1983. It represents a very substantial investment in hardware and staff resources. Initial running costs are estimated to be £0.5 million a year, mostly on staff costs.

Management of programme expenditure

11. Arrangements for financial management of programme expenditure are most developed for trunk roads where the department has direct responsibility. Further effort is being directed at extending the measurement of outputs and the assessment of value for money. Where the department is less directly involved, it is planned to review financial management procedures against the general criteria of the Prime Minister's initiative, after ministers have set objectives for these areas. The review will begin in summer 1983. It will aim to assess the scope for improving current procedures. The opportunities for change are however likely to be limited.

Organisation

12. A new Finance Management division has been set up to co-ordinate the arrangements for financial management and to implement the new systems. It services a new Resource Management Committee chaired by the Permanent Secretary which will supervise the development of the new systems and maintain regular scrutiny of resource use.

13. Nearly all managers of cost centres have attended a 1-day seminar on the new arrangements and the liaison officers who assist them and operate the computer terminals have attended a 2-day training course. A central budget unit has been established and its staff trained in the use and maintenance of the MAXIS accounting system.

Internal audit

14. Internal audit is being extended to include examination of systems of financial control, effective use of resources and value for money and the unit is being strengthened. Consultants have been commissioned to assist with the development of computer audit at the Driver and Vehicle Licence Centre at Swansea.

Costs

15. The costs of the new Finance Management division are about £160,000 a year and the department's share of the cost of the computer system itself about £1 million. Many costs are, however, indirect - for example, the time of staff in cost centres, and diversion of staff effort into designing and operating new control arrangements.

HM TREASURY

The core of the Treasury is a policy-oriented central organisation concerned with financial and economic policies and the control of public expenditure. Its net administrative costs in 1983-84 are estimated to be £27.8 million. But the bulk of the Treasury's staff, some 2,500 out of just under 4,000, and some 90 per cent of its total expenditure is deployed in three separate, and largely executive, businesses, viz

	Average Staff No's 1983-84	Estimated Expenditure 1983-84 £million	
		Gross	Net*
<u>Central Computer and Tele-communications Agency (CCTA)</u> which operates a complex of control, advice and assistance to departments to promote the efficient use of computer, telecommunications and electronic office systems	585	244.2	11.4
<u>Civil Service Catering Organisation (CISCO)</u> which advises on, implements and monitors catering policy in the Civil Service	1473	21.5	0.3
<u>Chessington Computer Centre (CCC)</u> which provides payroll and other services for some 60 government departments and non-exchequer bodies	434	5.5	4.6

*Following recoveries from government departments, other bodies and individuals on account of equipment procured and services provided.

2. The costs of the National Economic Development Office are carried as a subhead on the main Treasury Vote. It is not, however, managed as part of the Treasury and the possibility of its being financed by grant-in-aid is being considered.

Existing Financial Management Systems

3. These different sorts of operation have required different financial management systems. In the central Treasury the small size of the department; the short lines of command; the frequent contact of most areas with Ministers; and the external commitments to which most work is directed, have provided the framework for the

management of work in the operational line, while for economy financial and manpower control has been exercised centrally. Both CISCO and CCC have developed systems appropriate to their more readily measurable outputs. CISCO has a break-even objective and, within this, each catering unit works to an annual budget. Managers receive each month a trading account, enabling them to compare performance with budget, and other management statistics (eg sales value per member of staff). In CCC, performance against detailed operational timetables and productivity targets for payroll and other services is closely monitored, and expenditure control is delegated to four functional commands. Parts of CCTA have the characteristics of central Treasury policy divisions, but its more operational areas have developed supplementary management information: in procurement division summary statistics of contracts handled, and work-recording in the technical services organisation. Financial and manpower control has been exercised as for the central Treasury.

4. The existing computerised accounting system provides both Vote and operational accounts but its coding structure is not extensive or flexible enough for current management accounting needs.

Future Development of Financial Management

5. Taking account of the increase in its size and functions following the reorganisation of the central departments in December 1981, the Treasury intends to develop a system of management which will give Ministers and their senior managers sufficient information to enable them, through an annual planning system, to consider more systematically the intended balance of effort between activities and the appropriate allocation of resources. This will involve the preparation of work programmes by responsibility centres (normally Under Secretary commands) identifying priority tasks for the year ahead and the resources required to fulfil them; setting budgets for those centres, within the control of their managers (subject to the constraints necessary for the orderly management of the department as a whole); and full attribution of costs to those centres. The system is to become fully operative for the financial year 1985-86.

6. To develop this system the Treasury intends:

- (i) to introduce in April 1984 a more flexible and comprehensive management accounting system to give managers timely information in sufficient detail to control costs in a devolved management structure. Work on this began in July 1982;

- (ii) to establish by April 1984 a structure of responsibility and cost centres across the Treasury with the aim of ensuring that responsibility for control of costs, and the organisation of the work to which they are directed, rests where it can most effectively be exercised. Such a structure has been formulated for the central Treasury and CCC, and already exists for much of CISCO;
 - (iii) to define by April 1984 the respective responsibilities of central and line management for the planning, control and monitoring of the use of resources, primarily through budgets;
 - (iv) to develop further performance indicators and output measures in suitable areas of the Treasury (mainly CCC and CISCO);
 - (v) to carry out a programme of training and familiarisation designed to ensure that:
 - (a) those who have central responsibilities for operation of the system have their training requirements individually identified and met;
 - (b) managers with control of budgets have the knowledge to do so;
 - (c) staff generally are familiar with the principles of financial management and their specific application in the Treasury.
- It is planned to complete (a) and (b) before the 1985-86 planning round begins in the summer of 1984, and (c) before the system comes into full operation in April 1985;
- (vi) to keep under review existing training to meet the requirements of financial management work.

Review and Audit

7. The annual planning system will enable Ministers and senior management to review the past performance of line management. They will have at their disposal existing procedures for investigation and review, including Internal Audit (which is being improved and extended) and staff inspection, and the Treasury will be collaborating with certain other departments in the examination of consultancy, inspection and review capabilities.

Costs of Improvements

8. In addition to the demands on the time of Ministers and senior management, and the resources required for training and familiarisation, both as yet unquantified, the main costs of introducing the changes to financial management are:-

	<u>Staff</u>	<u>Non-staff</u>
(i) introducing the new management information system	£130,000 (including 2 full time management accountants and part-time consultant)	£90,000 (software) £35,000 (hardware)
(ii) establishing the planning and work programming system	£30,000 (1 full-time Principal and part-time assistance)	
(iii) setting up an improved management information and control system in CCTA, and support for the Director's review. (These exercises go wider than the Agency's financial management needs.)	£95,000 (including staff at Principal and HEO level, consultancy assistance and the time of senior staff)	

Reviews of CISCO and CCTA

9. Both CISCO and CCTA are presently the subject of fundamental reviews which may affect the structure of their management and financial control systems. Catering policies are being reviewed following a Rayner scrutiny; meanwhile CISCO has been given increased control over bill payment and accounting work previously handled centrally. The new Director of CCTA is undertaking a fundamental review of the Agency's objectives, role and relationship with departments, to be completed this autumn; in the meantime, work is going ahead on developing a structure of budgets and project costing and an outline budgeting system will be operating for the financial year 1984-85.

WELSH OFFICE

The Welsh Office is a multi-function department, covering within Wales agriculture and fisheries, industry, tourism, roads and transport, housing, education (except for terms and conditions of service, student awards and the university), the Welsh language and culture, local government, water and sewerage, environmental protection, sport, land use (including town and country planning), countryside and nature conservation, new towns, ancient monuments and historic buildings, a range of matters affecting the career service and activities of the Manpower Services Commission, the urban programme, European Community matters, and health and personal social services. In 1983-84 the total expenditure within the Secretary of State's responsibility is planned to be £2,528 million of which £1,293 million is provision for local authority expenditure (current and capital). The number of staff in post in the Welsh Office on 1 April 1983 was 2,225 and the total running costs of the department in 1983-84 are expected to be £31.4 million.

The general approach

2. The department has been engaged for some time in developing a coherent system of financial management and this work has been given added impetus by the Prime Minister's initiative. In broad terms developments are in:

- (a) clarifying its aim and objectives;
- (b) improving control by top management;
- (c) improving the quality of line management.

The position at 31 March 1983

3. A separate rate support grant has been operated in Wales since the Local Government Planning and Land Act 1980. From about the same time over 90 per cent of the expenditure within the Secretary of State's responsibility has been managed by the Welsh Office as a block. The Estimates have been restructured accordingly, and the opportunity taken to align them with the organisational structure of the department. A wide range of delegated authority has been negotiated with the Treasury.

4. To see how cuts in staff should be applied within the department two sets of reviews were launched in April 1981. One was carried out by line management to clarify the purposes of each group and identify overlaps, whilst the other was undertaken by an individual officer (reporting to the Permanent Secretary) to identify tasks to be shed and to suggest the best way of carrying out the remainder within the resource constraints. These reviews showed the need to establish stated aims for the Welsh Office as a whole and the

individual groups within it. These have been drafted and are under discussion. They form the framework for the objectives to be set for line management (see below).

5. Control by top management has been strengthened by the establishment of a Business Group, to provide a forum for the central planning and management of resources. It meets every other week under the chairmanship of the Permanent Secretary and works to a planned cycle of reports and submissions, related to the annual public expenditure survey.

6. The well-established internal audit unit works to a long-term audit plan (based on risk assessment) covering the whole of the Welsh Office and a number of its fringe bodies. It envisages an audit cycle of 3-4 years (some areas being audited more than once in this span). The plan will be reviewed annually.

7. The introduction of the block arrangements for programme expenditure (paragraph 3) provided the opportunity for first steps in improving the quality of line management by giving the more senior managers a chance to influence resources allocated to their services. Each year an "internal survey" is run in parallel with the inter-departmental survey. Policy Groups are required to submit bids and options for reductions. When the size of the Welsh Office block for the coming year is known, at the end of the inter-departmental survey, the PFO prepares advice to the Secretary of State on the allocation of resources: the business group as a whole endorses or amends it as necessary; and the Secretary of State reaches his conclusions at a meeting with the business group and all the heads of policy groups. Each head of group is required to review and justify the baseline provision for his services and present the case for any increases he may have proposed. In future the meeting will also cover each group's bid for its running costs.

8. A general guide to financial procedures has been drawn up and issued to all staff, with subsidiary instructions on detailed operations. Formal delegations are being made by the Permanent Secretary to appropriate grade levels with specified value limits for the authorisation of payments against specified vote subheads. As each delegation comes into force, the officers receiving it become fully responsible for the payments they authorise and the finance programmes division which previously authorised the payments switches to a post-payment monitoring role. Special financial material is being developed for inclusion in HEO training courses, and more senior staff are being placed on finance courses run by the Civil Service College.

Forward plans

9. The further work to be undertaken involves the setting of objectives and further improvement in line management, with the subsequent introduction of a cycle of policy reviews.

10. Once the framework of aims (paragraph 4) has been agreed, work will proceed on the formulation of objectives within service areas. This will be done by working downwards through the line management chain from each of the two deputy secretaries, each manager discussing, formulating and setting objectives with his subordinates. Wherever possible objectives will be time-limited and have an associated output measure or performance indicator. Once set the objectives will be reviewed, and revised as necessary, at the conclusion of the annual internal survey mentioned in paragraph 7.

11. Work is in hand on developing the financial information supplied to managers. They already receive quarterly reports of their programme expenditure against predicted profile, and of their travelling and subsistence expenditure (for which they have annual budgets). These reports have hitherto been produced manually but will in future be produced by micro-computer. A cost centre coding structure has been developed for this purpose, reflecting the management structure of the department and reconciled with PES and Estimates. The intention is to add data on running costs in the coming months, together with manpower data and textual material listing functions for each cost centre and agreed objectives. Non-financial figures of output measures and performance indicators will be added as they become available.

12. With improved information line managers will become better able to manage their financial responsibilities, covering both programme expenditure and running costs. It is intended to extend the present travelling and subsistence budgets to cover as many running costs as possible; the size of the budget will then become one of the matters for review and decision at the end of the annual internal survey (paragraph 7).

13. Following these improvements it is intended to start a regular cycle of deeper reviews of discrete policy areas. There will be one or two such reviews a year so that each area will be reviewed every three years or so. The starting point will be the existing aims and the record of objectives and their achievement, the programme expenditure incurred and planned, and the running costs of the staff concerned for the period since the last review. The review will cover both the policy itself and the instruments for carrying it out.

Costs and timetable

14. Staff numbers are and will remain tightly controlled, and as a general principle staff are being required to carry out the improvements outlined as part of their jobs. Net additional resource costs are therefore limited to capital costs and specific studies. These costs are expected to total just over £250,000 to the end of 1983-84 with an ongoing annual cost of at least £75,000 thereafter. An additional capital cost will be incurred when the present finance group microcomputer system mentioned in paragraph 11 has to be enhanced, perhaps in two or three years' time.

15. The main milestones in the further work are as follows:

	<u>Objective setting</u>	<u>Information and budgeting system</u>	<u>Policy reviews</u>
1983			
Q2	First round		
Q3		First full report	
Q4			
1984			
Q1		1984-85 Budgets Set	
Q2		(Quarterly reports thereafter)	
Q3			First review
Q4	First review	1985-86 budget set	



FROM: CHIEF SECRETARY

DATE: 9 May 1983

Prime Minister:

PRIME MINISTER

FINANCIAL MANAGEMENT INITIATIVE

Attached is the Chief Secretary's report on the Financial Management Initiative. He would like you to minute colleagues. Robin Butler + I think a minute, if you agree, would have greater impact at the beginning of the new Parliament.

Do you agree with this approach?

I have sent you today a report on the initiative which I have copied to colleagues. In it Janet Young and I recommend that you should call for a further progress report in a year's time.

JH
10/5

Yes not

2. Departments are now moving into the next phase of implementation. It would be good to reinforce this quickly and strike while the iron is hot. In order to prevent any slackening off of Ministerial interest, we suggest that you should write to colleagues now, commissioning the progress report for 1984 and registering your continuing personal interest and concern.

3. While the draft of the White Paper for July is still being prepared, the meat of it is in my separate minute and the summaries of the departmental programmes attached to it. We do not think that the text, when it is submitted, will alter what you might want to say.

4. I attach a draft minute which you might send to our colleagues if you agree.

Copies of this minute go to the Lord Privy Seal, Sir Robert Armstrong and Lord Rayner.

L.B.

LEON BRITTAN

DRAFT MINUTE TO MINISTERS IN CHARGE OF DEPARTMENTS

IMPROVING FINANCIAL MANAGEMENT

The Chief Secretary's minute of [] May gives his and the Lord Privy Seal's assessment of the response which departments have made to my minute of 17 May, 1982. This is an encouraging report. Much energy and hard work have clearly been put into the operation and a good foundation has been laid. I should be glad if you could convey my appreciation to those who have been responsible.

As the Chief Secretary points out, this stage is the beginning of a long haul. While it is being worked through, other more immediate problems can easily distract attention and distort priorities. Ministers have a crucial part to play in ensuring that the impetus is kept up. I therefore ask all colleagues to give continuing personal attention to this over the next 12 months. As the Chief Secretary and Lord Privy Seal propose, I shall ask for a further progress report in 12 months' time.

The Chief Secretary draws attention to the importance of finding the skilled manpower needed to carry through the plans effectively and quickly, and of ensuring that managers both understand what is required of them and receive the necessary training. I think these aspects are of crucial importance. The next progress report should deal fully with what has been done on both aspects.

Copies of this minute go to the Chief Secretary, the Lord Privy Seal, Sir Robert Armstrong and Lord Rayner.



(Seen by P.M.)

PRIME MINISTER

FINANCIAL MANAGEMENT IN GOVERNMENT DEPARTMENTS

Your minute of 17 May 1982 invited 32 departments to draw up programmes of work for improving their financial management, and to discuss them with the Treasury and MPO. This minute reports the results. It represents the joint views of the Lord Privy Seal and me.

2. The financial management initiative (FMI) is a major part of the Government's policy for good management throughout the Civil Service. The White Paper on Efficiency and Effectiveness in the Civil Service, Cmnd 8616, published last September, stated its aim: the promotion, in each department, of an organisation and system in which managers at all levels have:

- (1) a clear view of their objectives and outputs, and the means of assessing their performance in relation to them;
- (2) clear responsibility for making the best use of resources, and getting value for money;
- (3) the information, and the training, needed to perform well.

3. This is partly a matter of improving financial information and systems. It is no less a matter of personnel management: encouraging and training managers and their staff to operate the new systems effectively and to understand and respond to what is expected of them. Janet Young sent you a minute on 29 March.

about the review of personnel work and her priorities for change in that field. We see the pursuit of those priorities and the FMI as complementary.

RESULTS OF THE FMI

4. We summarise the results in general terms below, together with action we recommend to carry the work forward and keep up its impetus. But your minute launching the FMI rightly focussed the exercise firmly on individual departments. We therefore attach to this minute a summary of each department's programme. If you have not time to read them all, those for the Ministry of Agriculture, Fisheries and Food, the Department of Industry, the Inland Revenue and the Scottish Office will give you a good idea of the wide range of specific action that has been set in hand.

5. In general, departments have pursued the aim of the FMI on 4 fronts:-

- (1) meeting the needs of Ministers and top officials - the importance of which was emphasised in your Private Secretary's letter of 2 September 1982;
- (2) managing administrative expenditure, described in Cmnd 8616 as the resources which the Government consumes itself;
- (3) managing programme expenditure, ie other expenditures which are mainly external to Government departments;
- (4) policies for managing staff; and for training, which was also emphasised in your Private Secretary's letter of 21 December 1982.

Meeting the needs of Ministers and top officials

6. The programmes concentrate on the information system and machinery needed to support Ministers and top managers in setting objectives, establishing priorities, and allocating resources - all in the knowledge of what the activities cost.

7. Departments are now introducing systems which will perform the same function as MINIS, in ways adapted to their particular needs. The chart at Annex A shows the main features of the systems which the larger departments are adopting. Many departments have established new or strengthened machinery at the top for managing resources.

8. To take our own departments as examples, the Treasury will start an experimental round of work programming in July 1983 in preparation for the 1984-85 Estimates, under the direction of a central planning board, which will consider priorities and allocate resources to line managers. A full scheme of programming, costing, budgeting and review will be introduced in the following year. The MPO is adopting a broadly similar timetable for its system of activity planning, resource allocation, budgeting and monitoring; a full trial run of the system will begin in Autumn 1983, when the 1984-85 activity review will underpin the 1984-85 Estimates and budgets.

Managing administrative expenditure

9. The programmes are generally directed towards dividing departments' work into appropriate blocks, and into "cost centres" within each block; making their managers accountable for the planning and control of their costs and for the results they achieve; and establishing procedures, information systems and measures for setting the targets and budgets against which performance will be judged.

10. Departments have adopted various approaches to administrative expenditure, according to their circumstances. Some (for example, DOE and DTp through the MAXIS system) are developing budgets for administrative costs covering the whole department. Others (for example, the MOD and the Department of Industry) are testing the operation of line management budgets by the use of pilots in selected areas; the MOD budgets cover programme as well as administrative costs. Others have started by placing some, but not all, cost elements within the authority of line managers, with the intention of moving to a fully-fledged budgetary system at the next stage; this is the majority approach, the DHSS in particular having a well-developed plan for it (see paragraph 9 of its summary).

Managing programme expenditure

11. The common lines of development here are:-

- (1) clarifying each manager's responsibility for controlling or influencing the expenditures with which he is concerned; in some cases this is linked to assembling systematic basic information about objectives, costs and criteria or targets for assessing results (for example, see the summaries for MAFF - paragraph 6, Energy - paragraph 5, the Scottish Office - paragraph 5 and MOD - paragraph 5);
- (2) improving project appraisal and the analysis of cost-effectiveness (for example see Industry - paragraph 14);
- (3) clarifying responsibilities and relationships where the spending authority is outside the department (examples are work by the DES on research councils - paragraph 9, DHSS on the NHS - paragraph 13, the DOE on its non-departmental bodies - paragraph 15, and Industry on the nationalised industries - paragraph 14).

12. This work will also help in improving the management of local authority expenditure. Although the prime responsibility for its efficiency rests with the authorities themselves, with the help of the Audit Commission and its Scottish equivalent, central government can play an important part, especially where both central and local government have an interest in how a service is delivered. The DOE is pursuing with other departments and with local government how central government practices can be further improved to encourage better financial management by local authorities. The Home Office programme (paragraph 7) also describes developments in the handling of its policies and priorities for the police service.

Staffing and training

13. While departments have so far devoted most of their attention to systems and procedures, there is widespread recognition of the need to give individual managers more discretion, create the right climate of incentives, train people to make the most of the new systems and bring on the managers of the future. Departments are

experimenting with the delegation of authority (eg to the managers of pilot centres in Industry) and incentive schemes (eg DHSS). The MPO is taking forward with departments the conclusions of the personnel work review in the light of your comments (your Private Secretary's letter of 11 April).

14. As you noted in your Private Secretary's letter of 21 December last, training is crucial. It has caused us some concern. Though most departments recognised its importance in their replies, many had not then developed plans much beyond their immediate needs. We have brought our concern about this to the attention of our colleagues, and there are signs of good progress. We will keep in close touch with it.

15. Most of the training needed for improved financial management will be provided by departments themselves for their own staff. Thus the Departments of Environment and Transport, for example have held seminars for all cost-centre managers and their assistants to pave the way for the introduction of the new budgeting and monitoring system (MAXIS) for running costs. DHSS also has mounted a major training effort for their introduction of cost-centres. In addition, much is being done centrally to improve and increase training in financial management by the Civil Service College.

CONCLUSIONS

16. First, how much conviction has been shown by departments so far in developing their ideas and carrying them through? Taking the initiative as a whole, we think that the signs are encouraging. Individual plans vary. Some are very good: they include those already mentioned in paragraph 6. Two or three were distinctly weak when first submitted; I have been in touch with the Ministers concerned, and the summaries reflect some definite improvements. While some programmes still need working up further, all the departments are now set on a course which will produce a major improvement if the impetus is kept up.

17. Second, there is the substance - what has the initiative really achieved? In our view, it has done 3 things:-

- (1) It has widened and deepened the drive to improve financial management - the specific aim which you set out in your minute of May 1982. It has stepped up the pace of developments already under way and prompted a sound start on new ones.
- (2) It has stimulated all departments to bring together and develop more coherently a number of hitherto separate parts of their plans for good management.
- (3) Perhaps most important of all, the initiative has begun to change the climate of management in the Civil Service, by building cost-consciousness and the search for value for money into the system instead of relying on ad hoc exercises and external scrutiny.

Next steps

18. Our verdict, therefore, is "so far, so good". But we are still only at the beginning of a long haul. It will be crucial to maintain the momentum. We think the main activities for the coming year are:-

- (1) Departments must reach the targets they have set themselves for the next stage in implementing their programmes. We recommend that you call for a progress report in one year's time on the progress made by each.
- (2) Janet Young and I will monitor progress during the year through our officials and the Financial Management Unit.
- (3) The Treasury and MPO should also identify and disseminate good practice, in particular on common issues and problems. These have been the subject of a separate report by the Financial Management Unit. We have agreed to keep the Unit in being for a further year.
- (4) The complementary changes in financial and staffing matters should be pushed forward together, with close co-operation between the finance and establishments branches in departments and between the MPO and the Treasury.

- (5) The trend towards decentralising managerial authority will also affect the relationships between the Treasury/MPO and the other departments. On the personnel side, some changes are emerging from the recent review. On the expenditure side, departments are identifying at the Treasury's invitation particular types of control which may need to be modified. Some changes have already been made. Others should follow as appropriate during the coming year.
- (6) The flows of financial information needed for departmental management, for Public Expenditure Survey decisions, and for presentation to Parliament, should be brought together as closely as possible, both to avoid bureaucratic complication and to present a clear picture to Parliament and the public. The Treasury is consulting departments on the changes that may be needed in the structure of the Estimates and in the Public Expenditure White Paper, and will make proposals to the relevant Select Committees as necessary.

Resources, costs and results

19. Janet Young and I share the view, expressed in your minute of May 1982, that investing resources in better financial management will pay dividends. One fairly general feature of the programmes causes us concern. Departments have set themselves tight timetables for ambitious programmes - rightly, since it is important to keep up the pace. To achieve that, they must devote enough skilled manpower to the task. These skills are in short supply. We are encouraged by the quality of some of the officials now assigned to the FMI. Even so, we do not feel sure that the resources planned for the job are in proportion to its size; the work involved in turning the programmes into practical and enduring reforms should not be underestimated. I have taken up this point with colleagues and their departments are responding to it. We should take it into account when we consider future plans for civil service manpower in the summer.

20. The costs of implementation so far identified amount to some

£30 - £35 million, mostly in staff time, the greater part to be spent over the next two years. We shall expect departments to finance it mainly from their existing allocations by giving this work priority over other tasks. This is about $\frac{1}{3}$ % of the civil service pay bill. The benefits for the taxpayer will show themselves in a tighter control of administrative cost, a sharper scrutinising of the value for money of activities and a more systematic approach to the results achieved by external expenditure. Much of this cannot be quantified. But the recent review of running costs provided some clues. In 1980, for example, the Scottish Office achieved savings of 20% in travel and subsistence by setting up local budgets. When all departments have set up their new systems, we are in no doubt that the savings will far outweigh the costs, apart from the more general benefits that will accrue from better information and improved decision-taking.

Announcement

21. The Government is committed to publishing a White Paper on this exercise by July. We propose that it should consist of 2 parts, a general progress report and the summarised accounts of each department's programme enclosed with this minute (subject to some final editing). These summaries will inform the Select Committees and others who are interested in the affairs of particular departments. They will also represent a published commitment by each department to carry through its proposals by the stated dates.

22. You undertook in your letter of 4 February to Edward du Cann to try to get the White Paper to the Treasury and Civil Service Select Committee in time for them to look at it before the Recess. We will circulate a draft of the first part of the White Paper for colleagues to consider towards the end of this month.

23. Copies of this minute go to Ministers in charge of departments, Sir Robert Armstrong and Lord Rayner.

L. B.

LEON BRITTAN
9 MAY 1983

DEPARTMENTAL HIGH LEVEL MANAGEMENT INFORMATION SYSTEMS

	Name given to its System	Type of expenditure covered	Timespan Covered forward/back	Level at which statements produced	Cost inf. given to line managers	Provision for showing objectives	Provision for performance measures	Timing of introduction
Agriculture	MINIM, supported by MAIS	Administrative and programme	1 year forward and back	Under Secretary	MINIM not designed to do this; MAIS will give monthly/quarterly information	Yes; to be developed further	Yes; to be developed further	Initial run of MINIM in 1983; MAIS complete by 1985-86
Customs	Board's Management Plan supported by PES and Review of Running Costs	administrative (department has negligible programme expenditure)	1 year forward and back	Under Secretary	varies at present; future system to be decided	Yes	Yes - to be developed further	Initially 1983- to be developed
Defence	(a) MINIS (Management Information System for Ministers and Top Management)	administrative (except front line) and programme	2 year's forward; 1 back (perhaps 1½ year's forward; 6 months back on 2nd round)	Under Secretary and military equivalent	Annually (quarterly or monthly cost or management accounts available for most programme areas)	Yes - at both U/S and A/S (and military equivalent) levels	Yes	First round, January - July 1983. 2nd round, September 1983 - March 1984. Then annually, September - March
	(b) Long Term Costing	all expenditure, in line detail	10 years forward	Project and programme managers provide inputs; coordinated at Deputy Sec level	Annually	Future force levels and policy assumptions shown in detail	No	Early 1960s
Employment	Senior Management Group supported by RIS (Resource Information System)	Administrative (detail on non-staff costs to be developed) and programme	1 year forward and back, longer if necessary, eg for PES purposes	Assistant Secretary or Senior Principal	Monthly to all cost centres	Yes	Yes - with special attention in first SMG round	complete by 1986-87; SMG run in 1983 without RIS information
Environment	(a) MINIS (Management Information System for Ministers) operating with	reviews functions including programme costs	1½ years forward, 6 months back	Under Secretary	-	Yes	Yes - to be developed further	Running since 1979. 5th round starts autumn 1983
	(b) MAXIS (Management of Administrative Expenditure Information System)	Covers administrative costs	Financial years	Varies: cost centre manager (SEO to Under Secretary)	Quarterly or monthly reports, plus on - line interrogation	-	-	Progressively from April 1983
Health and Social Security	IMA	administrative and programme	1 year forward and back	Under Secretary	monthly to 800 cost centres	Yes	Yes	initially run in 1982-83
Home Office	APR	administrative and programme; details of coverage to be developed	6 months forward and back in initial run; 1 year forward and back planned for subsequent runs	Assistant Secretary (heads of division)	presentation of resource information under consideration	Yes	Under consideration	initial run in 1982
Industry	ACT supported by MIS	administrative and programme	1 year forward and back	Under Secretary (heads of division)	monthly (to divisions) quarterly (at departmental level) as MIS advances permit	Yes	Yes	First ACT run in 1983-84

Inland Revenue	SMS	Administrative (department has little programme expenditure)	1 year forward and back	Under Secretary	will be provided by PAMAS	Yes	Yes - but to be developed further	pilot run 1983-84
Scottish Office	Scottish Office management planning system (with associated management information and budgeting system)	administrative and other expenditure on directly- managed depart- mental operations	1 year forward and back	Assistant Secretary or Senior Principal	monthly for costs controlled by line managers	Yes	not yet - under development in 1983	management planning system revised from 1983; information system to start from 1984-85
Trade	RAR supported by MIS	administrative and programme	1 year forward and back	Under Secretary	monthly (to divisions) quarterly (at departmental level) as MIS advances permit	Yes	Yes	First RAR run in 1983-84



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

The Rt Hon Baroness Young
 Lord Privy Seal
 Management and Personnel Office
 Whitehall
 LONDON
 SW1A 2AZ

6 May 1983

Dear Sir,

RHS

CIVIL SERVICE APPEAL BOARD

Thank you for copying to me your letter of 30 March to Willie Whitelaw about abolition of this Board. My Department, my predecessor and I have argued consistently for abolition, as your letter recognises. We have not done so lightly. Apart from the arguments about the unsatisfactory nature of the proceedings and decisions of the Board in our past experience, we have been influenced by the strength of the case against continuing an anomalous dual right of appeal. In the past we inclined to think that the presence of a Civil Service Appeal Board encouraged the unions to bring cases almost automatically to it regardless of the real merits of those cases. Insofar as this may be so, it means that the Board creates appreciable time-wasting expense in providing briefing for and representation at its hearings. I notice that Defence and the Home Office line up with us, despite their having the difficulties mentioned in your letter. In terms of staff managed we must constitute more than half of the service as a whole.

It has also led to a procedure whereby staff are not effectively dismissed until after the findings of the Board have been confirmed. Thus we have in many cases inefficient or suspended officers retained for months longer than need be and long after management have by the most careful processes and examination of cases concluded that dismissal is the only reasonable course. In most cases these people continue on pay while suspended.

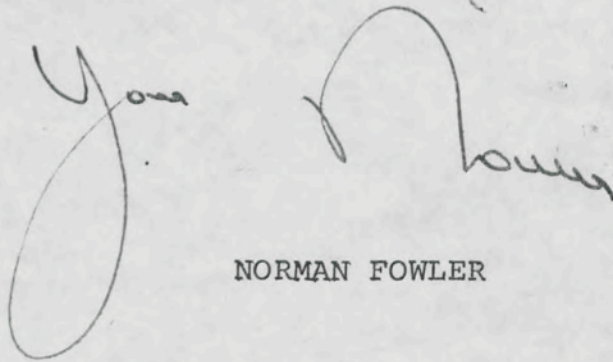
The Board is now an anachronism since its function has been taken over long ago by the statutory right of appeal to industrial tribunals. I continue to think it should be abolished and departmental managements can then reconsider their existing arrangements for processing appeals (for example to the Head of the Department) if they see need to do so.

E.R.

That the unions are prepared to regard the Bord as the normal avenue of appeal serves, if anything, to reinforce my doubts.

I am not therefore happy about your conclusions, but if these should prevail I would hope, with Peter Walker, that both Chairman and Deputy Chairman would be independent. Also I think it would be important to have reasons clearly set out for decisions and a body of precedent built up so that on both the union and official sides there would be a clear indication to guide future would-be applicants as to the success or otherwise likely to attend an appeal. No doubt before any proposals for improvement are put to the unions your officials will let mine have a chance to see what you have in mind, since there are also possible improvements in the way evidence is tabled before a CSAB hearing and in the conduct of the oral hearing itself.

I am copying this letter to recipients of yours.

A handwritten signature in dark ink, appearing to read 'Norman Fowler', is written over the typed name. The signature is fluid and cursive, with a large loop at the end.

NORMAN FOWLER

Civil Service
Cong Term, #112



The Commission has reviewed the report of the board of
examiners and has found it to be satisfactory. The board
has recommended that the applicant be appointed to the
position of [unclear] and that the salary be fixed at
[unclear]. The Commission has no objection to the
appointment of the applicant to the position of [unclear]
and to the fixing of his salary at [unclear].

Very truly yours,
[Signature]

SECRET



file
cc: Nick Owen

BH

7

10 DOWNING STREET

From the Private Secretary

3 May 1983

Dear Margaret,

Obligations to Civil Service Managers

Thank you for your letter of 26 April.

I showed this to the Prime Minister over the weekend. Mrs. Thatcher continues to support the view that reporting officers should be obliged to record lack of reliability in periods of dispute ("negative noting"). She thinks that it would be odd to report on someone that he is conscientious and reliable at all times while omitting to mention that he broke his contract of employment during a strike or during an industrial dispute. The Prime Minister believes that the informal approach favoured by the Chancellor can be haphazard and arbitrary in its effect; that an advantage of negative noting is that it advertises clearly to staff that industrial action is one factor which will be taken into account when promotion to responsible positions is considered; and that Departments would not need to be rigidly bound to any particular course of action by negative noting. On the industrial relations point, the Prime Minister considers that it will be better to announce negative noting at a time - like the present - when industrial relations are improving rather than when they are deteriorating. Finally, the Prime Minister has enquired what the legal position is if a reporting officer states, or gives the impression, that a person is reliable when the reporting officer knows that he is not. The Prime Minister wonders whether such a reference could render the reporting officer, or the Department, liable for damages.

6/5/83

I am sending copies of this letter to Richard Mottram (Ministry of Defence), David Clark (Department of Health and Social Security), Barnaby Shaw (Department of Employment), Henry Steel (Law Officers' Department) and Richard Hatfield (Cabinet Office) and Mary Brown (Lord Privy Seal's Office).

Yours sincerely,

Michael Scholar

Miss Margaret O'Mara
HM Treasury

SECRET

BH



QUEEN ANNE'S GATE LONDON SW1H 9AT

28 April 1983

Dear Janet

JK 3/5

CIVIL SERVICE APPEAL BOARD

Thank you for your letter of 30 March about the future of the Civil Service Appeal Board. We have had this matter under consideration for rather over two years. It is right that we should now reach a decision.

In my letter of 31 March 1981 to Christopher Soames I suggested that the Board should be abolished and that civil servants, like employees at large, should be left with recourse to Industrial Tribunals only. A subsequent ruling by the Employment Appeal Tribunal to the effect that prison officers do not have access to Industrial Tribunals has the consequence that abolition of the CSAB would oblige us to make special arrangements for appeals by prison officers, but we could live with this.

In your letter of 19 February 1982 you reported that, while there was a good deal of dissatisfaction with some of the CSAB's recent decisions, most of our colleagues did not favour immediate abolition. You proposed that we should aim to designate the CSAB as an alternative to the Industrial Tribunals. In my letter of 28 February 1982 I agreed to this.

We subsequently learned that your Department and the Department of Employment saw considerable problems about designation. Your present letter confirms this and concludes that the Board should be refurbished in the ways suggested at the end of your letter and retained for three years.

Nothing that has been said during the past two years has really weakened the argument that the Civil Service, which rightly takes a great deal of trouble to weigh all the relevant considerations before deciding to dismiss an officer, does not need the CSAB as well as the Industrial Tribunals. Nevertheless, if colleagues generally agree to your proposal to keep the CSAB in being for a further three years on the basis suggested in your letter I am prepared to go along with this. I wonder, however, whether your proposals for "refurbishing" will make all that much difference. We would like to see, in addition, probation cases excluded from the Board's ambit; and a greater readiness on the part of the Board to consider cases on their merits rather than by reference to the procedures followed; to give reasons for their decisions; and to establish precedents for themselves (and thus for Departments) in important cases.

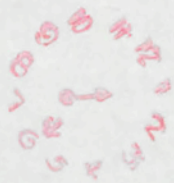
I am copying this letter to the Prime Minister, to other members of the Cabinet and to Sir Robert Armstrong.

John
Baker

The Rt. Hon. Baroness Young

CIVIL SERVICE: L-T Management

Pt 12



13 MAY 1985

MR SCHOLAR29 April 1983

cc Mr Mount

OBLIGATIONS OF CIVIL SERVICE MANAGERS

The Treasury has produced, after a month of thought, no new arguments against the suggestion made in your letter of 28 March that reporting officers should be obliged to record any lack of reliability in periods of dispute ("negative noting").

The Chancellor favours the informal approach. It is claimed that this makes it possible - it is not put any higher than this - for departments to take account of individuals' activities during disputes and that this approach would avoid legal difficulties and confrontation with the unions when industrial relations with them are improving. I do not think that we should give up on this, at least not yet. Virtually any form of industrial activity is a breach of contract; there is surely something rather odd in reporting on a Mr Smith that he is conscientious, reliable at all times and so on, while omitting to mention that he has broken his contract of employment. In recent years I was well aware which of my staff were reliable during disputes, and which were not, but the form provided for reporting on one's staff, though very detailed, makes no explicit reference to reliability during disputes and discouraged one from commenting on this aspect of performance.

Negative noting has two advantages. The first is that it is more reliable than informal methods, which are haphazard in the extreme. Reporting officers themselves may sometimes be sympathetic to those who take industrial action and without a formal requirement to record these activities, might well omit to do this. The second advantage of negative noting is that it advertises clearly to staff that industrial action is one factor which will be taken into account when promotion to responsible positions is considered.

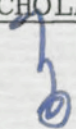
It is to this latter aspect that the alleged legal difficulties refer since it is argued that negative noting would be interpreted

by the unions as a disciplinary procedure and that they would try to present it as such. This could be countered in two ways. First, departments are not rigidly bound by negative noting: it is one factor which promotion boards, quite rightly, need to consider as a possible indicator of an individual's willingness to accept responsibility. It would be open to the individual concerned to explain his actions to a promotion board, and this, too, would need to be made clear. Second, the informal approach carries the danger that the individual concerned could claim that management had in fact operated a disciplinary sanction against him or her without using the appropriate procedures - discipline by the back door in other words.

The note from the Chancellor also mentions practical difficulties of negative noting. These seem fairly slight since reporting officers are already required to notify absences during disputes in order to ensure that those concerned are not paid during these periods.

Finally, there is the industrial relations point. Negative noting would have to be announced and this could be provocative but surely it would be better to do so at a time when industrial relations are improving, rather than when they are deteriorating.

NICHOLAS OWEN



If a report on a person states that a person is reliable



Prime Minister

Mr Owen's minute

(attached) puts

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

when the reporter knows he isn't - what is the legal position?

The case for 'negative noting'.

Do you wish to support

M Scholar Esq
Private Secretary to
the Prime Minister
10 Downing Street
LONDON SW1

l. Seen to

26 April 1983

Mr Owen's arguments

Yes
No

remember that such

a reference could

under liability for damages

Dear Michael

OBLIGATIONS OF CIVIL SERVICE MANAGERS

- or to acquiesce in the Chancellor's and Lord Privy Seal's preferred course?

No
MS
29/4

In your letter of 28 March about the papers enclosed with the Chancellor's letter of 17 March to the Lord Privy Seal you said that the Prime Minister was in general content with the proposals for putting across to Civil Service managers their obligations in relation to industrial action. But she was concerned at the effect of the lack of any obligation on the part of reporting officers to make explicit note of lack of reliability in periods of dispute.

The separate paper on the noting of files enclosed with the Chancellor's letter underlined legal and practical difficulties involved in instituting a formal procedure for the recording on personal files as a matter of routine of any industrial action taken by individual members of staff. However, the paper points out that senior management is likely by a variety of means to have a good picture of those staff, particularly at managerial level, who have been involved in any industrial action. It is therefore possible for departments, in deciding on promotions and postings, to take account of whether individuals have in the past been active in supporting industrial action. It will, as a result, be apparent to staff that a propensity to take industrial action narrows down the range of available postings and affects chances of promotion. The report suggests that guidance should be issued to departments by the MPO to ensure more consistency of approach in this. The Chancellor concluded that these more informal methods would be preferable to the institution of any new formal procedures. This would lead to direct confrontation with the unions at a time when industrial relations are showing modest signs of improvements.

SECRET



In any case there is in current circumstances no immediate likelihood that we shall need to issue the proposed message to managers at Annex B of the report on the obligations of managers. As and when a situation develops in which Ministers need to contemplate issuing a message of this kind, it will be possible to consider a rather fuller statement of departmental practice on postings and promotions, particularly for staff at management level.

As you will have seen, the Lord Privy Seal has expressed herself content with the proposals in the two papers, while pointing out that the right course of action may well vary according to the industrial relations position at the time. If this explanation of the background meets the Prime Minister's anxieties, we will now begin to implement the further action called for by these reports.

I am sending copies of this letter to Richard Mottram (Ministry of Defence), David Clarke (Department of Health and Social Security), Barnaby Shaw (Department of Employment), Henry Steele (Law Officers' Department) and Richard Hatfield (Cabinet Office).

Yours sincerely,

Margaret O'Mara

MISS M O'MARA
Private Secretary

SECRET

Civil Service,
Long Term,
PT-12



CORPORATION

INC.

SECRET



Wh 28/4
cc no
4A

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

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

MSM

ms 29/4

MO 20/17/6

26th April 1983

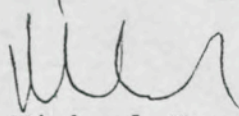
See Copy

STANDING GROUP ON INDUSTRIAL ACTION

With your letter of 17th March to Janet Young you circulated copies of two notes produced by the Standing Group on Industrial Action on the obligations of managers in relation to industrial action and on noting of files.

I would be content for the recommendations in these reports to be accepted. It would then be for each Department to decide how best to put them into effect in the light of its own circumstances and of the general guidance given. If in due course we are able to reach a satisfactory agreement with the CCSU about a Megaw-type pay system that would enable a positive note to be struck in getting across to managers their obligations, reflecting the fact that there are obligations in both directions.

I am copying this letter to the Prime Minister, the Lord Privy Seal, the Secretary of State for Social Services, the Secretary of State for Employment, the Attorney General and Sir Robert Armstrong.

Yes see

Michael Heseltine

The Rt Hon Sir Geoffrey Howe QC MP

SECRET

Civil Service
Long Term
PT 13

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18 APR 1983

NBPM

MANAGEMENT IN CONFIDENCE



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Baroness Young
Lord Privy Seal
Management and Personnel Office
Old Admiralty Building
LONDON SW1A 2AZ

25 April 1983

Dear Janet,

CIVIL SERVICE APPEAL BOARD

You wrote to Willie Whitelaw on 30 March about the future of the Civil Service Appeal Board. Geoffrey Howe has asked me to let you have Treasury comments.

I agree generally with your conclusion and with the way in which you propose to refurbish the Board. Although there is some force in Peter Walker's suggestion that there could be some advantage if the Deputy Chairman, as well as the Chairman, had had no Civil Service experience, I take your point that it would be helpful to appoint a Deputy Chairman who has the confidence of both Official and Trade Union Sides (as is the case at present). I suggest that we have another look at the question of the Deputy Chairman when the review of the new arrangements, described in your letter, is carried out in three years time.

I am copying this to members of the Cabinet and Sir Robert Armstrong.

Barney Hayhoe

BARNEY HAYHOE

MANAGEMENT IN CONFIDENCE



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref: K/PSO/12013/83

Your ref:

25 April 1983

CIVIL SERVICE APPEAL BOARD

Thank you for copying to me your letter of 30 March proposing various measures to refurbish the Civil Service Appeal Board.

I am disappointed that it has not so far been possible to make progress with designating the Board as an alternative to Industrial Tribunals: I am glad to see that you have not entirely given up hope on this score and intend to pursue it further. Having said that, I do agree that your proposals for the appointment of the Chairman and Deputy Chairman would help to increase confidence in the Board. I also welcome your intention to discuss the Board's powers to award compensation as an alternative to re-instatement; this will certainly be useful in some cases. However, the practical value of this proposal does seem to be somewhat undermined if the appellant can still press his claim for reinstatement at an Industrial Tribunal.

/ I am copying this letter to the other recipients of yours.

TOM KING

Civil Service
Long Term, Pt 12



1964
APR 12
10 30 AM '64

26 APR 1964

CONFIDENTIAL

R M

MR. JOUBERT
RAYNER UNIT

FMI: END-APRIL REPORT TO THE PRIME MINISTER

Thank you for your minute of 7 April about the Financial Management Initiative. The Prime Minister was grateful to be kept informed about the progress of the FMI. She does not rule out the possibility of an oral presentation, possibly by the Chief Secretary, the Lord Privy Seal and the Rayner Unit some time after the submission of the report expected by the end of this month.

T. FLESHER

18 April, 1983

CONFIDENTIAL

NIR

MANAGEMENT—IN CONFIDENCE

Civil Service



NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
LONDON SW1P 3AJ

SECRETARY OF STATE
FOR
NORTHERN IRELAND

The Rt Hon Baroness Young
Management and Personnel Office
Whitehall
LONDON
SW1A 2AZ

14 April 1983

Dear Janet

TA
14/4

CIVIL SERVICE APPEAL BOARD

Thank you for copying your letter of 30 March to the Rt Hon William Whitelaw.

The Home Civil Service part of the Northern Ireland Office is the only area for which I have responsibility where there are staff with an avenue of appeal to the CSAB. Although we have so far had no experience either of the Board or of Industrial Tribunals, I am content with what you propose. But I should mention that the Northern Ireland Civil Service, including those members seconded to the NIO, has its own Appeal Board modelled on the CSAB. The NICS Appeal Board is smaller, and deals with fewer cases than the CSAB, and has no Deputy Chairman and it is doubtful whether the particular reforms you propose could be implemented in the Province. Nevertheless we will be looking at the Board and its procedures to see whether any changes might be possible.

I am copying this letter to members of the Cabinet and Sir Robert Armstrong.

Yours faithfully
[Signature]

MANAGEMENT—IN CONFIDENCE

Civil Service: Long Term Management A 12

MAILED

NOV 12 1954



2.6 AH

10 DOWNING STREET

From the Principal Private Secretary

MANAGEMENT IN CONFIDENCE

SIR ROBERT ARMSTRONG

CIVIL SERVICE MANPOWER AFTER 1984 :
THE CABINET OFFICE

The Prime Minister has considered your minute of 31 March (A083/0996).

She is content that you should provide information to the Treasury on the basis outlined in your minute. She has noted that some of her ideas about reorganisation after a general election would produce reductions in Cabinet Office staff but, as you say in your minute, it is not necessary to report these to the Treasury at this stage; and it would not be appropriate to do so.

F.R.B.

13 April 1983

AH

MR. BUTLER

Noted
pa
JZ.

You may be interested to see the attached note from Christopher Joubert about progress with the Financial Management Initiative. If you agree I am inclined to show it to the Prime Minister as an endorsement by the Rayner Unit of the value of the FMI which the Prime Minister has on occasion been inclined to doubt. Before doing so I will query with Mr. Joubert the reference to the cost of the programme of work being of the order of £20 million, unless you can throw any light on this figure.

Mr. Joubert also suggests that the Prime Minister might like an oral presentation either by the Chief Secretary and the Lord Privy Seal or by the Rayner Unit. I think that an oral presentation would be useful and subject to your views I do not think that the possibilities proposed by Mr. Joubert are mutually exclusive. Since the Chief Secretary has taken personal charge of the FMI he ought to take the lead in any presentation but leave the detail to the Rayner Unit.

JZ

11 April 1983



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

From the Minister

MANAGEMENT: IN CONFIDENCE

The Baroness Young
Lord Privy Seal
Management and Personnel Office
Whitehall
London
SW1A 2AZ

✓
2/4

11 April 1983

Al. Gunt

CIVIL SERVICE APPEAL BOARD

I thank you for your letter of 30 March. ^{attached}

I agree generally with your conclusions and proposals for the CSAB. But for the Deputy Chairman I would prefer to see someone who, like the Chairman, would have no previous connection with the Civil Service. After all, hearings may be chaired by either the Chairman or his Deputy and both should be independent.

I am copying this letter to other members of the Cabinet and to Sir Robert Armstrong.

Peter Walker

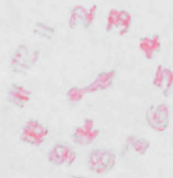
PETER WALKER

Civil Service

Long term

Adm Pt 72

APR 1 1983



Please read
analysis. I have
many speakers to do it
before and it takes 4/2
lot of time
and

PERSONAL & CONFIDENTIAL

To bring you up to date
on the Financial Management
Initiative. Robin and I think
a presentation would be helpful
possibly with the
Chief Secretary and the
Rayner Unit

MR FLESHER

DF

FMI: END-APRIL REPORT TO THE PRIME MINISTER

15/4

The purpose of this minute is to bring you up to date on the FMI generally and on its aspects in which the Prime Minister has expressed a particular interest. They include high-level information systems; the people/training aspects; and its cost. The work of the Treasury and the MPO and other departments on the Financial Management Initiative is now well advanced: the Treasury expenditure divisions have had their follow-up meetings with departments, as a result of which departmental programmes of work are now generally acceptable; departments are drafting summaries of their reports to a standard format for inclusion in the White Paper; drafting of the main text of the White Paper by the central Treasury/MPO team is proceeding on schedule for publication by the end of June; and preparation of a report to the Prime Minister, for submission by the Chief Secretary and the Lord Privy Seal before the end of this month, is under way.

2. We believe that a serious effort has been made by departments to improve their financial management. Although the progress made so far varies greatly among departments, the effect of the campaign over the last 11 months has been to bring the less advanced departments onto the path of improvement and to broaden the efforts of the more advanced departments into areas that they had previously neglected. Perhaps of equal importance have been the process of education experienced by the Treasury, and the introduction of coherence into the MPO's policies in the staffing and training fields.

3. We believe that all departments are either introducing, or have plans to introduce, high-level information systems equivalent to MINIS. Indeed, some of the systems being developed (as the attached chart shows) are an improvement on MINIS in its present state of development.

4. On the question of a "sufficient scheme of education and training" the initial programmes of work were deficient, but enough has since been done to bring about a realisation of what is likely to be required, even if we cannot yet see how some departments are going to make good the present weaknesses in their management lineup. However, we have to work with what we have got, and it was never envisaged that a "sufficient scheme of education and training" would be a short-term task. It is undoubtedly in this area that the greatest pressure will have to be exerted during the follow-up to the FMI.

5. The minute from the Lord Privy Seal to the Prime Minister of

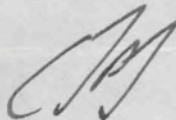
PERSONAL & CONFIDENTIAL

29 March shows what the Review of Personnel Work has contributed, how its recommendations support the thrust of the FMI, and what priorities the MPO is concentrating on in the field of personnel work. In the training field, the Senior Finance Course has run through one cycle of modules and has come under critical scrutiny. The verdict is mixed, but future cycles will be better as a result.

6. The Prime Minister has also expressed an interest in the **cost** of the programmes of work. So far we have only a sketchy idea of what it will be (departments are to provide more accurate estimates for the White Paper), but we believe the cost of implementation may be of the order of £20m. That is small in relation to the savings that may be expected to flow from substantially improved management of the £90,000m (including some £12,000m in administrative costs) of annual expenditure, but large enough to demonstrate seriousness of intent, given the other short-term pressures on departments' resources.

7. I believe the Prime Minister may find it useful to have an oral presentation by the Chief Secretary and the Lord Privy Seal as a follow-up to the end-April report, to give her an opportunity to probe it and (I hope) to satisfy herself that the initiative has brought about real change (and irreversible change) rather than just a mass of words.

8. Alternatively, she may wish the Rayner Unit to give her an oral briefing on points of particular concern to her. If so, perhaps we could discuss how the Rayner Unit may be most helpful in setting up such a presentation.



C J P JOUBERT

7 April 1983

Why not
both the CST and
the Rayner Unit?

15/4.

FIGURE 1: DEPARTMENTAL HIGH LEVEL MANAGEMENT INFORMATION SYSTEMS

Department	Name given to its System	Type of expenditure covered	Timespan covered forward/back	Level at which statements produced	Cost inf. given to line managers	Provision for showing objectives	Provision for performance measures	Timing of introduction
Agriculture	MINIM	Administrative and programme	1 year forward and back	Under Secretary	[MAIS reports monthly]	to be developed	to be developed	complete by 1985-86 after piloting
Customs	Improved from current systems MIS and RA	administrative (department has negligible programme expenditure)	1 year forward and back in due course	collection	varies at present; future system to be decided	Yes - to be developed further	Yes - to be developed further	complete by 1985-86
Employment	RIS (Resource Information System)	Administrative (detail on non-staff costs to be developed) and programme	1 year forward and back, longer if necessary	Assistant Secretary or Senior Principal	[?]	Yes	Yes - with special attention in first round	complete by 1986-87; dry run in 1983
Environment	MINIS (Management Information System for Ministers) being developed into MAXIS	MINIS has not generally included programme costs. Improvement envisaged	1½ years forward 6 months back	Under Secretary	MINIS not designed to do this fully; MAXIS will give quarterly or monthly information	Yes	not systematically - to be developed in 1983-84	MAXIS in operation from April 1983
Health and Social Security	DMA	administrative and programme	1 year forward and back	Under Secretary	monthly to 800 cost centres	Yes	Yes	initially run in 1982-83
Home Office	APR	cost information to be covered under consideration	left to discretion of head of division initially	Assistant Secretary (heads of division)	system not yet sufficiently developed for this	Yes	not yet	initial run in 1982
Industry	ACT supported by MIS	administrative and programme	1 year forward and back	Assistant Secretary (heads of division)	monthly (to divisions) quarterly (at departmental level)	Yes	Yes	trial run in 1983-84; complete by end 1985
Inland Revenue	SMIS	Administrative (department has no programme expenditure)	1 year forward and back	Assistant Secretary (heads of division)	[?]	Yes	Yes - but to be developed	pilot run 1983-84
Scottish Office	SOMPS	[administrative only at present]	1 year forward and back	Assistant Secretary or Senior Principal	monthly for costs controlled by line managers	Yes	not yet - under development in 1983	management planning system revised from 1983; information system to start from 1984-85
Trade	RAR supported by MIS	administrative and programme	1 year forward and back	Under Secretary	monthly (to divisions) quarterly (at departmental level)	Yes	Yes	trial of RAR in 1983 MIS to be complete by 1985

[MOD]?

010.
Ref. A083/0996PRIME MINISTER
_____Civil Service Manpower After 1984: The Cabinet Office

As part of the Service-wide review by Ministers of manpower needs after 1984, Sir Anthony Rawlinson asked me to arrange for a contribution covering the Cabinet Office. I have carried out a review under the three main headings shown below as requested by the Treasury; before sending it to them I am putting this submission to you in your capacity as my departmental Minister. In the report which follows the Central Statistical Office is considered separately. First, the scope for reducing numbers on the basis of the continuation of existing policies

2. The Central Statistical Office. The 1 April 1984 CSO manpower target is 196, on the basis set out in the White Paper on Government Statistical Services (Command 8236). This represents a reduction of 25% since May 1979, and brings the CSO down to the basic programme which Sir John Boreham and I agreed with you following the Rayner scrutiny. The Directors will continue to exercise the strict and energetic management, which has achieved this significant reduction, in the search for further economies. There may be limited opportunities to achieve small reductions through improvements in efficiency, but in such a small office they will now be hard to find and none can be foreseen at present. On the basis of existing policies I expect CSO numbers to remain at about the 196 level.

3. The Cabinet Office. The Cabinet Office itself is in a different position from other Departments; in the main it does not have functions which can be dropped; it supplies a service both to Ministers collectively and to you in particular. The Office can - and does - respond to the varying demands placed on it. Changes have occurred during the last two years which have added to its responsibilities; you approved the establishment of an Information Technology Unit (now disbanded, its primary task having been completed) and a

Prime Minister:

We can probably reduce CPRs. 12
is much too large
for its present work
are you content with the line Sir Robert proposes?

R
31/3



Science and Technology Secretariat; more recently there has been the strengthening of the Joint Intelligence Secretariat. Staff numbers in other Secretariats and in the CPRS have also fluctuated to meet changes in priorities. These changes have been effected and the additional demands met while numbers, overall, have been reduced. The staff target for 1 April 1984 is 325 a reduction of almost 16% since May 1979.

4. The operations of the Cabinet Office depend crucially on an efficient Common Services area (typing, reprographic, messengers etc). We have introduced word processors into our central typing pools and are now allocating them to some Secretariats. Efficiency reviews of the Messenger service and of the Establishments and Finance Branches have taken place. Staff savings have been secured, and others are in prospect though they cannot yet be identified and measured, which will help to meet the 325 target and perhaps even bring us below it. Beyond these steps the opportunity to make staff savings is limited. If we are to maintain the functions and the standards of service which the Office provides there is little scope for further savings in the foreseeable future. Given the existing structure and activities of Ministerial and Official Committees, I would expect Cabinet Office numbers to remain at about the 325 level.

Second, the manpower and financial implications of new policies envisaged, but not yet incorporated into plans

5. There are no new policies or changes envisaged at present which have implications for manpower or costs. In the CSO the effects of the significant staff reductions already made there, on the quality of the central economic statistics will need to be observed.

Third, additional options for producing a further substantial reduction in manpower of 5% or 10%

6. In the CSO individual functions have been reviewed, but there is no measurable scope for producing further substantial savings without reducing or withdrawing from agreed commitments, in particular those which bear on the role of Sir John Boreham as Head of the Government Statistical Service. Following the Rayner review a need was seen for a strong lead from the centre to keep up momentum in

Still scope for reduction in CPRS which are needed to run down to 325.



monitoring productivity and value for money in statistical work and this requires the CSO to maintain at least a minimum involvement in the whole range of Government statistics - those of the large social and defence Departments as well as in the economic statistics that traditionally lie at the heart of the CSO's work.

7. The savings to be made in the reduction of clerical work by computerisation have now virtually all been made. Further developments in computerisation now mainly lie in areas which will not yield staff savings.

8. The scope for further privatisation of the work of the CSO is inevitably limited; but we shall explore the possibility of contracting out the non-sensitive work of the graphic design unit and of changing over to a system of grants and awards, as opposed to employment, for Cadet Statisticians, which together offer the prospect of saving up to 10 posts - 5% of the CSO total manpower. A change in the method of acquiring Cadets could have implications for the manpower count throughout the Government Statistical Service. In practice Sir John Boreham and I see no real scope for a further saving of 10% (20 posts). The CSO's programme is tightly controlled and such a severe cut could not be achieved by trimming throughout its nine Branches without undermining the viability of the organisation and damage to the service which it provides.

9. In the Cabinet Office itself there will be limited opportunities to achieve further reductions through continuing improvements in efficiency, but these may not amount to a further 5% (16 posts). The possibility of contracting out our outdoor messenger service (10 posts) could be explored with the other central Departments. But our security needs alone rule out the privatisation or contracting out of Cabinet Office services eg typing and reprographic.

10. The only option which would produce a further substantial reduction is the withdrawal of one or more of the support services which the Cabinet Office now provides to Ministers, ie one of the major Secretariats or the CPRS. Excluding the Joint Intelligence area the European Secretariat has the highest number of staff -



21 including support people; the CPRS has 32, about 10% of the Cabinet Office total. Any proposal to abolish the European Secretariat would, of course, have important implications for the conduct of Government business and perhaps add to the resources needed by other Departments.

11. I should be glad to know if you are content for me to provide information to the Treasury on the basis outlined above. For the purpose of the present exercise I need do no more than register with them that any further substantial reduction in the Cabinet Office itself would entail the abolition of one of the major areas, without listing any candidates.

A handwritten signature in black ink, consisting of the letters 'R' and 'A' in a stylized, cursive font.

ROBERT ARMSTRONG

31st March 1983



*With the Compliments
of the
Lord Privy Seal*



MANAGEMENT IN CONFIDENCE

Management and Personnel Office

Whitehall London SW1A 2AZ

Telephone 01-273 } 4400
GTN 273 }

30 March 1983

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

Proc Muster

John Wilkie

[Handwritten mark]

[Handwritten mark]

2/4

CIVIL SERVICE APPEAL BOARD

In my letter of 19 February 1982 about the future of the Civil Service Appeal Board, I set out the options then confronting us:-

- (i) abolition of the Board;
- (ii) designation as an alternative to Industrial Tribunals;
- (iii) improvement of the Board's practices.

Designation requires a joint approach to the Secretary of State for employment under Section 65 of the Employment Protection Act. The present strong opposition of the Trade Union Side to this option would therefore be a significant obstacle. Designation would, moreover, remove from management the final right of selection of Chairman and Members. And it would legally require a fundamental overhaul in the Board's present constitution. Taking these factors together, the Department of Employment no longer recommend designation as viable.

The MPO has therefore consulted Departments again at Permanent Secretary level on the two remaining options. More departments favoured refurbishment than abolition, though some, including your own, MOD and DHSS, who are major users of CSAB, supported abolition. However, most departments were prepared to retain CSAB if it were thought to be in the public interest. It is also worth noting that, with only two exceptions, the departmental teams which took part in the recent Review of Personnel Work expressed clear support for retaining the Board.

I recognise the arguments for abolition, particularly the presentational difficulty of retaining a separate appeal body for the Civil Service; and the anomalous dual right of appeal to which this gives rise.

After the most careful consideration, however, I have concluded that there are strong arguments against abolition. First, in practice only a tiny handful of cases go forward to Industrial

MANAGEMENT IN CONFIDENCE

tribunals after being heard at CSAB. Secondly, to use Industrial Tribunals in place of the CSAB would be much more costly. The estimated additional cost of one hearing before an Industrial Tribunal would be at least £500, and quite possibly twice that sum. This cost does not include the cost of the time of Civil Service staff involved. Thirdly, the Civil Service is a huge organisation, and the Board is well-versed in its procedures, conditions and practice. There is no evidence that the ruling of Industrial Tribunals would be more - or as - consistent. Finally, some categories of staff, including Prison Officers and MOD police, cannot under legislation have recourse to Industrial Tribunals. In these particular cases your department and MOD would need to establish new alternative appeal systems.

Nevertheless, I do not consider that the CSAB should remain unchanged. There have been criticisms in recent years of its approach and the pattern of its rulings which cannot be ignored. However, it is interesting to note that the percentage of successful appeals to the CSAB has dropped from 27% (1981) to 10% (1982) which suggests that an improvement is under way.

I have concluded that the CSAB should be refurbished (in the ways set out below) and retained for 3 years. If by the end of that time, criticisms of the Board are just as potent as at present, I shall abolish it.

I propose:

- (i) the appointment of an independent Chairman, who has no previous connection with the Civil Service;
- (ii) the appointment of a Deputy Chairman who has the confidence of both Official and Trade Union Sides;
- (iii) discussion with the Board of its powers to award compensation as an alternative to a recommendation of reinstatement, where the department is held to be partly at fault, to bring its practice more into line with Industrial Tribunals. (No encouragement would be given to the Board to use recourse to compensation simply in order to 'split the difference'.)

We plan also to see whether there is any way of removing the dual right of appeal by legal means. In the meantime the Trade Union Side have assured my officials that they would regard a continuing CSAB as the normal avenue of appeal. Only exceptionally would they support a further appeal to an Industrial Tribunal.

I hope colleagues will be content with what I propose. I am copying this letter to members of the Cabinet and to Sir Robert Armstrong.

Yours sincerely

Baroness Young

Civil Service - Long term

Policy Pt 12

Handwritten initials: JAH MBTH



Management and Personnel Office

Whitehall London SW1A 2AZ

Telephone 01-273 } 4400
GTN 273 }

Handwritten: MS 313

29 March 1983

Handwritten: 4

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

Handwritten: Sean Gerney,

OBLIGATIONS OF MANAGERS AND NOTING OF FILES

Thank you for your letter of 17 March about the reports from officials on the Standing Group on Industrial Action. I agree with you that these issues are far from easy, and that the right course of action may well vary according to the industrial relations position at the time.

In the present and foreseeable context, I am persuaded by your letter and the papers that it would be likely to be counter-productive to adopt anything other than the low-key approach you envisage. I would therefore be content for officials to be instructed to proceed as suggested in the notes.

I am copying this letter to the Prime Minister, the Secretary of State for Defence, the Secretary of State for Social Services, the Secretary of State for Employment, the Attorney General, and Sir Robert Armstrong.

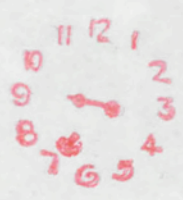
Handwritten signature: Y. Young

Handwritten signature: David

BARONESS YOUNG

Civil Service,
Long Term, Pt 12

31 MAR 1983





File

3 *DSG*

cc: Mr. Owen

10 DOWNING STREET

From the Private Secretary

28 March 1983

OBLIGATIONS OF CIVIL SERVICE MANAGERS

The Prime Minister has seen a copy of the Chancellor's letter of 17 March to the Lord Privy Seal, with which was enclosed a Report by Officials on the obligations of Civil Service managers in relation to industrial action.

The Prime Minister is content with the way in which it is proposed to put these obligations across to Civil Service managers. She considers that the proposed message to managers (Annex B to the Report) conveys the right flavour, but believes that the message will be diluted considerably by the absence of any obligation on the part of reporting officers to make explicit note of lack of reliability in periods of disputes.

I am sending copies of this letter to Richard Mottram (Ministry of Defence), David Clark (Department of Health and Social Security), Barnaby Shaw (Department of Employment), Henry Steel (Law Officers' Department) and Richard Hatfield (Cabinet Office).

M. G. B. JAR

Miss Margaret O'Mara,
H.M. Treasury.

Prime Minister 1

2

MR SCHOLAR

Please see the Chancellor's

cc Mr Mount

Yes not

letter (attached).

Agree I write as at

OBLIGATIONS OF CIVIL SERVICE MANAGERS

X?

The Chancellor has written to Baroness Young enclosing a report by officials on the way in which the obligations of Civil Service managers would henceforward be made clear to them. The Chancellor invites colleagues' agreement to the recommendations in the report.

Mus 25/3

We are content with the way these obligations are to be put across to Civil Service managers, following John Vereker's successful efforts to inject tougher and more explicit passages into earlier unsatisfactory drafts. The essential point, which is reflected in both Annex A (at para C), setting out the points to get across, and in Annex B, which provides a message to reinforce managers' loyalties during a dispute, is that the individual should accept responsibilities to the service himself during a dispute and should discourage others from supporting industrial action.

Flag A
Flag B

However, the recommendation did not go nearly far enough on the question of recording managers' performance in respect to these obligations. The report proposes informal procedures. This would mean, for example, that the fact that an individual took part in a dispute would not necessarily be recorded in his or her annual report. According to Annex A (para E), reporting officers are expected to "take this factor into account when assessing a manager's performance" and to record particularly good performance, but they are not required at all to make explicit reference even to particularly bad performance. This is surprising since the officials' report acknowledges in the same paragraph that performance in adverse circumstances such as disputes is a "crucial test" of suitability for managerial positions.

The Chancellor's note refers to two objections to the noting of personal files: that it would provoke staff who have no

inclination to take industrial action; and that there are a number of legal and practical difficulties. In our view, many civil servants would share the view of the public at large that the Civil Service is overly tolerant of staff indiscipline and would regard a formal procedure as acceptable, even welcome. Legal advice indicates that the legal difficulties are minimal, provided that it was made clear, as it would be, that individuals' shortcomings in respect to their obligations during disputes would be treated simply as one of the factors to be taken into account when an employee is being considered for promotion.

X | If the Prime Minister agrees, the Chancellor's office should be minuted to the effect that the obligations and proposed message to managers convey the right flavour but their message will be diluted considerably by the absence of any obligation on the part of reporting officers to make explicit note of lack of reliability in periods of disputes.

FR
Lus mb

n.o.
NICHOLAS OWEN



Management & Personnel Office

Whitehall SW1

PRESS RELEASE

EMBARGO: NOT FOR PUBLICATION BROADCAST
OR USE ON CLUB TAPES BEFORE 1530 HOURS
ON THURSDAY 24 MARCH 1983.

24 March 1983

REPORT ON ETHNIC SURVEY OF APPLICANTS FOR CIVIL SERVICE POSTS IN LEEDS PUBLISHED

Volume Two of the report "Ethnic Monitoring in the Civil Service: A Survey in Leeds" is published today. It deals with the survey of applicants for Civil Service posts in Leeds. Following the survey, the Government has decided to gain broader experience of ethnic monitoring.

Baroness Young, the Lord Privy Seal and Minister responsible for the Management and Personnel Office, announced in reply to a Question today in the House of Lords:

"I am pleased to tell my Noble Friend that Volume Two of 'Ethnic Monitoring in the Civil Service: A Survey in Leeds' is published today. Copies of the report have been placed in the Library. This Volume covers the survey of applicants for Civil Service posts in Leeds for the period 1 May to 30 September 1982. Of those issued with the questionnaire 89.1% completed the ethnic origin question, 5.3% of whom classified themselves as belonging to an ethnic minority.

"The Government has decided to gain broader experience of ethnic monitoring by arranging to hold surveys of the ethnic origin of non-industrial civil servants in the North West Economic Planning Region and the County of Avon during the autumn. Some recruitment schemes in both areas will also be monitored."

Press Office
Management and Personnel Office
Old Admiralty Building
Whitehall
LONDON, SW1A 2AZ.

Tel: 01-273 4002 and 273 3283

NOTES FOR EDITORS

1. The intention to conduct the survey was announced by the Home Secretary, the Rt Hon William Whitelaw, in the House of Commons in December 1981. Volume One of the report, covering the survey of some non-industrial civil servants in Leeds, was published in November 1982.
2. It is the policy of the Civil Service that all eligible persons shall have equal opportunity for employment and advancement in the Civil Service on the basis of their ability and qualifications and fitness for the work. The Government is and will remain committed to a policy of equal opportunity in the Civil Service.
3. The area chosen for the pilot survey was the Leeds Metropolitan City Council. The survey covered all applicants for posts in the Leeds area to grades represented by the Civil and Public Services Association (CPSA), the Inland Revenue Staff Federation (IRSF) and the Civil Service Union (CSU) (broadly clerical, secretarial and messengerial grades). The survey covered the period 1 May to 30 September 1982 and was carried out by means of a questionnaire (separate to, and distinct from the application form) which asked applicants, voluntarily, to identify their ethnic origin using two different ethnic questions. As the survey was only concerned with recruitment schemes which were advertised and run locally in Leeds, the middle management grades covered in the survey of staff in post were not included (recruitment to such grades is conducted nationally by the Civil Service Commission).
4. As with the survey of staff in post, for a voluntary exercise the response rate was excellent. 89.1% completed the ethnic question, 5.3% (55) of whom classified themselves as belonging to an ethnic minority. The progress of applicants was followed through the selection process: this revealed that the ethnic minorities constituted 3% (3) of those declared successful and 2.5% (2) of those offered appointment. No significance can be attached to the decline in the proportion successful because the absolute numbers involved were so small.

5. Two ethnic questions were used on the job applicant questionnaire because it was felt that the sort of ethnic question needed could differ when monitoring complex recruitment schemes to that required for the survey of serving civil servants. The first question was that used for the survey of staff in post. The second ethnic question used a classification which, along with others, had already been tested in research work with which the Civil Service Commission have co-operated (the background to both these classifications is provided in paragraphs 6 and 7 of Volume Two).

6. In comparison with the pilot survey in Leeds, the surveys will cover all grades of non-industrial staff, the information collected will be recorded on personnel records, and will be kept up-to-date in respect of new entrants to the areas covered. As in the Leeds pilot, individuals will be asked to indicate their ethnic origin on a voluntary basis.

7. There are some 54,500 non-industrial civil servants in the North West Economic Planning Region and 12,500 in the County of Avon.



HOME OFFICE
QUEEN ANNE'S GATE
LONDON SW1H 9AT

23 March 1983

23/2

Dear Mary

PUBLICATION OF VOLUME TWO OF REPORT ON
CIVIL SERVICE PILOT ETHNIC SURVEY


I am sorry that we have not been able to meet your deadline for comments on the Lord Privy Seal's letter of 17 March to the Home Secretary, covering a draft Parliamentary Question and answer and press notice announcing the publication of volume two of the Report on the Leeds Survey.

As we told you by telephone yesterday, however, the Home Secretary is content that the announcement should be made tomorrow. His only comment on the attachments to Lady Young's letter is that he hopes that the sentence

"The two new surveys announced today can be seen as part of a gradual approach to Service-wide monitoring"

can be deleted from paragraph 6 of the notes for editors, since this goes rather beyond the agreement which was reached by 'H' Committee.

I am copying this letter to Michael Scholar (10 Downing Street) Felicity Everiss (Employment) and Richard Hatfield (Cabinet Office).

Yours sincerely

C J WALTERS

Mrs Mary Brown

Coast Service Highway 1912

23 MAR 1983

0 1 2 3 4
5 6 7 8 9
10 11 12

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

Ethnic Monitoring in the Civil Service :

A Survey in Leeds, volume 2

Published, HMSO (ISBN 0 11 630467 7)

Signed A Wayland Date 5 March 2013

PREM Records Team



Management and Personnel Office

Whitehall London SW1A 2AZ

Telephone 01-273 { 4400
GTN 273 }

21 March 1983

Tim Flesher Esq
Private Secretary
10 Downing Street
LONDON SW1

TF
22/3

Dear Tim,

ETHNIC MONITORING IN THE CIVIL SERVICE: REPORT OF THE JOB
APPLICANT PART OF THE LEEDS SURVEY

Following the discussion of the Leeds ethnic survey at H
Committee on 14 February and in subsequent correspondence,
the Prime Minister may wish to have the enclosed advance
copy of Volume Two of the report on the Leeds survey which
will be published on Thursday 24 March. A copy of the press
release is also enclosed.

I am also sending copies to the Private Secretaries to the
Home Secretary, Secretary of State for Employment, Sir George
Young MP and Minister of State (C), Treasury.

Yours sincerely,

Paul Cann

P L CANN
Assistant Private Secretary



C/N.O.

1

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

17 March 1983

Rt Hon The Baroness Young
The Lord Privy Seal
Management and Personnel Office
Old Admiralty Building
Whitehall
LONDON SW1A 2AZ

Following last year's report by the Official Committee on the Lessons of the 1981 Dispute in the Non-industrial Civil Service (MISC 65) officials were asked to examine in more detail the obligations of civil service managers in relation to industrial action and the case for noting on personal files instances of industrial action by individual members of staff.

We have discussed, together with Norman Tebbit, reports on both these matters produced by the Standing Group on Industrial Action under Treasury chairmanship. I enclose with this letter copies of both notes which have now been somewhat revised to take account of points which were made in our discussion.

We are, I think, broadly agreed that the right approach to take on clarifying the obligations of managers is to put the main weight on a sustained, low key campaign to influence by means of briefing, discussion and persuasion the general climate of opinion in the service about a manager's duties in the context of industrial action. But we recognise that there might be circumstances which call for a blunter, more general message to civil service managers, although acknowledging that at the present time this course would be likely to be counter-productive.??

The issue of the noting of personal files is not an easy one. Our officials have recommended that there should be no change in the present policy under which industrial action is not formally recorded as a matter of routine on these files. An announcement that this action was to be taken might arguably be a way of getting across the message that as an employer we disapprove of striking in the public services. But it would be likely to stir up a lot of ill-feeling among those staff who have no inclination to take industrial action. There are also a number of legal and practical difficulties surrounding a formal procedure of this kind.

/However,



However, we must ensure that we do not put ourselves unnecessarily at risk by putting into key positions staff who have a propensity to take industrial action. The note by officials suggests that this could be achieved in a less conspicuous and controversial way by means of informal procedures. This course of action would not exclude the noting of the files of individuals when circumstances seemed to warrant it. But it would rely primarily on management judgements rather than on any formalised procedure. As we recognised, this could as a result appear to be a more arbitrary and therefore less justifiable approach. But it would be no more arbitrary than the need for judgements to be made about staff on other qualitative criteria and would be much less likely to lead to direct confrontation with unions and staff on this issue as a matter of principle.

If you and other colleagues are ready to agree with the recommendations in the present notes, officials can be instructed to proceed on this basis.

I am copying this letter to the Prime Minister, the Secretary of State for Defence, the Secretary of State for Social Services, the Secretary of State for Employment, the Attorney General, and Sir Robert Armstrong.

A handwritten signature in black ink, appearing to read 'Geoffrey Howe', with a horizontal line above it and a small dash below it.

GEOFFREY HOWE

OBLIGATIONS OF MANAGERS

Report by the Standing Group on Industrial Action (GIA)

1. After Ministers considered last year the report of the official group which examined the lessons of the 1981 dispute, Treasury and MPO were instructed to examine whether action could be taken to clarify the obligations of managers in relation to industrial action.

2. GIA has now examined this point, and this report summarises its recommendations.

Clarifying Obligations of Managers

3. The official group on the lessons of the 1981 dispute stressed the importance of strengthening the morale and loyalty of staff at middle management level. The number of managers who have been involved in industrial action is proportionately very small, so we considered, first, action to clarify obligations which would build on existing loyalties, for example by strengthening the traditional view that a manager had special responsibility to keep the work of government going during industrial action.

4. At present while departments devote considerable effort to selecting and developing managers and advising them on how to handle industrial relations, there is little formal briefing on the personal obligations of managers in relation

to industrial action. In trying to cut down the risks of industrial action departments place great emphasis on developing leadership, encouraging corporate, local and functional loyalties, and briefing all levels of staff. They also make use of the informal pressures within a career system on ambitious staff, and avoid posting to sensitive jobs staff whom they think may choose at some future occasion to go on strike. If, at a later stage, merit pay or some similar scheme were introduced, this would also create informal pressure against industrial action by managers. We believe that the aim should be to reinforce these approaches by pointing out specifically to staff what is expected of them as managers and by underlining that all those who live up to these responsibilities will be firmly supported by management. The object would be to build up a strong management image without making the question of obligations in the event of industrial action into a controversial issue. There are many opportunities for this to be done and judgement will be needed to decide whether it is done in isolation or as part of a wider theme in management briefings, conferences, training courses etc. It would be desirable to consider the provision of written material on these occasions which managers could keep, stating their obligations to the work of their own department. The obligations of managers should certainly be covered in any initial briefing on appointment to a management job, and might also be dealt with appropriately from time to time in job appraisal interviews or career interviews.

5. We recommend that departments should develop plans to ensure that managers are covered in one way or another and that the propositions set out in Annex A are drawn on for this purpose.

6. We have also examined the possibility of circulating a specific written message to all civil service managers which would set out plainly their obligations making it clear that their employer would take note of where their loyalties lay during a period of industrial action, that this would be taken into account in career management, and indicating that there could be disciplinary sanctions in serious cases. A message on these lines could be issued shortly before a particularly serious bout of industrial action: the controversial aspects of the message could not make matters much worse (although they could widen the area of dispute) and its positive content would be brought home to managers at a time when they were actively faced with having to decide their loyalties. It could be expected in these circumstances to have a steadying effect on some and a deterrent effect on others, although this would depend on the issue which was leading to the industrial action in question. A possible draft of a message for this purpose is at Annex B.

7. But there are important drawbacks in taking direct action of this kind in dealing with a problem which involves

only a minority of staff. A service-wide notice of this sort could be easily misrepresented, and might be resented by the great majority of managers who have always remained loyal. However carefully the statement of obligations was drafted, it would be necessary to refer to the sanctions behind the obligations if it were to convince those who resented the basic message. It would break new ground in contemplating the use of disciplinary procedures to deal with industrial action in a Civil Service dispute; and in practice their usefulness in these circumstances is severely limited. The procedures contain necessary safeguards and are time-consuming, and therefore difficult to use effectively if a large number of cases is involved. On the other hand, the use of disciplinary procedures only in the case of particularly irresponsible behaviour by managers would be less difficult than proceeding against all those who took industrial action; and this approach would leave the initiative with the employer.

8. There are also difficulties in defining "managers" for the issue of any general notice. These are of two kinds. First, by definition it should include all those in charge of local offices. Second, many officers in senior grades have less well-defined management responsibilities, and it would not seem right to imply that there is no objection to their going on strike. A generally consistent approach for a service-wide notice would be desirable, and there seems

no alternative to basing any definition on grade levels. But departmental circumstances vary greatly, particularly in the extent to which junior grades are in charge of significant numbers of staff.

9. In practice, the issue of management obligations is already being tackled by departments in a number of ways. DHSS, for example, has already had occasion both to put across the general message on obligations to people working in the parts of the organisation most affected and to take action with staff who have ignored their obligations. They had given some senior managers in the social security regional network an oral briefing at management conferences on the obligations which the department expected all its local office managers to meet. When this briefing was subsequently misrepresented by the SCPS, copies of an exchange of correspondence were circulated to all managers of local offices. A small number of senior staff (SEOs and Principals) who took part in the one day strike on 3 December 1982 in support of the manning dispute in Birmingham have been interviewed and asked to explain their action in the light of their senior responsibilities. This has served to reinforce the message. It may be worth noting that during some 4 months of industrial action at the end of last year involving 12 local offices of DHSS in Birmingham, no managerial staff (with the exception of one or two HEOs) joined the strikers. There is some evidence to suggest that the action which DHSS had taken before the stri-

served to help managerial staff to resolve any conflict of loyalties which they experienced. In getting messages across, the department was however able to choose both the ground and the timing, and this was probably decisive in avoiding a major row on a plainly controversial issue.

Outside Experience

10. For completeness, we also examined how other employers in both the public and private sectors have dealt with the question of the obligations of managers at a time of industrial action. They generally do not face the problem that both junior staff and middle management grades up to and including Assistant Secretary are represented by the same union. Public sector employers such as the National Health Service and Local Authorities tend to rely on informal pressure on their junior and middle managers to stay at work; and it is relevant that these organisations are not so exposed as is the Civil Service to the problem of strikes by managers to the extent they tend not to have a large number of local offices under the control of relatively junior staff. Strikes by managers have also been encountered in the private sector, but to a lesser degree. Many private organisations are less highly unionised at management levels, and many negotiate individual contracts with their managers. The banks and insurance companies, which offer the closest parallels, have tended to find that a firm line threatening disciplinary proceedings or suspension has its effect on

career-motivated staff, though such warnings correspond to our own use of temporary relief from duty and are not directed specifically at managers.

Conclusion and Recommendation

11. It would be preferable for departments to get across to their managers the obligations which they carry in relation to industrial action, by means of the many informal opportunities which exist for this on training courses, in briefings on new postings, in job appraisal reviews, and career interviews. This should be backed up where appropriate by suitable written material prepared by each department. However, if serious industrial action appeared to be imminent Ministers may wish to consider at the time the circulation of a general notice to managers and senior staff particularly if the more regular pattern of informal briefing had not had sufficient time to establish itself and take effect.

12. The Group therefore recommends:

- a. that departments should make a regular and permanent practice of briefing their managers about their obligations during the many informal opportunities which arise at present, conveying the propositions at Annex A;

b. that if major industrial action is again imminent, Ministers should then consider whether there is a need to issue a general written notice to all managers and senior staff about their obligations, on the lines of the draft at Annex B.

OBLIGATIONS OF MANAGERS - POINTS TO GET ACROSS
TO DEPARTMENTAL MANAGERS

- a. A managers assumes certain responsibilities which depend on him being at his post when he is most needed (for example, when there is a threat to the normal functioning of the service - including service to the public - because of public transport emergencies, severe weather, accommodation problems, staff sickness, and industrial action within or outside the department).
- b. These responsibilities have become more important because of increased devolution of responsibility to managers.
- c. Among the general responsibilities which a manager acquires are the following. He is responsible directly (eg in a local office) or indirectly (most other jobs) for a service to the public; and he should spare no effort to ensure that the service for which he is responsible is maintained in the event of an industrial dispute. Also, as a manager he is expected if a dispute threatens to explain fully to his staff the employer's position as it has been made known to him, and to discourage from supporting industrial action any who are inclined to do so, pointing out their responsibilities as civil servants.
- d. Managers are selected for their qualities of leadership, resourcefulness and ability to carry out these responsibilities (including the implementation of contingency plans), and departments rely particularly on these qualities at times of emergencies or difficulties.
- e. Managers' performance in such adverse circumstances is regarded as a crucial test of their performance and their suitability for management positions. It follows that any industrial action would be one of the factors that would be taken into account in assessing a person's suitability for appointment to or remaining in a managerial post.

A reporting officer is expected to take this factor into account in assessing a manager's performance in his job; also, particularly good performance during an industrial dispute should be recorded.

g. It has not been thought necessary to issue written instructions about a manager's personal position if he comes under pressure to take part in industrial action. It will be clear from the above, however, that the department expects all its managers to do what the overwhelming majority of managers have always done - to subordinate their personal feeling about the merits of an industrial dispute to their obligations as managers. The department takes a critical view of any manager who participates in industrial action.

INDUSTRIAL ACTION

1. [Introductory sentence to depend on the occasion for issuing the notice and to refer to earlier briefing]

2. Industrial action was virtually unknown in the Civil Service until ten years ago. More recently, its character has been changing and has occasionally involved staff in managerial and other senior positions. This notice is intended to remind Civil Service managers of the obligations they carry when industrial action by their staff is threatened or is taking place. Many managers have had to carry heavy burdens in ensuring services to the public are maintained despite industrial action aimed at their disruption.

3. All civil servants are expected to carry out their work effectively at all times. Virtually any form of industrial action is a breach of contract, and will involve a disciplinary offence such as unauthorised absence, or of failing to work as instructed. It is for the Department to decide whether and how to pursue disciplinary proceedings, but when the unauthorised absence Industrial action arises in pursuit of a dispute about civil servants' own conditions it is not normally the Department's practice to take disciplinary action.

4. Nevertheless, when the Department gives people the pay and authority of managers, it clearly expects them to give their larger responsibilities for maintaining the work of their organisation priority over any personal views on the issues involved in a dispute leading to industrial action. The Department expects that a manager will spare no effort to maintain the service to the public for which he is responsible. This applies directly for example in the case of a local office, but is no less important because responsibility is indirect, for example, in many headquarters jobs. Also, the manager is expected to explain fully to his staff as it has been made known to him, the employer's position and to discourage from supporting industrial action any who are inclined to do so, pointing out their responsibilities as civil servants.

5. Managers and other senior staff should be aware that, just as the Department values them particularly in appointing them to their responsibilities, the extent to which managers live up to these larger responsibilities is an important feature in the Department's view of their suitability for those responsibilities, and for similar or larger responsibilities in the future. Failure to exercise the full responsibility of a manager could in serious cases be the subject of disciplinary proceedings, even in the case of a dispute about civil servants' own conditions.

NOTING OF FILES

Report by the Standing Group on Industrial Action (GIA)

The Official Committee on the lessons of the 1981 dispute recommended the maintenance of existing policy that industrial action by individual civil servants should not be recorded on their personal files. After considering the Committee's report Ministers instructed officials to re-examine this policy and to consider also if files should show if an individual had performed particularly well during an industrial dispute. Ministers thought it important to be able to take account of an individual's record, particularly when a department was considering promotion or postings involving management responsibility.

2. These questions have now been examined by GIA and this report sets out its conclusions.

3. While information on unauthorised absence of staff could be extracted from their pay records, this would not normally be available on their personal files used for personnel management purposes. The introduction of formalised procedure for the noting of personal files to record as a matter of routine all cases of industrial action would need to be announced to staff. To do this could deter some civil servants from going on strike. But it would not deter all of them and the announcement that this procedure was being introduced would be likely to attract a good deal of criticism, even from more

moderate staff. Such a highly controversial measure would allow unions both inside and outside the Service to highlight the issue as one of principle. We doubt whether this course of action would in itself be worthwhile simply from the point of view of deterring industrial action.

4. Staff have been told that industrial action about Civil Service conditions is not treated as an individual disciplinary offence. If there was any question of making industrial action by staff in itself a bar to their subsequent promotion this would change that position. Noting would then have to be subject to existing disciplinary procedures since the procedural safeguards which these provide could not be set aside without the risk of legal challenge to the use of this new sanction. In practice, if a clean record on industrial action was to be a criterion for promotion, departments would have to be able to apply this flexibly: it could create serious difficulties for some departments if it had to be applied rigidly (for example, to all staff who had taken part in a widely supported one-day strike). Moreover some staff undoubtedly moderate their views and adjust their actions as they move into more senior jobs and allowance would have to be made for this.

5. It would be less contentious and more selective for industrial action by an individual to be regarded as simply one factor to be taken into account alongside others in

considering him for promotion. Even then a formal noting procedure applied in the case of all staff would lead to pressure to bring the arrangements within the scope of existing disciplinary procedures. There would, in any case, be considerable practical problems for management in ensuring that the files of all members of staff were noted, particularly in the case of widespread, if short-lived, action. Even routine noting could be arbitrary in its effect because when selective industrial action takes place those involved are unlikely to be the only ones prepared to take action if called out by their unions.

6. For these reasons we do not recommend that formal routine procedures for the noting of personal files to record all cases of industrial action should be instituted.

7. At the same time it would not be satisfactory if an individual's continuing prominent support for industrial action was simply ignored in taking decisions on staff postings and promotions. An alternative, and more informal, approach (which would avoid many of the difficulties which have just been described) would concentrate on ensuring that the work of a department and the provision of its services to the public are not unnecessarily obstructed or put at risk by placing in a management or other sensitive job an individual who is known to be an active supporter of industrial action.

8. For this purpose, the knowledge that an individual had been active in supporting industrial action in the past would be regarded as one factor to be taken into account in deciding on promotion and postings. But departments would retain flexibility in deciding whether a particular individual's known attitude was acceptable or not and could take account of any changes which had taken place in the individual's attitude since the industrial action in which he had participated took place. Clearly the attitude of an individual to industrial action would be more significant if he was under consideration for senior levels of responsibility. But they would also be relevant in the case of postings to work in sensitive areas. Although the general deterrent effect of an informal approach of this kind might be somewhat less immediate, it would become clear that, while an individual is not debarred from striking if he chooses to do so, nevertheless a propensity to take industrial action would narrow down the number of postings which the department would be prepared to consider for him and as a result affect his chances of promotion.

9. In some departments informal methods already ensure that staff who are strike prone are not posted to sensitive jobs, including those with significant management responsibilities. It would, however, be necessary to make sure that all departments are aware of the need for vigilance in this. In most departments senior management knows as

a matter of course who has been prominent in industrial action and who has not. Existing informal knowledge among personnel managers therefore provides a good basis on which to build. This could be supplemented as necessary by discreet inquiries of regional or line managers and where appropriate direct questions to promotion candidates about the obligations of managers.

10. It could be argued that this proposal would be more arbitrary and therefore unjustifiable compared to a universal procedure for recording industrial action. But it would be no more than an extension of the need which already exists to make broadly-based subjective judgements on a number of factors in career management decisions. If the approach is applied in a sensitive way it would be much less likely to lead to direct confrontation with unions and staff on this issue, and should be as effective in dealing selectively with those who posed the greatest threat of disruption.

11. The noting of good performance is clearly less controversial. This is already done in outstanding cases in the form of special ad hoc reports whether in the context of handling a strike or some other aspect of a department's work (since these reports are by definition exceptional they would not serve the purpose of identifying by exclusion those who have been active supporters of militancy). Annual reports already deal to some extent with an individual's loyalty to management or to union during a strike,

particularly where an individual is directly responsible for maintaining a service to the public and the report comments on the way in which this has been discharged. But there is bound to be some variation in practice on this.

12. We recommend therefore that MPO should draw the attention of all departments to the need for caution over postings to management and other sensitive jobs at any level. This guidance could also cover the need to ensure that existing arrangements for recording performance (whether favourable or unfavourable) in reports on staff covering periods of industrial action are operated in a consistent way.

13. What we are proposing would be a more coherent and rigorous approach but based on existing practice and we do not think that there would be a need to draw special attention to it more widely. Indeed, from an industrial relations viewpoint it would be preferable to handle this matter in a low key although firmly. It would, however, be important for departments not to attempt to conceal the kind of action which they were taking if they are asked about it directly by staff or by their trade union side. In the case of any "return to work" agreements which may need to be negotiated with the unions following industrial action, it would be important to make sure that they are not misled about the position and that agreements do not exclude

ad hoc action of the kind which has been described. For example, in the case of the recent industrial action in DHSS the individuals concerned and their unions are aware of the fact that a written record is to be kept on the personal file of the individual concerned of interviews with managers who took industrial action.

14. The Group therefore recommends:

(a) that there should be no change in the present policy that industrial action is not formally recorded on personal files as a matter of routine;

(b) that MPO should ensure that departments are aware of the need for caution over postings to management and other sensitive jobs at lower levels and follow the specific suggestions in paragraph 9 when necessary. The guidance would be designed to ensure that existing arrangements for recording performance (whether favourable or unfavourable) in reports on staff covering periods of industrial action are operated in a consistent way.

22 MAR 1983

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Management and Personnel Office
Whitehall London SW1A 2AZ
Telephone 01-273 } 4400
GTN 273 }

Civil Service 2
1

17 March 1983

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,

MT

Prime Minister

To note

Dr

16/3

PUBLICATION OF VOLUME TWO OF REPORT ON CIVIL SERVICE PILOT
ETHNIC SURVEY

Thank you, and Norman Tebbit, for your replies to my letter of 2 March. I am glad that we are agreed that the further surveys should be conducted in the North West Economic Planning Region and the County of Avon.

I should now like to propose that Volume Two of the Report on the Leeds survey should be published on Thursday 24 March (this date has been cleared with Michael Jopling's office). I enclose a draft of the Parliamentary Question which I propose to arrange to have answered in both Houses on publication day, together with a draft Press Notice.

I should be grateful for any comments on the drafts if possible by close of play on 18 March. I am sending copies of this letter to the Prime Minister, to Norman Tebbit and to Sir Robert Armstrong.

Yours ever

Janet

BARONESS YOUNG

Draft PQ

HOUSE OF LORDS

To ask Her Majesty's Government when Volume Two of the report on the pilot ethnic survey of certain non-industrial civil servants in Leeds (covering applicants for Civil Service posts in the area) will be published, and what action the Government intends to take next.

HOUSE OF COMMONS

To ask the Minister for the Civil Service when Volume Two of the report on the pilot ethnic survey of certain non-industrial civil servants in Leeds (covering applicants for Civil Service posts in the area) will be published, and what action the Government intends to take next.

Baroness YOUNG: I am pleased to tell my Noble Friend
Mr Barney Hayhoe: Hon

that Volume Two of "Ethnic Monitoring in the Civil Service: A Survey in Leeds" is published today. Copies of the report have been placed in the Library. This Volume covers the survey of applicants for Civil Service posts

in Leeds for the period 1 May to 30 September 1982.
Of those issued with the questionnaire 89.1% completed
the ethnic origin question, 5.3% of whom classified
themselves as belonging to an ethnic minority.

The Government has decided to gain broader experience
of ethnic monitoring by arranging to hold surveys of
the ethnic origin of non-industrial civil servants in
the North West Economic Planning Region and in the
County of Avon during the autumn. Some recruitment
schemes in both areas will also be monitored.
Arrangements for these surveys are now in hand.

DRAFT PRESS NOTICE

REPORT ON ETHNIC SURVEY OF APPLICANTS FOR
CIVIL SERVICE POSTS IN LEEDS PUBLISHED

Volume Two of the report "Ethnic Monitoring in the Civil Service: A Survey in Leeds" is published today. It deals with the survey of applicants for Civil Service posts in Leeds. Following the survey, the Government has decided to gain broader experience of ethnic counting and monitoring.

Baroness Young, the Lord Privy Seal and Minister responsible for the Management and Personnel Office, announced in reply to a Question today in the House of Lords:

"I am pleased to tell my Noble Friend that Volume Two of 'Ethnic monitoring in the Civil Service: A Survey in Leeds' is published today. Copies of the report have been placed in the Library. This Volume covers the survey of applicants for Civil Service posts in Leeds for the period 1 May to 30 September 1982. Of those issued with the questionnaire 89.1% completed the ethnic origin question, 5.3% of whom classified themselves as belonging to an ethnic minority.

"The Government has decided to gain broader experience of ethnic monitoring by arranging to hold surveys of the ethnic origin of non-industrial civil servants in the North West Economic Planning Region and the County of Avon during the autumn. Some recruitment schemes in both areas will also be monitored."

NOTES FOR EDITORS

1. The intention to conduct the survey was announced by the Home Secretary, the Rt Hon William Whitelaw, in the House of Commons in December 1981. Volume One of the report, covering the survey of some non-industrial civil servants in Leeds, was published in November 1982.
2. It is the policy of the Civil Service that all eligible persons shall have equal opportunity for employment and advancement in the Civil Service on the basis of their ability and qualifications and fitness for the work. The Government is and will remain committed to a policy of equal opportunity in the Civil Service.
3. The area chosen for the pilot survey was the Leeds Metropolitan City Council. The survey covered all applicants for posts in the Leeds area to grades represented by the Civil and Public Services Association (CPSA), the Inland Revenue Staff Federation (IRSF) and the Civil Service Union (CSU) (broadly clerical, secretarial and messengerial grades). The survey covered the period 1 May to 30 September 1982 and was carried out by means of a questionnaire (separate to, and distinct from the application form) which asked applicants, voluntarily, to identify their ethnic origin using two different ethnic questions. As the survey was only concerned with recruitment schemes which were advertised and run locally in Leeds, the middle management grades covered in the survey of staff in post were not included (recruitment to such grades is conducted nationally by the Civil Service Commission).
4. As with the survey of staff in post, for a voluntary exercise the response rate was excellent. 89.1% completed the ethnic question, 5.3% (55) of whom classified themselves as belonging to an ethnic minority. The progress of applicants was followed through the selection process: this revealed that the ethnic minorities constituted 3% (3) of those declared successful and 2.5% (2) of those offered appointment. No

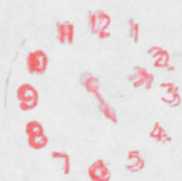
significance can be attached to the decline in the proportion successful because the absolute numbers involved were so small.

5. Two ethnic questions were used on the job applicant questionnaire because it was felt that the sort of ethnic question needed could differ when monitoring complex recruitment schemes to that required for the survey of serving civil servants. The first question was that used for the survey of staff in post. The second ethnic question used a classification which, along with others, had already been tested in research work with which the Civil Service Commission have co-operated (the background to both these classifications is provided in paragraphs 6 and 7 of Volume Two).

6. The two new surveys announced today can be seen as part of a gradual approach to Service-wide monitoring. In comparison with the pilot survey in Leeds, the surveys will cover all grades of non-industrial staff, the information collected will be recorded on personnel records, and will be kept up-to-date in respect of new entrants to the areas covered. As in the Leeds pilot, individuals will be asked to indicate their ethnic origin on a voluntary basis.

7. There are some 54,500 non-industrial civil servants in the North West Economic Planning Region and 12,500 in the County of Avon.

7 MAR 1988



Ref. A083/0783

PRIME MINISTER

Cabinet: Parliamentary Affairs: Cost of Parliament

BACKGROUND

A During the Cabinet's discussion on 16 December (CC(82) 53rd
B Conclusions, Minute 8) of the Chief Secretary's memorandum about Civil Service manpower after 1984 (C(82) 40), some Ministers expressed concern at what was said to be the very large and growing volume of Parliamentary Questions and letters from Members of Parliament. The Lord Privy Seal was invited to consider what might be done to draw the attention of Parliament and the public to this problem and its effects on departmental costs, efficiency, and staff numbers. She was also invited to consider what steps might be taken to counter these unwelcome trends.

2. The Lord Privy Seal was not specifically asked to make a formal report to the Cabinet, but she would like to refer briefly to the results of her further consideration under Parliamentary Affairs.

3. We understand that her main conclusion is that any assertion that the volume of Parliamentary Questions and letters from MPs is increasing would be open to challenge. The number of Questions has, in fact, fallen slightly in recent months, while the volume of correspondence fluctuates. The Lord Privy Seal will seek the views of other members of the Cabinet on the desirability of some form of public statement on the issue, but her own feeling is against publicity; she would prefer to concentrate on the introduction of more rigorous management procedures to ensure that disproportionate amounts of time were not spent on work generated by MPs. Among the measures which she has in mind are:

- (a) A stricter observance of the present £200 limit on the cost of answering Parliamentary Questions.
- (b) Less readiness to provide a mass of statistical tables and other information unless it is clear that the Member requesting it has a genuine need for it.



(c) A more selective approach to the provision of often very expensive background briefing for Select Committees.

(d) Cutting off repetitive and unproductive correspondence with MPs at an earlier stage.

HANDLING

4. After the Lord Privy Seal has made her remarks, you may wish to ask the Lord President for his comments about the best way of combining tact and efficiency, particularly in relation to approaches from Members on the Government side. Suggestions for detailed improvements in the present arrangements for handling work created by Parliament are probably best pursued separately by the Management and Personnel Office with a view to issuing further guidance to Departments in due course.

CONCLUSION

5. Subject to any points made in discussion, the Cabinet might conclude that:

(a) no formal announcement should be made of the Government's intention to look more critically in the future at the cost of handling Parliamentary Questions, correspondence, and other work generated by Members of Parliament; but that

You did not want her to do this: if it is to be done at official level, you may want to emphasise that it should be very carefully drafted in case it leaks.

(b) the Lord Privy Seal should arrange for the issue of further guidance to Departments on this issue.

ROBERT ARMSTRONG

9 March 1983

Civil Service

MANAGEMENT IN CONFIDENCE

Prime Minister ②

ms 9/3

cc JV



Management and Personnel Office

Whitehall London SW1A 2AZ

Telephone 01-273 } 4400
GTN 273 }

8 March 1983

The Rt Hon George Younger MP
Secretary of State for Scotland
Dover House
Whitehall
London SW1A 2AU

ms

Dear George,

THE EXTENSION OF UNIFIED GRADING AT SENIOR LEVELS IN THE CIVIL SERVICE

Thank you for your letter of 23 February. I am glad that you agree the time is now right for an initiative on further unified grading in the Service. Colleagues have generally welcomed the proposals set out in my letter of 21 January to Geoffrey Howe, and I have authorised my officials to inform the unions of our aims in general terms.

I do not underestimate the difficulties and complexities which will need to be resolved in bringing about an extension of unified grading. They will require careful consideration. There are, as you say, dangers in acting precipitately. On the other hand, it is also important not to lose the momentum which pay alignment provides in carrying forward the unification of grades. This points to making progress as quickly as we reasonably can, but I agree that we should not commit ourselves publicly to a rigid timetable. It may also be that some particular grades where there are special problems might best be tackled in a second stage.

I am asking my officials to discuss with yours the particular question of retirement practices to which you refer.

I am copying this letter as before.

Yours sincerely

Baroness Young

BARONESS YOUNG

MANAGEMENT IN CONFIDENCE

Civil Service,
Long Term,
Pt 12



Management and Personnel Office

Whitehall London SW1A 2AZ

Telephone 01-273 } 4400
GTN 273 }

2 March 1983

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

Ian Willie,

ETHNIC MONITORING IN THE CIVIL SERVICE

You will recall that at the H Committee meeting on 14 February about ethnic monitoring in the Civil Service, it was agreed that further geographically limited surveys in two carefully selected areas, not including the West Midlands, would be preferable at this stage to a Service-wide exercise. I was asked to decide the choice of areas in consultation with Norman Tebbit and yourself.

One area which I think is particularly attractive is the North West Economic Planning Region for the following reasons:

- a. it would present an appropriately sized step up from Leeds;
- b. it includes Liverpool with its ethnic minority groups of several generations who have resided and established themselves in the community;
- c. the traditional Lancashire mill area includes a considerable Asian population;
- d. it is accepted as a regional centre for most major departments;
- e. there are 25 Government departments in the region employing around 54,500 non-industrial civil servants;
- f. the general population contains around 99,500 (2.6%) of persons in households where the head was born in the New Commonwealth or Pakistan.

Two possibilities for the second selected area are the County of Avon and the East Midland Economic Planning Region. Avon has the advantage of being not too large an area, given the gradual approach we have agreed on, and would balance the North West as being south of the Severn. It has around 13,500 people (2.5%) of working age in the ethnic minorities. There are 12,500 non-industrial staff in 19 departments in the county.

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An alternative would be the East Midlands Economic Planning Region, which has a higher proportion of people (3.9% of working age) from the ethnic minorities. There are 20 Government departments in the region employing around 20,700 non-industrial staff. I am not excessively concerned which of these areas to select for such an exercise, though bearing in mind the recent discussions at H, colleagues may prefer to see Avon adopted.

As with the previous survey, these two new surveys would be based on voluntary self-identification, a technique we found successful in Leeds. I hope they would form part of a gradual approach towards Service-wide ethnic monitoring. In my view the information should be recorded on personal files, unlike the procedure adopted in Leeds, though, of course, this would be subject to stringent and effective safeguards agreed between officials and the unions. At the same time I think it appropriate to introduce voluntary self-classification of new entrants to the selected areas.

I should be grateful for your views, and those of Norman Tebbit to whom I am copying this letter, as soon as possible, so that I can prepare a statement to clear with you announcing our intentions when Volume 2 of the Leeds report is published. We are on course to publish in late March, and I recommend that we should do so, subject to my clearing the exact date with Michael Jopling.

A copy of this letter also goes to Sir Robert Armstrong.

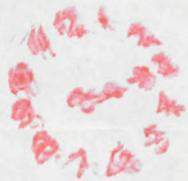
Yours ever

Baroness

BARONESS YOUNG

RESTRICTED

18 MAR 1983





10 DOWNING STREET

From the Private Secretary

28 February 1983

PARLIAMENTARY QUESTIONS AND LETTERS FROM MPs

Thank you for your letter of 25 February to Tim Flesher. As I said on the telephone, the Prime Minister would prefer the Lord Privy Seal to fulfil her remit from Cabinet by reporting orally. The Prime Minister feels she should make two main points: point out that the latest figures available do not show any significant increase in the number of PQs and letters; and remind Ministers briefly of the ways in which they can reduce the costs of answering letters and PQs.

I am sending a copy of this letter to Richard Hatfield (Cabinet Office).

W. F. S. RICKETT

Mrs. M.E. Brown,
Lord Privy Seal's Office.

PRIME MINISTER

At the last Cabinet meeting before Christmas there was a discussion about reductions in Civil Service manpower. In the course of this discussion some members of the Cabinet expressed concern about the large and apparently growing volume of Parliamentary Questions and letters from Members of Parliament and the public. The Lord Privy Seal was asked to consider what might be done to draw the attention of Parliament and the public to the costs of answering these Questions and letters. Attached is a draft minute which Janet Young has in mind to circulate to Cabinet.

I am not sure this would achieve anything. The graph attached to her minute shows that there has actually been a slight decrease in the number of Parliamentary Questions since you took office. There is also apparently little evidence of a general increase in the numbers of MPs' letters. Lady Young's minute makes some suggestions for reducing the costs of answering letters and PQs, but these are not new suggestions, and Ministers should already be aware of them.

If Lady Young's minute were circulated, it could well leak. The Opposition could argue that the Government were unwilling to provide the same service as the previous Labour Government. They might point out that the minute does little to acknowledge the rights of Members to question Ministers. Although the estimated cost of £16 million a year of dealing with all letters and PQs from Members of both Houses and the general public is fairly high, the Opposition would argue that this is a small price to pay for democracy.

If Lady Young feels that she must fulfil her remit, I would be inclined to suggest that she report orally to Cabinet, and:

- (a) point out that the latest figures available do not show any significant increase in the number of PQs and letters;
- (b) remind Ministers briefly of the ways in which they can reduce

the costs of answering letters and PQs.

Alternatively you may feel that there is no need for the Lord Privy Seal to raise this matter in Cabinet again.

WM

I do not think the half-minute
would go down well with colleagues.

Perhaps Lady Young would answer orally
not

25 February 1983

From the Private Secretary

CONFIDENTIAL



Management and Personnel Office

Whitehall London SW1A 2AZ

Telephone 01-273 } 4400
GTN 273 }

25 February 1983

Tim Flesher Esq
10 Downing Street
London SW1

Dear Tim,

PQs AND MPs' LETTERS

The Lord Privy Seal was asked at Cabinet on 18 December 1982 to consider what might be done to draw the attention of Parliament and the public to the large and growing volume of PQs and MPs' letters, and possible steps to counter the trend.

I enclose a draft minute which the Lord Privy Seal has in mind to send to the Prime Minister and Cabinet colleagues. Before circulating this formally, she would be glad to know whether the Prime Minister has any comments on it.

*Yours sincerely,
Mary Brown*

MRS M E BROWN

CONFIDENTIAL

DRAFT MINUTE FROM THE LORD PRIVY SEAL

PRIME MINISTER

PARLIAMENTARY QUESTIONS AND LETTERS FROM MPs

At Cabinet on 16 December I was asked to consider what might be done to draw the attention of Parliament and the public to the large and growing volume of Parliamentary Questions and letters from Members of Parliament, and the effects on cost, efficiency and staff numbers; and what steps might be taken to counter these trends.

The Facts

There has actually been a slight decrease in the number of PQs since we took office. However, as the graph at Annex A shows, this followed a significant rise in the mid-1970s. The only similar totals for MPs' letters are for 1980 which were collected for the "cost of Parliament" exercise (Annex B). I know that you did not want that exercise to become a large cost in itself so we confined our present research to a sample of Departments only, and to figures that were readily available. But, in the very few Departments which did have consistent figures going back 10 years, there was little evidence of a general increase, although there had been large fluctuations when particular issues came into prominence.

Nevertheless, the numbers are large and impose significant costs. The 1980 estimates were over £1m a year for PQs, over £7m for letters from MPs and Peers, and some £8m for letters from members of the public. I suspect these are on the low side, and they certainly take no account of the considerable demands on Ministers' time.

Underlying Reasons

You and other colleagues in the Commons will be better able than I to judge how far the pressures which MPs put on Ministers arise from pressures put on MPs themselves; and how far they are made on MPs' own initiative. But certainly what may broadly be called "political" awareness among the general public has greatly increased in the last 20 years. The causes are many. They include the greater involvement of the State in the lives of ordinary citizens, the growing tendency of people to form pressure groups, the rise of the various civil rights and consumer rights movements, and the vastly increased impact of the news media. All this means more pressure on the MP from his constituents. I suspect too that many MPs feel that they need to adopt higher profiles in their constituencies and Parliament than they once did.

What can be done?

I conclude from this that, whatever we do, it will not very greatly affect the volume of PQs and letters. I am also

doubtful about the advisability of a general campaign. We can certainly give more publicity in speeches and in replies to Parliamentary Questions to the cost and volumes involved. But this needs to be done carefully and selectively, as and when we have the opportunity. Although some of our Parliamentary colleagues could be receptive, others may regard an approach, however tactful, as an attempt by the Executive to stifle the Legislature. I need hardly say that any initiative we take is capable of misrepresentation by our opponents as seeking to discourage MPs and their constituents from exercising their democratic rights. It would also conflict with our undertaking to make Parliament the centre of public life and to encourage an effective House of Commons.

But controlling the costs of answering PQs and letters is another matter. These are within our control and I believe we can take practical action to save the taxpayer money. Good work has already been done in many Departments on which we can build. For instance:

- a. some Departments with provincial offices have encouraged MPs to take up individual constituents' complaints directly with the local manager concerned. As well as being cheaper, the response is usually quicker and, if something has gone wrong, the effort can

go into putting it right. (Such a development fits well with our general policy of delegating operational responsibility within overall political control, but we must of course be prepared to support the local manager's judgement where necessary);

b. too much effort sometimes goes into comprehensive briefing, both for work on the floor of the House and for Select Committee appearances. We need the policy and the key facts at our fingertips; but we should be willing to say "I do not know but I will find out" on peripheral issues. Again some good progress has been made: for example, the Lord President has dispensed with comprehensive briefing for pre-Recess Adjournment debates;

c. while PQs and MPs' letters are part of the way in which Ministers are accountable to Parliament, we can take a robust attitude to their misuse as a quick and easy means of obtaining information, particularly statistics, which is readily available elsewhere or which is not relevant to our stewardship. This has already been done on some PQs seeking large statistical tables, for example by indicating where the information can be found;

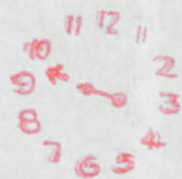
- d. we have a duty to explain our policies. But it is wasteful to give a comprehensive reply to someone whose opinions are unlikely to change. A quick, polite and simple acknowledgement may be just as effective. Perhaps more of the letters handled by our officials on our behalf might be dealt with in this way;

- e. in November we revised the procedures for PQs likely to cost more than £200 to be brought to the Minister's attention before work begins. We all need to look critically at such Questions.

I do not think any general circular to Departments will bring such action about. It falls to us as Ministers in charge of Departments to tell officials what we individually want, ensure we and they are aware of the costs involved, and maintain vigilance on what comes up to us.

I would welcome your views and those of Cabinet colleagues, to whom I am copying this minute. A copy also goes to Sir Robert Armstrong.7

26 FEB 1983

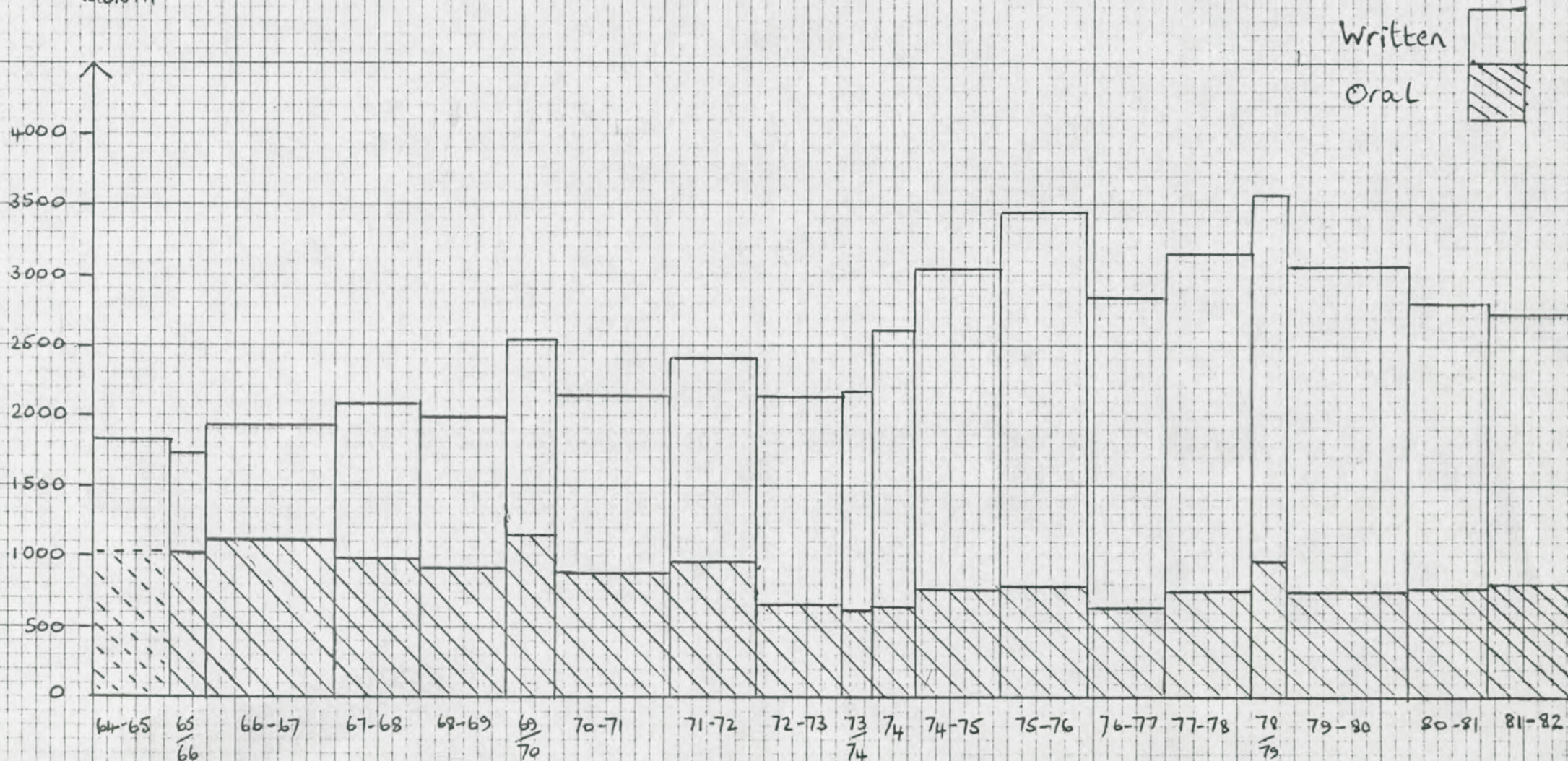


Number of Parliamentary Questions

ANNEX A

House of Commons: monthly, 1965-82

AVERAGE NO OF PQs
ON ORDER PAPER PER
MONTH



Source: House of Commons records
 Drawn by: MEI/MPO 24 May 82
 Updated by MEI/MPO 18.1.83

PARLIAMENTARY
SESSIONS AND LENGTH

ANNEX A (Continued)

The total cost of all Parliamentary Questions was estimated in 1980 at about £1.230 million a year.

The average cost of Parliamentary Questions was announced to be, in July 1982, £60 for an oral answer and £37 for a written answer (Hansard, 13 July 1982 col 349).

DEPARTMENTAL CORRESPONDENCE IN 1980: SUMMARY OF REPLIES

DEPARTMENT	LETTERS FROM MP's, PEERS AND PRIVY COUNSELLORS		LETTERS FROM OTHER MEMBERS OF THE PUBLIC	
	MINISTERIAL REPLIES	OFFICIAL(*) REPLIES	MINISTERIAL REPLIES	OFFICIAL(*) REPLIES
HOME OFFICE	21,000	(minimal)	700	43,300 [0], 1000 [PS]
PCO	7,930	2,170	1,760	1,030
HM TREASURY	1,400	-	1,200	5,200
INLAND REVENUE	3,945	-	150	3,500
HM CUSTOMS	2,634	-	45	902
DNS	150	-	2	150
LORD PRESIDENT	1,700	(insignificant)	120	1,500
LCD	1,434	15	20	6,442 [0]
DEFENCE	6,108	524 [PS]	623	5,267 [0], 433 [PS]
MAPF	3,600	-	600	3,650
TRADE	7,837 [incl PS]	-	4,951 (incl PS)	4,918 [0]
INDUSTRY	3,168	-	4,891	5,995
ENERGY	3,500	500 [PS]	2,300	3,000 [0], 1,400 [PS]
DOE	18,150	(insignificant)	6,900	47,800
TRANSPORT	8,250	(insignificant)	2,200	7,800
DHSS	23,000 [incl public]	(negligible)	(see Column 1)	45,600
SCOTTISH OFFICE	5,140	30	1,880	8,460
DES	6,717	44	2,127	21,729
EMPLOYMENT	5,400	150 [PS]	1,600	6,000 [0]
NIO	4,352	86	606	7,737
WELSH OFFICE	1,530	-	2,334	5,140
TOTALS	136,945	3,519	35,009	235,120 [0], 2,833 [PS]

* No distinction between Private Secretary and other official replies except where otherwise indicated

DEPARTMENTAL CORRESPONDENCE IN 1980: COSTING

BASIS

DHSS findings in the "Cost of Parliament" exercise suggest that a reasonable estimate of the average cost in 1980 of replies sent from Ministers' private offices is £50 and that replies treated officially cost around half that amount. Few departmental returns distinguished between Private Secretary and other official replies. It has therefore been assumed for costing purposes that, except where otherwise stated, all official replies to letters from MP's, Peers and Privy Counsellors were signed by Private Secretaries, and that all official replies to letters from other members of the public were signed by other officials. On that basis, the cost of departmental correspondence in 1980 was of the order of £15 million in round terms, calculated as below.

COSTING

1.	<u>Letters from MPs, Peers and Privy Counsellors</u>		
	a. <u>Ministerial replies</u>		
	136,945 @ £50		= £6,847,250
	b. <u>Official replies</u>		
	3,519 @ £50		= £ 175,950
2.	<u>Letters from other members of the public</u>		
	a. <u>Ministerial replies</u>		
	35,009 @ £50		= £1,750,450
	b. <u>Official replies</u>		
	235,120 @ £25		= £5,878,000
	2,833 @ £50		= £ 141,650
	<u>Total estimated cost: £14,793,300</u>		

PRIME MINISTER

Attached at Flag A is a letter from Edward du Cann in his capacity as Chairman of the Treasury and Civil Service Select Committee about the Government response to their Report on Efficiency and Effectiveness in the Civil Service. Also attached is a draft reply which has been prepared in the Rayner Unit.

The only point which occurs to me is that if you wish to emphasise the Government's commitment to improving management in the Civil Service you might like to offer to see Mr. du Cann yourself rather than a meeting with the Lord Privy Seal and the Chief Secretary.

*Don't ask the whole committee
J.R.*

28 January 1983

*So I think a personal
covering note that the
change available to the
would be best. No*



Civil Service
JV

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

MANAGEMENT - IN CONFIDENCE

The Rt Hon Baroness Young
The Lord Privy Seal
Management and Personnel Office
Whitehall
LONDON
SW1A 2AZ

NBPM
MS 23/2

23 February 1983

Dear Janet,

THE EXTENSION OF UNIFIED GRADING IN THE CIVIL SERVICE

I am responding to your letter of 21 January to Geoffrey Howe.

I agree that the time is now right for us to consider extending further unified grading in the Civil Service. It is important, if we are to ensure the best use of the available trained resources in the Service, that we have a grading system simple and flexible enough to respond to these needs.

While I am glad to see the question being pursued now, I do have reservations about the suggestion in your letter that we should move towards unified grading at AS and SP levels in the current year. That seems to me too short a timescale for something which you rightly describe as a major reform. I hope therefore that we will be able to allow adequate time for consultation and detailed consideration, including an assessment of the effect of pay alignment at AS and SP levels which it is intended should be introduced at the coming pay round. I see no advantage in committing ourselves to implementation this year rather than next year when we would expect to see the introduction of a new pay system post-Megaw. Indeed I see some danger that we should be accused in these circumstances of acting precipitately and without allowing reasonable time for detailed consideration of the career management implications.

In the Scottish Office we have possibly the widest range of professional groups of any department in the Civil Service. While that adds to the attraction for us of a proposal aimed

at reducing the present diversity, we are very conscious of the difficulties likely to arise in the short term in adjusting particular groups to the unified grades, with some loss of flexibility available to management in such matters as the detailed application of retirement policies.

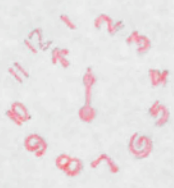
I am copying this to the recipients of your letter.

Yours very,

George

Civil Service : Long term Policy
Pt 12

1983





the Bb
Court Service

10 DOWNING STREET

From the Private Secretary

21 February 1983

I attach a copy of a letter the Prime Minister has received from Mr. Edward du Cann, M.P., about the St. John Stevas Bill.

Bb | I should be grateful if you would let me know if you agree with our view here that we may rest on a simple acknowledgement of this letter.

I am sending a copy of this letter and enclosure to David Heyhoe (Lord President's Office) and John Gieve (Chief Secretary's Office, H.M. Treasury).

M. C. SCHOLAR

Miss Margaret O'Mara,
H.M. Treasury.

NR

PRIME MINISTER

mb
Civil Service

H COMMITTEE: ETHNIC MONITORING

H(83)5th

H Committee discussed (minutes attached) the Lord Privy Seal's proposal that following the Leeds Survey on recruiting to the Civil Service from the ethnic minorities, the Government should now proceed to a full nationwide ethnic survey followed by regular up-dating. The Committee recognised that some action was required to follow up the survey but felt that in the present climate (the Immigration Rules and the CRE Code of Conduct) this would not be well received by the Government supporters. Accordingly, it was agreed that there should be further sample surveys in areas of the country other than the West Midlands which posed particularly sensitive problems.

17 February 1983

R

From: the Rt. Hon. Edward du Cann, M.P.

Prime Minister (2)



HOUSE OF COMMONS
LONDON SW1A 0AA

We will let you have
a draft reply.

Ms 18/2

15 February 1983

Michael
I don't think
we need do
more than ack.
R.
ms
Margaret

Thank you for your letter of the 4 February about the Civil Service. I think, if you agree, it would be valuable to publish the correspondence we have had.

I will discuss with the ^{Treasury} Committee the possibility of meetings with Ministers.

If I may venture a personal opinion, the one part of your letter which I find very disappointing is the part which deals with Parliamentary matters. You ought to know that Leon Brittan's speech in the House on the 28 January was a profound disappointment to all who heard it.

I have written to Geoffrey on several occasions about Norman St John Stevas' Bill (which the Treasury Committee strongly supports, as does the PAC, and many Members on both sides) telling him that I am concerned that the steps he has taken as Chancellor by way of reform of our financial procedures will be forgotten if the obstructive and unimaginative attitude of Ministers towards Norman's Bill is maintained. Government and Ministers are getting a very bad press over this, and I regret it.

I appreciate there is not very much you can say in correspondence about the matter at this time, but I will, when we meet, talk to you about it a little more if I may. Norman's Bill is a natural follow-up to the introduction of Select Committees for which Government is rightly getting considerable credit, and it would be a pity to see this credit dissipated.

The Rt Hon Mrs Margaret Thatcher, M.P.

7.
Σ
—

Civil Service,
Long Term, 1
A12



HOUSE OF COMMONS
STATIONERY OFFICE

CORONET





25 ✓
CIVIL SERVICE

NBPM

MUS 15/2

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

The Rt Hon Baroness Young
Lord Privy Seal
Management and Personnel Office
Whitehall
SW1A 2AZ

14 February 1983

Dear Janet

EXTENSION OF UNIFIED GRADING IN THE CIVIL SERVICE ✓

Thank you for sending me a copy of your letter of 21 January to the Chancellor.

I agree that there are advantages to be gained from extending the present Open Structure and see no difficulty so far as DES is concerned in extending unified grading as proposed to the general Service groups. It will be important not to overlook the position of the 400 or so HM Inspectors of Schools, nearly all of whom are at levels equivalent to those to be covered by the proposed new unified grades. The case for including them deserves to be carefully considered and, since DES is not represented on the Group which is looking at the issues, I think it would be sensible for our officials to consult about this at an early stage.

There is one other point which you will no doubt want to keep in mind. Many of the fringe bodies, for example in the DES field the Research Councils and British Library, follow Civil Service terms and conditions and the extension of unified grading will therefore have implications for them. In general I believe this will be helpful since there are some senior posts in these bodies which could be - but are not at present - filled by people from a variety of specialist and administrative backgrounds. Opening them up to a greater extent could have the advantages you describe in your letter for the Civil Service itself.

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

Eric-Keir

Civil Service Long Term Policy 8 112

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FCS/83/32

NBPM
Mes 14/2

for

LORD PRIVY SEAL

The Extension of Unified Grading in the Civil Service

1. Thank you for sending me a copy of your letter of 21 January to the Chancellor.
2. There is probably little in what you propose for the Diplomatic Wing of the FCO, but a few staff, notably in our Communications Division, would benefit from pay alignment, and unified grading there would give us greater flexibility in our present practice of using specialist staff in administrative roles. Your proposals are, however, much more relevant to the ODA, which is staffed entirely by Home Civil Servants and has a significant proportion of its staff, particularly professional advisers, in the grades concerned. My officials there have already strongly supported the principle of pay alignment. Greater flexibility in the form of unified grading would certainly be welcome in principle, so long as the need for some degree of specialisation continues to be recognised. I hope your officials will be able to prepare detailed proposals soon, if, as you suggest, we are to see the scheme introduced in 1983.
3. I am copying this minute to the recipients of your letter.

76

Foreign and Commonwealth Office
14 February 1983

(FRANCIS PYM)

Civil Service
Long Term #12

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PRIME MINISTER

H Committee: Ethnic Monitoring

The attached H paper by the Lord Privy Seal covers the second part of the ethnic monitoring survey in the Civil Service which particularly covered recruitment. The results have no significance. 5% of applicants belong to ethnic minorities and 3% of successful candidates were so classified. The numbers were far too small to draw any conclusions.

The Lord Privy Seal recommends to H Committee that at the time when the survey is published the Government should announce its intention to undertake Service-wide ethnic monitoring at a cost of £400,000 in the first year but much less thereafter. On the basis of the most recent discussion in H-Committee I think this is likely to be opposed vigorously by several members of the Committee.

[Handwritten signature] *[Handwritten initials]*

11 February 1983



MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

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

MO 20/17/6

11th February 1983

De Jant

Thank you for the copy of your letter of 21st January to the Chancellor of the Exchequer concerning the extension of unified grading, initially to Assistant Secretary and Senior Principal levels.

I welcome the reform which you propose. After the first step we would want to see the principle extended further in the light of experience to grades below Senior Principal in the not too distant future. There may, of course, be some opposition from the unions, but any disadvantages should be outweighed by the added flexibility and efficiency which should flow from the move. There is much work to be done on this by our officials here but we must now press ahead.

I assume in all this that we shall move first on pay alignment at the Assistant Secretary and Senior Principal levels, and consider a progressive extension to pay alignment thereafter.

Copies go to the Prime Minister, other members of the Cabinet and Sir Robert Armstrong.

Yes
[Signature]

Michael Heseltine

From: the Rt. Hon. Edward du Cann, M.P.

Prime Minister

2

cc Itg



HOUSE OF COMMONS
LONDON SW1A 0AA

4/2
11/2

10 February 1983

to Margaret

mt

Thank you very much for both your personal and your formal letter about efficiency and effectiveness in the Civil Service.

4/2

If I may I will be in touch with you again about these matters.

The Rt Hon Mrs Margaret Thatcher, M.P.

4 FEB 1983

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COPIES



Mr Plesher 2

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

10 February 1983

Michael Scholar Esq
10 Downing Street
LONDON SW1

MS

Rue Muntz

A

11/2

Dear Michael,

CIVIL SERVICE NUMBERS

In the Chancellor's absence in Washington, I am writing to let you know the latest position on Civil Service numbers.

Departmental staff-in-post figures at 1 January 1983 show a total of 652,500. The reduction of 2,500 achieved in the last quarter is made up of 800 non-industrials and 1,700 industrials. Gross savings totalled 3,500, the largest contributors being Defence (1,800) Environment (360) and the Chancellor's own departments (400). But there were offsetting increases of just under 1,000. Over 300 of these were in the Home Office, reflecting increased recruitment of Prison Officers, and 350 in DHSS, reflecting recruitment for special hospitals and local offices. Although net reductions are considerably less than the last quarter, the Government remains on course to achieve the target of 630,000 by April 1984.

The figures show that there has been a reduction of 79,800 (or 10.9 per cent) in the number of civil servants since the Government came to office.

The January figures will be announced by means of a Written Answer tomorrow.

*Yours sincerely,
Margaret O'Mara*

MISS M O'MARA



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

From the Minister

The Rt Hon Baroness Young
The Lord Privy Seal
Manpower and Personnel Office
Whitehall
London SW1A 2AZ

NBPM

Ms 9/2

9 February 1983

Re Grant

THE EXTENSION OF UNIFIED GRADING IN THE CIVIL SERVICE

In your letter of 21 January to the Chancellor of the Exchequer you sought agreement to the principle of extending unified grading in the Civil Service.

For the reasons set out in your letter I generally support what you propose and hope that we shall be able to make good progress towards grade unification at Assistant Secretary and Senior Principal levels. This will help us to make more flexible use of staff from a variety of disciplines and will also, one must hope, remove some of the causes of dissatisfaction which have existed between different grades and classes. Your officials will be aware that because of the complex range of technical and professional disciplines within MAFF there are a number of problems to be overcome before we can be certain that we have achieved the best solution. These are being actively worked on and my officials will be in touch with Treasury officials and yours about our preferred solutions.

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

Peter Walker

PETER WALKER

Civil Service,
Long Term,
P-12

9 FEB 1983



HOUSE OF LORDS,
SW1A 0PW

*With the
Lord Chancellor's Compliments*



Prime Minister (2)

ins 8/2

HOUSE OF LORDS,
SW1A 0PW

MANAGEMENT IN CONFIDENCE

8 February 1983

My Dear Janet.

THE EXTENSION OF UNIFIED GRADING IN THE CIVIL SERVICE

Thank you for sending me a copy of your letter of 21 January to Geoffrey Howe. Your proposals are of interest to this Department because they would affect the relationship between legal staff and their administrative colleagues.

Many of the posts in my Department at Assistant Secretary level are occupied by lawyers, and recent experience has confirmed that there is a lot to be said for seeking to achieve greater flexibility between legal and administrative grades at that level. There will still be a number of posts which in practice will continue to be filled by lawyers, but I would much welcome the greater flexibility which unified grading at this level would offer. It would be an improvement on the present system of limited opportunity posts and the proposal accordingly has my strong support.

I would also support extension down to Senior Principal level, although there will be more problems here. I have a number of middle management posts at this level and I would very much like to be able to use lawyers for some of them, which is not possible under the present arrangements. It will therefore be necessary to consider whether the grade of Senior Legal Assistant (which is slightly below Senior Principal in pay terms) should be assimilated with the Senior Principal grade, or whether SLAs should in future be allowed to apply for promotion to the new (unified) Senior Principal grade. The

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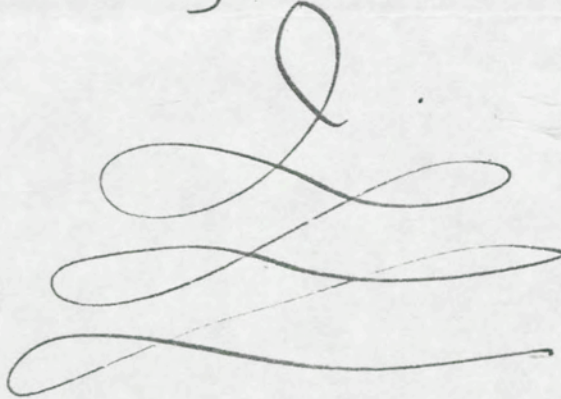
The Rt Hon The Baroness Young

MANAGEMENT IN CONFIDENCE

latter might be cheaper and easier to achieve, but there would then be a big residual problem if and when it was proposed to extend unified grading down to Principal level. Whichever approach is adopted however I hope it will enable me to use lawyers in Senior Principal posts in future.

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

yrs :

A large, stylized handwritten signature in cursive script, consisting of several overlapping loops and a long horizontal tail.

Civil service : hong
Management

Term
Pt II

FEB 1986

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



Prime Minister (2)
ms 8/2

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

7 February 1983

Rt Hon The Baroness Young
The Lord Privy Seal
Management and Personnel Office
Old Admiralty Building
Whitehall
LONDON SW1A 2AZ

ms

Dear Joan

Thank you for your letter of 21 January about the downwards extension of unified grading in the non-industrial Civil Service.

I agree that for the reasons you give there is a strong case on management grounds for a more unified grading structure at Assistant Secretary and Senior Principal levels; the obstacles to the flexible deployment of staff and the dissension caused by discrepancies in pay flowing from the present pay and grading pattern are particularly marked here. I also agree that we should consider the possibility of extending unified grading at a later stage down to Principal level when more work on this has been done and we can weigh up better the costs and benefits of this further step. The case for unified grading below that level is much less strong on management grounds and could also be more expensive, although a simpler pay and grading structure is certainly more consistent with the thrust of the recommendations in the Megaw report.

As you mention in your letter, I have in mind that as a useful negotiating element in the 1983 pay negotiations we should propose to the unions the introduction of pay alignment at Assistant Secretary and Senior Principal levels. This would pave the way for unified grading down to Senior Principal. If our colleagues agree with your proposals on this it would, as you suggest, be helpful for our officials to discuss how the related questions of unified grading and pay alignment should be handled with the unions.

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

[Handwritten signature]

GEOFFREY HOWE

Civil Service
Long Term, Pt 12

FEB 8 1983





DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

MANAGEMENT IN CONFIDENCE

The Rt Hon Baroness Young
The Lord Privy Seal and
Leader of the House of Lords
Management and Personnel Office
Whitehall, SW1A 2AZ

NBPM
MUS 7/2
7 February 1983

Dea Janet

THE EXTENSION OF UNIFIED GRADING IN THE CIVIL SERVICE

Thank you for your letter of 21 January about extending unified grading in the Civil Service.

I welcome this initiative to remove some of the constraints to flexibility in managing staff.

I am content for you to proceed as you propose. No doubt your officials will continue to keep me in touch with the details of dealing with particular departmental grades. I understand that they have already agreed that the Chairmen of Traffic Commissioners are a rather special case, which should be excluded from the arrangements.

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

David
Daw

DAVID HOWELL

Civil Servant,
Long Term, Pt 12

1983
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1983

Civil Service
Long Term

file

mej



10 DOWNING STREET

THE PRIME MINISTER

4 February 1983

Personal

Dear Edward

Thank you for your letter of 21 December about the Government's response to the Treasury and Civil Service Select Committee's report on efficiency and effectiveness in the Civil Service. I enclose the Government's formal response to your letter which suggests that your Committee might take up the points you raise with Janet Young and Leon Brittan. I should add however that if you yourself wish to meet me to discuss these matters I should be delighted to see you.

Yours

Raymond

The Right Honourable Edward du Cann, M.P.

da



10 DOWNING STREET

THE PRIME MINISTER

cc HMT
WPO
WPSO
CSO

4 February 1983

My dear Chairman,

Thank you very much for your letter of 21 December. I am grateful for the support which the Treasury and Civil Service Select Committee gives to our policy for improving Civil Service management. Perhaps I could deal in turn with the points that you make.

First, the financial management initiative. This will be an essential contribution to the better control of resources within central Government. We have no intention of allowing the momentum to slow down. One of the things that the Treasury and the Management and Personnel Office will look for when examining departments' programmes is evidence of commitment to make firm and early progress with implementation.

The central report on departmental programmes will be published during July. The schedule is tight, but we shall do our best to get the report to you in time for you to look at it before the Recess.

Secondly, departments have been asked to put forward plans for developing output measures and performance indicators within the context of the financial management initiative. The objectives of the initiative are described in detail in Appendix 3 of the White Paper, Cmnd 8616, and considerable emphasis is given to measurement in paragraphs 10 and 11.

/As your

de

As your own report acknowledged, there are practical difficulties in the way of fully quantifying outputs. But even where that is so, advance can be made in developing indicators which help in judging progress towards meeting objectives. I expect that the replies from departments to the financial management initiative will make proposals for a substantial amount of effort in this important area. We also intend to include more and better indicators wherever possible in future Public Expenditure White Papers.

Third, you mentioned the MINIS concept and the management and review of programmes. I shall want to see that the general response to the initiative conforms with the principles for administrative expenditure established by Michael Heseltine in the Department of the Environment, it is our firm intention that these principles should be applied more widely.

The financial management initiative will help with this, since it covers both administrative and programme expenditure. In particular the principles of clarifying responsibilities, setting objectives and targets for performance, and having the associated information and expertise, are equally applicable to programme expenditures.

The management and review of programmes is central to the financial management initiative and I expect replies from departments to include a wide range of relevant proposals. These will be closely examined to see what action by the central departments would help. I think it important to extend into the programme area the reviews of performance that have been so successful in the administrative area, notably through the scrutiny process, although I do not imagine that this will be equally feasible in all programmes. A centrally co-ordinated review later this year of departments' consultancy, inspection and review capabilities (that is, management services, organisation and methods, and so on) will also touch on this. This is part of the whole programme of centrally co-ordinated efficiency exercises in 1983 which was announced on 20 December in answer to a Parliamentary Question by Fred Silvester (a copy is attached).

/We entirely

We entirely accept that Parliament has a fundamental interest in this area. The Government has already committed itself to make available as much as possible of the enhanced information about programmes and operations which will result from the work under the financial management initiative. This is a point with which the central Report on the initiative will deal specifically. You probably know that the Procedure (Finance) Committee have asked the Treasury for a note on the effects of the FMI on the presentation of financial information to Parliament. We intend to make an interim reply at this stage, explaining that it is too early to reach firm conclusions and that the Treasury will discuss the issues with departments with a view to putting forward definite proposals in due course.

Your Committee's recommendations (viii)-(x) relate, with (xvi) and (xvii), more specifically to Parliamentary review and the role of the Comptroller and Auditor-General. As you say, these are relevant to Norman St. John Stevas's Bill and fall for consideration in that context. Leon Brittan set out our position during the Second Reading debate on the Bill on 28 January.

Fourthly, you kindly enclosed a copy of the response by the Council of Civil Service Unions to our reply to your Report. The Treasury has also received a copy of the report and is in touch with the departments concerned about them. I do not accept the general proposition that the manpower reductions have reduced effectiveness, but the Treasury is discussing the Memorandum with the CCSU.

Finally, I am glad that you believe we are agreed in our aims on this subject. I know that John Biffen has carefully noted your suggestion of a debate, although it has not been possible so far to make suitable arrangements. Meanwhile, however, Leon Brittan and Janet Young as the two central Ministers responsible day to day for efficiency and effectiveness matters, would welcome an early exchange of views

/ with you.

with you. If you would like to pursue this, Janet Young would be glad to arrange a meeting.

Copies of this letter go to the Chancellor of the Exchequer, the Leader of the House, the Lord Privy Seal, and the Chief Secretary to the Treasury.

Yours sincerely

Janet Young

The Rt. Hon. Edward du Cann, M.P.



SECRETARY OF STATE
FOR
NORTHERN IRELAND

The Baroness Young
Management and Personnel Office
Whitehall
LONDON
SW1A 2AZ

2pp ✓ JV
MBPM
MUS 4/2
NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
LONDON SW1P 3AJ

4 February 1983

Dear Secret

THE EXTENSION OF UNIFIED GRADING IN THE CIVIL SERVICE

Thank you for your letter of 21 January proposing a review of the Civil Service grading structure. I agree that an initiative to extend unified grading in the Civil Service would be useful, and I shall be considering, in due course, the implications for the Northern Ireland Civil Service of whatever is adopted for the Home Civil Service.

Copies of this letter go to the Prime Minister, other member of the Cabinet and Sir Robert Armstrong.

*Yours
Truly*

Civil Service,
Long Term, p412

4 JAN 1983





GR

Don't copy
personal
letter
to 1st at
end of
main
para

10 DOWNING STREET
PRIME MINISTER

Attached is the personal note to Edward du Cann covering our formal response to his letter on behalf of the Treasury and Civil Service Select Committee.

You should also note the altered reference to a possible debate at the foot of page 3 of the letter. The first draft referred to a debate when the financial management report is published. The Lord President preferred to keep the options open and indeed it is possible that he will be proposing a debate rather sooner than that.

1 February 1983



Tim
I gather from
Donica you have all the
bank papers
K/B
1/2

GR
PP's ?
c/P

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

31 January 1983

Dear Sir,

LETTER TO THE PRIME MINISTER OF 21 DECEMBER FROM MR EDWARD DU CANN

Mary Brown in the Lord Privy Seal's office sent me a copy of her letter to you dated 28 January enclosing the draft of a reply for the Prime Minister to send to Mr du Cann.

The penultimate paragraph of the proposed draft refers to the possibility of a debate in the House of Commons. As Mr du Cann mentions in his own letter to the Prime Minister he has raised this possibility on a number of occasions with the Leader of the House (most recently on 9 December, Hansard col 989). In dealing with this request, the Lord President would not wish to be tied as to timing in the way that the proposed draft suggests, but would prefer to keep the options open. He therefore suggests that the second sentence of the relevant paragraph should be amended along the following lines:

"I know that John Biffen has carefully noted your suggestion of a debate, although it has not been possible so far to make suitable arrangements. Meanwhile, however, Leon Brittan".

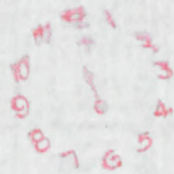
I am copying this to Mary Brown (Lord Privy Seal's office), John Kerr and John Gieve (HM Treasury) and Murdo Maclean (Chief Whip's office).

Yours ever
David

D C R HEYHOE
Private Secretary

Tim Flesher Esq
Private Secretary
10 Downing Street
London SW1

11 FEB 1983



BRITISH COUNCIL OFFICE

11, BEDFORD SQUARE, LONDON, W.C.1A 3EF



JF2541
Secretary of State for Industry

c/su

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

31 January 1983

The Rt Hon Baroness Young
The Lord Privy Seal
Management and Personnel Office
Whitehall
LONDON
SW1A 2AZ

NBPM
MUS 4/2

Dear Madam,

THE EXTENSION OF UNIFIED GRADING IN THE CIVIL SERVICE

Your letter of 21 January to the Chancellor raises interesting issues.

2 The nature of much of the work in my Department means that we have already moved a long way towards the flexible use of staff in different professional classes, particularly within the concept of the technological generalist. I therefore welcome the proposals you make, which will enable us to make even more efficient use of the staff resources at our disposal. The traditional Civil Service barrier between "scientist" and "administrator" is one we are anxious to break down and which has in the past been a hindrance rather than a help to efficient management.

3 I am sure there will be problems in implementing your proposals, not least with the Trade Unions involved, but I am sure the principle is right and I welcome the initiative.

4 Copies go to recipients of your letter.

Yours ever
Patel

Civil Service
Term. Pt 12
Long

2 FEB 1983





CV JV
Civil Service
QUEEN ANNE'S GATE LONDON SW1H 9AT

30 January 1983

Dear Janet

THE EXTENSION OF UNIFIED GRADING IN THE CIVIL SERVICE

Your letter of 21 January to the Chancellor of the Exchequer asked for agreement in principle to the launching of an early initiative to extend unified grading in the Civil Service.

I agree that, for the reasons given in your letter and in the Annex to it, it is entirely appropriate to launch this initiative at the present time, in the wake of the Mewgaw proposals. The Principal Establishment Officer here is a member of the group referred to in your fourth paragraph and my officials are already in touch with yours about the detailed implications for the treatment of particular grades.

I am copying this letter to the recipients of yours.

Morrell
W. Miller

The Rt. Hon. The Baroness Young



44/52



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

Mrs M Brown
Private Secretary to the
Lord Privy Seal
Management and Personnel
Office

28 January 1983

Dear Mary,

VOLUNTARY EARLY RETIREMENT

As you know the Chancellor has discussed with the Lord Privy Seal the proposals for a Voluntary Early Retirement Scheme contained in her letter of 14 December. This is to confirm that the Treasury has now approved the scheme, subject to certain qualifications. I understand that MPO officials will shortly be consulting Principal Establishment Officers on the detail.

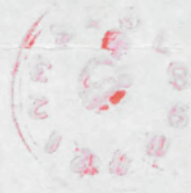
The purpose of this letter is mainly to keep other departments informed and I am therefore copying it to the Private Secretaries to members of the Cabinet and to Sir Robert Armstrong.

Yours sincerely,

Margaret O'Mara

MISS M O'MARA
Private Secretary

Civil Service,
Long Term, A+12



31 JAN 1963

From the Private Secretary

Civil service



Management and Personnel Office

Whitehall London SW1A 2AZ

Telephone 01-273 { 4400
GTN 273 }

28 January 1983

Tim Flesher Esq
10 Downing Street
London SW1

GR
pse type draft
A PM signature
+ return file to me

Dear Tim,

LETTER TO THE PRIME MINISTER OF 21 DECEMBER FROM MR EDWARD DU CANN

Your letter of 23 December requested a draft reply for the Prime Minister to send to Mr du Cann. This is attached.

The financial management initiative asked departments to prepare plans for improving their financial management, and to submit these to the Treasury and the MPO by the end of January. The draft reply (which is agreed with the Treasury) makes the point that we must look to these responses to provide the basis for specific answers to the broader issues raised by the Treasury and Civil Service Committee. The reply is nevertheless fairly detailed in order to express the Government's determination for improvement.

The Lord Privy Seal sees no objection in principle to an early debate, as suggested by Mr du Cann, although it would probably be more useful to hold this once the report on the financial management initiative is published. But there is much common ground between the Government and the Committee and the draft suggests that Mr du Cann be invited to discuss progress with the Lord Privy Seal and the Chief Secretary to the Treasury.

A copy of this letter, with enclosure, goes to John Kerr and John Gieve (HM Treasury) and to David Heyhoe (Lord President's Office).

Yours sincerely,

Mary Brown

MARY BROWN

DRAFT LETTER FROM THE PRIME MINISTER TO

The Rt Hon Edward du Cann MP
Chairman
Treasury and Civil Service Committee

Thank you very much for your letter of 21 December. I am grateful for the support which the Treasury and Civil Service Select Committee gives to our policy for improving Civil Service management. Perhaps I could deal in turn with the points that you make.

First, the financial management initiative. This will be an essential contribution to the better control of resources within central Government. We have no intention of allowing the momentum to slow down. One of the things that the Treasury and the Management and Personnel Office will look for when examining departments' programmes is evidence of commitment to make firm and early progress with implementation.

The central report on departmental programmes will be published during July. The schedule is tight, but we shall do our best to get the report to you in time for you to look at it before the Recess.

Secondly, departments have been asked to put forward plans for developing output measures and performance indicators within the context of the financial management initiative. The objectives of the

initiative are described in detail in Appendix 3 of the White Paper, Cmnd 8616, and considerable emphasis is given to measurement in paragraphs 10 and 11.

As your own report acknowledged, there are practical difficulties in the way of fully quantifying outputs. But even where that is so, advance can be made in developing indicators which help in judging progress towards meeting objectives. I expect that the replies from departments to the financial management initiative will make proposals for a substantial amount of effort in this important area. We also intend to include more and better indicators wherever possible in future Public Expenditure White Papers.

You mentioned
Thirdly, ~~this is related to~~ the MINIS concept and the management and review of programmes. I shall want to see that the general response to the initiative conforms with the principles for administrative expenditure established ^{by Michael Heseltine} in the Department of the Environment, ^{firm} as it is our ^Lintention that these principles should be applied more widely.

The financial management initiative will help with this, since it covers both administrative and programme expenditure. In particular the principles of clarifying responsibilities, setting objectives and targets for performance, and having the associated information and expertise, are equally applicable to programme expenditures.

The management and review of programmes is central to the financial management initiative and I expect replies from departments to include a wide range of relevant proposals. These will be closely examined to see what action by the central departments would help. I think it important to extend into the programme area the reviews of performance that have been so successful in the administrative area, notably through the scrutiny process, although I do not imagine that this will be equally feasible in all programmes. A centrally co-ordinated review later this year of departments' consultancy, inspection and review capabilities (that is, management services, organisation and methods, and so on) will also touch on this. This is part of the whole programme of centrally co-ordinated efficiency exercises in 1983 which was announced on 20 December in answer to a Parliamentary Question by Fred Silvester (a copy is attached).

We entirely accept that Parliament has a fundamental interest in this area. The Government has already committed itself to make available as much as possible of the enhanced information about programmes and operations which will result from the work under the financial management initiative. This is a point with which the central Report on the initiative will deal specifically. You probably know that the Procedure (Finance) Committee have asked the Treasury for a note on the effects of the FMI on the presentation of financial information to Parliament. ^{we} ~~It is intended~~

to make an interim reply at this stage, explaining that it is too early to reach firm conclusions and that the Treasury will discuss the issues with departments with a view to putting forward definite proposals in due course.

Your Committee's recommendations (viii)-(x) relate, with (xvi) and (xvii), more specifically to Parliamentary review and the role of the Comptroller and Auditor-General. As you say, these are relevant to Norman St John Stevas's Bill and fall for consideration in that context. *Leon Brittan ~~manpower~~ set out our position during the Bill's Second Reading debate on the Bill on 28 January.*

Fourthly, you kindly enclosed a copy of the response by the Council of Civil Service Unions to our reply to your Report. The Treasury has also received a copy of the report and is in touch with the departments concerned about them. I do not accept the general proposition that the manpower reductions have reduced effectiveness, but the Treasury is discussing the Memorandum with the CCSU.

Finally, I am glad that you believe we are agreed in our aims on this subject. I think that your suggestion of a debate is most useful, but I wonder whether it might be best to wait for this until the financial management report is published. I know, however, that Leon Brittan and Janet Young as the two central Ministers responsible day to day for efficiency and effectiveness matters, would welcome an early

exchange of views with you. If you would like to pursue this, Janet Young would be glad to arrange a meeting.

Copies of this letter go to the Chancellor of the Exchequer, the Leader of the House, the Lord Privy Seal, and the Chief Secretary to the Treasury.



gc 52
Prime Minister (4)

Caxton House Tothill Street London SW1H 9NAF
Telephone Direct Line 01-213 6400
Switchboard 01-213 3000

MUS 25/1

The Rt Hon Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON SW1

25 January 1983

D Geoffrey

VOLUNTARY EARLY RETIREMENT

I have seen a copy of Janet Young's letter to you of 14 December proposing a Voluntary Early Retirement (VER) for the civil service, which has been followed by letters of support from Hugh Rossi and Patrick Jenkin.

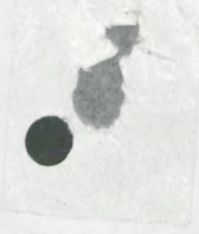
In the DE Group, we would welcome such a scheme; it would help us deal with personal repercussions of the reorganisations in the Manpower Services Commission and the Unemployment Benefit Service. Added to the continuing drive for increased efficiency these reorganisations have created a need for extensive redeployments. Although we are coping with this using all the means available to us, a VER scheme used selectively mainly at SEO level would enable us to ease out some older, and less committed people, as their own posts disappear.

We are of course talking about small numbers, within Janet's overall estimate of 1,000. The 200 or so from the DE Group who might take advantage of the scheme would ease a problem out of proportion to the absolute numbers.

I hope therefore that you will be able to agree the introduction of this scheme soon, even if only for a limited period.

I am copying this letter to Cabinet colleagues, to Sir Robert Armstrong and to Janet Young.

Civil Service
Long Term, A12



25 JAN 1989



Civil Service *fev*

2

21 January 1983

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

Prime Minister

MW
Unified grading to be
extended down to Senior Principal
level.

MS 24/1

Dear Chancellor,

THE EXTENSION OF UNIFIED GRADING IN THE CIVIL SERVICE

This letter proposes a major reform of the Civil Service grading structure involving an extension of unified grading to levels below the present Open Structure (which covers the grades of Under Secretary and above).

Civil servants below the level of US⁴ belong to a large number of separate categories and classes, each with its own grading pattern. The jobs, careers, salaries etc of individuals are largely determined by the particular group or class which they join on recruitment. The Fulton Report argued in favour of a simpler and more unified system: in particular, it recommended a single, vertical structure of grades in order to promote more flexibility and mobility in the deployment of staff between the different areas of work. Following Fulton, some progress was made towards simplification and the establishment of the Open Structure at the top of the Service was a direct result of the Fulton recommendations.

In the past a major obstacle to any further unified grading was the operation of the pay research system. The Megaw proposals attach much more weight to coherent internal pay relativities and less to reflecting in the Service relatively small shifts in differentials between groups outside. The report gives a clear push in the direction of a more unified structure.

A group of Principal Establishment Officers from the major employing Departments has considered the issues again. Their conclusion is that it is now time to make a major effort to carry unified grading further down the structure. They consider that this would have clear advantages for the management of the Service. I strongly endorse this conclusion.

The annex to this letter sets out the arguments in more detail. To my mind the key considerations are:-

- (a) it would provide more flexibility in organising work and managing staff by removing the procedural and other artificial constraints on the movement of people between jobs with different occupational classifications.
- (b) in a smaller Civil Service we need the maximum flexibility to manage and deploy staff. Unified grading would not of course remove the natural boundaries between skills and specialisms, or the need for management arrangements to reflect those differences. But we should remove impediments to movement where they are unnecessary.
- (c) a reform of this nature would powerfully reinforce the efforts we are making on a number of other fronts to make better use of scientific and other specialised talent.
- (d) We need to give clearer signals to staff that their career opportunities depend more on their abilities and contribution than on their method of entry to the Service.

You will be aware that there is Parliamentary interest in this issue, stemming not only from the English Committee, but more recently too from the Treasury and Civil Service Committee.

As a first step, I propose that unified grading should be extended down to and including Senior Principal level. The unified grades would not necessarily be Service-wide, but would be based on a "core" consisting of the three main categories (Administration; Professional and Technology; Science), together with such other general Service and Departmental groups and classes as management considerations suggest should be included. The basis for the unified structure at these levels would be the continuation of grades corresponding to Assistant Secretary and Senior Principal. In the longer term, the aim would be to extend unified grading at least down to Principal level.

It would be desirable to move towards unified grading at AS and SP levels in 1983. This will require major effort by our officials and those in employing Departments. It will also involve consultations with the unions, from some of whom opposition can be expected, though there are differences of view amongst them.

In this context, I understand that you will be putting forward proposals for pay alignment at AS and SP levels in the 1983 pay negotiations. This will facilitate the move towards unified grading.

Subject to the views of colleagues on the general issue, our officials might agree together on the best way of floating both proposals with the unions.

I would therefore be glad to know that Cabinet colleagues agree in principle that we should launch an early initiative to extend unified grading, subject of course to detailed consideration by officials of the treatment of particular grades.

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

Yours sincerely,
Mary Brown

(dictated by the Lord Privy Seal and signed in his absence).

BARONESS YOUNG

24 JAN 1983



EXTENSION OF UNIFIED GRADING

1. The present approach to structure seeks to accommodate conflicting objectives. On the one hand the Priestley pay principles required a pay structure to reflect outside pay rates for broadly comparable work. This required work and staff to be allocated to occupational groups with lateral grading distinctions between them. On the other hand internal management policy since Fulton has emphasised flexibility in organising and staffing work to which the existence of lateral pay and grading distinctions between occupational groups is an impediment.

2. The resulting structure reflects these conflicts. The programme of structural reform begun after Fulton, involving the progressive incorporation of classes into larger occupational groups, has not been carried through. There are considerable differences in the circumstances of the existing groups and classes. Some are small and homogeneous. Others are large and heterogeneous. In the latter the grading system does not recognise distinctive differences between skills.

3. While the effects cannot be quantified there are clear signs that an occupational grading system impedes efficiency in the organisation of work and economy in the use of staff in the following main ways:-

- (a) Boundary Issues. There are specific instances of inefficiency because the boundaries between groups overlap or otherwise act as artificial barriers to the efficient organisation and staffing of work. Many of them arise at the boundaries between the General, Science and P&T Categories. Adjustments to existing boundaries might help to overcome some cases of overlap and demarcation. But while some of the symptoms could be tackled in this way, they would not overcome the inherent weakness of the system - its rigidity at the margins of the classifications where the imposition of rigid boundaries in the structure does not correspond to the reality of organisational need.
- (b) Pay Relativities. The existence of pay differentials causes a good deal of resentment in circumstances whether management otherwise explicitly or implicitly acknowledges equivalence of status or contribution. This is particularly so at the more senior levels (Principal and equivalent levels upwards) where staff from different groups and disciplines are increasingly required to work in more integrated organisational structures, eg. multi-disciplinary teams and mixed hierarchies. The Megaw Report notes (in paragraph 195) that "correct internal relativities are often held to be more important to considerations of "fairness" than comparisons with outside remuneration. Removing pay differentials between grades carrying out work of similar weight or responsibility would remove a

source of discontent. This could be expected to contribute to motivation and therefore effectiveness.

- (c) Staff Deployment and Career Management. While the removal of lateral pay differentials at corresponding levels would ease some management difficulties it would by no means remove them. Pay parity already exists in a number of areas, but the occupational grading distinctions remain a constraint on the flexible deployment of staff. Lateral movement procedures and opportunity posts provide mechanisms to facilitate the deployment of staff on a wider basis, but they have been only moderately successful. Attitudes are conditioned by the occupational basis of the structure, so that management as well as staff and unions tend to see such devices as exceptional measures. In practice the procedures which surround them are cumbersome and time-consuming, involving the expenditure of management effort which is disproportionate to the numbers involved.

Many occupational groups and classes are small, offering a limited basis for career management and the wider development and use of talent. Career structures have been further affected by reductions in staff numbers. While unified grading would not itself bring about more movement - the determining factors are the needs of the work and the abilities and qualifications (in the broadest sense) of individuals - it would remove the artificial impediments to it.

While posts in the Open Structure (US and above) are in principle open to all staff at those levels, it is argued that this "open society" starts at too high a level and thus too late in many careers for staff to acquire at the right point in their careers the wider experience necessary to exercise the most senior management roles. Extending the Open Structure to the senior levels below would assist in more fully achieving its original aims.

4. The factors outlined in paragraph 3 above do not all apply in the same way throughout the structure. But they are all relevant at the more senior grading levels, where the common managerial elements of jobs assume greater significance relative to specialist content. The general view of the interdepartmental group of officials is that management considerations now point clearly towards the objective of unified grading down to Principal level to which unification at AS and SP levels would be a first step.

*Civil Service
Long term plan*

MB PM



MINISTRY OF DEFENCE
WHITEHALL LONDON SW1A 2HB
Telephone 01-218 6621 (Direct Dialling)
01-218 9000 (Switchboard)

Minister of State
for Defence Procurement

D/MIN/GP/22/1

19 January 1983

Dear Geoffrey

VOLUNTARY EARLY RETIREMENT

Janet Young sent us a copy of her letter to you of 14th December.

Although in Defence we have no immediate need of this additional flexibility to control staff numbers, it could become very valuable to us. We therefore strongly support her proposal.

Copies of this letter go to members of the Cabinet, Sir Robert Armstrong and to Janet Young.

Janet
Geoffrey Pattie

Geoffrey Pattie

The Rt Hon Sir Geoffrey Howe QC, MP



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

14 January 1983

The Rt Hon The Baroness Young
Management and Personnel Office
Old Admiralty Building
LONDON SW1

Dr Jack

*TJ
17/11*

REPORT OF THE JOINT REVIEW GROUP ON EMPLOYMENT
OPPORTUNITIES FOR WOMEN IN THE CIVIL SERVICE

Thank you for copying to me your letter of 14 December to Willie Whitelaw, enclosing a copy of the report of the Joint Review Group on Employment Opportunities for Women in the Civil Service. Generally, I welcome the report, though I share your doubts about the setting up of a Civil Service Nursery Council. As you say, the Civil Service has a long tradition of equal employment policies for women, and we must be sure that this is maintained.

I note and share your view that this is an area where substantial gains can be made without excessive costs. Given that this is so, I should not expect departments to seek extra manpower or cash to implement recommendations in the report. Any extra costs that may arise should be met by a re-ordering of priorities within existing current and planned resource allocations.

I am copying this letter to recipients of yours.

GEOFFREY HOWE

[Handwritten signature]

17 JAN 1983





FILE

RWJ

Civil Service

10 DOWNING STREET

From the Private Secretary

MR RANKINE
MANAGEMENT AND PERSONNEL OFFICE

REVIEW OF TELECOMMUNICATIONS MANAGEMENT

Thank you for sending me a copy of the article on the Review of Telecommunications Management. Its findings come as no great surprise and I would be interested to hear of the outcome of the review of progress which MPO will be carrying out early in 1983. The review has, of course, limited application to No.10 given our switchboard arrangements.

(Timothy Flesher)

11 January, 1983

RWJ



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

10 January 1983

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

Dear Chancellor,

VOLUNTARY EARLY RETIREMENT (VER)

Janet Young sent me a copy of her letter to you of 14 December, and I have since seen Hugh Rossi's letter supporting her proposal.

2 Although I too do not expect a significant response from within the Department of Industry a voluntary early retirement scheme would be a helpful addition to the present armoury of measures available in achieving an orderly rundown in staff numbers and would help us however marginally to achieve our manpower targets. It might also be helpful to us in dealing with the staffing problems likely to arise following the privatisation of the National Maritime Institute last October.

3 I hope, therefore, that you can agree the introduction of such a scheme even if only on a trial basis.

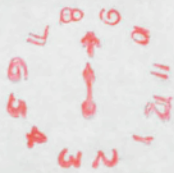
4 I am copying this letter to Cabinet colleagues, to Sir Robert Armstrong and to Janet Young.

Yours sincerely

Caroline Vowley

*(approved by the
Secretary of State
and signed in his
absence)*

Civil Service, Long Term, #112



11 JAN 1983



Management and Personnel Office
Whitehall London SW1A 2AZ

Telephone (Direct dialling) 01-273 4208
GTN 273 (Switchboard) 01-273 3000

Mr T J Flesher
Private Secretary
10 Downing Street
London
SW1

Your reference

Our reference

Date

7 January 1983

Dear Flesher,

REVIEW OF TELECOMMUNICATIONS MANAGEMENT

1. Clive Priestley has suggested that I should send to you the attached copy of an article from the December issue of CCTA news on the review of telecommunications management in the Civil Service. The article was written by Keith Milner, an SEO assignment officer from this division. It highlights the main features of the studies in which he was involved.

2. I have sidelined the points of most interest.

Yours sincerely

J M RANKINE

REVIEW OF TELECOMMUNICATIONS MANAGEMENT

Article submitted by the Management and Personnel Office

Background

In July 1980, after discussions with CCTA, the (then) Functions and Programmes Division 2 of the Civil Service Department launched a Civil Service wide review of telecommunications. Emphasis was placed on economy in use, with special reference to telephone services because these represented approximately 90% of total telecommunications expenditure.

2. The review was part of a wider programme of reviews of functions common to departments. Each review consisted of a series of departmental studies in which specialist assignment officers from what is now Management and Efficiency Division 2 of the Management and Personnel Office (MPO) participated. The aims were to effect improvements in the departments directly concerned and to produce general lessons for dissemination to the Service as a whole.

3. Telecommunications were selected because costs had been rising rapidly (50% in under two years) due mainly to substantial British Telecom (BT) tariff increases and in part to an increased volume of telephone traffic. Expenditure in 1980-81 was £155m. This rose to £183m in 1981-82, and was expected to be in the order of £230m in 1982-83.

4. Eight departments agreed to participate in the first round of studies - CSD, PSA, Home Office, C&E, Scottish Office, DHSS, DIT and DES. Later, work was carried out in MOD, DTp, ODA and MAFF. Two or three buildings or sites were selected in each department as being broadly representative of the organisation and structure of the department. Their telecommunications were then subjected to close scrutiny. A total of 20 detailed studies were undertaken.

Detailed studies

5. The main features of the studies were:

- an inventory was taken of all BT rented equipment and lines and was compared with an analysis of rental charges provided by BT. Overall these comparisons revealed an average overcharge by BT of 4 per cent. One department found net overcharges of £13,300 a year which included an overcharge of £12,000 a year at one site. Another department had earlier found an overcharge of £26,000 on one building;
- the need for extensions and plan arrangements was checked by interviewing the staff concerned. As a result, the average reduction achieved in the number of extensions was 15 per cent. One department achieved a 27 per cent reduction at one site and a 24 per cent reduction at two others, saving £44,500 a year in equipment rental;
- staff were interviewed about their knowledge of the Government Telecommunications Network (GTN), departmental private circuits, BT tariffs, peak and standard rates etc. Information from

exchange logging exercises carried out by CCTA was used in support of these enquiries. In general, there was a widespread lack of knowledge of costs and of ways of using the telephone efficiently. Failure to use existing GTN lines at one London building alone cost £43,000 a year. Another large building spent £3,000 a year on calls to the Speaking Clock. (CCTA have now put route restrictions on BT recorded services and inter-CBX calls over the public network); and

- recommendations were made for improved control systems for Office Services staff eg, equipment inventories, annual reconciliation with BT and other bill checking procedures.

Significant savings

6. Savings in the areas examined represented about 10% of total expenditure. The study teams considered that similar levels of saving could be achieved throughout the departments examined and indeed across the Civil Service as a whole. The general lessons on good management practice drawn from the studies were issued to departments in June 1982 in the form of Telecommunications Management Guidelines - a single sheet format containing the essential elements for cost-effective telecommunications services.

7. In summary, these essential elements are:

- clear allocations of responsibility for the provision and control of telecommunications services;
- the provisions of equipment **strictly** in accordance with need;
- positive disciplines on users so that telecommunications services are used economically; and
- effective control systems to monitor provision and usage and to check BT bills.

8. The Guidelines were given wide circulation. They were aimed ultimately at managers who were directly responsible for the provision of telecommunications services. In the text of the Guidelines, managers were asked:

- to satisfy themselves that their arrangements either conformed to the guidelines, taken as a whole, or that differences could be justified;
- to consider, in consultation with their staff as appropriate, how cost-effectiveness could be improved and clearer performance indicators established;
- to review, if necessary, existing arrangements using specialist support, for example from departmental management services units.

Future action

9. The Management and Personnel Office will follow-up progress with departments early in 1983, and will revise the guidelines in the light of departments' comments and experience in applying them.



MANAGEMENT AND PERSONNEL OFFICE

Guidelines for management practice

TELECOMMUNICATIONS MANAGEMENT GUIDELINES

These guidelines are addressed ultimately to managers directly responsible for the provision of telecommunications services — for example, office services managers, accommodation officers, managers of regional or local offices as appropriate. This responsibility is taken to include the promotion of suitable disciplines by users of the service and checking the accuracy of invoices for call, rental, equipment and staffing charges.

Key guidelines (in italics) are 2, 5 and 6 and departments should consider adopting these as minimum standards of performance.

SUMMARY

Cost-effective telecommunications services require clear allocations of **RESPONSIBILITY**; the provision of **EQUIPMENT** strictly in accordance with need alone; its **USAGE** sensitively with regard to cost; and a **CONTROL** system to monitor these elements and to question billing by British Telecom.

Points for action are listed overleaf.

1 **RESPONSIBILITY** for the provision and control of telecommunications services that are cost-effective, and for monitoring the management of telecommunications accordingly, should be clearly allocated.

2 **EQUIPMENT**: *items of telecommunications equipment are generally rented individually. Each item must be justified strictly by the continuing volume of traffic (with due provision for essential emergency coverage).*

— **TELEPHONES** are not to be seen as office furniture allocated as of right. Officers, irrespective of grade, must expect to have to share telephone instruments if sharing offices (for example, 3–4 staff per instrument, if necessary via a Plan 1A) or to share 'party' extension lines (via a Plan 2). Plan 107s should be restricted to officers having personal secretaries; absent answering should be provided for by quoting alternative numbers rather than by linked extensions.

— **DATA TRANSMISSION** networks should use GTN circuits wherever possible, in consultation with the Central Computer and Telecommunications Agency (CCTA), Technical Services CT(TS) Branch H, Riverwalk House, 157–161 Millbank, London SW1P 4RT; telephone GTN 211 8965.

— **EXCHANGES**: rental charges for external extensions are based on the physical length of line from the Private Branch Exchange (PBX). (External extensions are those located outside the building containing the PBX.) New telephone exchanges should therefore be sited with regard to line lengths and future rental costs. Allowance in their capacity for future traffic growth should not be automatic. The duplication of PBX extensions by internal house exchange systems, or of GTN routes by other private circuits, is justified only where quite specific and essential benefits are recognisable.

— **EXCHANGE LOGGING** should be carried out, in conjunction with the CCTA, to monitor the justification of Government Telecommunications Network (GTN) lines, private circuits, exchange lines and equipment, and the distribution of calls between peak and standard rates.

3 **CHANGES OF ROOM**: instruments and extension numbers should not be moved with occupants. Where, exceptionally, a particular extension number is widely available to the public without ready means of notifying a change, the instrument should be moved using the British Telecom 'change of extension number service', which is considerably cheaper than the alternative 'removal of instrument service'.

4 **STAFFING**: guidance on staffing government switchboards is provided by the CCTA (address as in Guideline 2, telephone GTN 211 8651). The choice of British Telecom or government-employed telephonists should be based on a comparison of costs calculated with reference to MPO (Management and Personnel Office) General Notice Gen 82/27 (issued on behalf of HM Treasury).

5 **USAGE**: *positive disciplines on users are necessary.*

— **COST-CONSCIOUSNESS**: staff should be broadly familiar with the telephone charges system, with the availability of GTN and other private circuits, and of facsimile, telex and tele-conference facilities. Senior management should demonstrate an interest in whether staff have the necessary familiarity with these charges and facilities;

— **STATIONERY**: all departmental stationery, directories etc should be designed to encourage use of private circuits before resort to public networks;

— **BARRING**: access to all British Telecom recorded services should be barred at exchanges wherever feasible and cost-effective. Barring should also extend for designated extensions to all access to the public network or to access during peak charging rate times, continued access being strictly on the basis of official need (with provision for emergencies);

ACTION

Managers responsible for providing telecommunications services are asked:

- to satisfy themselves that their arrangements either conform with the guidelines, taken as a whole, or that differences are fully justified;
- to consider, in consultation with their staff as appropriate, how cost-effectiveness could be improved and clearer performance indicators established,
- if necessary to review existing arrangements using specialist support, for example from departmental management services units.

The Management and Personnel Office will follow up progress with departments in six months, and revise the guidelines in the light of departments' comments and experience in applying them.

- *EMBARGOS on calls from all extensions via the public network at peak rate times, should be considered in relation to the organisation and urgency of the work (peak rate charges are 28–50 per cent more than the standard rate depending on the type of call);*
- *PRIVATE CALLS: departmental instructions on private calls should accord with CSD General Circular GC/154 and be familiar to all staff;*
- *EXTENSION LOGGING: a series of pilot studies has demonstrated that the use of extension logging to monitor traffic levels for individual extensions, and to inform extension users about the volume and pattern of their calls, induces reductions of 25–30% in call charges. Guidance on extension logging is to be provided by CCTA (address and telephone as in Guideline 2).*

6 CONTROL: *officers responsible for telecommunications services should have suitable control information based on equipment inventories and logging as appropriate. This should be used to keep provision in line with need and to check the British Telecom list and billing. They should also have an appreciation of the complex British Telecom charging practices (for example, by attending an appropriate Telecoms Appreciation Course).*

7 COSTING: *the outturn cost of government telephones is likely to exceed £200 million in 1981–82, about 40% of which is attributable to equipment rental charges, and another 40% to dialled call charges. Managers should consider what kind of cost information would assist the control of telecommunications services, having regard to moves in many departments towards the introduction of local budgets. The broad need is to plan and monitor the cost of telecommunications in relation to total costs, as a means of controlling volume in response to price increases and changes in overall workload, and also in relation to identifiable users or outputs (programmes or projects), and to budget allocations. Indicators such as rental costs as a proportion of total telecommunications costs, the proportion of costs at peak rate charges, or dialled call costs per user command/project/programme, will be relevant. Costs of a shared PBX should normally be apportioned according to the number of extensions held.*

MANAGEMENT GUIDELINES are compiled by the Management and Personnel Office from the experience gained in participating in detailed studies of the areas concerned by individual departments. Guidelines are designed to provide a common basis for considering management practices with the object of improving performance. The guidelines themselves will be developed in the light of further experience. Guidelines are framed within existing Service-wide agreements with trade unions but are not themselves agreed centrally; departments should liaise with trade unions domestically in the usual way about specific local changes.

The TELECOMMUNICATIONS MANAGEMENT GUIDELINES have been prepared following detailed studies with the Departments of Environment (PSA), Health and Social Security, Industry and Trade, in the Civil Service Department, HM Customs and Excise, Home Office and Scottish Office, and in Research and Development establishments in several departments. Cost savings of 10–15% have been identified in the course of these studies. Work by the Ministry of Defence on defence telecommunications has also contributed. The Guidelines have been agreed with the Central Computer and Telecommunications Agency and a copy has been sent to Exchequer and Audit Department.

More detailed information is contained in SUPPLEMENTARY NOTES ON TELECOMMUNICATIONS MANAGEMENT available from the MPO on request by departmental management audit units (including management services, staff inspection, internal audit etc).

MPO responsible officer, TELECOMMUNICATIONS MANAGEMENT GUIDELINES: Mr J M Rankine (telephone GTN 273 4208; non GTN telephones prefix 01), Management and Personnel Office, Whitehall, London SW1A 2AZ.



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NBAM

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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

The Rt Hon Baroness Young
Lord Privy Seal
Management and Personnel Office
Whitehall
LONDON SW1

7 January 1983

EXTENSION OF UNIFIED GRADING IN THE CIVIL SERVICE

I received a copy of your letter of 21 January to Geoffrey Howe.

I welcome the idea of carrying unified grading further down the Civil Service structure and the specific proposals to that end outlined in your letter. I don't think we should expect too much too soon from this development but removing unnecessary barriers to movement ought to help in making the most effective use of our manpower resources even if only on the margins.

As you say, there will need to be detailed consideration by officials of the treatment of particular grades particularly outside the three main categories (Administration; Professional and Technology; Science). In the DHSS we do have a very wide range of staff groups including some large groups such as doctors and nurses with key roles in our work and we shall want to be sure that any changes proposed would be consistent with our management need to recruit and retain staff in the light of changing market conditions, especially in the NHS. And in some very small specialist groups, eg of one or two, no real purpose might be served by unified grading. That said, we certainly see advantages of unified grading in the main core areas to which you refer, and I am happy to give agreement in principle to what you propose.

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

NORMAN FOWLER

C Service A12
Loy Fern

7 JAN 1983

LABOR

DEPARTMENT OF HEALTH, EDUCATION & SOCIAL SERVICES
ALABAMA HEALTH DEPARTMENT
BIRMINGHAM, ALABAMA 35201

THE ALABAMA HEALTH DEPARTMENT
LABOR DIVISION
BIRMINGHAM, ALABAMA 35201

[Faint signature]

DIRECTOR OF LABOR RELATIONS DIVISION

RE: [Faint text]

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QUEEN ANNE'S GATE LONDON SW1H 9AT

6 January 1983

Dear Lady

JH

7/1

REPORT OF THE JOINT REVIEW GROUP ON EMPLOYMENT OPPORTUNITIES
FOR WOMEN IN THE CIVIL SERVICE

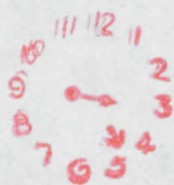
I was interested to receive the copy of this Report which you sent me under cover of your letter of 14 December, particularly in view of my responsibilities for equal opportunities for women. The Report offers a very comprehensive survey of the issues in this area and, though I agree with you that there may be reservations about some of the proposals put forward by the Group, their recommendations certainly deserve careful and thorough scrutiny. Here as elsewhere it is vital that improvements in policies and procedures are secured in the most effective and economical way, bearing in mind constraints on resources.

My Department is very ready to help in following up the Group's work, and in the meantime we shall certainly do what we can to take account of the concern reflected in the Group's Report, in dealing with particular problems.

Copies of this letter go to the Prime Minister, other members of the Cabinet and Sir Robert Armstrong.

The Rt. Hon. Baroness Young

... N 1983





DEPARTMENT OF HEALTH AND SOCIAL SECURITY

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

Telephone 01-407 5522

From the Minister of State for Social Security and the Disabled

The Rt Hon Sir Geoffrey Howe MP
Chancellor of the Exchequer

31 December 1982

Dear Geoffrey.

VOLUNTARY EARLY RETIREMENT

I have seen Janet Young's letter to you of 14 December, and I would like to add this department's strong support.

Like Janet we do not think that the scheme would make a tremendous difference numerically. Our share of her figure of 1000 is estimated to be 200 or 300. Nevertheless we are getting to the point where fine-tuning may make a considerable difference in achieving the target of a civil service of 630,000. We also want the scheme because it may well enable us to escape compulsory redundancies which would cause trouble out of all proportion to their numbers. Copies of this letter go to members of the Cabinet, to Sir Robert Armstrong and to Janet Young.

HUGH ROSSI



Civ Service
CC HMT
LPO

10 DOWNING STREET

From the Private Secretary

23 December 1982

BA-11
You will by now have received a copy of Mr. Edward du Cann's letter of 21 December about the Government's response to the Treasury and Civil Service Select Committee's Report on efficiency and effectiveness in the Civil Service. I should be grateful for a draft reply for the Prime Minister to send to Mr. du Cann as soon as possible. Mr. du Cann also mentions the role of the Comptroller and Auditor General and I assume therefore that the Treasury to whom I am sending a copy of this letter will wish to consider whether the reply should cover that issue.

I am sending a copy of this letter, without enclosure, to John Kerr (H.M. Treasury) and David Heyhoe (Lord President's Office).

Tim Flesher

Mrs. Mary Brown,
Lord Privy Seal's Office.



CIVIL SERVICE

Management and Personnel Office

Whitehall London SW1A 2AZ

Telephone 01-273 } 4400
GTN 273 }

22 December 1982

The Rt Hon Norman Tebbit, MP
Secretary of State for Employment
Caxton House
Tothill Street
LONDON SW1H 9NF

Sean Naman,

JD
23/12

CENTRALLY CO-ORDINATED EFFICIENCY EXERCISES 1983

Thank you for your letter of 3 December.

I am pleased that you are content with the overall shape of the centrally co-ordinated efficiency programme for 1983 and I welcome your participation in the review of supporting services for administrative work.

I note what you say about the proposed review of internal consultancy, inspection and review capabilities. I think it would be a pity if DE were not to be a part of the review - which we have now moved towards the end of 1983 to meet departmental problems on timetabling. Nevertheless, I recognise that you want to see the results of at least some of the follow-up to Stage 1 of the Financial Management Initiative before finally deciding. I suggest, therefore, that we leave the possibility on the table for the time being and return to it in, say, the late Summer.

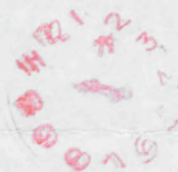
I am sending a copy of this to the Prime Minister.

Yours ever

Janet

BARONESS YOUNG

23 DEC 1982



1982

"EFFICIENCY AND EFFECTIVENESS"

Response by the Council of Civil Service Unions to the Government's White Paper (Cmnd 8616).

1. Background

1.1 This paper sets out the response of the Council of Civil Service Unions to the Prime Minister's White Paper (Cmnd 8616) published on 27th September 1982 in reply to the Treasury and Civil Service Select Committee's 3rd Report 1981-82 on Efficiency & Effectiveness in the Civil Service.

2. General

2.1 The White Paper was a major disappointment to the Council in that it confirms our views (submitted to the Select Committee within our proof of evidence) that the present drive for "efficiency" within Government operations, motivated largely by Government objectives on reducing public spending, will be allowed to proceed with no real attempt to measure the results of spending and manpower cuts in terms of reduced volume, quality and equity of service.

2.2 The White Paper confirms our belief that present Government initiatives to tighten financial control and cut costs will be achieved at the expense of any quality control of Government services and Parliamentary accountability for them.

2.3 We view with considerable scepticism the White Paper's references to the dangers of a "failure of morale" and the importance of staff involvement. In the light of our experience of the Government's attitude to civil servants and the value of the services they provide, these paragraphs are, in our view, hypocritical.

They are certainly not reflected in the prevailing attitudes of Ministers and their decisions on Civil Service matters.

2.4 By contrast, the Council remain fully committed to the achievement of a more efficient and effective Civil Service, but we wish to see this objective secured by means of agreed measures rather than by cosmetic exercises designed to meet arbitrary targets.

3. The CCSU Position

3.1 The policy of all the unions in membership of the Council in opposition to arbitrary cuts in public expenditure has been firmly established by successive union conferences. These decisions reflect the view of the entire non-industrial Civil Service as expressed through the unions in membership of the Council.

3.2 One of the most objectionable features of the way that the current Government is implementing its policy of reducing public expenditure is its failure to provide information about the real effects. There is a need to spell out the full consequences of the reductions for staff, levels of service, equity, quality control, revenues foregone, etc. These should be fully available to Parliament and the public at large, and the issues involved should be subject to full public debate.

3.3 Cuts are being made in three broad ways. First, there is the method of simply removing the function. The following example of the effects of this in the defence area shows graphically what happens:

3.3a As part of its 1981 Defence Review the Government decided to cut back the refit, maintenance and repair activities provided through the Royal Dockyards in support of the Royal Navy. It was announced in June 1981 that Chatham and Gibraltar Dockyards would be closed by 1 April 1984 and 1 April 1983 respectively. Portsmouth Dockyard was to be run-down to some 1500 civilians and changed to a naval base by

1 April 1984. Through the MOD Trade Union Side a vigorous campaign of opposition to these proposals has been pursued, in particular via Parliamentary contacts.

3.3b With the crisis in the South Atlantic last Spring, however, the great dangers inherent in these dockyard cuts was all too clearly demonstrated. With the announcement of the decision to send the Task Force to the South Atlantic, staff at Portsmouth Dockyard, for example, moved to continuous working even with redundancy notices in their pockets. Civilian staff responded magnificently, but there remain serious doubts as to whether or not such a Task Force could be put to sea, certainly in the extremely short time actually achieved, if a similar crisis arises after 1 April 1984.

3.3c Irrespective of the Falklands Crisis, the Government has so far failed to provide satisfactory replies to questions as to the capacity of two remaining dockyards - Devonport and Rosyth - to cope with the refitting, repair and maintenance workload after April 1984, particularly in respect of nuclear powered submarines (SSNs). To date Chatham is the only Yard to have completed an SSN refit, yet Chatham is to close.

3.3d The Secretary of State for Defence has indicated his intention of presenting a further defence White Paper by the end of the year, setting out the principal lessons of the Falklands Campaign and their impact for defence policy. There are already informal indications that the future size of Portsmouth forms part of this review, but in spite of our pressure for a full public debate, this has so far not materialised.

3.3e The dockyard cuts highlight dramatically the extent to which Government pressures to reduce the numbers of civil servants have put our nation's security at grave risk, yet the general public remain ignorant of the full consequences of these cuts.

3.4 The second course is to transfer the work out of the Civil Service ("privatisation" or contracting-out) regardless of the real cost to the public or to public funds. There are two examples of this from the Department of Transport alone:

3.4a The first relates to the decision by the Department of Transport to transfer to private consultants responsibility for the road construction work, previously undertaken in Road Construction Units staffed jointly by civil servants and local authority staff. By the end of 1981, the Department of Transport had transferred responsibility for work valued at over £2,000m to the consultants. The Comptroller and Auditor General reported that DTp had estimated in October 1980 that transferring RCU work to consultants would cost some £5m in redundancy compensation to RCU staff and special payments to the consultants; and that, since it was more expensive to use consultants than viable RCU Sub Units, there would be a continuing extra cost which would amount to £4m in 1981-82 but would probably diminish in later years.

3.4b When questioned by the Public Accounts Committee, DTp admitted that these estimates were about right in the short term and that they had known in March 1980 that privatisation was unlikely to be the cheapest course. However, the minister had regarded the likely extra cost of making the change as outweighed by the advantages to the country of strengthening the

private sector consultants. The PAC reported as follows:

"We think it unsatisfactory not only that these costs were not disclosed once they had been estimated, but that DTp did not take more trouble to evaluate the alternative courses of action before any announcement was made to Parliament, so that Parliament could be presented with firm proposals and a clear picture of the financial consequences We consider it an important part of both accountability and financial discipline for Departments that significant financial implications of a change in policy of this kind should be assessed and disclosed to Parliament before the point of commitment is reached, so that Parliament can reach its own judgement on the balance of costs and benefits". (Paragraphs 7 and 8 13th Report from the Committee of Public Accounts: Session 1981-82).

3.4c The PAC went on to examine whether DTp's allocation of RCU work to consultants appeared to meet its stated objective of helping consultants to obtain more expert work. It noted that 13 of the 15 firms selected to take over work on road schemes valued at over £2,000m were already working for the DTp or the Scottish or Welsh Office and that they all had proven records at home and overseas.

3.4d A current example in DTp relates to the proposed transfer to the private sector of the Heavy Goods Vehicle Testing Stations. Again the Trade Union Side argued that the transfer would not reduce Government expenditure since the fees charged already covered the costs. It argued that the cost of fees would have to go up to make the service profitable to the private sector.

3.4e Again it is proving extremely difficult to get information of the costs involved from the Department of Transport. However, the Trade Union Side understands that the organisation currently in negotiation with the Department on the transfer is insisting on a substantial increase in the licence fee as a condition for the takeover. Once again it sees the Government's objective of securing better value for money is failing in its objective.

3.5 The third method is the imposition of the crude, across-the-board cuts, in the form of recruitment freezes, manpower ceilings and cash limits. These cuts mean that the Government loses effective control over how policies are implemented, and they damage all services in unpredictable and uncontrolled ways. Departments are faced with trying to match resources to tasks in a piece-meal, crisis-management fashion, and the staff are faced with reduced numbers and support services which bear no relationship to the actual demands placed upon them.

3.6 The following extract from a recent letter sent by the Chancellor of the Exchequer to the Inland Revenue Staff Federation exemplifies the Government's attitudes:

"The Treasury response to the PAC Committee Report will be published shortly and so, I am sure you appreciate, it would not be proper for me to deal with their specific recommendations in advance. But I accept that the facts quoted do demonstrate that the yield from staff currently employed on investigation work by the Inland Revenue has been productive on a cost yield basis, in some instances very highly so (though this cannot be the only criterion for determining levels)." (11 October 1982)

3.7 Part I of our evidence last year to the Select Committee said:

"Rather than achieving 'smaller government' efficiently and effectively organised, recruitment freezes, option exercises, arbitrary manpower targets and the like produce enfeeblement of services across the board." (Para 4.4)

3.8 Part II of the CCSU evidence assembled various case studies showing how present and past methods of achieving cuts have led to loss

of effectiveness, lost income, reduced control, and poorer standards of equity, in exactly this way. As we note below. (paragraphs 3.10 et seq), the Select Committee were understandably unimpressed by the counter-evidence put forward by Government departments.

3.9 One significant reason why the methods outlined in paragraphs 3.3 to 3.5 above can be used in the public service is because the measurement of output and quality of service is usually much more difficult to quantify and is much less developed than in the majority of the private sector. Manufacturing industry, for instance, has to meet the ultimate stringencies of the market place, which produces in-built service and quality control mechanisms. It is accepted that measurement of effectiveness, outputs and intermediate outputs is difficult in the Civil Service (paras. 35, 36 and 37 of HoC 236-1 are a valuable account); but for claims of increased efficiency to be credible, effective output and quality control measures must be developed and employed in the Civil Service.

3.10 There has been only one recent account of the consequences of "Civil Service manpower cuts on output - published in "Civil Service Manpower Reductions" (HoC 423 July 1981). This paper describes 48% of staff savings in the previous 12 months as arising from "general streamlining (including lower standards of service) and other minor changes" (Page 8). Commenting on this figure, the Select Committee Report said:

"Because of this last category it is not possible to say what proportion of the total staff savings represent a gain in efficiency, but it is clear that a significant proportion of the savings was secured by reducing output and, therefore without a prima facie increase in efficiency". (Para. 39).

3.11 The Committee's report contains other indications that they are clearly aware of the dangers of describing money and staff cuts as increased efficiency. Commenting on a Prime Ministerial statement on savings, made in January 1982, the Committee said:

"It is not clear to what extent, if any, sacrifices of quality and control may have been involved in making the necessary changes. The savings do not suggest that the scrutinies have been comprehensive reviews of the efficiency and effectiveness of major programmes." (Para. 30).

3.12 Commenting on manpower cuts in the Department of Employment, DHSS and MOD, the Select Committee accepted that efficiency has been increased but went on to say:

"However, they would not wholly reflect increases in efficiency if there has been a fall in output or if the measure of output being used as a yardstick does not properly reflect the quantity or quality of service as perceived by the beneficiaries of the programmes concerned. Moreover, they might reflect a fall in effectiveness if any fall in output has not been balanced by a downward adjustment of the target".
(Para. 40)

3.13 On cuts in checking, inspection and audit, the Committee said:
"The loss of potential savings must be taken into account to give a true picture of the change in efficiency". (Para. 41)

3.14 The Council's main interest in the Select Committee's work and the Government's response was, therefore, on the question of whether new methods would be proposed for improving the measurement of output and quality control in the Civil Service, and for making Parliament and the public more aware of what is actually achieved for the money voted for public expenditure. We are concerned lest the Government imperative of "efficiency" becomes little more than a cloak for continued cutting of public expenditure, staff and services in the absence of detailed information on the real effects of these cuts.

If the Government is seriously concerned to achieve real efficiency savings (ie. cutting costs whilst preserving output), new methods of assessing effectiveness and of ensuring accountability to Parliament should have been developed following the Select Committee's extensive researches. Far from this being the case, however, virtually every proposal for extending output measurement and quality control has been evaded in the White Paper.

4. "Achievements So Far"

4.1 We now turn to the section of the White Paper under the heading: "Achievements So Far". The following comments on the "improvements made by departments towards securing better value for money" will illustrate the concerns we have outlined in section 3 above.

INLAND REVENUE

4.2 The White Paper says:

"Between 1978/79 and 1980/81 the number of Inland Revenue staff per 10,000 taxpayers has fallen from 24 to 21 (12½ per cent)".
(para 7) No further information is offered.

4.3 As an allegation of better value for money this statement is highly questionable. At least it should relate staffing to revenues received and those remaining uncollected; revenues not assessed at all; the quality of service to the taxpayer and equity between them plus, particularly important, the public's perception of Revenue activity and its deterrent effect.

4.4 As a real assessment of the better value for money it fails dismally. Only two months before the White Paper appeared, the Public Accounts Committee (Twenty Second Report) openly criticised the Revenue for failing to maximise potential income. The PAC noted a

Treasury figure of 1,870 Revenue staff engaged upon investigation work produced £173 million in extra tax and commented that these figures:

".... suggest strongly that substantially more investigation staff should be employed by the Inland Revenue. As we recorded in our Twelfth Report 1980-81, the immediate yield in additional revenue as a result of the activities of present staff is at least four times the cost of their salaries. In addition, checks made by the Department suggest that there is a continuing effect in increasing tax yields in succeeding years. And there are also the deterrent effects. The employment of these staff therefore 'produces very good value for money' (Para 19).

4.5 The PAC was confident that the employment of extra staff would not entail a declining return per head:

"The Department told us that they had no evidence that the increasing coverage of their selective examination was bringing into play the law of diminishing returns; the results suggested that this point was still a good way off".

4.6 The PAC's view is that the department would be more effective if it employed more investigation staff. There is no doubt about the relative efficiency of such additional staff in view of the significant yield on tax such staff can obtain, compared with their cost. Yet the Chancellor refuses to authorise an increase in the efforts of the Inland Revenue against evasion, and staff cuts of 12,000 in the past 2½ years make it more difficult to obtain the necessary staff with the significance that there is a good deal of lost revenue, a growing black economy and diminished value for money.

4.7 In August 1982, the General Secretary of the IRSF collated some of these in a letter to the Chancellor of the Exchequer in support of arguments for a halt in the Revenue staffing cuts. The Chancellor, in rejecting this approach would not accept the IRSF's figures of Revenue arrears but it appears wants only to concern himself with a

selective area of employers. The Revenue's statutory responsibilities, of course, relate to all employers and taxpayers. For these reasons, the IRSF has again returned to the Chancellor of the Exchequer supplying more up-to-date figures as follows:

	<u>September 1982</u>		
Amount of PAYE outstanding	£1,057 million	£475 million (May 1980)	
Unpaid Schedule D Assessment for previous years	393,000	283,000 (1980)	
	<u>Sept. 1982</u>	<u>May 1982</u>	<u>May 1980</u>
... and in the Collection offices			
Letters awaiting attention	120,084	106,000	30,000
'Diary entries' (work outstanding)	161,000	150,000	41,000
Assessment alterations pending	25,000	24,000	15,000

4.8 The comparisons are made with 1980 due to the disruption caused by the Civil Service Pay dispute in 1981. The strike is not the major cause of the large sum outstanding however. Para 25 of the PAC report says:

"The Department told us that the amount outstanding had been reduced steadily since the strike and by 31 March 1982 had fallen to between £500 million and £750 million".

In fact, as each month passes since the dispute the work state further deteriorates.

4.9 Staff shortages in the Revenue are an important factor in the decision not to recode for the August 1982 1½% cut in mortgage interest. The financial consequences of this decision for all taxpayers involved do not appear to have been reported, or indeed considered.

4.10 Another area of great concern to staff is the effect of shortages on consistency of activity between offices. The measurement of levels of "equity" is no easier than measures of overall effectiveness. Nevertheless, the principle of equity has been a corner stone of our tax system and cannot be left out of an efficiency equation. In large measure the reputation of the Inland Revenue is based on the promise and expectation of "fair play" as between one taxpayer and another - whether they be in Wick or Winchester. The large are treated no differently from the small.

It is our belief that this has been acknowledged hitherto in the attitudes of the British taxpayers and employers. They accept taxes because they see it as a means of contributing to the common good. As a result the system is in many ways a voluntary one relying upon honesty, without undue regulation. However, it is now becoming all too clear that as traditional approaches and standards are lowered, that is disappearing. Growth of the Black Economy is a clear indication here and should be taken into account in measuring Revenue effectiveness.

Equity in collection and investigation will be an especially important consideration following the recent publication of the Gracey Report in October, recommending closure of over half the country's tax Collection Offices. With visiting of non-payers increasingly restricted, the Gracey proposals will have major consequences on both the amount of revenue obtained and on the evenness of coverage.

4.11 The White Paper's omission of any information on the consequences of staff reductions leaves their "achievement" in the Revenue unproven. The PAC's findings and the other evidence sampled above suggest that a thorough analysis, comparing inputs and outputs achieved, might well show a decline in "value for money".

DHSS

4.12 The White Paper says:

"It is estimated that the relative costs of administering Social Security Benefits will have fallen by six per cent between 1978/9 and 1981/2."

4.13 In March 1982, the number of supplementary benefit claimants passed the 4 million mark for the first time, due largely to unemployment and the abolition of the earnings related supplement. In the preceding two years the increase was 36%. Against this rise in demand, staff numbers fell by 10,000 in the previous 5 years with another 11,000 to 12,000 planned to go by 1984.

4.14 Service to the public has declined appreciably. Home visiting, which in the past has been the corner stone of the service, has been drastically cut back and, in many areas because of pressure, has been waived altogether. Instead of pensioners being visited at least once a year to ensure that all their needs have been properly identified and included in their allowance, they are now only scheduled to be visited once every four years and that visit is now frequently set aside. Unemployed claimants are now visited once a year, with the initial visit being one year rather than four weeks after a claim is made. Postal claim forms are being introduced to replace personal interviews in the office or at the claimant's home despite the evidence of pilot studies showing a greatly increased frequency of error and delays. All the changes have been made not because home visiting and personal interviews are "inefficient", but because they are costly in staff time and cannot be met from current manpower levels. The result is unidentified and, therefore, unmet need, underpayment and overpayments of benefit, welfare needs of particularly the old and the sick ignored and increased fraud and abuse. In fact, if home visiting had been maintained at the previous level, there would have been no

need to mount Operation Major in the Oxford Area Office because the alleged false claims would never have arisen.

4.15 These are all prima facie cuts in effectiveness of service, yet despite this, the Department still argues that the new procedures, streamlining etc., have in fact brought about higher productivity and by implication increased effectiveness. This is exemplified by focussing down to look at what is actually happening in DHSS offices rather than looking at macro figures. The DHSS unions representing staff in the Merseyside region published a report entitled "For Whose Benefit?" in October 1982. The following facts, based upon management records, are drawn from that report. It is these facts which have to be put in the equation along with the manpower cuts in order to assess properly the question of efficiency and effectiveness.

Merseyside

4.16 In the Merseyside Region, the number of claimants on supplementary benefits increased by 35% between April 1980 and April 1982. The number of staff in local offices has fallen by 4%. Looking at a few individual examples, the number of staff in the Toxteth office has increased by 68 to 80 (17%) (April 80 to April 82) but the number of claimants per staff member has gone up from 1:92 to 1:133 - a 33% increase. In Kirkby, staff have increased from 82 to 88 (7%), but the number of claimants per officer from 1:86 to 1:126 (47%). In Ellesmere Port, staff numbers have increased from 41 to 48 (17%) and claimants per officer from 1:88 to 1:123 (49%).

4.17 If these figures represented real productivity increases, they would be a stunning success. Productivity up by a third over two years is an achievement very few private concerns in Britain or abroad could boast. Unfortunately, of course, the quality of the product has not remained constant. The Merseyside Report says:

"The last 12 months has seen a considerable growth in the pressures on staff in local offices. Staff morale is low and will soon reach a point where staff will cease to care what happens to the work. Some staff in an effort to reduce pressures on themselves and to give some semblance of a service to the public are working unpaid overtime. Some offices are having to reduce drastically the service given to the public by reducing interviewing times, cutting back on visits and even closing down whole sections of the office for weeks at a time." (Page 12)

4.18 The Report quotes the number of supplementary benefit cases "Awaiting Visit": 595 in Toxteth, 370 in Kirkby and 295 in Ellesmere Port. The total number of "Cases Awaiting Action" in each office is 3851 in Toxteth, 2833 in Kirkby and 1992 in Ellesmere Port. The total number "Awaiting Action" in the Region is 92,049.

4.19 The report has this to say about delays:

"Delays in visiting mean that claimants entitled to additional requirements, eg. for heating and diet may miss out altogether or experience long delay before receiving their full benefit entitlement.

Delays in payment multiply offices' problems. Persons waiting for payment ring the office to check when payment can be expected causing further delay while their papers are found to check on the position. The situation has become so serious in some offices that switchboards have become jammed and offices have set up special sections just to deal with telephone calls, which, whilst relieving the pressure on sections in the office responsible for making payments, means more often than not the claimant will have greater difficulty in obtaining an answer to his query and will resort to visiting the office causing extra frustration to him and extra work for the staff. It is not uncommon now for a claimant in this Region to have to wait more than 2 weeks from the time of claiming to the payment of benefit. This is a totally unacceptable delay when one considers that we are dealing with people in the most deprived

section of the community for whom a delay in the receipt of benefit by even a few days can cause considerable hardship."

(Page 13)

Take-up Levels

4.20 One obvious measure of effectiveness is the level of take-up. For benefits it is probably the main determinant of effectiveness: how well Government benefits are reaching those for whom they are intended. The table estimates the level of non-take-up broken down by areas in the Merseyside Region:

Area	Approximate No. Failing to Claim	£ Million Unclaimed (Approx)
Liverpool	26,000	4.5
Knowsley	13,500	2.3
Cheshire (Area West of M6 only)	17,000	2.9
Sefton MDC	10,000	1.7
Wirral BC	13,000	2.2
Preston	7,000	1.2
Blackpool & Lancaster	10,500	1.8
Barrow In Furness	2,500	0.4
TOTAL	99,500	17

(Page 13)

Supplementary benefit entitlement "triggers" several other benefits and there is no doubt that, over and above the question of effectiveness already posed, the total amount of unclaimed cash must have a significant effect on the local economy.

4.21 The Report concludes:-

"There can be little doubt that the DHSS administration in local offices is fast approaching a major crisis. The impression is created for claimants that the Department is uninterested and unwilling to help. A total breakdown in the Social Security system can only be halted by Central Government making resources available for additional staff."

4.22 The Merseyside Report spells out an 'early warning' that hopefully, management is repeating to Ministers and they in turn should be reporting to Parliament. In Birmingham, similar early warning signs were not heeded.

Birmingham

4.23 On 14 September, in the Erdington Office in Birmingham, five staff were rostered to initially interview upwards of 200 claimants that day. Two were off sick. One opened the doors in the morning and broke down at the prospect confronting her. The remaining two refused to try and cope alone and walked out on strike. The dispute received official backing, and rapidly spread to other offices in Birmingham. Within a month, six offices were closed and normal operations discontinued as regional office staff tried to prevent a major crisis by manning emergency payments offices. The dispute has now spread throughout Birmingham, involving all DHSS local offices.

4.24 In the 11 DHSS offices in Birmingham, the supplementary benefit case-load has increased by 21.5% between August 1981 and August 1982. The number of unemployed claimants had increased by 35%. Over the same period the number of staff had declined by 2.5%. The number of postal claims rose from 3501 in September 1981 to 5021 in August 1982 (43% increase). The staff/claimant ratio in the Handsworth office increased from 1:52 in February 1979 to 1:91 in December 1981.

4.25 In a background note on the Birmingham situation, a local union representative wrote:

"The basic problems at all the offices involved are not in dispute. They are manifested by increasing workloads and increases in callers to the office, lengthening delays in the granting of appointments and despatch of payments, the continual re-organisation of office functions together with the abandonment of particular areas of work and the utilisation of temporary labour and overtime for routine tasks." (October 82)

4.26 Trade union representatives had repeatedly warned that a crisis was looming even if senior management had either failed to detect the signs or neglected to act on them. Such a warning was given in the evidence submitted by the DHSS Departmental Whitley Council Trade Union Side to the House of Commons Committee of Public Accounts in September 1981 in relation to the manpower crisis:

"It is only a matter of time before this situation results in the staff taking matters into their own hands. When that happens, all the constraints, controls and cash limits will be of no value in providing an efficient or effective service."

Several outside bodies had also expressed their concern. In June 1982, West Midlands County Council published a report by their Senior Adviser on Economic Development stating that:

"... the Welfare Benefits system in the area is nearing breaking point because of the huge demands being made on it through soaring unemployment."

4.27 A vital component of any system aiming to maximise efficiency and effectiveness is its ability to respond to changed circumstances. Not only is the DHSS failing to pay proper attention to measuring effectiveness (accuracy of work, delays, levels of take-up, cost-benefit of staff) it is proving itself hopelessly incompetent at moving in to deal with crisis situations in adequate time. Generalised

allegations about increased productivity based on macroscopic figures cannot hide the harsh reality that, in parts of the country, the service is on the point of collapse, with efficiency and effectiveness fast approaching zero.

MAFF Capital Grant Schemes

4.28 The White Paper says:

"The Ministry of Agriculture, Fisheries and Food has streamlined its regional organisation and simplified the arrangements for making grants to farmers for capital equipment, thus saving so far 700 posts worth about £6m a year." (Paragraph 7a)

4.29 In Part 1 of the Council evidence to the Select Committee, a selection of the MAFF Trade Union Side's comments at the time of the Rayner scrutiny were included. These focused on the dangers of abuse under the new system, and the eventual need for additional checking procedures.

4.30 Experience since has shown the validity of the criticisms made by the Trade Union Side. The revised instructions to staff were written in such haste that amendments and alterations have had to be issued at frequent intervals. Even the alterations are not fully thought through - for instance, one amendment referred to materials from stock and the percentages of current market prices to be allowed, but omitted to list either materials or percentages to be used.

4.31 Staff have no confidence in the scheme as now being implemented. The administrative staff feel isolated and their morale has suffered as they feel they are being expected to make decisions and judgements on technical matters. Specialist staff are equally convinced that the reduction in their role has opened up the risk of abuse.

4.32 No proper record of inappropriate claims, inspection results, savings etc. appears to be kept by management. It is the staff

themselves who have complained of the overall impression of loss of control, growth of inappropriate payments and incorporation of ad hoc, inefficient checking procedures. As a result of these complaints, the unions have gathered information from members. This has revealed that the average checking rate of grants is now 15% of standard cost claims and 6% of actual cost claims. Because of the method of selection, very often minimum claims (£500) are checked, whilst large claims (up to £30,000) are missed. On a standard cost claim for £50,000 checked on the one in six basis, it was discovered that £20,000 less than the claim had been spent. On another sample check on a £20,000 claim the entire claim was not paid because the check revealed it was invalid. In another instance staff themselves kept a record of some claims inspected and on twelve claims received which related to £42,894 inspection had saved £9,650 which would otherwise have been paid. The Department has now commenced a further review of the present system to see how it is working in practice. Hopefully this will produce a full analysis of the changed procedures on output. In the absence of such factual information the Department's claims for increased efficiency clearly cannot be substantiated.

4.33 We also enclose, as an annex, a report from the Farmers' Weekly of 19 November 1982, which voiced the concern of the farming industry. We should also point out that the Government introduced the same simplified procedures in Scotland without regard to differences in the way in which the schemes are operated there and that the specialist staff who administer the scheme in Scotland are at least as unhappy as their colleagues in MAFF with the loss of control and markedly increased opportunities for abuse which the revised procedures afford.

CUSTOMS AND EXCISE: VAT

4.34 The White Paper says:

"In HM Customs and Excise, operational research techniques have improved the effectiveness of the Department's programme of VAT control visits. The increases in detection of under-declarations resulting from these techniques is estimated at about 20 per cent, worth about £25-30 million a year."

(Paragraph 7b)

4.35 In our original evidence to the Treasury Committee (HoC 236 - II p. 369), the CCSU argued that a cut of around 400 posts in VAT control since May 1979 was contributing to loss of revenue, both directly, and through the deterrence effect. The CCSU argued that improved productivity (through operational research and the like) is all the more reason for increasing not continuing to cut staffing levels:

"Whilst the productivity of VAT officers is increasing, and the revenue at stake is so substantial, the rationale for basing staff levels on arbitrary four-year targets is illogical."

(Paragraph 5.1)

In essence, if the cost-effectiveness of VAT staff has been increased, the argument for employing more of them is strengthened, not reduced.

4.36 The Treasury note on the CCSU evidence failed to grasp this point, continuing to argue, as does the White Paper, that improved techniques should be used to cut staff rather than increase revenue:

"The Department considers that increasing effectiveness (through the use of operational research) has enabled VAT control to take its share of recent staffing economies without apparent undue detriment to the tax yield." (HoC 236 - II p. 455)

The Public Accounts Committee 22nd Report (July 1982) expressed a view very similar to that of the CCSU. It noted that:

"In Customs and Excise 4,000 staff engaged on control visits to VAT registered traders found in 1980-81 under-declarations amounting to about £150 million, or £37,500 per official."

(Para 16)

Comparing performance with that of the Inland Revenue the PAC continued:

"The returns obtained by investigations conducted by the Customs and Excise on VAT (and by DHSS on social security abuse) are appreciably lower. But they are well above the cost of the salaries of the investigating staff and we recognise here also the importance of deterrence; it will however be important to take account of the sensitive nature of the problems involved." (Paragraph 20)

The PAC concludes:

"We do not however accept that, when this information establishes the need for staff to undertake productive investigation work, that need should be only partially met, on the grounds that it has to be balanced against the general Government objective of reducing Civil Service staff numbers We recommend accordingly, and we see no reason for departments to make an artificial distinction between savings in expenditure and increases in revenue, which we regard as of equal importance and which are indistinguishable in their effects on the public sector borrowing requirement." (Paragraph 21)

4.37 The White Paper tells half a story: that methods have been improved. The full tale would include mention of the fact that despite more efficient techniques, staff numbers have been reduced, the visiting rate cut, deterrence lessened and revenues fore-gone. In other words, the White Paper statement says nothing whatsoever to illuminate overall changes in the efficiency or effectiveness of VAT control in terms of its ability to bring home more of the goods.

MOD DIRECTORATE GENERAL OF MANAGEMENT AUDIT

4.38 The White Paper says:

"The MOD has created a Directorate General of Management Audit, bringing together the functions of central management services, staff inspection, and internal audit. This is already beginning to yield results in better co-ordination, more selectivity in coverage, and the development of management audit techniques using mixed discipline teams to examine more complex issues where

straightforward inspection or audit alone would not give sufficient assurance of the Department's efficiency." (Paragraph 7c)

4.39 Again, in the Council's view, the White Paper seriously overstates the extent of the changes which have been made. The creation of the new Directorate followed the Rayner review of inspection and audit in MOD which took place during 1980 and 1981. The Defence Council instruction describing the terms of reference of the new Directorate was not issued until September 1982 - a whole year after the appointment of the new Director General. So far as the Trade Union Side is concerned the process now called "manpower audit" is so like the old version of staff inspection that, at a recent joint meeting with the Director General and the heads of his five staff inspection divisions, the heads of divisions themselves admitted that so far very little had changed.

4.40 As yet, four management audit exercises have been launched. The first, announced last March, covered the Defence Administrative Computers Division and the Director General has informed the Trade Union Side that he had to tear up the first draft of the report, re-write the terms of reference and start the whole exercise afresh. The second management audit exercise is on the interface with industry and is attempting to look at the work of some 3,000 people in the Ministry - many of them specialist grades - who are involved with industry. It seems to be getting nowhere very slowly. The two further exercises which have been announced only very recently are of the MOD headquarters Mail and Transit services, and the MOD contracts organisation.

4.41 The reference to mixed discipline teams is also misleading in that to date there has not been any change in the make-up of the staff inspection teams, nor of the teams in the Management Services Division. Here again therefore, the "improvements" claimed in the White Paper cannot yet be substantiated by hard evidence of improved efficiency or effectiveness.

Government Statistics

4.42 The White Paper cites as an example of "better value for money" the Rayner review of Government Statistics. It says (Para 8): "This has already reduced by 10% the burden of enquiries on industry and other organisations and saved £10m (690 posts) in Government expenditure. A further substantial reduction is expected by 1984 and additional savings of £7m a year (840 posts) as the remaining recommendations are implemented". The White Paper makes no mention of any reduction in the quality and quantity of statistics nor the impact on users.

4.43 First, the Council wish to point out that, rather than expressing relief that the "burden" of enquiries has been lifted from them, many sectors of industry have complained about the reduction in scope and frequency of the information available. In particular, the CBI has protested at the Department of Environment's decision not to process and publish floor space statistics and the Distributive and Service Trades have complained about the cuts in statistics relating to shops.

4.44 Secondly, the Government proudly announced cuts in posts, but failed to point out that this had held up the production of important statistics. For example, the trade statistics have been delayed to such an extent that, at this juncture, the EEC are having to publish community figures which exclude the UK, and UK traders lack vital import and export information.

4.45 Most important of all, however, the Council consider that the Government's cuts in statistics have restricted the flow of information both to the public and to Parliament, and thus have limited open and informed discussion of industrial, economic and social issues. For example, the Government has reduced the frequency of

publication of official poverty estimates. The latest available statistics relate to 1979. Without these figures, public and Parliamentary debates on such issues as the appropriate level of social security benefits are considerably less well informed.

4.46 Furthermore, there is a real danger that, because of these cuts in statistics, there will be less sensible economic and industrial decision-making and that, as a result, the economy will operate less efficiently. For example, the annual census of employment has been made triennial and the latest available detailed figures broken down by local areas relate to 1978. This census provides the only source of data on levels and trends of employment in local areas and small industries, and is essential for estimating local employment rates and thus the planning decisions of local authorities. It is particularly important to have up-to-date statistics on these matters when, as in the last few years, the levels of employment have been changing significantly.

4.47 It is worth noting that the Government seems to appreciate the importance of extensive statistical information about costs and output in relation to its management of the Civil Service (see appendix 3 in the White Paper on Financial Management), but fails to appreciate the need for statistics to a similar extent in relation to its management of the economy.

Summary of "Achievements"

4.48 We have explained in some detail in the foregoing paragraphs how the facts do not support the Government's alleged "achievements" in this area. We have done so in order to emphasise what we regard as a fundamental flaw in current Government initiatives on efficiency. The flaw is to describe systems as having become more "efficient"

when there are major and undeniable reductions in output and quality of service. As we have made clear earlier, for increased efficiency to be credibly established, particularly in the public service where higher standards of judgement must apply, concomitant measurements of output and quality of control are essential. Without these measurements, the unavoidable conclusion is that claims of increased efficiency are spurious.

5. PRESENTATION, MANAGEMENT AND REVIEW OF PROGRAMMES

Analysis of Recommendations

5.1 The bulk of the White Paper contains comments on the argumentation behind, and decisions on the 26 recommendations from the Select Committee. Of the total, 20 are accepted outright, in part, or in principle. 1 is referred elsewhere and 2 are under consideration. Only three are rejected. These are:

- . Annual Programme of departmental reviews to be introduced and results published (vii)
- . Select Committee to commission C & AG to carry out reviews of efficiency and effectiveness of Government Programmes (viii)
- . Select Committees to table substantive motions for debate and vote in Parliament (x)

5.2 These three rejections, however, concern the key proposals for increasing work on output and effectiveness. The fourth proposal directly relating to the measurement of effectiveness is recommendation (xiii) "Treasury to probe effectiveness of programmes for which it provides funds". This is "accepted in part". However, confidence in this course of action is not increased by the Select Committee's own comments on the Treasury's past performance on effectiveness work:-

"We were told that the Treasury is in the lead in considering the effectiveness of spending programmes. Its recent assumptions of responsibility for manpower control and pay makes it more deeply involved. Yet, controlling the levels of public expenditure and manpower is essentially a negative activity and, as we also noted in paragraph 29, the evidence does not suggest that the Treasury has in the past played a positive role in the direct promotion of efficiency and effectiveness. It is engaged at present in a rather passive survey of the measures of output used by Departments. It may be that the Treasury is overloaded with responsibilities". (Para 76 HoC 236-1)

5.3 Recommendation (vii) is rejected on four grounds. First, because it has long been the practice for individual departments to subject programmes and policies to review as the need or opportunity has arisen. Second, because "A further stimulus has been applied in recent years: for example "Rayner" scrutinies have often gone well beyond immediate questions into the policies that underlie programmes". Third, because "there are already arrangements for systematically following up issues identified by Ministers during the Public Expenditure Survey as requiring more detailed review", and, fourth, because of the "scope for more effective probing by the Treasury" following the financial management initiative.

5.4 We would wish to deal with these points in turn. Leaving the question of effectiveness to departments is the opposite approach to that adopted on every other issue raised, where the overwhelming trend is for departments to be required to produce systems to suit their own circumstances according to centrally prescribed requirements

(eg. MINIS system, Review of Personnel Management, Financial Management Review etc.) It also conflicts directly with para 17 of the White Paper: "central departments should adopt a stronger and where necessary more prescriptive role in reviewing the effectiveness and efficiency with which management operates".

5.5 The second objection does not relate to the need to measure the implementation of policies, which is what effectiveness measurement is all about. Ironically, the MAFF Capital Grant Scheme arose from a Rayner scrutiny, and the subsequent attention to effectiveness leaves much to be desired, as shown above (paragraph 4.28).

On the third objection, the information contained in Public Expenditure White Papers has been successively reduced in quantity and quality as MPs and the Select Committee itself have had cause to note. There is no guarantee that this trend will be reversed even in the light of the "acceptance in principle" of recommendation (iii) on increasing the information available. In any event, it would be impossible to include material from across the whole range of Government activity, in the detail required, in such an exercise. On the fourth objection relating to the financial management review, a "checklist" for areas of work to be considered by all departments has recently been issued by the Treasury. One area requiring attention is "Arrangements for the systematic review and audit of the effectiveness of policies and programmes in achieving departmental objectives.". The White Paper is, therefore, rejecting a clear proposal for drawing up, in conjunction with the MPO, a regular effectiveness review programme whilst apparently stressing to departments the need to improve work on effectiveness in the Financial Management Initiative.

5.6 It is hard to avoid the conclusion that the Government has been forced to accept the need to improve effectiveness work, especially in as wide-ranging a review as financial management, but is nevertheless unwilling to prescribe how this should be done - a reticence which it does not have in relation to expenditure control techniques.

5.7 The suggestion that the C & AG should be enabled to carry out efficiency and effectiveness reviews on behalf of Select Committees (Recommendation (viii)) is dismissed on the grounds that the C & AG's terms of reference are constrained by the Exchequer and Audit Departments Acts, that the C & AG does not comment "on the merits of Government policies" and that the system of C & AG reporting to the PAC "is very effective".

5.8 The first objection is very strange. It is not unusual for a White Paper to recommend a necessary change in legislation. The second objection again appears to involve a confusion between commenting on the effectiveness of implementation of a policy and commenting on its merits. For example, there may be merit in encouraging home insulation, although the present implementation may be substantially ineffective. Conversely, selling 51% of the Government's holding in British Telecom may be highly effective at bringing the business within the framework of market forces. The merit of the decision is a different question. The Select Committee is proposing only that the C & AG should be empowered to look at implementation. The judgement of merit is a matter for Parliament.

5.9 The third objection - that C & AG reporting to the PAC is satisfactory - links to the third rejected recommendation, that Select Committees should be able to place motions on the agenda of the House. This is well-trodden ground, but the allegation that Select Committees are a "safe" way of channelling particular concerns of Members, without interfering with planned Parliamentary priorities and business, had substantial support from all sides. We quote two cases in point: the PAC 22nd Report mentioned above makes several considered proposals for achieving a substantial net benefit to the Exchequer by boosting Tax, VAT and NI income. The Select Committee Report under consideration recommends ways for promoting efficiency and effectiveness. Despite the thoughtful and detailed work that has gone into these two initiatives, they are in danger of never seeing real progress. There is no recognisable channel for ensuring this, and C & AG reports made to the PAC cannot be regarded as an effective way of achieving necessary changes.

6. MORALE AND MOTIVATION

6.1 Whilst we are heartened by the statement in paragraph 10 of the White Paper that the Government "appreciates and values the work that is done by its civil servants" and that "their essential contribution" is recognised, we would be happier to see some tangible sign of this feeling. In fact, the Government's record with regard to the Civil Service can only be described as appalling by any standards of fair employer practice. For example, the Civil Service pay agreements, which had endured for 25 years and had provided a stable system of wage bargaining, were abruptly torn up in 1980 by the Government, who had no notion of what should replace them. As a result, 1981 saw the inevitable consequence: a long and damaging industrial dispute. It is significant that nothing is said in the White Paper about recognising the need for a stable pay system, with arbitration available, in avoiding the sort

of damaging confrontation that 1981 brought to the Civil Service. In the Council's view, a stable pay system is an essential cornerstone of Civil Service industrial relations, and we fully endorse the Select Committee's view:

"It is doubtful if, in a free society, high levels of efficiency and effectiveness are compatible with poor industrial relations. In the long run, it is desirable that civil servants should be satisfied that they are getting a fair deal on pay and conditions and that they are adequately consulted about changes which affect them personally. The Government has to pursue its overall intentions of policy but it should be its aim to do all it can to carry its own employees with it in the implementation of policy and not to let antagonisms develop which, with effort, can be avoided. We do not consider that this need mean any lack of firmness on the part of Government but, without good industrial relations, efforts to increase efficiency and effectiveness are likely to be still-born." (Paragraph 98)

6.2 We shall be following this up vigorously with Civil Service management, and we look to the Select Committee for support and continuing interest.

6.3 The constitution of the National Whitley Council codifies principles for determining the efficient and effective deployment of staff and resources. Rather than attempting to build on these principles, to the benefit of both sides, current management practice often appears determined to by-pass or nullify consultation procedures and agreements.

6.4 In addition to pay and good industrial relations, there is another area which is vital to Civil Service morale and, inter alia, to motivation. This is the manner in which the Service is held in public esteem. We have to report that, sadly, it is increasingly difficult for civil servants today to have pride in their profession.

This is the result of persistent, unfair denigration over a number of years, which seems to question the social value of what civil servants do. The present Government, far from seeking to restore civil servants' pride in the value of their work for the public, has brought the articulation of political abuse of the Civil Service to even higher levels than before. The arbitrary cuts in public expenditure, and in Civil Service manpower, together with the manic pressure to "privatise" Civil Service work, have conspired with the public abuse of the Service in such a way as to render the concept of increased efficiency almost meaningless. It must be clear to all concerned that there needs to be reconciliation between a hectoring Government and a disillusioned Civil Service.

7. CONCLUSION

7.1 We have attempted to show in this paper that the recent White Paper is seriously deficient as a Government response to the Select Committee's important report on the subject of Civil Service efficiency and effectiveness. Our general views on this are given in section 2 (paragraphs 2.1 to 2.4), and we have continued in section 3 (paragraphs 3.1 to 3.14) to explain these views in more detail. In particular, section 3 draws attention to:

- the Government's failure to provide the information necessary for Parliamentary and public debate (paragraph 3.2)
- the effect of cutting functions without due regard to the consequences, exemplifying the Defence area (paragraph 3.3)
- the consequences of privatisation/contracting-out, exemplifying the transport area (paragraph 3.4)
- the uncontrolled results of arbitrary cuts and cash limits, and the consequential adverse effect on the performance of

the Service (paragraphs 3.5 et seq)

7.2 In section 4, we comment in detail on the various cases quoted in the White Paper as "Achievements So Far". The detailed comments cover:

- the Inland Revenue (paragraphs 4.2 to 4.11)
- the Department of Health and Social Security (paragraphs 4.12 to 4.27)
- The Ministry of Agriculture, Fisheries and Food's Capital Grants Schemes (paragraphs 4.28 to 4.33)
- the Customs and Excise and VAT (paragraphs 4.34 to 4.37)
- The MOD Directorate General of Management Audit (paragraphs 4.38 to 4.41)
- Government Statistics (paragraphs 4.42 to 4.47)

As we state in paragraph 4.48, our objective in giving this detailed commentary on the areas identified by the Government as "achievements" is to emphasise our view that "efficiency", as interpreted by the Government, is an insufficient and misleading indicator. Without concomitant assessments of the effects on output and quality of service, none of the "achievements" quoted in the White Paper can be legitimately regarded as such.

7.3 In section 5 (paragraphs 5.1 to 5.9), we explain why we are disappointed that the Government has not followed the courses suggested by the Select Committee which would have substantially improved the flow of information to Parliament about the efficiency/effectiveness equation. We comment in detail on the reasons given by the Government for not accepting the recommendations of the Select Committee. As indicated, we find the reasons and the reasoning of the Government unconvincing, and we are left with the conclusion that the Government

remains determined to evade the pertinent issues on effectiveness of service posed by the Select Committee. We trust that the Select Committee will not be satisfied with this response and will seek a more positive reply from the Government.

7.4 The final part of the paper, section 6, comments on the vital issue of morale and motivation, on which we can reasonably claim to be better informed than either the Government or Civil Service management. In this connection, we have not used the term "hypocritical" (in paragraph 2.3) lightly. Given our close contact with the day-to-day concerns of individual civil servants, and our experience of the Government's actual perception of its industrial relations responsibilities to its own employees, we view the White Paper's comments on morale and motivation as an exercise in cynicism.

7.5 We are, however, concerned to be constructive in the quest for a more efficient and effective Civil Service. We fully subscribe to the principles enshrined in the constitution of the National Whitley Council, and we recommend the fullest possible use of joint consultation as a means of improving the Service (paragraph 6.3). For this to work will, however, require a significant change in Government and management attitudes: as we indicate (paragraph 6.4), this will require a reconciliation between the Government and its employees. We stand ready to play our part in this reconciliation.

7.6 Finally, we should like to mention again our concern that Parliament should give priority to completing the equation of efficiency and effectiveness in the Civil Service. In this connection, we welcome the moves to increase Parliamentary scrutiny of the effectiveness of policies and programmes. We are also convinced that this

process of Parliamentary scrutiny can only be successful, in both the short and the longer term, if it is carried out by those not directly concerned in the determination and application of departmental policies. This is apparent from the present situation, in which the overriding imperative of reducing costs, arbitrarily cutting staff numbers and imposing pre-conceived cash limits has had the result of the executive being unable to carry out the intentions of Parliament. We recognise that the failure of departments to meet Parliament's requirements is a serious matter, but we feel that the evidence put forward in this paper provides ample justification for this contention. It also adds to the growing demand for the re-assertion of Parliamentary control over the effectiveness of services to the public - a demand which we wholeheartedly support.

FALLING BUILDING STANDARDS ARE CAUSING CONCERN

FARM building standards are said to be falling fast and some of those recently erected could soon come tumbling down.

That is the view of the Agricultural Construction Industry Federation, the professional organisation representing building firms and other trade organisations involved in farm buildings.

In a statement, the federation said building standards are slipping and attacked the Ministry and farmers for declining quality.

Technical secretary Mr Bruce Brockway gave several reasons why building standards are falling, and said that the ACIF, formed earlier this year, was fighting for higher standards and only accepting members who agreed to build to British Standard 5502, the recently published guide to quality farm building construction.

He said that the main reason for the decline in building standards was that the Ministry was not insisting on compliance with BS 5502 or any other

recognised standard as a condition for grant aiding new buildings.

Other reasons for the slump in standards put forward by Mr Brockway are:

- Prior approval from the Ministry is no longer needed before building work starts on grant aided schemes.

- The Ministry is cutting its staff of building surveyors and is now inspecting less than 10 per cent of farm buildings on which grant aid is paid.

- About 80 per cent of all new farm buildings are totally exempt from the Building Regulations.

"Basically there is now less control on the individual, which reflects the present Government's policy and puts responsibility on the farmer who is putting up a new building," said Mr Brockway.

"But if farmers do not build to reasonable standards there may be a backlash on them in

by MIKE
GAISFORD

the future when strict building controls might be introduced."

It could be argued that, if a farmer is paying for 80 per cent of the cost of his building, he should not have to conform to any particular standard. But on the other hand if taxpayers' money is paying for 20 per cent of a grant-aided farm building, the public should be concerned about the freedom given to farmers who are spending their money.

To illustrate his criticism of the present arrangements, Mr Brockway gave one example of a farm building put up with secondhand materials where a structural engineer called in to advise on design reported to the Ministry that the purlin spacings were incorrect and that the building's overall structure was suspect.

"But the Ministry said it would be eligible for grant as long as the farmer considered it

would stand up for 10 years. That cannot be right," said Mr Brockway.

Farmers who were concerned about building standards were finding it particularly helpful to deal with firms whose buildings conformed to BS 5502 because it gave them an accurate way of comparing estimates from different contractors if all were based on the same standards.

Ministry supervising surveyor of buildings, Mr Brian Armstrong, said that he did not accept that building standards were falling, but did not dismiss the accusation.

"I would like to see the evidence that building standards are falling," he said.

The Ministry is currently redrafting its documentation on building requirements for grant aid which will give more positive guidance to farmers, and will use BS 5502 and other standards as a benchmark.

"But it is not our policy to get locked into any one standard which might inhibit farm building improvements and innovations," added Mr Armstrong.

FROM THE CHAIRMAN



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

Pure Mustie:

*We shall
obtain a draft*

reply. m.

TREASURY AND CIVIL SERVICE COMMITTEE

17

22/12

21st December 1982

By Sir Peter Mustie.

The Treasury and Civil Service Select Committee have asked me to write to you following up our Report on Efficiency and Effectiveness in the Civil Service (HC 236) and the Government's Observations in reply (Cmd 8616).

The Committee were pleased that the Government were able to accept wholly or with reservations most of our recommendations, although many Members thought that overall the observations were not quite so forthcoming as they had hoped. We welcome particularly the new initiative on financial management, and look forward to receiving in July the central report on departmental plans for implementation. We hope we shall receive it in time to examine and report on it before the House rises for the recess. We would like to see the initiative well launched in the lifetime of this Parliament so that its momentum is not lost in the next.

The Committee have asked me to spell out some of the considerations which have led to our feeling of disappointment over the response to a number of our recommendations.

Efficiency and effectiveness go wider than good financial management. As the Government's reply notes, we have to ask where is the money going and what are we getting for it? But the reply places less emphasis on performance indicators and output measures than we would like. The lack of systematic output measurement and response to it is a more serious deficiency in civil service management than the control of resources and administrative costs. Our Report discussed the practical problems, but these do not seem to have been fully grasped, nor the suggestions we made built upon, in the Government's reply: paragraph 23 on the role of central departments, and paragraphs 26 and 27 which fail to extend the MINIS concept into the management of programmes covered in paragraph 28, are disappointing. They are an inadequate response to the challenge we offered in paragraph 56 of our Report to put forward common principles which paragraph 22 of the reply acknowledges can (and should) inform the management of each department.

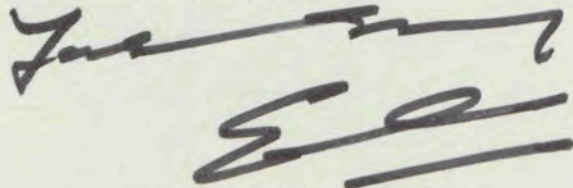
Nowhere is this more apparent than in the failure of the reply to provide for the systematic review of programmes, including more systematic parliamentary scrutiny. In practical terms it is difficult for any government to secure equally high standards in all important departments. High standards will not be achieved or maintained unless over the decades there are institutional arrangements which encourage efficiency and effectiveness, whatever the degree of interest of particular Ministers and particular departments in management questions.

Parliamentary review is not merely the ally, it is the foundation of good management in the civil service. I must ask you to look again at the Government's response to our recommendations on reviews (vii to x). Depending on your reply the Committee will consider whether it will make a brief report to the House on these matters in time for the Government to consider the matter further before the central report is presented in July.

Audit is another subject to which the Committee attach tremendous importance. Here our recommendations (xvi and xvii) appeared at a time when the role of the Comptroller and Auditor General was under prolonged review. On this of all subjects a constructive approach from the Government is urgently needed and the opportunity for advance has now been afforded by Norman St John-Stevas' Private Member's Bill, of which I and other members of the Treasury Committee are firm supporters.

I enclose a response by the Council of Civil Service Unions to the Government's reply, which we are publishing when the House returns on 17 January. It is concerned particularly with manpower questions, but the general argument and specific examples it gives, reinforce in particular the points which we make in relation to the management of programmes generally.

Finally, as I have urged once or twice upon the Leader of the House on Thursdays, we believe that our Report and the Government's reply, together with many other events and documents, are on a level of importance and interest which would make for an excellent debate. We are all united in our aims on this subject, and a demonstration of that on the floor of the House would be of considerable value, not least with regard to the morale of the Civil Service on which the Committee expressed a strong view in their final recommendation (xxvi) - one which was accepted by the Government.



Edward du Cann

Rt Hon Margaret Thatcher MP
Prime Minister and Minister for the
Civil Service
10 Downing Street
London SW1

*I am copying this letter to the Chancellor,
the leader of the House as Lady Young.*

22 DEC 1982



CONDICION



CIVIL SERVICE

Central Efficiency Programme

Mr. Silvester asked the Minister for the Civil Service what programme of central efficiency work in the Civil Service will be carried out in 1983.

Mr. Hayhoe: During 1983 the Government will continue the drive for better management set out in "Efficiency and Effectiveness in the Civil Service" (Cmd. 8616). The work will involve practical action on

the plans for financial management which Departments are developing. The Government will publish a central report on these by July. Work will be undertaken to secure the full implementation of the results of existing scrutinies and reviews.

In addition to the above and to the work which Departments undertake on their own initiative, there will be a new programme of centrally co-ordinated exercises aimed at further improvements in efficiency and management. This will consist of three elements.

First, there will be up to 30 Departmental scrutinies. These are intended to cover areas and operations which use substantial resources or are significant in terms of the activities or character of the department concerned. Each scrutiny will report to the Departmental Minister concerned and the programme will be co-ordinated by the Rayner unit in the management and personnel office.

Secondly, there will be three multi-department reviews of subjects of wide significance across the Civil Service:

1. "Support services for administrative work", which will examine the efficiency and effectiveness of the internal handling of information which supports decision making.
2. "Procurement and contract procedures", which will examine the efficiency and effectiveness of these procedures from the drawing up of the specification to the acceptance and final payment of the delivered product or service.
3. "Consultancy inspection and review capabilities", which will examine the quality of the arrangements available to Ministers and top managers to encourage and check on the efficiency and effectiveness of line management.

These reviews will begin in early spring, early summer and late summer respectively. Each will consist of about six Departmental studies. For each a central team located in the management and personnel office will co-ordinate and report on the service-wide implications of the results.

Thirdly, the programme of effectiveness reviews of common activities will continue. These aim to produce specific improvements in efficiency and management guidelines for the better use of resources. They will be carried out jointly by management and personnel office and Departmental staff and will cover reprographics, micrographics, authorising levels, stocktaking, productivity schemes and the use made of accommodation.

I am arranging for a copy of a working paper describing this programme in more detail to be placed in the Library.

CENTRALLY CO-ORDINATED EFFICIENCY EXERCISES IN 1983

Note by the Management and Personnel Office

Most of the work to improve efficiency and effectiveness is done in departments by departments. Departments already have a substantial load of work in hand or in view for 1983, including both the implementation of past and current exercises and new work, not least that arising from the Financial Management Initiative.

2. The following programme is to reinforce the Government's drive for better management, recently confirmed in its White Paper **Efficiency and Effectiveness in the Civil Service** (Cmnd. 8616), by applying the well-tried scrutiny technique* to relevant parts of it.

3. This paper sets out further work to secure implementation of scrutinies and reviews, up to 30 departmental scrutinies, three multi-department reviews, and a continued programme of effectiveness reviews.

Implementation work

4. Departments are already engaged in implementing previous years' scrutinies and reviews. The MPO is assisting with a central Forms Unit and with follow-up to the 1981 R&D Study. (The Central Statistical Office provides central assistance on the 1980 Statistics Review). This work will continue into 1983. Additionally, the MPO and Treasury will be involved in assessing departments' financial management plans and in securing practical action to make a reality of the Financial Management Initiative. The MPO will also be heavily concerned with the implementation of the recommendations from the Review of Personnel Work and the Running Costs Review. Resources will also go into the implementation of scrutinies and Resource Control Reviews.

Departmental scrutinies

5. Some departments will already have topics in mind; others may wish to consider the areas suggested in Annex B.

6. The estimated cost of running the government machine (including the Armed Forces) in 1981-82 was about £14 billion. Total public expenditure was about £105 billion. Greater economies and increases in efficiency have been made in the civil service than in some other parts of the public sector. The Government expects the same cost-consciousness throughout the public services. Departmental Ministers may therefore wish to use the scrutiny technique more widely:

1. To review some policies or programme expenditures, either in terms of the methods used in making policies and formulating expenditures or in terms of their feasibility, coherence, results and value for money as shown by the examination of their practical implementation. (Some of the most successful scrutinies have tackled policy questions lying behind administrative arrangements.)

* Annex A1, summarises the results as at November 1982;
A2 lists the centrally co-ordinated exercises conducted in 1982

2. To review the efficiency and value for money of selected Non-Departmental Public Bodies. (Scrutinies would fit well with "Pliatzky" reviews, so bodies due for such reviews in 1983 would be especially strong candidates.)

Multi-department reviews

7. The reviews of Government Statistical Services, Administrative Forms and Support Services for R&D have shown the value of a centrally co-ordinated series of departmental reviews of a single function or topic. We expect good results from the reviews of departmental running costs, of large executive units and of personnel work this year. There will be thus three multi-department reviews in 1983, each in about six departments.

8. The subjects below arise in part from the findings of studies in particular departments which have suggested that a wider examination would produce good results. They are intended to promote longer term aims and to provide for the follow-up to other programmes of work, notably the Financial Management Initiative. Where possible the work will build on earlier departmental studies:

1. Internal Consultancy, Inspection and Review Capabilities

(More details in Annex C)

The review stands on its own feet, but has been designed with an eye to the follow-up to the FMI. It will cover the quality of the arrangements available to Ministers and top management to encourage and keep a check on the efficiency and effectiveness of line management. The confidence of departments in these arrangements is an important pre-condition for greater delegation of authority.

2. Support Services for Administrative Work

(More details in Annex D)

The review will cover the handling of information for selected policies and operations within departments. It will concentrate on existing paper-based arrangements (eg the generation of paper, typing, storage, retrieval) to identify their costs and the scope for streamlining procedures and organisation, improving effectiveness and increasing job satisfaction and commitment. It would also provide an informed basis for the effective use of information technology.

3. Procurement and contract procedures

(More details in Annex E)

The review will cover the procedures for procurement and contracts from the drawing up of the specification to the acceptance, and final payment on the delivered product or service. It will cover both contracts with the private sector and repayment between departments.

Effectiveness reviews

9. The intensive fieldwork on the use of common services carried out jointly by MPO and departmental staff has produced, first, substantial savings and, secondly, four "management guidelines" setting appropriate standards of performance in respect of messenger, transport and typing services and telecommunications. These standards can be used by service managers both directly and in support of the annual scrutiny of departmental running costs. They also enable more senior staff to question and evaluate the performance of their commands.

10. We will continue the programme, directly and through the other exercises outlined above as opportunities occur. The work planned for 1983 includes reprographics, micrographics, authorising levels (relevant to the review of contract procedures), stock-taking, productivity schemes and the use made of accommodation.

11. There will also be a small programme of selective review. In order to check on the practical application of the management guidelines already issued and to realise the full value of the methods, we need to find out how they have been put into effect. However, review will be two-way. We wish to know whether departments' managers have been and are applying the guidelines; departments will no doubt wish to feed back their experience and suggest improvements.

Conclusions

12. The programme of efficiency work for 1983 allows for the implementation of results outstanding from previous years' work and links to the Financial Management Initiative as appropriate. The new work consists of:

1. A programme of up to 30 scrutinies significant in terms of the activities and resources of the department, possibly including scrutinies of policy questions and of non-departmental public bodies;
2. 3 multi-department reviews; and
3. a continuing programme of effectiveness reviews.

SCRUTINIES AND MULTIDEPARTMENT REVIEWS 1979-1981

1. 1979-81

	Number of Reviews	Cost	Value of Potential Savings
Rayner projects 1979	29	£0.3m	£67m pa + £28m once-for-all
Scrutiny programme 1980	39	£0.7m	£119m pa
Review of Government Statistical Services 1980	19	£0.3m	£17m pa
Scrutiny programme 1981	40	£1.2m	£56m pa + £4m once-for-all
Review of Administrative Forms 1981	9	£0.25m	Quantified saving of £0.3m pa already agreed; further savings, in processing forms of many times this will also be achieved.
Review of R & D Support Services 1981	7	£0.35m	£15m pa + £7m once-for-all

SUMMARY OF CENTRALLY CO-ORDINATED EXERCISES 1982

<u>Review</u>	<u>Departments directly involved</u>
Departmental Scrutinies	Most
Resource Control Reviews	MOD, PSA, Trade, HO, SO Royal Mint
Running Cost Review	FCO, MPO, Trade, DEm, DES, DEn
Review of Personnel Work	HO, LCD, MAFF, DEm, DHSS, C&E, IR, PSA, SO
Financial Management Initiative	ALL

POSSIBLE AREAS FOR SCRUTINIES

Departments may wish to consider one or more of the following areas for a scrutiny in 1983. The aim is to pick operations or areas which use substantial resources and which are generally significant in terms of the character and activities of the department. It is also desirable to select subjects, work on which will promote the Government's longer-term aims for management. The evidence of past scrutinies and other studies suggests that areas which might be strong candidates include:

1. The question whether the policy processes used by a department are such as to provide Ministers with the right material at the right time on which to take decisions and with adequate information and methods on which to assess the cost-effectiveness of the action taken.
2. Large executive operations which are relatively self-contained. This year's "resource control" reviews and the multi-departmental review of R&D support services have demonstrated the value of the technique. (More than one examining officer may be necessary for such scrutinies.)
3. Areas of work involving specialist groups (eg assignment staff, lawyers, accountants).
4. The arrangements by which advice, information and help are provided to the public and outside bodies (eg the preparation and publication of advice: leaflets, articles, films, advice and information provided by visits).
5. Administrative tribunals (eg appeals boards).

INTERNAL CONSULTANCY, INSPECTION AND REVIEW CAPABILITIES

The first element of the proposed programme for next year refers to the central co-ordination of follow-up work on the Financial Management Initiative, and on the 1982 reviews of running costs control and personnel work. These exercises are already pointing towards changes in the relationship between the central staffs of PEOs and PFOs in Departments, and line managers.

2. A 1983 review of internal consultancy, inspection and review (CIR) capabilities will consider the implications of greater delegation to line managers for such capabilities as they exist now in Departments. These capabilities include management services, staff inspection, organisation and methods, and some aspects of central ADP and specialist advisory functions, such as operational research. It has been estimated that such activities together employ over 3000 officials at present. In addition there are the ad hoc capabilities provided by the Rayner scrutiny approach, and by policy reviews of various kinds.

3. The review will focus on the articulation of these various capabilities, one to another, in relation to meeting each Department's needs for:

- (1) Consultancy services available to help line managers.
- (2) Monitoring, inspection and audit capabilities as "arm's length" controls over delegated management for Heads of Departments and PEOs/PFOs.
- (3) Reviewing and monitoring the execution of policy and the management of programmes.
- (4) Promoting particular managerial practices and developments - as for example in information technology.

4. For each of these needs the review will consider:

- (1) The way in which Departments plan and deploy their various review capabilities together and separately, having regard especially to duplication or gaps in the selection and coverage of subjects for review.
- (2) The way in which action is triggered in relation to particular line management commands and to particular programmes.
- (3) The accountability, mandate and degree of independence appropriate to meeting each need; the process by which decisions are taken on the nature of conclusions and recommendations; to whom results are reported.
- (4) The allocation of responsibilities for accepting or rejecting conclusions and recommendations, for securing their implementation, and for communicating general lessons.

5. The review will consider the effectiveness and resourcing of the various capabilities as follows:

- (1) On effectiveness, the review will cover, for example, the quality and levels of assignment undertaken; the scope, perspective and methods of investigation, and the criteria applied in evaluating areas under study; and the success in achieving implementation.
- (2) On resourcing, the review will cover, for example, the organisation and internal management of the capability; its staffing, including the means by which staff are selected, trained, career managed and motivated; and, in relation particularly to consultancy capabilities, the validity and practicality of repayment. (Action has recently been taken across the Service to raise the standards of staff inspection in accordance with common criteria and the review will not re-examine that development.)

6. The review will not include the function of internal audit, which is the subject of a separate programme of improvement. It will however consider under paragraph 4(1) above the relationship between internal audit and the capabilities under review.

7. The review will then draw conclusions about:

- (1) The relationships between each capability and line managers; programme managers; the processes of resource allocation (budgeting, complementing etc); senior managers, the Head of Department, and Ministers; and other separate but related CIR capabilities.
- (2) The posture which each capability should look to be in, to accommodate and promote the developments arising from the Financial Management Initiative.
- (3) The scope accordingly for merging and/or redefining some or all of what are at present separate capabilities.
- (4) The policies to be followed to ensure that retained capabilities are effective and properly resourced, having regard to the Financial Management Initiative, to the policies already being pursued in the case of staff inspection and internal audit, and to the findings of the 1982 multi-department review of personnel work.
- (5) The relationships between local and central capabilities within Departments; and between such capabilities in Departments and in the central Departments.

8. Participation in this review is being discussed with departments.

SUPPORTING SERVICES FOR ADMINISTRATIVE WORK

The review of Administrative Forms opened up for examination how the information needed to administer Government policies is collected and disseminated. The review of support services for administrative work will look at the internal handling of information which supports decision-making, either about selected individual policies or about a policy's operational implementation. In practical terms it will cover:

- (1) Need - the generation of paperwork and what is done with it.
- (2) Circulation/communications (including need to copy, but not reprographics), information flows.
- (3) Storage - filing, registries, location in relation to operational need, purpose, duplication; perhaps also archiving and public records.
- (4) Retrieval - indexing, ease of finding.
- (5) Processing - how, for what purpose, the means of changing or adding to the information held.
- (6) Typing/secretarial/junior clerical administrative support.
- (7) Control - the allocation of responsibilities, costing and cost accountability, user disciplines, formal control systems.

2. The review will examine the brass tacks of support for administrative work and existing paper-based arrangements. It will identify their cost and the scope for streamlining procedures and organisation, for improving efficiency, and for increasing job satisfaction and commitment among all the staff concerned. It will pay close attention to the views about the work of the non-managerial staff employed there. It will cover for certain operations the manual (paper) procedures supporting automated data processing, looking in particular at duplicated manual/automated data storage. It will be concerned with the handling of information arising from the **operation** of policies, as opposed to their management.

3. The approach will be to trace in such selected areas the flow of information which services decision making, to assess the costs incurred, and to draw conclusions about how well the information itself is managed and how such management could be improved. This should also enable broader lessons to be drawn about the potential application or extension of information technology, and possibly about the wider implications of such technology for management and organisation. It might also provide useful information about the organisation needed to promote and effect such applications promptly (with special reference to the role of line managers).

4. The review will enable more general lessons to be learned from work that some departments are likely to be undertaking or have undertaken anyway. The recommendations made would be chiefly for departments to apply. But some might also affect central responsibilities, for example concerning training, the introduction of information technology, or auditing requirements.

5. The review will include studies of the support arrangements for at least part of:

HM Customs & Excise

Department of Employment

Department of Environment

Home Office

Inland Revenue

Management and Personnel Office

6. Existing studies of information flows in MAFF and Department of Transport (Railways) will be associated with the review.

7. HM Treasury (CCTA) will be associated with the MPO in the review and central assignment staff will be available to support departments' own teams.

MULTI-DEPARTMENT REVIEW: PROCUREMENT AND CONTRACT PROCEDURES

1. Evidence from the Review of Research and Development Support Services, from a study of MOD Operational Requirements, from the Scrutiny of Publicity Services and from other studies suggests that procurement and contract procedures are not always as flexible, quick, cheap and effective in securing value for money as they should be. While the costs of the goods are often way above the cost of the procedures it is not clear that all aspects of the procedures add value; indeed, a difficult procurement procedure can be wasteful in its own right.

2. The increasing use of the private sector to supply goods and (particularly) services makes it especially important to be sure that the best deals are being made with an economy of effort. The increasing use of repayment between departments also requires that internal "contracts" should be processed cost-effectively.

3. The review will cover the procedures for procurement and contracts from the drawing up of the specification to the acceptance of, and final payment on, the delivered product or service. Where relevant, the review will include the practical procedures required by the investment appraisal method in use. Thus, three distinct but related stages would be examined, namely:

- (1) from the drawing up of the specification to the letting of the contract;
- (2) technical monitoring, including quality control;
- (3) financial monitoring, including staged payments.

The review will not include a detailed examination of the basic legal framework governing procurement and contract procedures, but it might result in some general observations and comment about it.

4. The following departments will take part in this review:

MOD (excluding warlike stores)

HMSO

Department of Transport

DHSS (Supply Division)

PSA Supplies

Home Office

5. In addition the CCTA will be reviewing its functions next year. A study of CCTA procurement and contract procedures will contribute both to the multi-department review and to their own study.

CIVIL SERVICE: long term policy: Pt 12.



to Civil Servants

10 DOWNING STREET

From the Private Secretary

21 December 1982

FINANCIAL MANAGEMENT INITIATIVE: DEPARTMENTAL PROGRAMMES
OF WORK

The Prime Minister was grateful for the Chief Secretary's minute of 17 December and for the copy of his letter to the Home Secretary. She will look forward to receiving a report from Mr. Brittan and Lady Young on the departmental programmes of work.

The Prime Minister recognises that the work of assessing the departmental programmes and of preparing a report to round off the initiative with a satisfactory plan of future action will be an added burden for the Chief Secretary, the Lord Privy Seal and their staffs. But she regards the initiative as of great importance for the good management of the work of central government and she would like the Treasury and MPO officials concerned to feel a sense of both her encouragement and her expectation of a good outcome.

Mrs Thatcher has asked me to add that while her interest in the provision of reliable and useful management information is already clearly on the record, she attaches considerable importance to the inclusion in the plan of future action of a sufficient scheme for the education and development of officials who have or will have substantial responsibilities for either the direct management of resources or the provision of financial advice to Ministers. The Prime Minister thinks that a central report which did not include such a scheme would be open to severe criticism in Parliament and elsewhere.

I am copying this to John Kerr and Harry Bush (HM Treasury), Mary Brown (MPO) and Christopher Joubert (Rayner Unit).

(TIMOTHY FLESHER)

John Gieve, Esq.,
H.M. Treasury.

NR

cc for information

Mr FLESHER

Sir Derek Rayner

FINANCIAL MANAGEMENT INITIATIVE: DEPARTMENTAL PROGRAMMES OF
WORK

You asked for advice on the Chief Secretary's personal and confidential minute of 17 December. (I have had some part in preparing it and the letter to Ministers in charge of departments, wearing both my hats as head of the Rayner Unit and as head of the Management and Efficiency group in the MPO. You will recall, by the way, that the financial management initiative (FMI) is one of the subjects on which Sir Derek Rayner remains available to advise.)

Background and future progress

2. The background and the next steps are:
- (1) Launched by Prime Minister at request of central Ministers in May 1982.
 - (2) Prime Minister expressed concern about seriousness of Ministerial/departmental response when clearing draft reply to Treasury and Civil Service Committee (TCSC) report, July-August 1982.
 - (3) Departments reminded of importance of management information on behalf of Prime Minister, 2 September 1982 (copy letter attached).
 - (4) Reply to TCSC published as "Efficiency and Effectiveness in the Civil Service" (Cmd. 8616), 28 September 1982, making the F M I known and promising the publication of a "central report" by July 1983.
 - (5) Chief Secretary's reminder to Ministers, 17 December 1982: copied to Prime Minister



by Mr Brittan under cover of his personal minute.

- (6) Departmental programmes of future work received by Treasury and MPO, end-January 1983.
- (7) Full appraisal of all programmes made by Treasury and MPO by end-March 1983; Chief Secretary and LPS hold bilaterals if necessary.
- (8) Report, possibly personal and confidential, to Prime Minister, April 1983.
- (9) Draft central report - summarising departmental intentions and indicating future action by central departments - circulated for Ministerial approval, May-June 1983.
- (10) Publication of central report, July 1983.

3. I propose to let the Prime Minister have a personal assessment of the progress being made when we have seen the programmes of work. This will probably be about mid to late February. Its purpose will be to advise the Prime Minister in which points, if any, she might take a particular interest as we run up to the drafting of the central report.

The progress made so far

4. This is a fascinating story. As the Chief Secretary's minute implies (paras. 4 and 5), the response of and progress made by departments have been patchy. Some - notably Agriculture, Customs, Defence, Environment, Health and Social Security, Home, Industry and Inland Revenue - have been very active on at least part of the field covered by the FMI. Others have seen the light rather late in the day, eg Education and Science.

5. Interest by Ministers in charge of Departments has so far been slight. The main purpose of the Chief Secretary's letter to Ministers is to stimulate his colleagues to exert themselves when they receive for approval the draft "programmes of work" - that is, the plans for future improvement of financial management - which they will get next month on their way to the Treasury and MPO.

6. Progress in the Treasury itself has been not the least absorbing part of the story. There is no doubt about the Chief Secretary's commitment or that of Mr Wilding, the deputy secretary who leads for him on the FMI. But Mr Wilding has had to fight a long drawn-out battle with the under secretaries in charge of the public expenditure groups whose staff will be appraising the "programmes of work". They see their jobs as chiefly political - to equip their Ministers for public expenditure clashes with "spending" Ministers; they are dubious about learning the new tricks of being quality controllers for departmental systems of management. There is more enthusiasm at assistant secretary and principal levels, which is just as well as it is here that the brunt of the appraisal work will be borne.

7. The joint advisory unit (Treasury and MPO), under Mr Russell and comprising consultants and civil servants, has been doing good work - mainly within departments, helping to sort out some of the detailed practical issues which have arisen. The main function of my own staff has been to get the criteria for appraising the programmes established; this has been a long struggle, now reasonably well resolved.

Advice

8. I do not think that the Prime Minister need send any message to Ministers generally at this stage, since her position and interest are clearly indicated in the Chief Secretary's letter to his colleagues (page 1, para. 3; page 2, para. 3).



9. However, the Chief Secretary, the LPS and the central departments could do with some encouragement, provided it has a touch of steel. I attach a draft private secretary letter.

CP

C PRIESTLEY

20 December 1982

Encs: Private Secretary letter of 2 September 1982.
Draft letter to Mr Grieve

CONQUEROR



Mr Wilding
 PPS FST EST
 MST(C) MST(R)
 Sir D. Wass
 From the Private Secretary

10 DOWNING STREET

Mr Mountfield

2 September 1982

Mr Gilmore

Sir A. Rawlinson

Miss M. Brown

Mr Borriatt

Mr N. J. King

Mr Ridley

Senior Private Secretary

PS/C&E
 PS/IR

FINANCIAL MANAGEMENT INITIATIVE: MANAGEMENT INFORMATION SYSTEMS

The Prime Minister is anxious that, in preparing their programmes of work in response to the Financial Management Initiative (launched by her letter of 17 May to colleagues), departments should pay sufficient attention to the need for reliable and useful management information. As part of the drive for improving all aspects of financial management, she is particularly concerned that systems should provide the information that is needed for efficient management at all levels in the department, including Ministers and top officials.

This aspect of improving management was covered in the paper enclosed with the Prime Minister's minute to her colleagues of 17 May, see for example paragraphs 5, 9 and 11 (c)-(e). The Prime Minister considers, however, that it would be right to take the opportunity provided by the proposed White Paper in reply to the Third Report from the Treasury and Civil Service Committee to bring out more clearly what is already implicit in the earlier paper.

The point arises in particular over the passage in the draft White Paper which deals with the Select Committee's references to the MINIS system in the DOE. While the Prime Minister recognises that some variation from MINIS may be necessary to meet differences between departments, she attaches great importance to the principles that underlie it, which apply generally; and thinks that the White Paper should set out the Government's intention to give effect to them.

I attach a revised draft of the passage in question (replacing paragraphs 17-25 of the version circulated with the Lord Privy Seal's letter to the Chancellor of the Exchequer of 19 July). The Prime Minister would like to draw colleagues' particular attention to what is said about the purpose of MINIS in paragraph 27 and to the statement of the Government's intentions in paragraph 29.

The Prime Minister hopes that both the wording and the substance of the revised passage will meet with the approval of her colleagues and that they will ensure that their departments' responses to the financial management initiative will take full account of it.

Yours sincerely,

PERSONAL AND CONFIDENTIAL

John Grieve Esq
Private Secretary to the
Chief Secretary

FINANCIAL MANAGEMENT INITIATIVE: DEPARTMENTAL PROGRAMMES OF WORK

The Prime Minister was grateful for the Chief Secretary's minute of 17 December and for the copy of his letter to the Home Secretary. She will look forward to receiving a report from Mr Brittan and Lady Young on the departmental programmes of work.

2. The Prime Minister recognises that the work of assessing the departmental programmes and of preparing a report to round off the initiative with a satisfactory plan of future action will be an added burden for the Chief Secretary, the Lord Privy Seal and their staffs. But she regards the initiative as of great importance for the good management of the work of central government and she would like the Treasury and MPO officials concerned to feel a sense of both her encouragement and her expectation of a good outcome.

3. Mrs Thatcher has asked me to add that while her interest in the provision of reliable and useful management information is already clearly on the record, she attaches considerable importance to the inclusion in the plan of future action of a

sufficient scheme for the education and development of officials who have or will have substantial responsibilities for either the direct management of resources or the provision of financial advice to Ministers. The Prime Minister thinks that a central report which did not include such a scheme would be open to severe criticism in Parliament and elsewhere.

4. I am copying this to John Kerr and Harry Bush (Treasury), Mary Brown (MPO) and Christopher Joubert (Rayner Unit).

Private Secretary

CC JV 1

010
GFR
pse hyne
draft at
frag B
A.



FROM: CHIEF SECRETARY
DATE: 17 December 1982

PRIME MINISTER

Prime Minister:

Attached at frag A is a note for the Rayner Unit on the history and future of the Financial Management Initiative; at frag B is a draft reply. Agree that I should respond on your behalf. Mr Prestley suggests A 20/12

FINANCIAL MANAGEMENT INITIATIVE: DEPARTMENTAL PROGRAMMES OF WORK

I enclose a copy of a letter which I have today sent to all Ministers in charge of departments involved in the Financial Management Initiative. The letter outlines how Janet Young and I propose to deal with the programmes of work which departments will be sending to the Treasury and MPO in January and invites colleagues to give them their personal attention.

2. You will see that I shall ask my officials to prepare an early submission giving a preliminary assessment of each department's programme as it is received. This will enable us to pick up at an early stage any points which appear to need bilateral discussion with colleagues.
3. You may also find it helpful to have our preliminary impressions of progress on the initiative so far. They are based on the contacts which Treasury and MPO officials have had with their departmental colleagues.
4. The response has on the whole been forthcoming but it has not been uniform. As might be expected, those departments which were already getting ahead with improvements in financial management have made the fastest progress. Some of the others were at first slow to take on board the full scope and meaning of what was required. But encouragement from the Treasury, MPO and our joint financial management unit has now led to a more serious and systematic approach.
5. There is a general move, reinforced by your Private Secretary's letter of 2 September, towards better management information systems

for Ministers and top management. In other respects, progress so far has been more patchy; some departments have concentrated on administrative expenditure at the expense of the rest, and one of the things we shall have to watch is whether the programmes provide for adequate coverage of the whole field, in stages where necessary (see paragraph 2(d) of my letter to colleagues).

6. In general however it is clear that the initiative has gained momentum since the summer and that launching it has provided a real stimulus to change. The prospects for a worthwhile series of programmes in January appear generally good - though programmes from a few departments which have made late starts can be expected to contain more proposals for further study than for immediate action.

7. These are of course only preliminary impressions. Some proposals have still to be worked up more fully, and all will be subject to change between now and the end of January. In most cases, they have not yet been submitted to the departmental Ministers concerned whom we are now trying to get personally involved in this work. We shall be able to form a more definite view when the programmes reach us in January and will report to you again as soon as we can make a fuller assessment on that basis.

8. I am copying this minute to Janet Young, Geoffrey Howe, Barney Hayhoe and Sir Derek Rayner.

am

L.B.

LEON BRITTAN

17 December 1982



Treasury Chambers, Parliament Street, SW1P 3AG

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

17 December 1982

R. Williams

FINANCIAL MANAGEMENT

You will remember that the programmes of work for improving financial management which the Prime Minister commissioned in her personal minute of 17 May are due to reach the Treasury and the MPO in January. The Lord Privy Seal and I think that it may be helpful to colleagues if I outline briefly how we propose to carry things forward.

Officials have kept in touch over the developments in each department since the launching of the initiative last May, and it should be possible to move forward quickly as soon as the programmes reach the Treasury and MPO. As they come in, the Lord Privy Seal and I will call for an early submission in each case, giving a preliminary assessment of the proposed programme and advice on the next steps. Janet Young and I may then in some cases wish to discuss colleagues' proposals with them, in advance of making a general assessment and reporting to the Prime Minister.

Colleagues will, of course, wish to consider how best to give effect in their own departments to the general principles set out in the Prime Minister's letter of 17 May, and accompanying paper, and her Private Secretary's letter of 2 September. In making their preliminary assessments, however, we shall ask our officials to consider, *inter alia*, how the proposed programmes deal with the following 5 main issues, which you may find it helpful to bear in mind:

- (a) the provision of reliable and useful management information to all levels of departmental management, including Ministers and top officials (paras 15(b) and (c), 27 and 29 of the White Paper Cmnd 8616);
- (b) the matching of management information with the clear allocation of appropriate responsibility to managers at each level (paras 13 and 15(c) of Cmnd 8616);

(c) the budgeting and control of administrative costs (para 15d of Cmnd 8616);

(d) the comprehensiveness of the department's programme, when necessary in stages, for making wider improvements in its handling of financial business, for example by the development of output measurement and the formulation of explicit objectives (paragraphs 15(a) and (e) and 28 of Cmnd 8616;

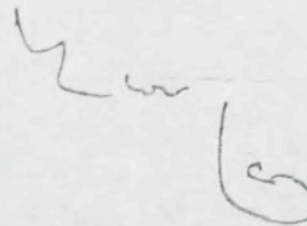
(e) the implications of the programme for training and staffing, including the use of external assistance where appropriate (para 21(h) of Appendix 3 to Cmnd 8616.

In assessing the programmes, attention will also be paid to the costs and cost-effectiveness of the developments proposed (para 11(h) of Appendix 3).

I have received periodical reports on progress from my officials. These show that departments have put a great deal of hard work into the financial management initiative. The Lord Privy Seal and I take this opportunity to express our warm appreciation of that. Colleagues will no doubt wish to give their personal attention to the proposed programmes as they come forward for approval.

When all the programmes have been received, the Lord Privy Seal and I will prepare a general assessment and make a full report to the Prime Minister. Concurrently, our officials will start work on the preparation of the further White Paper which the Government has said it will publish in July 1983.

I am copying this letter to the Prime Minister, other Ministers in charge of departments involved in the initiative, Sir Derek Rayner and Sir Robert Armstrong.



LEON BRITTAN

17 DEC 1982

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Foreign and Commonwealth Office

London SW1A 2AH

15 December 1982

Dear Mary,

15/12

Revision of Civil Service Order
in Council 1978

TRM - The Foreign and Commonwealth Secretary has seen the Lord Privy Seal's minute of 6 December to the Prime Minister and Mrs Thatcher's reply. He is content with the revised draft Civil Service Order in Council 1982 and revised draft Civil Service Commission General Regulations 1983.

I am copying this letter to John Coles (No 10) and Richard Hatfield (Cabinet Office).

Yours sincerely,

(R B Bone)
Private Secretary

Mrs Mary Brown
PS/Lord Privy Seal
Management and Personnel Office
Whitehall
LONDON SW1

PRIME MINISTER

MS

2

Equal Opportunities in the Civil Service

Attached is the Report of a Joint Review Group with both official and union representatives on opportunities for women in the Civil Service. As you will see from her letter (Flag A), Lady Young wishes to accept the main body of the Report's findings. These are summarised in the Press Notice at Flag B. If the Report receives any publicity it is likely to be:

- (i) for its recommendation for research into the extent and nature of sexual harassment; and
- (ii) for its proposal of a Civil Service Nursery Council to encourage the provision of child-care facilities.

Lady Young is extremely sceptical about the latter.

IF

15 December 1982



Management and Personnel Office

Whitehall London SW1A 2AZ

Telephone 01-273 } 4400
GTN 273 }

14 December 1982

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

Jan Willie,

REPORT OF THE JOINT REVIEW GROUP ON EMPLOYMENT OPPORTUNITIES FOR WOMEN IN THE CIVIL SERVICE

In 1980 a Joint Review Group was set up to review the development of employment opportunities for women in the Civil Service. The Review Group have now completed their work and I am enclosing a copy of their report, "Equal Opportunities for Women in the Civil Service", which is to be published on Thursday, 16 December. The accompanying Press Notice, in the form of a confidential final draft, summarises the main recommendations of the report.

The Joint Review Group was set up under the Whitley Council machinery, with both departmental and union representatives. They have achieved a very large measure of agreement. Their recommendations will need to be carefully considered in consultation with departments and inevitably there may be reservations about some of them. For my own part I shall need to be persuaded that the setting up of a Civil Service Nursery Council is a practical proposal or, indeed, that work place nurseries are the best form of child-care. I am, however, firmly of the view that we can and must take positive action to follow up the general thrust of the report.

Some action is already in hand. The report emphasises the importance of helping women to maintain the continuity of a working career, and earlier this year all departments began an examination of the scope for increasing opportunities for part-time work or job-sharing. The Treasury has recently completed a study of ways of improving career opportunities for its own women staff, and this offers valuable lessons for departments generally. In MPO we are about to start research (supplementing studies in other departments) to explore why women are less likely to achieve promotion than men. The Civil Service College has also initiated this year a course to prepare women for management responsibility.

There has been a long tradition of equal employment policies for women in the Civil Service, and I am sure it is right to maintain that. I hope very much, therefore, that you and all colleagues will take a close interest in the

follow-up to this report within your own department. We are all well aware of the constraints on resources but this is an area where, in my view, substantial gains can be made without excessive cost.

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

Yours ever

Baroness

BARONESS YOUNG

PUBLICATION OF REPORT ON EQUAL OPPORTUNITIES
FOR WOMEN IN THE CIVIL SERVICE

Baroness Young, Lord Privy Seal, today welcomed a report* published by the Management and Personnel Office on Equal Opportunities for Women in the Civil Service.

Lady Young, the Minister in day-to-day charge of the Civil Service, said "The publication of this report illustrates the determination of the Civil Service to create the environment which will allow truly equal opportunities for all and enable women in particular to have the option of planning a long term career."

The Report stresses that a change of attitudes is needed at work - by both men and women - if equal opportunity is to be achieved. It proposes the adoption of a new policy, which would be fostered and monitored by joint management/trade union action, and calls for an imaginative awareness programme to bring home to all civil servants their individual responsibility to secure equality of treatment.

The Report considers ways of modifying traditional working patterns to enable more women civil servants to maintain the continuity of a working career and proposes:

- increasing opportunities to work part-time for a period
- experiments in job-sharing
- extending existing schemes for working flexible hours
- giving preference in reinstatement to women who have resigned for domestic reasons.

* 'Equal Opportunities for Women in the Civil Service' is the report of a Joint Review Group set up by the Joint Personnel Management Committee of the National Whitley Council.

The Report expresses concern that women are still overwhelmingly concentrated in the lower grades, about evidence that women are less likely to be promoted than men, and that there are too few women in some specialist areas such as engineering and technology. Among its proposals on career development are:

- research to identify the reasons why women are less likely to be promoted
- introducing training schemes to enable more women to achieve qualifications in engineering and technology
- the development of special courses for women managers
- greater flexibility in applying the 'mobility' rules for junior management staff; and on examination of scope for introducing interdepartmental career development in local areas.

Other recommendations include:

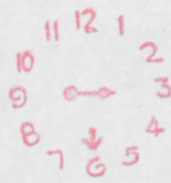
- investigating the possibility of setting up a Civil Service Nursery Council to encourage the provision of child-care facilities
- improving maternity leave provision and the adoption of a more liberal attitude towards the granting of special leave
- carrying out research where necessary and practicable into the extent and nature of sexual harrassment.

The Report is concerned to emphasise that improving opportunities for women in the Civil Service depends upon its recommendations, where appropriate, applying equally to men.

The recommendations will now be considered by management and trade unions.

All the recommendations are summarised in Chapter 9 of the Report which is attached to this Press Notice.

4 DEC 1982





CONFIDENTIAL

PRIME MINISTERCivil Service Numbers After 1984
(C(82) 40)

BACKGROUND

When it discussed the 1982 Public Expenditure Survey on 2nd November the Cabinet approved the targets for Civil Service numbers at 1st April 1984, but not for later years. The Chief Secretary, Treasury indicated that he would be making proposals for later years in due course (CC(82) 46th Conclusions, Minute 2).

HAG A

2. His proposals are contained in C(82) 40. The Chief Secretary notes that present plans include Civil Service numbers of 623,850 at 1st April 1985 and 621,150 at 1st April 1986. He suggests that, again on present plans, Civil Service numbers could be expected to decline to about 605,000 by the end of the decade (or about 585,000 if the Royal Ordnance Factories are hived off). These numbers would be affected by economic and other developments, especially changes in unemployment.

3. The Chief Secretary suggests that the Government should continue to set and announce specific targets for Civil Service numbers; and that the numbers set out in paragraph 2 above are insufficiently demanding. He proposes that new targets should be established for Civil Service numbers at 1st April each year from 1985 to 1988. So that Ministers can decide these targets in an informed way there should be a Service-wide exercise aimed at assessing:-

- (i) the lowest practicable total for Civil Service staff in post for each year from 1st April 1985 to 1st April 1988 inclusive on the basis of present policies;
- (ii) the manpower and expenditure implications of any new policies already envisaged but not yet incorporated into Departmental expenditure programmes; and



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- (iii) whether and how the figures at (i) could be reduced by 5 per cent or 10 per cent by further improvements in efficiency (necessarily involving a change of policy, since the figures at (i) will assume that the maximum improvement in efficiency under existing policies is achieved); by privatisation or contracting out (on which the Chancellor of the Exchequer has circulated a separate memorandum); or by new initiatives or policy decisions.

On the basis of this information the Chief Secretary would report to the Cabinet in May 1983 with quantified proposals.

4. The present manpower targets are regarded as having a validity independent of other plans and policies. This has had disadvantages: in particular, initiatives which would have been financially beneficial have been prevented because they would have increased staff numbers. The Chief Secretary therefore suggests that future policy should be more flexible, and that Ministers should, in effect, be willing to consider trade-offs between staff numbers, expenditure and revenue; this would be done in the context of the Government's general economic and financial strategy in the annual Public Expenditure Survey.

5. Although C(82) 40 says that the target of 630,000 by 1st April 1984 should be achieved, we understand that the most recent appraisal gives some grounds for concern, and that the target may be at risk; this is mainly, though not only, because higher unemployment assumptions indicate that more staff will be needed by the Department of Health and Social Security and the Department of Employment. Treasury Ministers may refer to this development at the meeting.

MAIN ISSUES

6. The main issues for the Cabinet are as follows:

- (i) Should there continue to be specific targets for Civil Service numbers?
- (ii) If so, what should be their nature?



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- (iii) Should the Chief Secretary, Treasury be invited to launch a Service-wide exercise on the lines which he proposes?
- (iv) Should there be an announcement of the Government's decisions?

Need for Separate Targets

7. It is unlikely that any member of the Cabinet will dispute the need for specific targets for Civil Service numbers. The arguments in paragraphs 5 and 6 of the note attached to C(82) 40 are strong. It is quite normal for large industrial and commercial firms to have a specific policy on the numbers they employ.

Nature of Targets

8. The Chief Secretary's proposal to operate the target system more flexibly is also likely to be generally welcomed. It will however be necessary to guard against going too far from present policy. The establishment of firm targets has undoubtedly been more effective in reducing numbers than a policy of arguing out every possible reduction 'on its merits'. This gain should not be sacrificed. The Cabinet may well feel that it is sufficient to establish it clearly that, if any relaxation in a particular Departmental target is proposed, the onus of proof lies on the proposer, who will have to show clear financial or other policy gains in justification.

Proposed Exercise

9. So far as we know, no Minister is likely to disagree in principle with the exercise proposed by the Chief Secretary. But the following points of reservation or qualification may be raised;

(a) Timetable

The proposed timetable (launch in January; replies from Departments in the first half of March; bilateral discussions thereafter leading up to a report to the Cabinet at the end of May) may be



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criticised as unnecessarily stringent. It will impose a heavy burden on central financial and establishment staff in Departments, who will have to cope with the new exercise at the same time as finalising the 1983-84 Supply Estimates, the initial stages of the 1983 Public Expenditure Survey, and the financial management initiative. It may be suggested that it would be enough if the Chief Secretary reported to the Cabinet in July. We understand that Treasury Ministers take the view that this would lead to an excessive burden on Ministers in June and July because that is when the Public Expenditure Survey Report is finalised and considered by Ministers; but in fact the main burden does not usually fall on Ministers until about September, when the Chief Secretary holds bilateral discussions with spending Ministers in the light of the Cabinet's initial discussion of public expenditure in July.

(b) The 5 and 10 per cent cuts

The Chief Secretary proposes that Departments should indicate whether and how they could reduce the figures resulting from efficient conduct of existing policies by 5 per cent or 10 per cent through policy changes. Some Ministers will be apprehensive that reductions put forward on this basis will be incorporated into new targets; that, in the event, the policy changes which they require will not be made; but that they will still be expected to make the reductions.

(c) Management Aspects

Although there has been wide recognition in the Civil Service that reductions in manning were necessary, some Departments, at least, are beginning to 'feel the pinch'. Some of your colleagues are likely to argue that morale will suffer if the outlook is



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solely for continuing reductions in numbers without any incentives or recognition of the additional workload and other management consequences. They may well emphasise the need to get ahead with the type of measure described in paragraph 23 of the note attached to C(82) 40, and indeed suggest that progress here will be a necessary condition for continued satisfactory progress in reducing staff numbers.

Announcements

10. There is continuing interest in Civil Service numbers; and an exercise on the lines suggested by the Chief Secretary, which is bound to involve many staff in all Departments, is certain to leak. The Civil Service trade unions, in particular, are sure to learn of it. There is therefore much to be said for:

- (a) formally telling the trade unions of what is afoot; and
- (b) a public announcement - this should probably be in fairly low key, since no radical new policy is proposed.

I understand that Treasury Ministers are considering these aspects. You may wish to invite them to circulate any texts in draft to the Cabinet. Other members of the Cabinet, especially those in charge of large Departments, may wish to make arrangements for informing their own Departmental staff sides. Steps of this nature should be co-ordinated by the Treasury.

HANDLING

11. You will wish to ask the Chief Secretary, Treasury to introduce the discussion. All Cabinet Ministers have an interest: those responsible for the largest numbers of staff are the Home Secretary, the Chancellor of the Exchequer, and the Secretaries of State for Defence, the Environment, Social Services and Employment. The Lord Privy Seal will have comments from the points of view of management and morale.

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CONCLUSIONS

12. You will wish the Cabinet to reach conclusions on:

- (i) the recommendations in paragraph 6 of C(82) 40;
- (ii) whether the fact that a new manpower exercise has been put in hand should be made public; and if so, how?

Robert Armstrong

14th December 1982

CONFIDENTIAL

Prime Minister (2)

ms 15/12

Management and Personnel Office

Whitehall London SW1A 2AZ

Telephone 01-273 } 4400
GTN 273 }

14 December 1982

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

5 DEC 1982



Dear Sir,

VOLUNTARY EARLY RETIREMENT

At our meeting on 22 November we discussed the need for premature retirements in Customs & Excise and we also touched upon the question of the package of retirement measures which we are currently discussing with the unions and are hoping to introduce early next year. The discussions with the unions are well advanced and although I do not think we shall be able to secure their overall agreement to the package of measures, mainly because departments have not felt able to accept the unions' proposals for a uniform age retirement policy, I am hoping that they will not actively oppose their introduction.

One of the most important elements of the package is the new Voluntary Early Retirement (VER) Scheme. Under this scheme staff aged 55 and over would be able to retire early with the immediate payment of the pension they have earned, but with no enhancement. Such a scheme would therefore be cheaper than the existing premature retirement arrangements. A similar short-term scheme was introduced in 1980 to help departments meet their financial estimates in 1980-81. The proposed scheme would serve two main purposes:-

- i. it would help departments to achieve an orderly run down up to the 1 April 1984 manpower targets; and
- ii. it would also contribute to the drive for a more efficient Civil Service by encouraging older and less committed staff to leave.

As this would be a comparatively inexpensive way of helping to achieve a slimmer and more efficient workforce we have thought the Treasury would not be opposed to it but I understand that at official level this has not proved to be the case.

The majority of Departments, and as you know Customs & Excise are in the forefront here, are very keen for more early retirements to take place. Departments have suggested to us that about 1,000 staff would be interested across the Service as a whole. On this basis, and given the costs arising from the last similar scheme in 1980-81, we would expect the total cost to the Superannuation Vote to be about £15 million. A large part of this would be

due to the "lump sums" which would simply be brought into payment early. However, we also propose to stop the practice whereby those in junior grades or short service staff who, on reaching 60, retire formally and are re-employed in their existing grades. This will postpone the payment of lump sums in many cases and should therefore act as a substantial offset.

Although precise costings are difficult our initial estimates have indicated that the average early pension costs for those who would volunteer to retire under the VER scheme is likely to be less than the costs of allowing staff to leave under the Job Release scheme, (although the latter is, of course, aimed at a higher age group) and certainly much cheaper than any other form of premature retirement. Moreover the scheme will be used to assist the manpower run-down, and a proportion of those who leave under it will not be replaced. There will therefore be some salary savings which will help to offset the costs of the scheme. My intention would be to introduce a pilot scheme for 6 months so that we can more accurately gauge the response and the costs. At the end of that period the benefits of and need for the scheme could be reviewed.

I would be grateful therefore for your early approval to the introduction of a pilot scheme on this basis. Although the unions tend to regard VER as "redundancy on the cheap" they are unlikely to oppose it since only volunteers will be involved.

I am copying this letter to Cabinet colleagues.

Your own

Davis

BARONESS YOUNG

Civil Service



Dr

13/12

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

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

MO 2/2/6

9th December 1982

Dear Janet.

Thank you for sending me a copy of your minute of 26th November to the Prime Minister.

I am content for the Ministry of Defence to participate in the 1983 Efficiency Exercise, as indicated in your minute. It will be important in establishing the detailed work programmes for each of these studies to ensure that there is no duplication of work already in hand here, particularly in the Procurement and Contracts area. We want to ensure too that we do actually implement the findings of some of our earlier studies and I would not want further studies to get in the way of this follow through work. Your idea of studying the internal consultancy, inspection and review capabilities of Whitehall Departments is an interesting one - having set up a new Management Audit organisation within the MOD last year following a Rayner study precisely to bring these areas together, we may well have some experience to offer, and my officials would gladly help in this Multi-Departmental Review.

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

Yours ever

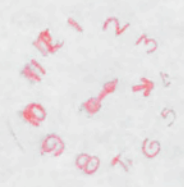
JN

John Nott

The Rt Hon The Baroness Young

CIVIL SERVICE : Long term policy Pt 11

3 DEC 1982





10 DOWNING STREET

From the Private Secretary

9 December 1982

The Prime Minister has now seen the Lord Privy Seal's minute of 6 December about the revision of the Civil Service Order in Council and other matters. She has approved the revised Civil Service Order in Council 1982 attached to the Lord Privy Seal's minute and subject to the agreement of the Foreign and Commonwealth Secretary the revised Civil Service Commission General Regulations 1982. Mrs. Thatcher has also agreed to the Lord Privy Seal's proposals that a formal arrangement should be made to distance Ministers from individual selection decisions in the departmentally-recruited grades.

I am sending a copy of this letter to John Holmes (Foreign and Commonwealth Office) and Richard Hatfield (Cabinet Office).

T. FLESHER

Mrs. Mary Brown,
Lord Privy Seal's Office.

HL



Prime Minister:

Agree to the Lord Pym

Sends proposals?

Yes

JK

8/12

PRIME MINISTER

REVISION OF THE CIVIL SERVICE ORDER IN COUNCIL 1978; THE DIPLOMATIC SERVICE ORDER 1964; AND THE CIVIL SERVICE COMMISSION GENERAL REGULATIONS 1978

^{P410}
On 19 July, I sought your approval to the broad nature of the amendments which it was thought necessary to make to the Civil Service Order in Council 1978, the Diplomatic Service Order 1964, and the Civil Service Commission General Regulations 1978, as a result of the decision that the Commission should on 1 January 1983 cease to have any formal responsibility for recruitment to the junior grades of the Civil Service. The letter of 29 July from your Private Secretary to mine conveyed your agreement in principle.

I now attach a revised draft Civil Service Order in Council 1982 and revised draft Civil Service Commission General Regulations 1983, drawn up in consultation with the Treasury Solicitor. I understand that, following legal advice, it was found that the change in recruitment arrangements does not necessitate amendments to the Diplomatic Service Order 1964 (which is of course Francis Pym's responsibility). Nevertheless, I understand that the opportunity has been taken to bring that Order up to date in one or two other respects, and that a submission about this is being put to Francis Pym.

CIVIL SERVICE ORDER IN COUNCIL 1982

The important amendments are in Articles 1 and 4 of the revised draft Order. They are a direct consequence of the change in recruitment arrangements.

Article 1(2)(f) refers to, and the Schedule lists, those grades in the Home Civil and Diplomatic Services for whose recruitment the responsibility will in future rest with departments themselves.

Articles 1(3)(a) enables you, as Minister for the Civil Service, or the Foreign and Commonwealth Secretary (in respect of posts in the Diplomatic Service), after consultation with the Commissioners, to add any grade to the list of departmentally-recruited grades (provided it has an affinity to a grade already included); or to remove a grade; or to change the title of any such grade.

Articles 4(a)(i) of the draft Order empowers you, as Minister for the Civil Service, to make Regulations or give instructions relating to recruitment to the grades listed in the Schedule. As I proposed in my minute of 19 July, provision has been made in this Article for departmental recruitment to be undertaken on merit in open competition, subject to certain exceptions. These exceptions, which will be set out in detail in the Establishment Officers' Guide, will correspond broadly to the exceptions for which provision is made under present arrangements (and which will continue to be made) in the Civil Service Commissioners' area of responsibility. They will permit departments to dispense with open competition when they are recruiting people to, for example, casual or part-time appointments, or when reinstating someone who has formerly been an established civil servant.

The new order, like the present one, will be a prerogative instrument, and will not require parliamentary approval.

CIVIL SERVICE COMMISSION GENERAL REGULATIONS 1983

It is necessary to issue revised General Regulations under the new Order in Council. The only significant amendment is the alteration to the nationality rules for the Home Civil and Diplomatic Services (Regulation 12), which now reflect the provisions of the British Nationality Act 1981, which comes into force on 1 January 1983.

DISTANCING MINISTERS FROM INDIVIDUAL SELECTION DECISIONS

In the past, Ministers have, in effect, had no powers over appointments to the Civil Service because of the independence of the Commission. However, recruitment to the grades listed in the Schedule to the Order in Council will now be entirely the responsibility of Departments, within the scope of the central instructions and guidance which have already been issued. While it is appropriate for Ministers to be responsible for recruitment in the sense that they will be answerable for the effectiveness of their own systems of recruitment, it is desirable that they should not appear to be concerned in individual selection decisions. That could give rise to suspicions of patronage or partiality. I have therefore come to the conclusion that some form of "distancing" Ministers from individual selection in the departmentally-recruited area would be appropriate.

The distancing could be done administratively, under the powers to be given to the Minister for the Civil Service under Article 4 of the draft Civil Service Order in Council 1982, perhaps by making it clear in the Establishment Officers' Guide that the responsibility for selection decisions in individual cases in the departmentally-recruited area rests with the permanent head of the department concerned. If you agree that this idea should be pursued, I will arrange for appropriate instructions to be given.

TIMING

The Privy Council is due to meet on 22 December to consider the draft Civil Service Order in Council 1982 (and the draft Diplomatic Service Order 1982). The relevant papers will have to be deposited with the Privy Council Office on Thursday 16 December.

This minute seeks

- i. your approval of the revised Civil Service Order in Council 1982 (paragraphs 3-7);
- ii. your approval, and that of the Foreign and Commonwealth Secretary (to whom I am copying this minute), to the revised Civil Service Commission General Regulations 1982 (paragraph 8);
- iii. your agreement that a formal arrangement should be made to distance Ministers from individual selection decisions in the departmentally-recruited area (paragraphs 9-10).

I am also copying this minute to Sir Robert Armstrong.

Baroness Young

BARONESS YOUNG

6 December 1982

THE CIVIL SERVICE ORDER IN COUNCIL 1982

At the Court at Buckingham Palace

THE DAY OF 1982

PRESENT,

THE QUEEN'S MOST EXCELLENT MAJESTY

IN COUNCIL

Whereas by the Civil Service Order in Council 1978 (hereinafter referred to as "the principal Order") as amended by Article 3(4) of the Transfer of Functions (Minister for the Civil Service and Treasury) Order 1981(a) provision was made for certifying the qualifications of persons proposed for appointment to situations in Her Majesty's Home Civil Service or Diplomatic Service and for regulating the conduct of Her Majesty's Home Civil Service and the conditions of service therein:

And whereas it is expedient to make further provision in relation to the matters aforesaid and to make additional provision enabling persons to be appointed to situations in Her Majesty's Home Civil Service and Diplomatic Service without a certificate of qualification and enabling the Minister for the Civil Service to make regulations relating thereto in respect of Her Majesty's Home Civil Service:

Now, therefore, Her Majesty is pleased, by and with the advice of Her Privy Council, to order, and it is hereby ordered, as follows:-

1.--(1) Subject to any regulations made under Article 2, the qualifications of a person proposed for appointment to a situation, not listed in paragraph (2) below, in Her Majesty's Home Civil Service or Diplomatic Service shall, before he is appointed, be approved by the Commissioners, whose decision shall be final, and no person shall be appointed to such a situation until a certificate of qualification has been issued by the Commissioners.

(2) A certificate of qualification shall not be required in respect of appointments:-

- (a) to situations to which the holder is appointed directly by the Crown;
- (b) to situations filled by the appointment or transfer of classes of persons by or in pursuance of any Act of Parliament which exempts such persons from the requirement that a certificate of qualification shall be issued before appointment;
- (c) such that the period for which the situation is said to be held thereunder by the person appointed terminates at the end of an Administration;
- (d) to situations which normally involve less than eighteen working hours in each week;
- (e) by virtue of which the total period of continuous service of the person appointed does not exceed twelve months;
- (f) to situations in the grades listed in Parts 1, 2 and 3 of the Schedule to this Order;
- (g) by virtue of which the total period of continuous service of the person appointed does not exceed five years, and it has been proved to the satisfaction of the Commissioners that it is desirable that such person be appointed without the issue of a certificate of qualification.

(3)(a) The Minister for the Civil Service^{or,} in respect of any grade within the Diplomatic Service, Her Majesty's Secretary of State for Foreign and Commonwealth Affairs may, after consultation with the Commissioners, by direction -

(i) add any grade to those listed in the said Schedule provided that it wholly involves the performance of duties which are the same as or similar to those performed by one or more of the grades so listed;

(ii) remove any grade from the grades so listed, or

(iii) change the title of any grade so listed.

(b) A direction made under subparagraph (a) above may vary or revoke a previous direction made under that subparagraph.

2. The Commissioners may, subject to the approval of the Minister for the Civil Service or Her Majesty's Secretary of State for Foreign and Commonwealth Affairs, as the case may be, from time to time make General Regulations prescribing the conditions on which the Commissioners may issue certificates of qualification (including certificates expressed to be valid only for a limited period) for the purpose of this Order, and the circumstances in which and the conditions on which persons may be appointed before the issue of a certificate to situations in respect of which a certificate is required.

3. A person -

(a) as respects whom a certificate of qualification has been issued by the Commissioners, or

(b) appointed to a situation mentioned in subparagraphs (b) or (f) of paragraph (2) of Article 1

may be transferred or promoted or otherwise receive a further appointment within Her Majesty's Home Civil Service or Diplomatic Service without, in the case of (a) above, a further certificate of qualification or, in the case of (b) above, a certificate of qualification, except, in either case, in such circumstances as the Commissioners may (after consultation with the Minister for the Civil Service or Her Majesty's Secretary of State for Foreign and Commonwealth Affairs, as the case may be) from time to time prescribe by regulations.

4. As regards Her Majesty's Home Civil Service -

(a) the Minister for the Civil Service may from time to time make regulations or give instructions -

(i) relating to the selection and recruitment of persons to situations in the grades listed in Parts 1, 2 and 3 of the Schedule to this Order (including, in particular, regulations or instructions prescribing the qualifications for appointment to such situations and providing for such appointments being made on merit by means of open competitions, subject only to such exceptions as may be specified);

(ii) for controlling the conduct of the Service, and providing for the classification of all persons employed therein and, so far as they relate to matters other than remuneration, expenses and allowances, the conditions of service of all such persons; and

(b) the Treasury may from time to time make regulations or give instructions providing for the number and grading of posts in the Service, the remuneration, expenses and allowances of all persons employed therein and, so far as they relate to remuneration, expenses or allowances, the conditions of service of all such persons.

5. In this Order the expression "the Commissioners" means the persons for the time being appointed by Her Majesty in Council to be Her Majesty's Civil Service Commissioners for the purposes of this Order.

6.--(1) This Order may be cited as the Civil Service Order in Council 1982, and shall come into operation on the first day of January 1983.

(2) The principal Order is hereby revoked.

(3) Without prejudice to paragraph (4) below -

(a) any instrument in force at the commencement of this Order and made or having effect as if made under any provision of the principal Order re-enacted in this Order, and anything whatsoever done under or by virtue of any such provision, shall be deemed to have been made or done under or by virtue of the corresponding provision of this Order;

(b) any instrument or other document referring to the principal Order shall be construed as referring to this Order or the corresponding provision of this Order.

(4) The Interpretation Act 1978(b) shall apply for the interpretation of this Order and of any regulations or orders made under this Order as it applies for the interpretation of an Act of Parliament, and as if for the purposes of section 16(1) of that Act this Order were an Act of Parliament and the principal Order were an Act of Parliament thereby repealed.

N. E. Leigh.

SCHEDULE

PART I – SITUATIONS IN NON-INDUSTRIAL GRADES, ESTABLISHED IN THE FIRST INSTANCE

Administrative and Legal Assistant	Judges Clerk
Air Operations Officer	Law Clerk
Animal Health Officer	Lecturer I
Assistant Collector of Taxes	Local Officer 2
Assistant Computer Operator	
Assistant Investigating Officer	Marine Service Officer III and IV
Assistant Mooring, Salvage and Boom Officer	Marine Surveyor II
Assistant Officer	Mate (Royal Corps of Transport Fleet)
Assistant Photographer (Qualified)	Medical Laboratory Technician
Assistant Scientific Officer	Medical Physics Technician IV
Assistant Teacher	
	Nursing Grades
Basic Remedial Gymnast	Assistant Matron
Basic Uniformed Instructional Officer	Charge Nurse
Borstal Matron	Departmental Sister
	Enrolled Nurse
Cartographer, Cartographic Draughtsman and Surveyor	Group Sister
Cartographic Assistant	Matron
Catering Manager II (Northern Ireland Office)	Midwifery Sister
Catering Manager III & IV (Civil Service College)	Nurse
Catering Manager III (Assistant Government Butler)	Nurse Receptionist
Chart Depot Assistant	Nursery Nurse
Chef I (Stormont)	Nursing Officer
Chiropodist	Nursing Sister/Charge Nurse II
Clerical Assistant	Residential School Nurse
Clerical Officer	Senior Enrolled Nurse
	Senior Night Sister
Clerk (Scottish Court Service)	Senior Sister
Clinical Instructor	Senior Sister I and II
Computer Assistant	Senior State Enrolled Nurse
Conservation Officer F & G	Sister
Curator G	Staff Midwife
	Staff Nurse
Deerstalker	State Enrolled Nurse
Defence Courier	State Registered Nurse
Demonstrator (MPO)	SRN Staff Nurse
Dental Hygienist	SRN Ward Sister
Dental Surgery Assistant (Qualified)	Ward Sister
Dental Technician Grades:	Ward Sister (Psychiatric)
Basic Dental Technician	Welfare Nurse
Chief Dental Technician I and II	
Maxillo Facial Technician	Observer Lieutenant – Royal Observer Corps
Senior Dental Technician	Occupational Therapist Grades:
Deputy Superintendent (Chief Whip's Office, MPO)	Head Occupational Therapist IV
Domestic Bursar	Senior Occupational Therapist I and II
Domestic Bursar (Wiston House)	Basic Occupational Therapist
Driving Examiner	Ophthalmic Optician
Engineer, Second Class (Royal Corps of Transport Fleet)	Personal Secretary
Engineer Mechanic	Pharmacy Technician
Experimental Flying Support Officer	Photographer (Qualified)
	Physiotherapist Grades:
Forester	Superintendent Physiotherapist III and IV
	Senior Physiotherapist I
Gliding Instructor	Senior Physiotherapist II
Graphics Officer III and IV	Basic Physiotherapist
	Principal Retired Officer
Helper in Occupational Therapy (Osborne House)	Printing Officer
	Prison Officer
Instructional Officer (up to and including Grade III)	Professional and Technology Officer III & IV
Instructional Officer (Skipper)	

Professor of Music
Programme Assistant V

Queen's Messenger
Queen's Messengers' Escort

Radiographer Grades:
Superintendent Radiographer IV
Senior Radiographer I
Senior Radiographer II
Basic Radiographer
Reproduction Class A, III and IV
Retired Officer, I, II, III
Revenue Assistant
Revenue Constable
Reviser — Sailing Directions

Secretary
Security Officer (Security Officer Branch)
Senior Data Processor
Senior Orthoptist II
Senior Remedial Gymnast
Senior Residential Child Care Officer
Senior Speech Therapist I and II
Sergeant (Police)
Social Case Worker (Qualified)
Specialist Typist
Stamping Officer
Studio Assistant
Supervisor of Telephonists

Tax Officer
Teacher
Technical Assistant II (BAOR)
Telecommunications Technical Officer II & III
Third Class Clerk
Traffic Examiner
Trainee Graphics Officer
Trainee Residential Child Care Officer
Typist

Uniformed Instructional Staff (Basic Grade)

Valuation Clerk

Welfare Assistant
Welfare Recreational Officer

PART 2 — SITUATIONS IN NON-INDUSTRIAL GRADES, UNESTABLISHED IN THE FIRST INSTANCE

Accommodation Stores Accountant
Apprentice Recreation Specialist
Assistant Cinema Projectionist
Assistant Cook
Assistant Curator (Jewel House, Tower of London)
Assistant Fishery Officer
Assistant Gas Meter Examiner
Assistant Graphics Designer

Assistant Head Armouries Warden
Assistant Head Cook
Assistant Hostel Manager
Assistant Hostel Warden (GCHQ)
Assistant Housekeeper/Curator
Assistant Photographer (Unqualified)
Assistant Production Keeper
Assistant Recreation Director
Assistant Storekeeper
Assistant Storeman
Assistant Stores Officer
Assistant Superintendent of Parks
Attendant
Attendant on Medical Officers

Bailiff in County Courts
Blind Telephonist

Car Driver
Care Assistant Class 1
Caretaker
Catering Manager III and IV
Catering Officer II and III
Chaplain's Assistant
Chef I and II
Chief Cook I and II
Cinema Projectionist
Civilian Housekeeper
Civilian Operating Room Assistant
Civilian Radio Operator
Civilian Welfare Officer
Cleaner
Cleaner of Instruments
Cloakroom Attendant
Communication Officer in Ocean Weather Ships
Communications and Cypher Officer (GCHQ)
Community Relations Adviser
Company Sergeant Major
Constable
Cook
Cook/Caterer
Council Chamber Keeper
Court Officer
Crown Office Messenger
Curator (Jewel House, Tower of London)
Custodian of Ancient Monuments
Custodian of Printing Blocks
Cypher Officer II

Daily Help
Data Processor
Deputy Head Armouries Warden
Deputy Hostel Manager/Manageress
Displayman
Divorce Enquiry Officer
Domestic Staff in Judges' Lodgings
Domestic Superintendent III
Doorkeeper
Drawing Office Assistant

Electrical Officer RMA
Electronics Officer in Ocean Weather Ships
Estate Warden

Film Examiner
Film Repairer

First Aid Attendant
Frontier Service Assistant

Gardens Supervisor
Gas Meter Examiner III
Golf Course Supervisor (Richmond Park)
Government Telephonist
Grade 9c in Diplomatic Service
Graphic Designer

Hall Porter
Handicraft Instructor
Head Cook
Head Publications Salesman/Saleswoman
Head Porter
Home Security Officer
Hostel Clerk
Hostel Manager/Manageress
Hostel Orderly
Hostel Recreation Officer
Hostel Steward
Hostel Warden (GCHQ)
House Matron
House Porter
House Steward
Housekeeper
Housekeeper Caterer
Houseman

Inseminator
Inspector of Custody Guards

Jewel House Warden
Junior Displayman

Kitchen Porter

Laboratory Attendant
Laminator
Laundress/Seamstress
Leading Photoprinter Operator
Library Assistant
Linen Keeper
Linguist Typist
Livestock Assistant (South Uist)

Macer
Mason's Assistant
Matron Housekeeper
Mechanist
Medal Issuer
Medical Board Assistant
Messenger
Mess Manager, A and B
Model Maker
Museum Packer
Museum Technician III and IV
Museum Warder

Needleworker
Night Patrol
Nursing Assistant
Nursing Auxiliary

Object Cleaner
Ocular Technician
Office Assistant in Government Whips' Office
Orbital Prosthetist

Packer
Paper Keeper
Park Constable
Photographer (Unqualified)
Photoprinter
Porter
Porter/Cleaner
Porter/Messenger
Prison Auxiliary
Process and General Supervisory C, D and E
Production Keeper
Psychological Tester
Publications Salesman/Saleswoman
Pursebearer to the Lord Chancellor

Radio Officer
Radio Officer RMAS
Radio Operator
Radio Operator Technician (Diplomatic Service, Grade 9)
Radio (Meteorological) Technician
Radio Technician
Recreation Director
Regimental Sergeant Major
Repository Assistant II
Repository or Search Rooms Assistant
Reproduction Class A
Reproduction Class B Grade III
Reserve Warden
Resettlement Service Officer
Residential Child Care Officer I, II and III

Sampler Tester
Second Officer RMAS Ocean Tugs and Whitehead
Security Officer IV & V
Senior Cook
Senior Surgery Assistant in HM dockyards
Senior Waitress
Servant
Social Case Worker (Unqualified)
Specialist Teleprinter Operator
Stamping Officer
Starter at Richmond Park Golf Course
Station Warden
Storekeeper
Storekeeper/Domestic Supervisor
Storekeeper IV
Storeman
Stores Officer C and D
Student Dental Surgery Assistant (Unqualified)
Supervisory Traffic Representative
Survey Assistant
Survey Storeman

Telecommunications Operator
Teleprinter Operator
Ticket Assistant
Tipstaff
Tracer
Traffic Handler
Traffic Representative
Trainbearer to the Lord Chancellor
Trainee Data Processor
Trainee Personal Secretary
Trainee Typist

Usher

let
Verbatim Reporter I and II
Viewer

Waitress
Warder (Tower of London Armouries/Kensington
Palace/Hampton Court Palace)
Wireless Technician
Wireless Telegraphy Operator
Workshop Supervisor at Resettlement Units
Writer

Yeoman of Signals
Yeoman Warder

PART 3 – SITUATIONS IN INDUSTRIAL GRADES

All grades

EXPLANATORY NOTE

(This Note is not part of the Order.)

This Order revokes and re-enacts with substantial amendments the Civil Service Order in Council 1978 (as amended by the Transfer of Functions (Minister for the Civil Service and Treasury) Order 1981 (S.I. 1981/1670)).

The principal changes are:-

(a) Article 1(2)(f) provides that appointments to situations in the grades in the Home Civil Service and the Diplomatic Service listed in the Schedule will no longer require a certificate of qualification to be issued by the Civil Service Commissioners.

(b) Article 1(3) makes provision for a grade to be added to, or removed from, the Schedule or for its title to be changed.

(c) Article 3(b) provides that a person appointed to a situation which does not require a certificate of qualification by virtue of Article 1(2)(b) or (f) may subsequently be transferred or promoted or otherwise receive a further appointment without the issue of a certificate except in such circumstances as the Commissioners may prescribe in Regulations.

(d) Article 4(a)(i) empowers the Minister for the Civil Service to make regulations or give instructions in respect of the Home Civil Service relating to selection and recruitment to situations in the grades listed in the Schedule.

THE CIVIL SERVICE COMMISSION

GENERAL REGULATIONS 1983

By virtue of the powers conferred on them by Articles 2 and 3 of the Civil Service Order in Council 1982, Her Majesty's Civil Service Commissioners (hereinafter called "the Commissioners"), with the approval of the Minister for the Civil Service and Her Majesty's Secretary of State for Foreign and Commonwealth Affairs, hereby make the following Regulations:

PRELIMINARY

1.1 These Regulations may be cited as "The Civil Service Commission General Regulations 1983" and shall come into operation on 1 January 1983.

1.2 These Regulations are applicable to candidates of both sexes and to all appointments, transfers or promotions in respect of which, by virtue of the Civil Service Order in Council 1982, a certificate of qualification is required to be issued by the Commissioners.

1.3 In these Regulations, unless the contrary intention appears,

- a. words importing the masculine gender shall include females, and
- b. words in the singular shall include the plural and words in the plural shall include the singular, and
- c. the expression "Civil Service" shall mean Her Majesty's Home Civil Service and Diplomatic Service, and
- d. the expression "specified" shall mean specified by memoranda or other official instructions issued from time to time as occasion requires by the Commissioners for the situation or grade or group or class of situations concerned, provided that, where the situation or grade or group or class of situations is peculiar to one Department, the memoranda or other official instructions shall also be agreed with the Head of that Department.

CERTIFICATES OF QUALIFICATION

2. A certificate of qualification for appointment to a situation in the Civil Service will be issued by the Commissioners only when they are satisfied that a candidate is eligible under the provisions of these regulations in respect of age, health, character, knowledge and ability, and nationality, and that he fulfils any other conditions which may be specified.

3.1 In the case of an appointment or appointments of limited duration the validity of a certificate of qualification may be restricted to a limited period terminating on the date specified in the certificate.

3.2 A person in respect of whom a limited period certificate of qualification has been issued under Regulation 3.1 shall not be appointed to a further situation requiring a certificate of qualification until a further certificate has been issued.

3.3 The circumstances in which and the conditions on which persons may be appointed before the issue of a certificate of qualification to situations requiring such a certificate are specified in Regulation 13 hereof.

METHOD OF ENTRY

4. All appointments which require to be certificated under these Regulations, other than those covered by Regulation 11, shall be made solely on merit on the basis of fair and open competition. Recruitment shall be by means of specified competitions, which shall be sufficiently publicised to the satisfaction of the Commissioners and shall be open to all persons who satisfy the specified conditions and who apply at the time and in the manner specified. Such competitions shall be held at such periods and for such situations or grades or groups or classes of situations as the Commissioners shall from time to time determine.

AGE

5. Every candidate shall satisfy the Commissioners that he is within the specified limits of age, but if no limits of age are specified, the candidate shall satisfy the Commissioners that his age is suitable to the duties of the situation which he seeks.

6. The Commissioners may exceptionally at their discretion extend the specified upper age limit for any candidate if they are satisfied that there is due and sufficient cause.

HEALTH AND REGULARITY OF ATTENDANCE

7. Every candidate shall satisfy the Commissioners that his health is such as to qualify him for the situation which he seeks and that he is likely to give regular and effective service for at least five years or for the period of any appointment of shorter duration:

Provided that, in the case of a candidate who is

a. already employed on functions which have been transferred to the Crown and who is being admitted for employment in the Civil Service in consequence of such transfer, or

b. already engaged in an employment or office to which the Principal Civil Service Pension Scheme applies either directly or by analogy,

the Commissioners may at their discretion waive or modify the standard of health required of that candidate for the purposes of the issue of a certificate of qualification.

CHARACTER

8. Every candidate shall satisfy the Commissioners that his character is such as to qualify him for the situation which he seeks.

KNOWLEDGE AND ABILITY

9. The Commissioners shall satisfy themselves that every candidate is qualified in respect of knowledge and ability to discharge the duties of the situation which he seeks.

10. Subject to the provisions of Regulation 11 hereof, the tests in respect of knowledge and ability shall be such as are specified in the relevant memoranda or other official instructions and may include qualifying or competitive tests, examinations or interviews or a combination of these; the tests or examinations may be written, oral or practical. Candidates may also be required to possess specified academic, professional or technical qualifications or appropriate experience, or a combination of these.

Without prejudice to the provisions of Regulation 9 hereof the Commissioners may, if they think fit, dispense with or modify any tests in respect of knowledge and ability, if

- a. the Head of the Department or other appointing authority has satisfied the Commissioners that the admission of a particular candidate to a particular situation is for special and exceptional reasons justified by the needs of the public service and the proved merits of the candidate, or
- b. it has been proved to the satisfaction of the Commissioners that it is desirable that the candidate concerned, having been employed on functions which have been transferred to the Crown, should be admitted for employment in the Civil Service, or
- c. it has been proved to the satisfaction of the Commissioners that it is desirable that a candidate already holding a situation in another public service should be admitted for employment in the Civil Service, or
- d. it has been proved to the satisfaction of the Commissioners that it is desirable, by reason of a shortage of qualified candidates, to admit to a particular situation a candidate who has reached an appropriate standard in a competition for an equivalent or higher situation but has failed to secure appointment to that situation, or
- e. a candidate for whom the Commissioners have previously issued a certificate of qualification, or who had been appointed under the provisions of Article 1(2)(b) or (f) of the Civil Service Order in Council 1982, and is put forward by the Head of the Department or other appointing authority for reinstatement, or for appointment to a situation inferior to that which he previously held, and the Commissioners are satisfied as to his knowledge and ability.

NATIONALITY

12.1 To be eligible for appointment (other than to a situation to which Regulation 12.2, Regulation 12.3 or Regulation 12.4 applies) a candidate must be:

- a. a British citizen; or
- b. a Commonwealth citizen (other than a British citizen), or a British protected person, or a citizen of the Irish Republic, in which case he must satisfy one of the following conditions:
 - i. at least one of his parents must be, or have been at death, a Commonwealth citizen, a British protected person, or a citizen of the Irish Republic; or
 - ii. he must have resided in a country or territory within the Commonwealth, or in the Irish Republic, or have been employed elsewhere in the service of the Crown, or partly have so resided and partly been so employed, for at least five years out of the last eight years preceding the date of his appointment.
- c. if not qualified under sub-paragraphs b.i or b.ii of this Regulation, he must satisfy the Civil Service Commissioners that he is so closely connected with a country or territory within the Commonwealth either by ancestry, upbringing or residence, or by reason of national service, that an exception may properly be made in his favour.

12.2 A candidate will be eligible for appointment to a situation in the Cabinet Office or Ministry of Defence (other than the Meteorological Office, to which Regulation 12.1 applies) only if:

- a. at all times since his birth he has been a Commonwealth citizen or a citizen of the Irish Republic; and
- b. he was born in a country or territory which is (or then was) within the Commonwealth or in the Irish Republic; and
- c. each of his parents was born in such a country or territory or in the Irish Republic and has always been, or (if dead) always was, a Commonwealth citizen or a citizen of the Irish Republic:

Provided that in cases where these conditions are not satisfied a candidate may be admitted to appointment by special permission of the Minister responsible for the department concerned, if the conditions specified in Regulation 12.1 are satisfied.

12.3 A candidate will be eligible for appointment to a situation in the Diplomatic Service only if:

- a. he is a British citizen; and
- b. at least one of his parents has been a Commonwealth citizen continuously from a date thirty years or more prior to the candidate's appointment or, if dead, was a Commonwealth citizen continuously from a date thirty years prior to the appointment until his or her death; and
- c. the Secretary of State for Foreign and Commonwealth Affairs is satisfied that the candidate is so closely connected with the United Kingdom, taking into account such considerations as upbringing and residence, that he may properly be appointed.

12.4 In the case of certain appointments under the Secretary of State for Foreign and Commonwealth Affairs, other than appointments in the Diplomatic Service, the requirements in Regulation 12.3 above may apply or particular requirements may be prescribed.

12.5 In Regulations 12.1, 12.2 and 12.3 the term 'Commonwealth citizen' means any British citizen, British Dependent Territories citizen or British Overseas citizen, as defined in the British Nationality Act 1981, any British subject under that Act and any citizen of an independent Commonwealth country.

APPOINTMENT BEFORE THE ISSUE OF A CERTIFICATE OF QUALIFICATION

13. The Commissioners may authorise appointments on the basis of a period of service on specified conditions designed to enable the Commissioners to satisfy themselves regarding a person's suitability for a certificate of qualification in respect of any of the requirements governing health, character, knowledge and ability or nationality, as stated in these Regulations, in the following circumstances:

- a. If there is a shortage of fully qualified candidates a person who does not fully satisfy the specified conditions of knowledge and ability but has nevertheless reached an appropriate standard and who is otherwise acceptable may exceptionally be offered an appointment on the basis of a period of trial service of not less than the probationary period for the situation; and provided such service has been satisfactory the Commissioners will accept the nomination of such a candidate for the issue of a certificate of qualification.

b. For a candidate who does not fully satisfy the health regulation the Commissioners may authorise an appointment, specifying the manner and time for a further consideration of the health of the candidate in order that the candidate may subsequently satisfy the Commissioners that he is fully qualified in respect of the health regulation for the issue of a certificate of qualification. If, on review, there is still a doubt as to the ability of the candidate to satisfy the health regulation, the Commissioners may authorise an extension of the period of trial service.

c. If there are doubts about a candidate's character which are insufficient to justify rejection and he is otherwise acceptable for appointment the Commissioners may authorise a period of trial service in order that the candidate may subsequently satisfy the Commissioners that he is qualified in respect of character for the issue of a certificate of qualification.

d. For candidates who do not satisfy the nationality regulation for the issue of a certificate of qualification, but who may do so at a later date, the Commissioners may authorise a period of service on specified terms.

e. If it is considered urgently necessary that a candidate should be appointed to a particular situation before the Commissioners' enquiries have been completed, a department may so appoint him on a conditional basis pending certification, provided that there is no prima facie doubt as to his eligibility for a certificate of qualification.

f. If there is a shortage of candidates for a particular situation or grade, and a department wishes to appoint a person of high ability to that situation or grade without open competition, the Commissioners may authorise such appointment on a provisional basis for a period not exceeding 12 months, on condition that the person concerned competes in the next open competition for the situation or grade in question.

REVOCATION

14. The General Regulations made by the Commissioners on 1 December 1978 are hereby revoked:

Provided that, save as laid down in this Regulation, all regulations, rules and notices made or issued by the Commissioners regarding the admission of candidates to situations in the Civil Service shall remain in force until revoked or cancelled by further memoranda or other official instructions issued by the Commissioners.

CIVIL SERVICE COMMISSION
MANAGEMENT AND PERSONNEL OFFICE

1 January 1983

Civil Service, Long Term, Pt II

FILE 80



10 DOWNING STREET

From the Private Secretary

8 December, 1982

Thank you for your letter of 7 December, enclosing the final version of the Chief Secretary's Cabinet paper on Civil Service Numbers after 1984 and the revised version of paragraph 18. This is just to record that the Prime Minister has seen and noted your letter.

TIMOTHY FLESHER

John Gieve, Esq.,
Chief Secretary's Office, Treasury

Handwritten initials, possibly 'JG', in the bottom right corner.



ep/v 2

Prime Minister:

This is an agenda for Cabinet on 16 December

7 December 1982

MS 7/12

Treasury Chambers, Parliament Street, SW1P 3AG

T J Flesher Esq
Private Secretary
Home Affairs
10 Downing Street
London SW1

Dear Tim

The Chief Secretary was grateful for the Prime Minister's comments on this draft paper.

... I now enclose the covering note to which the paper will be
... annexed, and a revised version of paragraph 18.

You will see that the new version includes the test figures of 5% and 10%. It had been our intention to incorporate these test figures in the launching letter to departments, but the Chief Secretary agrees that they can perfectly well be included in the paper. He has however presented them in a slightly different way: the test figures come on top of present plans. The Ministry of Defence, for example, is already planning the hiving-off of the ROFs, which would score 10% straightaway.

Copies of this letter and enclosures go to the recipients of yours.

Yours sincerely

J. Gieve

JOHN GIEVE
Private Secretary

1882 JUL 17



1882 JUL 17

Transcript of the Proceedings of the Court of Sessions for the City of London

At the Court of Sessions for the City of London, this 17th day of July 1882.

The Court is now sitting for the trial of the following cases:

1. The People of the County of Middlesex, by their Council, vs. The Corporation of the City of London.

2. The Corporation of the City of London, vs. The Corporation of the County of Middlesex.

3. The Corporation of the County of Middlesex, vs. The Corporation of the City of London.

4. The Corporation of the City of London, vs. The Corporation of the County of Middlesex.

5. The Corporation of the County of Middlesex, vs. The Corporation of the City of London.

6. The Corporation of the City of London, vs. The Corporation of the County of Middlesex.

DRAFT

18. It is therefore proposed that the Treasury should conduct a service-wide exercise early in 1983 to establish a basis for quantifying reductions up to April 1988. The Chief Secretary would write to his colleagues early in January asking for written reports early in March which would assess for each of their departments:-

(i) Taking the manpower figures to 1 April 1986 shown in the Public Expenditure Survey as the starting point, and taking full account of the scope for further improvements in efficiency, what would be the lowest practicable limit for civil service staff in post for each year from 1 April 1985 to 1 April 1988 inclusive on the basis of present policies (projected beyond the end of the PES cycle);

(ii) What would be the manpower and expenditure implications of any new policies or initiatives which are already envisaged but are not yet incorporated into departments' PES programmes;

(iii) Whether and how they could reduce the figures proposed at (i) above by 5% or 10% by a combination of

(a) further improvements in efficiency involving a change in policy;

(b) further privatisation or contracting-out (the Chancellor's paper (reference) sets out his proposals for contracting out);

(c) other new initiatives or policy decisions to reduce civil service tasks and the manpower they require.

DRAFT CABINET PAPER

CIVIL SERVICE NUMBERS AFTER 1984

Note by the Chief Secretary

It is time to consider our policy for Civil Service numbers after April 1984. We are on course to achieve the target of 630,000 by that date. We need to settle what is to follow in time for our decisions on the 1983 Public Expenditure Survey.

2. The annex to this paper considers what form our policy after 1984 should take.

3. The policy adopted in 1980 has been successful. We shall have removed 102,000 posts (14%) in our first term of office. For the reasons set out in the annex, I believe that we should maintain this policy in our second term, but can improve on the way in which it has worked so far.

4. In brief, I propose that:-

(a) we should again settle manpower targets for a date several years ahead: I suggest 1 April, 1988;

(b) the overall target should be constructed on the basis of the targets for each department (not, as in 1980, the other way round);

(c) once targets have been established, they should be reviewed as necessary alongside expenditure plans in each successive Survey.

5. We are not yet in a position to settle the target figures. Present plans, as shown in the 1982 Survey, show some continuing reductions between April 1984 and April 1986. But we need to improve on these, and to establish the maximum scope for further

reductions over the two years following. I therefore propose the exercise set out in paragraphs 18-21 of the Annex. This would include the civil service component of the operation on contracting-out proposed in the Chancellor of the Exchequer's paper C(82).

6. I invite colleagues to agree that:-

(a) there should be a review early in 1983 to identify and quantify the scope for reducing Civil Service manpower between 1984 and 1988;

(b) I should write to Ministers early in January about the detail of the assessments they are asked to make for each of their departments;

(c) replies should be sent to me in the first half of March;

(d) after any bilateral discussions that seem necessary, I should report back to Cabinet in May with proposals for new Civil Service manpower targets up to 1988;

(e) starting with the 1983 Public Expenditure Survey, manpower and expenditure plans should then be reviewed in parallel each year.

mc



Civil Service

Caxton House Tothill Street London SW1H 9NAF
6400

Telephone Direct Line 01-213.....

Switchboard 01-213 3000

The Rt Hon The Baroness Young
Lord Privy Seal
Management and Personnel Office
Whithall
LONDON SW1

(Handwritten initials)
2/12

3 December 1982

D Janet,

CENTRALLY CO-ORDINATED EFFICIENCY EXERCISES 1983

You sent me a copy of your minute of 26 November to the Prime Minister about this.

The paper attached to your minute proposes the Department of Employment Group as a participant in two of the three multi-department reviews (in addition to whatever contribution we make to the other parts of the programme). I am content that DE should participate in the proposed multi-department review of supporting services for administrative work. But the 1983 round is too early for us to participate in the proposed multi-department review of internal consultancy, inspection and review capabilities. As your paper makes clear, this review is firmly within the context of follow-up work on the Financial Management Initiative, and we here are not yet far enough down the FMI road to form a clear view of what our needs will be for monitoring and auditing line managers' performance under the new system; before we do so, we need to carry out the pilot and feasibility studies which we shall be mounting next year.

I am sending a copy of this to the Prime Minister.

(Handwritten signature)
Norm

Civil Service

Long term

23 DEC 1992

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

From: THE PRIVATE SECRETARY



HOME OFFICE
QUEEN ANNE'S GATE
LONDON SW1H 9AT

3 December 1982

Dea Mary *CS* *3/12*

CENTRALLY CO-ORDINATED EFFICIENCY
EXERCISES 1983

The Home Secretary has seen the Lord Privy Seal's minute to the Prime Minister of 26 November and Tim Flesher's reply of 29 November. He has expressed his general agreement with the proposals and understands that details of the Home Office contribution to the exercises are being worked out in consultation with the MPO.

I am sending a copy of this letter to Tim Flesher.

Yours sincerely
C. J. Walters
C. J. WALTERS

Mrs. Mary Brown

Civil Service

Long Term

-3 DEC 1982





File

 R07
 and
 Service

10 DOWNING STREET

From the Private Secretary

2 December, 1982

BF

Policy on Civil Service Numbers AfterApril 1984

The Prime Minister was very grateful for the Chief Secretary's minute of 29 November and for the draft Cabinet paper.

Mrs Thatcher agrees that the paper should be circulated for Cabinet discussion on 9 December, but would be grateful if the Chief Secretary would consider two points, both arising from paragraph 18 of the draft.

First, the Prime Minister thinks that in order to forestall or reduce possible Ministerial criticism of the amount of "efficiency" and related work now in train, it would be helpful to explain what is meant by "a major but rapid interdepartmental exercise" (for example, is it intended that the exercise should be conducted on paper only?) and when "early in the New Year" it would be conducted.

Secondly, the Prime Minister suggests that the basis of the proposed exercise might be strengthened by conflating 18i and 18iv, perhaps on these lines, introducing the idea of a test percentage reduction:

- "i. Whether and how they could reduce their staff numbers by 5% and 10% by 1 April 1988 by reference to
- present policies (projected beyond the end of the PES cycle)
 - the maximum scope for improvements in efficiency.
 - what extra initiatives or policy decisions would have to be considered in order to produce a further substantial reduction in manpower."

I am copying this letter to John Kerr (HM Treasury), Mary Brown (MPO), Richard Hatfield (Cabinet Office) and Christopher Joubert (Rayner Unit).

J. Gieve, Esq.,
H.M. Treasury,

(Timothy Flesher)

9

PART 11 ends:-

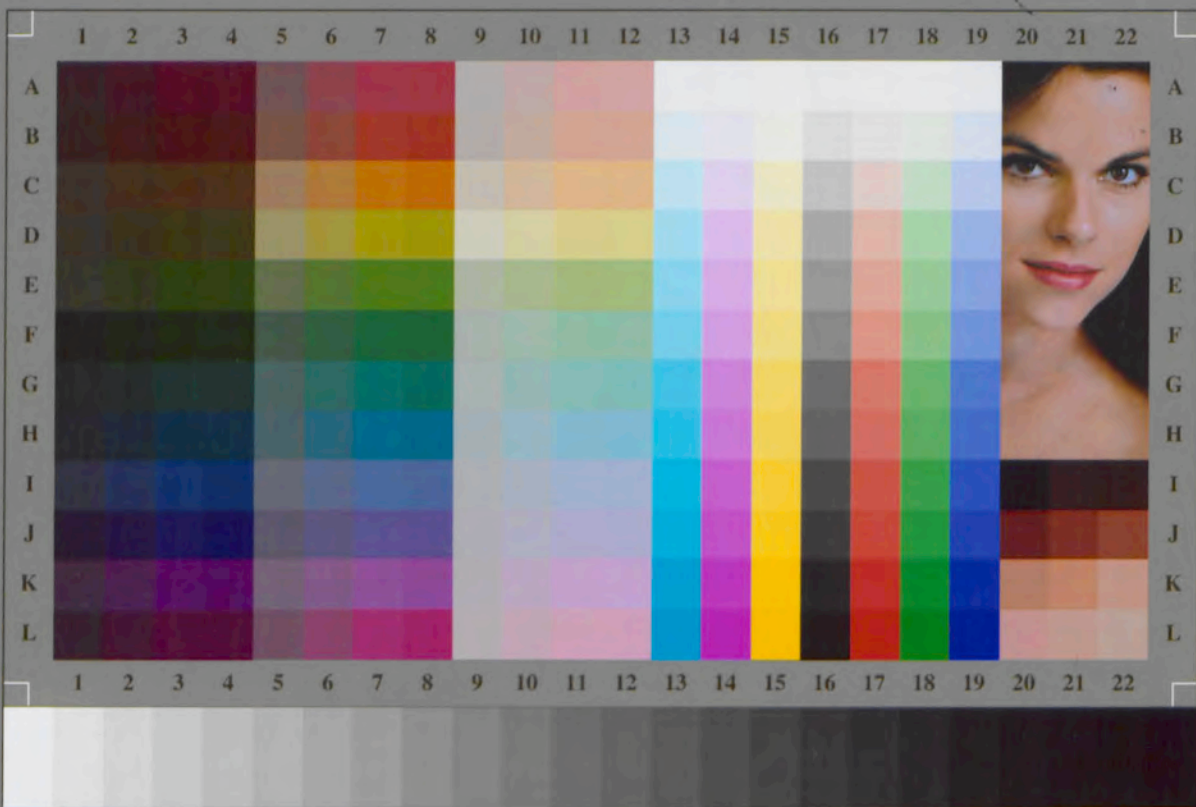
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PART 12 begins:-

TF to CST's Office 2.12.82

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