

PREM 19/1175

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LONG-TERM MANAGEMENT AND MANAGEMENT POLICY.

SLIMMING DOWN OF LOCAL AUTHORITY STAFF

PERFORMANCE RELATED PAY.


FINANCIAL MANAGEMENT.

CIVIL SERVICE

PE 1: MARCH 1979

PE 15: JANUARY 1984

PART 15

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
30.1.84.		29.6.84					
1.2.84		<p>PART ENDS</p> 		<p>PREM 19/1175</p> <div style="border: 2px solid red; padding: 5px; color: red; text-align: center; margin-top: 10px;"> <p>Material used by Official Historian DO NOT DESTROY</p> </div>			
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PART 15 ends:-

CST to SS/NIO 29.6.84

PART 16 begins:-

DB to PM 2.7.84

CC No

nbpm
DUB
2/7



Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon James Prior MP
Secretary of State for Northern Ireland
Northern Ireland Office
Whitehall
LONDON
SW1P 3AJ

29 June 1984

James Prior

FINANCIAL MANAGEMENT IN NORTHERN IRELAND DEPARTMENTS

Thank you for copying to me your minute of 18 June to the Prime Minister.

I am content with your proposals for publication of a report on the financial management initiative in Northern Ireland. Subject to any change to take account of the Prime Minister's comments, it would be helpful if this were published at the same time as the White Paper, but my officials are keeping in touch with yours about possible dates.

I am glad you will continue to give the FMI a high priority. As you know, I think the lead we give to our officials will be crucial to the success of the changes over the next year or two.

I am copying this letter to the Prime Minister and Grey Gowrie.

Peter Rees

PETER REES

CIV SEM longterm



CC 100



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

29 June 1984

n bpm
DMS
2/7

Dear David

FINANCIAL MANAGEMENT IN GOVERNMENT DEPARTMENTS

My Secretary of State has seen your letter of 13 June to John Gieve in which you record the Prime Minister's misgivings about the costs of work on the Financial Management Initiative in relation to the benefits to the public. He has asked me to let you know that in this Department (including the PSA) the drive for better value for money (of which FMI is part) has resulted in an aggregate net saving of nearly £200m since 1979 in staff costs alone. There have been corresponding savings in other overheads - for example in 1979 DOE (Central) occupied all or part of eleven buildings in Central London: now it occupies four.

Administrative costs are, however, only a very small part of our public expenditure responsibilities. We are following policies, based on the FMI, which will show similar results for our spending programmes. In the water industry, for example, we have abolished the National Water Council (saving £600,000 a year) and reformed the Regional Water Authority Boards to make them more businesslike. We have agreed performance aims with the nine English Boards which provide for a real reduction of about £80m (8%) by 1986/87 in annual operating costs (partly offset by growth in output).

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

Yours sincerely

John Ballard
J F BALLARD
Private Secretary

Civil Service : Long Term. A15.



29 JUN 1984

BRISTOL
12 11 23 45

CONFIDENTIAL

Prime Minister ⁽¹⁾

Agree recommendations
at end?

MR BARCLAY

Sub 29 June 1984
29/6

DIRECT ENTRY PRINCIPAL COMPETITION 1983

Lord Gowrie finds himself short of 35-40 Principals this year. He proposes to obtain them by a competition, open to both direct entry and internal candidates.

Lord Gowrie's problem of numbers is a modest one. He expects a shortfall of Principals of only 1%. This means that some Assistant Secretaries would have to do more of their own drafting. Part of the solution would be to prune more of the many superfluous functions of Government. A separate Policy Unit minute on public expenditure discusses this. Better use of existing talent is the other half of the solution.

The direct entry element of the competition is likely to be unnecessary, expensive, ineffective and likely to antagonise a shrinking Civil Service to no real point.

The 1983 direct entry competition was a flop. 1,000 applicants for 36 posts yielded only 16 appointments, at a cost per appointment of £9000 - well over half the annual salary of the posts concerned. The Civil Service Commission attributes this to the "narrowness of the job specification" and the "lack of a detailed description of the jobs involved". This is not convincing. Civil Service work is

well understood by those in similar jobs, even without "Yes, Minister". The most likely reason for the flop was that the pay and prospects of Principals is not sufficiently attractive to the more successful in the private sector. So long as this remains the case, it is unrealistic to expect repackaging the competition to make it successful.

The other dimension of the competition - opening up internal promotion - is more promising and the principle behind it should be extended. The ablest of the younger civil servants are held back by arbitrary conventions about age and seniority. On entry into the Civil Service they are expected to serve 6 or more years before promotion to Principal, and another 9 or so before promotion to Assistant Secretary. The abler Higher Executive Officers are expected to work their way doggedly through the Senior Executive Officer grade before promotion to Principal. These rigidities have a lot to do with misplaced egalitarianism, designed in part to appease the Civil Service unions. Lord Gowrie's competition would allow grade-skipping; it should also disregard age.

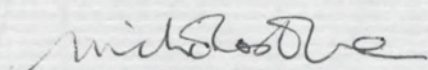
We recommend that Lord Gowrie should:

- i. dispense this year with the direct entry scheme, which is expensive and unlikely to secure the higher quality people which are in such short supply;

ii. he should instead proceed with an open internal competition, in which neither existing grade nor age would be a disqualification;



iii. Lord Gowrie should be pressed to report as soon as possible on how to break out of the rigidities of the departmentally-based promotion machinery, so as to create better opportunities for abler civil servants.


NICHOLAS OWEN

CIVIL SERVICE: Gay-ton Management. P. 15



CONFIDENTIAL



Ancient Policy Unit

cc Mr Owen pte

CABINET OFFICE

From the Minister of State

Lord Gowrie

MANAGEMENT AND PERSONNEL OFFICE

Great George Street
London SW1P 3AL
Telephone 01-233 8610

David Barclay Esq
10 Downing Street
LONDON SW1

28 June 1984

Dear David,

DIRECT ENTRY PRINCIPAL COMPETITION

In your letter of 18 June you asked for further information on the manpower planning background to the case for a Principal competition in 1984.

The attached annexes give information about stock, flows and future projections. They show that more Principals are needed in 1984 than had been planned for, not least because extra vacancies are being created by the Special Early Retirement scheme for senior staff. Wastage of younger staff is also a factor: for example in the Department of Environment and Department of Transport two Assistant Secretaries and three faststream Principals have left for the private sector in recent weeks, creating consequential Principal vacancies.

There is also a shortage of high quality Principals - a problem not reflected in the figures alone. As posts are cut at senior levels and senior staff are given wider spans to manage, more responsibility has been pushed down to Principal level, much of which because of the nature of the work cannot easily be delegated further. At the same time support staff have been reduced. As a result the reduction in the overall number of posts at that level has been lower than in most other grades, and the percentage of Principals who are required to display well above average qualities has been rising. It is this type of Principal which is in particularly short supply.

While there is no single answer to this problem it is undoubtedly crucial to concentrate more effort on identifying able staff in the junior grades, and bringing them on as rapidly as possible to fill posts in the shortage areas. A scrutiny is in progress on this. It is drawing heavily on private sector practice, and will report to Lord Gowrie later in the summer. The effects of its recommendations will not feed through immediately, however, and we need to meet today's urgent needs.

We have certainly considered how to make more use of women willing to return to work part-time. Departments are extending part-time working. But it is not easy to use part-timers in the high pressure policy posts where shortages are most acute.

We have also examined the scope for using cross-departmental transfers to fill shortage areas. The main departments (which employ the great majority of civil servants) are all short of faststream staff for their headquarters jobs. We believe that there are staff in certain areas of the Service, particularly in the small departments, who could help to fill some of the shortage posts, but we need to improve the ways in which departments identify them and prepare them to fill posts very different from the ones they presently hold. Again, work on this is in hand.

For these reasons Lord Gowrie has concluded that a Direct Entry Principal competition is the best way of filling the shortfall of 35-40 posts this year. The competition will of course be open to serving civil servants as well as outside candidates. Any civil servant can apply, and would (after an initial sift) go through the two-day selection procedures of the Civil Service Selection Board. The scheme should be particularly attractive to the able young HEO as a way of short-circuiting the normal promotion machinery. Lord Gowrie hopes to use publicity about the scheme to encourage as many serving civil servants as possible to apply. But he does not expect that inside candidates alone would this year yield enough successes for our needs.

The fuller break-down of the costs of the competition which the Prime Minister asked for is at Annex C.

*Yours sincerely,
Mary Bower*

MRS M E BROWN
Private Secretary

ANNEX A

FORECAST SUPPLY AND DEMAND

1. Aggregate figures of stocks and flows are given in the chart at Annex B. These are useful in showing what is happening within the manpower system but have their limitations. In particular they can give no indication of the quality of the supply, which is obviously a key question when it comes to assessing future promotions.

1983

2. For the Principal grade (total size 4300) the chart shows that in the last full year, 1983, the flow into the grade by internal promotion was 500 (390 promotions from SEO, 110 from HEOD). In addition, there were about 30 transfers from specialist grades. The flow out of the grade was 170 by promotions from Principal to Senior Principal and Assistant Secretary and 340 by retirement and resignation. It is important to emphasise that this is just a snapshot of a continuous process of recruitment, retirement, promotions and changes in posts; the calendar year does not provide any natural barrier and there is no end of year balance.

1984

3. This year the total number of promotions to Principal had been projected to fall quite sharply to about 400. The reason for this is that although reductions in posts lead to a reduction in promotion opportunities, this has been concealed in the last few years by an above average number of retirements. The effect of these had been expected to end in 1984 but the Special Early Retirement Scheme will prolong it. If all 100 early retirements under the Scheme are used to create promotions (as is the intention) then this will set off a chain of promotions at each level which could sustain the 1984 promotions to Principal at about their 1983 level.

1985-1990

4. In the remainder of the decade the number of promotions to Principal each year is projected to fall each year to a low point of some 250-300 a year three or four years hence and a

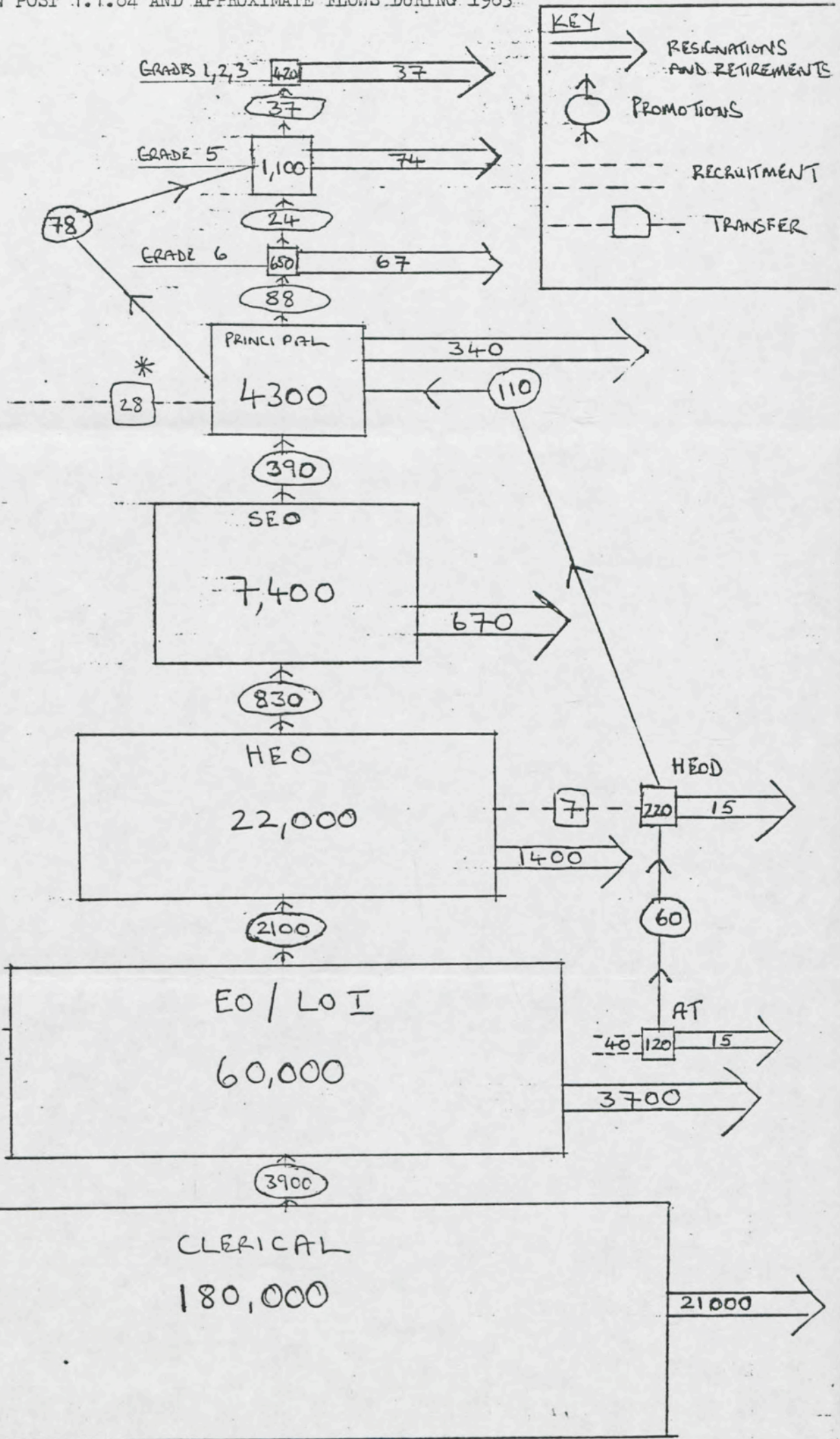
slight recovery thereafter. The precise scale and speed of the fall will depend on such factors as changes in wastage (including the impact of early retirement schemes) and the way in which further manpower cuts are achieved, in particular the way in which cuts are spread across the grades. The large cuts in senior posts have led to work being pushed down to Principal with the result that that grade has been cut less heavily than most. If this trend continues promotions to Principal may be more buoyant than the projections, which assumed pro rata cuts, suggest.

EFFECTS OF RECRUITMENT ON PROMOTION PROSPECTS

5. Departments' best estimates of the numbers required through a possible Principal competition in 1984/85 are that they would be roughly as in 1983, ie about 35/40 vacancies. Undoubtedly recruitment of Principals has an effect on promotion prospects and assuming all vacancies were filled this would mean 35/40 less promotion vacancies at Principal level with a knock-on effect down the chain. This is comparatively small when set in the context of the 300-350 promotions expected to the Principal grade which will also have a knock-on effect down the chain. Moreover, in the form of competition Lord Gowrie has proposed we hope that a significant proportion of success will be serving Civil Servants, and therefore in reality promotions, thus reducing this effect.

ADMINISTRATION GROUP AND GENERALIST OPEN STRUCTURE:
 STAFF IN POST 1.1.84 AND APPROXIMATE FLOWS DURING 1983

Reference ANNEX B



* mainly from specialist grades, scientists engineers etc.

ANNEX C

COSTS OF A COMPETITION

The total cost of the 1983 Direct Entry Principal Scheme was £153,500. Expressed in terms of cost per vacancy (36), this works out at £4,264. The cost per appointee (16) is £9,600.

The costs cover:

- i. direct costs arising from this scheme (eg advertising, fees, travelling and subsistence);
- ii. indirect costs of staff running the scheme (eg salaries, accommodation);
- iii. indirect costs of both senior and support services staff;
- iv. assistance from other government departments.

Civ Service: Longterm
Pt 15

28 JUN 1984

1984 JUN 28



10 DOWNING STREET

From the Private Secretary

25 June 1984

Financial Management in Northern Ireland Departments

The Prime Minister was grateful for your Secretary of State's minute of 18 June with which he enclosed a draft report on progress with financial management in the Northern Ireland Departments.

The Prime Minister was encouraged by the extent to which management systems are clearly taking root in Northern Ireland Departments. She wonders, however, whether the report could not be made more accessible to the ordinary reader, by the removal of unnecessary jargon, and by the inclusion of additional material on the results. It would, for example, be interesting to know what savings have been achieved by switching the emphasis from new build to home improvement and modernisation. Where reference is made to a policy review having been completed, (eg the Review of the drainage capital programme), the Prime Minister feels it would be helpful if the report could set out the review's conclusions.

Subject to these points, and to any comments from colleagues, the Prime Minister is content for the draft report to be published.

I am sending copies of this letter to John Gieve (HM Treasury) and to Mary Brown (MPO).

David Barclay

Graham Sandiford, Esq.,
Northern Ireland Office



10 DOWNING STREET

Prime Minister ⁽¹⁾

Agree publication, subject
to the points made by
the Blyth Hunt, and to
a reservation about the
language?

Yes no

DWB

22/6



10 DOWNING STREET

PM grateful for receipt of draft
report

The PM was encouraged by
the extent to which it is a
clearly laying out in NID's
She understands however whether
the report could not be made
more accessible to the ordinary
reader, by the removal of
all unnecessary jargon, and by
the inclusion of ~~the~~
additional material on the results.
It would be useful to identify
to her what issues are

advanced ... When refer

is made to a policy area
having ^{been} completed
(eg the name of d c p wh
~~was~~ concluded last year),

the report could usefully

set out the conclusions

MR BARCLAY

22 June 1984

PROGRESS WITH FINANCIAL MANAGEMENT IN NORTHERN IRELAND
DEPARTMENTS

Mr Prior's draft paper indicates that in terms of resources and procedures, at least, the FMI is taking root in his administration. Northern Ireland Departments spend about 3% of total UK public expenditure; they account for over 10% of the total expenditure by Government Departments on this initiative (£2.7 million in 1983-84). The report is an elegant display of management language, with "indepth policy appraisals", "ongoing financial monitoring systems" and the rest. However, the publication of these reports should provide useful levers. Once Departments have taken credit for these systems they will find it that much more difficult to avoid explaining what they have achieved with their expenditure.

Like the Great Britain version, the Northern Ireland paper is short on concrete illustrations of the benefits achieved. Style is important in presenting this work to the public. The paper ought to explain not only what we are doing, but why it matters. The draft could be improved in this respect. For example, the paper mentions a target of 3,000 new public sector houses a year, as a contribution to reducing "unfitness levels" in the housing stock by 1% a year. But expenditure plans for Northern Ireland reveal that this target has been revised downwards from 4,500 a year, in an effort to switch the emphasis towards improvement and modernisation. If this represents a more cost-effective approach to achieving the target, why not say so in the paper, and mention the savings achieved?

The public might also like to know what the "indepth policy appraisal" of the drainage capital programme, which was completed last year, actually concluded. And why data on schools' costs, curriculum range, teacher qualifications, examination performance, are to be made available on a confidential basis to administrators and inspectors, and not to parents.

My recommendation is that in reply, the Prime Minister might say that:

- (i) She is encouraged by the extent to which management systems are taking root in Northern Ireland Departments;
- (ii) She wonders whether the report could not be more forthcoming about the early results of this work. For

DAUAAX

example, what savings have been achieved by switching the emphasis from new build to house improvement and modernisation? Has the review of drainage grants led to a more cost-effective system of support?

Nicholas Owen
NICHOLAS OWEN

Agreed

CONFIDENTIAL

cc NO

BF on 29/6 with
PU response



CABINET OFFICE

From the Minister of State

Lord Gowrie

MANAGEMENT AND PERSONNEL OFFICE

Great George Street
London SW1P 3AL
Telephone 01-233 8610

20 June 1984

David Barclay Esq
Private Secretary to the Prime Minister
10 Downing Street
LONDON SW1

Dear David,

NUMBERS ON PERSONNEL WORK IN THE CIVIL SERVICE

You wrote to me on 14 November about the Prime Minister's reaction to Lord Gowrie's submission on 8 November on this subject. It was agreed then, after some further correspondence with Secretary of State for Environment who had originally raised the issue, that Lord Gowrie should put in hand some further work to look particularly at comparisons between personnel sections in Government departments and report back in about six months time. This letter, and the accompanying report, summarises that further work.

Lord Gowrie believes that the further report by officials suggests a number of conclusions, as follows:

- i. Many of the differences between departments are due to differences in the structure, organisation and geographical dispersal of the department which follow from the nature of its business. The tasks, and the type of relationship these require with the public, vary substantially even between departments with local office networks like the Department of Health and Social Security (DHSS), Inland Revenue (IR) and Department of Employment, including the Manpower Services Commission (DEmp). This affects their organisation, geographical spread, size of local unit and grade of local manager. In turn this influences the extent to which they are able to delegate to office managers. It is not reasonable to look for uniformity.

ii. In some departments, the effects of higher than average wastage rates, reorganisations, dispersal and rapid change in the nature of their business create special demands on personnel sections.

iii. There are nonetheless areas where departments can learn from others' approaches. Examples include the improvements which can be made from computerising personnel record systems, different approaches to training, and the extent of delegation to line managers.

iv. There is a programme of action in hand in the departments concerned to look at particular areas where changes might improve efficiency. For example, staff inspections of personnel sections are currently in progress in the Department of Energy and planned in the DOE, DTI and MAFF; DOE, DEmp and DHSS are computerising their superannuation systems in conjunction with the Treasury; the handing over of responsibility for staff to privatised bodies should enable DOE to make staff savings in 1986; and MAFF, DEmp, DHSS, DTI, the Royal Mint and the Department of Energy are planning computerising personnel records or are considering this.

v. Partly as a result of this study the MSC is considering an examination of the continued value of retaining separate personnel units in the field structure of its Training Division and Employment Division.

Lord Gowrie believes that these conclusions represent a reasonable dividend from the work that has arisen from the original study. The central conclusion is that we need to continue to share information between departments on how particular personnel functions and activities are run in different organisations. He intends that the Cabinet Office (MPO) should continue to play an active brokerage role in this process.

A fuller description of the background to the exercise and comments on the other points raised in the exchange of correspondence last year are contained in the Annex to this letter.

I am copying this letter to the Private Secretaries to the Secretary of State for Environment and to Sir Robert Armstrong and to Sir Robin Ibbs.

Yours sincerely,

Mary

MRS M E BROWN
Private Secretary

Civ Serv Longterm
A15

RETURN TO C/E

ANNEX

NUMBERS ON PERSONNEL WORK: COMPARISONS BETWEEN DEPARTMENTS

Background

1. The conclusions of the first study by officials submitted under cover of Lord Gowrie's minute of 8 November 1983 were that there was no prima facie evidence of a gross disparity between civil service personnel effort and that of the private sector. As confirmed by the Institute of Personnel Management, broad brush surveys were not found to be a very helpful way of making valid comparisons.
2. The numbers of personnel staff in any organisation were shown to depend on many things. These include the nature of the business activity, how dispersed the organisation is, whether it is centralised or decentralised, whether it is labour intensive, what kind of mix of staff it has, and what its general philosophy for running its business is. The differences within the private sector firms in the review were just as striking as those between the private sector and Government departments. The work also showed that departments' personnel divisions had been reduced by 50% more than their pro rata share of civil service staff cuts since 1979.
3. The report by officials therefore concluded that it was likely to be more fruitful to investigate whether apparent discrepancies of effort on different aspects of personnel work between departments revealed points on which action should be taken.
4. It also commended:
 - a. vigorous pursuit of the relaxation of unnecessary central prescription;
 - b. a look at personnel work in carefully selected private sector organisations of similar organisation, size and function ('twinning') where particular problems appeared to warrant such comparisons;

and c. the sharing of any lessons from a Ministry of Defence review then just begun of the possibility of delegating more personnel work to line management.

The following notes cover a.-c. above.

RELAXATION OF CENTRAL PRESCRIPTION

5. Relaxation of unnecessary control of departments by the central departments has been one of the themes of the Financial Management Initiative and the Review of Personnel Work, on which there is a separate submission. In the last few years central controls have been and are being progressively relaxed where the balance of advantage shows this to be right. For example, departments now have much greater freedom about how they recruit clerical staff, within a minimum of general principles to ensure fair and open competition. Similarly, the revised reporting and appraisal arrangements being developed give departments the opportunity to design their own forms subject to only a few limitations.

6. Exchanges since last November between senior officials have followed up a number of suggestions put forward for further relaxation of petty controls. Staff in the central departments know clearly the policy is to end "nannying". A review of the Civil Service Pay and Conditions of Service Code and Establishment Officers' Guide with this as a guiding principle is in hand.

7. There are areas, however, where, although departments might like greater freedom, it is necessary to maintain reasonably uniform servicewide standards. Control of travel and subsistence, of premature retirement schemes and of expenditure on entertainment come into that category. But the Treasury and Cabinet Office (MPO) have made clear they are always willing to consider the case for greater relaxation of a control if evidence is produced by a department that it is unnecessary. Though some exchanges are continuing, the number of such submissions is not high.

TWINNING WITH PRIVATE SECTOR ORGANISATIONS

8. Officials have discussed with a number of departments the potential for "twinning" studies with private sector organisations. Some departments already have arrangements which have proved useful in exchanging information. The Inland Revenue organised an exchange of officials with the National Westminster Bank, and the two staff concerned each wrote a confidential report on the other's organisation which provided some valuable insights. Now, the Department of Employment is arranging for some inter-changes with the National Westminster Bank on their respective Management Training Programmes, aiming to widen the experience and skills of departmental managers. The Royal Mint have private sector businessmen on their management board who see it as their task to draw out comparisons where appropriate. Other departments are keen to make such comparisons where a suitable opportunity arises, and the Department of Energy has initiated an exercise with an oil company although it is proving difficult to draw meaningful comparisons. Such exchanges tend to work best where particular problems give rise to a need for exchange of experience in a particular area of personnel work.

THE MINISTRY OF DEFENCE STUDY

9. Officials have also kept in touch with the Ministry of Defence over the progress of the study, which the Secretary of State set in hand last year, of the possibility of decentralising a substantial part of their personnel effort, and at least in part transferring some work to line management units. A very much more far-reaching re-organisation of the Ministry of Defence is at present taking place, and for understandable reasons, this is being given priority over the re-organisation of the personnel work. Officials are therefore not yet able to look for wider lessons. Even then, the size, structure, and character of the MOD is so different from that of other departments that the read across may be small.

10. Separately from the MOD study, but with the same basic impetus, Cabinet Office (MPO) officials have circulated extensive material

on different degrees of delegation to line management practised by departments in recruitment, probation, promotion, career development, inefficiency procedures, and control of poor attendance and sick leave. This covered the extent to which as part of the follow up to the Review of Personnel Work, departments are seeking to increase delegation to line management. This is the general trend, though it would be wrong to look for uniformity.

RETURN TO C/E

NUMBERS EMPLOYED ON PERSONNEL WORK:

A COMPARISON BETWEEN SELECTED GOVERNMENT DEPARTMENTS

Cabinet Office
(Management and Personnel Office)
June 1984

NUMBERS EMPLOYED ON PERSONNEL WORK: A COMPARISON
BETWEEN SELECTED GOVERNMENT DEPARTMENTS

Report by Officials

INTRODUCTION

1. In November 1983, the Prime Minister, the Secretary of State for the Environment and the Minister of State, Privy Council Office, considered a comparison by officials between staff resources employed in separate personnel units in selected Government departments and a number of private sector firms. The comparison concluded that it was not possible to make particularly valid comparisons of this sort across the board, because of the different structure, character and philosophy of the each organisation.

2. Ministers agreed, however, that further work on comparisons between departments might offer greater potential benefits. The Prime Minister asked for another report in six months time on a further investigation of differences in personnel effort between departments.

METHODOLOGY

3. The departments concerned in the original exercise were the Ministry of Agriculture, Fisheries and Food (MAFF), the Ministry of Defence (MOD), the Department of Employment (including the MSC) (DEmp), the Department of Energy (DEn), the Departments of the Environment and Transport (DOE/DTp), the Department of Health and Social Security (DHSS), the Inland Revenue (IR), the Property Services Agency (PSA), the Department of Trade and Industry (DTI) and the Royal Mint. After discussion with their representatives we agreed that the most cost effective way of carrying out the fresh analysis, and one making no demands for additional resources, was for personnel staff in the department covered by the work so far to make further comparisons between them.

4. To do so in a way which seemed likely to offer most scope for valid comparison we agreed the original sample should be sub-divided in groups which on the surface were of similar size and organisation. So we grouped together the three departments with local office networks: DHSS, IR, DEmp. We grouped together the four medium sized departments of broadly the same size and structure: DTI, PSA, DOE/DTp and MAFF. We grouped together the two large computer assisted clerical factories: DVLC and DHSS Newcastle. Within these groups, the representatives from their personnel sections were responsible for comparing the resources used in total in separate personnel units, and the resources allocated to particular personnel functions. We asked them to identify the main discrepancies of effort and to subject these to joint scrutiny to see if explanations could be identified and potential areas for changes of practice or savings isolated.

5. The departments not covered in these groups were of very different size and structure - MOD, DEn, Royal Mint. We therefore did not ask them to make comparisons. Instead we invited their more general observations, based on related work they had in hand.

THE BASIC FIGURES

6. One immediate problem was to ensure as far as possible that comparisons were made on a valid basis. As its first task, each group of departments looked briefly at the figures again, to check that data produced on a tight timetable for the original exercise was presented in a consistent fashion.

7. Some discrepancies were found - for example, the DEmp and the MAFF figures had included the time spent on personnel management by some line managers. The guidance for the original exercise had in fact been intended to exclude such time, and most other departments had followed that course. The DEmp and MAFF figures therefore had to be reworked. Similarly, the Inland Revenue figures slightly underestimated their specialist personnel effort.

8. We also noted that without a further very detailed analysis it was impossible to be certain that all the figures were compiled on completely the same basis. To some extent the allocation of resources to one of the particular functions identified in the original survey was a subjective process. Some of the differences between departments were bound to be the result of different interpretations. For example, should the function "policy" include only staff dealing solely with preparing broad policy advice or should it include people dealing with individual personal cases arising from personnel policies? We agreed it was right for this exercise to limit the resources used for exploring questions of this kind and recalculating figures. We felt that broad brush comparisons would continue to suffice to raise the significant questions for further investigation.

9. The revised overall figures are set out in Appendix 1. They are not greatly different from the original figures and show that the number of personnel staff per 100 staff managed varies from 1.6 to 2.8. The percentage of staff budget spent on personnel management effort ranges from 1.6 to 3.4.

10. Some of the revisions in allocations of effort to particular functions also shown in Appendix 1 are more substantial. These were made to produce more accurate figures, with more consistency between departments. But they still showed a considerable variation between departments. The main work in the exercise was to try to identify the reasons for these differences.

COMPARISONS - GENERAL

11. The first general finding to emerge from the initial exchanges was how difficult it was in practice to make comparisons of like with like. Despite the superficial similarities between the departments in our three groups, their businesses, management structures and organisation were very different.

12. For example, the networks of local offices run by the DEmp, DHSS and IR though superficially similar have very different tasks. Their size, location and number and the consequent grading of their management staff are determined by the nature of the work. But this means that DEmp have a large preponderance of small offices managed by Higher Executive Officers whereas DHSS and the IR have fewer, larger offices

managed at higher levels. The DHSS offices are on the whole larger than those of IR. On the other hand there is a high technical content in the work of senior Inland Revenue staff. The management functions of the senior staff are therefore different. Similarly in the other groups, while the size of departments is broadly the same, structure and function are often very diverse.

13. This is more fully illustrated in Appendix 2. Here each of the departments involved in the exercise sets out a brief statement on how its personnel function is designed to meet the requirements imposed by the nature of its businesses and its organisation.

14. Given such diversity, we concluded it would be surprising to find uniformity in the way in which the personnel function was carried out. The demands placed upon personnel, and the extent to which it was possible for line management rather than specialist units to carry out personnel tasks, inevitably varied considerably. Nonetheless, we still felt that marked differences did call for further examination. This then became the main task for the individual groups.

PARTICULAR COMPARISONS: GROUP 1 - DEmp, DHSS AND INLAND REVENUE

15. There were considerable differences between the resources in specialist personnel units in these 3 departments, and between the resources devoted to particular functions. The overall ratio of numbers of personnel staff to 100 staff managed ranged from 1.6 in the Inland Revenue to 2.8 in DEmp, with DHSS in the middle at 2.1. Further considerable variations are apparent in the detailed functional breakdown in Appendix 1.

16. After further examination we believe that these differences are mainly due to real differences in need between the departments. The surface common factors of large local office networks giving different "services" to the public are rather less significant than the differences between the departments. These can be seen clearly from Appendix 2. Size, structure and geographical spread are all dissimilar. So are other factors like the extent to which the organisations have been recruiting or shedding surplus staff, the effect of re-organisations, and the impact of dispersal and programmes of computerisation.

17. We feel these factors are all relevant to the additional requirement for personnel and training support in DEmp. As indicated earlier, unlike the DHSS and IR, the DEmp local office networks are primarily made up of small units - typically between 15 and 50 staff - managed largely at HEO level. At present the Unemployment Benefit Service has 1140 full and part time offices managed by 750 HEO commands. In the Employment Division there are 990 offices; 450 are HEO commands and most of the rest have 5 staff or less. These small units provide economic delivery of services to local communities with substantial delegation of responsibilities to the HEO manager backed up by a management structure at Principal level.

18. However, the extent to which personnel management decisions can be delegated to the HEO level is much more limited than in those organisations eg, DHSS where many offices are managed at Principal level or the Inland Revenue, where management grading tends to be higher still.

DEmp therefore need substantial regional personnel management support. Although FMI and the implementation of recommendations in the Review of Personnel Work will lead to some further delegation in the personnel field the grading of the majority of the Group's local offices at HEO level will continue to impose limits.

19. DEmp have also been hardest hit by the rise in unemployment from 1979/80. Some 10,000 extra staff were recruited in less than 2 years putting an extra and continuing strain on the personnel and training functions. Turnover at junior level remains high generally while in London the scale of losses is such that the Region can hardly recruit fast enough to keep pace. The Manpower Services Commission has been introducing major new programmes of work eg, YTS, the Community Programme, the new initiative in further education, and only recently hived off its Skill Centres under the separately accountable STA.

20. Personnel sections both in the Regions and Headquarters have therefore been fully stretched in responding to the changing needs imposed on them: coordinating major recruitment exercises (though from autumn 1983 this is being delegated to Area Managers); taking through a large number of staff movements between offices; and in staffing the new network of TD Area Offices and providing essential training programmes. They have also had to deal with the effect of 3 dispersals to Runcorn, Sheffield and Bootle.

21. By contrast, the Inland Revenue tended to absorb much of its personnel work in its more highly graded line management structure, and such personnel effort is not counted for the purpose of this exercise.

22. DE maintain separate personnel organisations to service the main businesses within the Group which are separately accountable for delivering their very different services. There are historic reasons for this even though the philosophy of the Group is that staff should be managed within a single career structure. Arrangements in DHSS and IR vary though IR does also maintain separate personnel functions in its field structure.

23. There are clearly arguments on both sides for and against the separate personnel organisations, and we were not able to go into them in any depth in our work. But partly as a result of this study, the Manpower Services Commission is considering an examination of the continued value of retaining separate personnel units in the field structure of its Training Division and Employment Division.

24. Turning to the more detailed comparisons of resources devoted to personnel functions, we agreed that it was likely that some of the differences were caused simply by differences of classification which could not readily be traced. We looked in further detail at 4 particular areas of marked differences.

i. Training

Here the DEmp figure was higher than the other departments. There are various reasons for this: the major expansion of the unemployment service coupled with continued high labour

turnover; the diversity of the MSC's activities and rapidly changing nature with staff being called upon to tackle new or substantially altered tasks. Also because of the widespread network of small offices DEmp Training Posts were more likely to be separately identified in the personnel unit's complement than absorbed as part of the complement of a particular local office.

ii. Recruitment

Here the Inland Revenue's figure was highest followed by DEmp with DHSS at half the DEmp level and a fifth of that of IR. But again we believe the difference is more apparent than real. The IR figure is higher because of the considerable effort it has to devote to recruiting tax inspectors. The DHSS figure is lower most probably because much of its recruitment effort at CO level is carried by its local office managers, whereas in DEmp that effort counts against specialist personnel units working as agents for much smaller local offices. DEmp CO recruitment has however recently been delegated to SEO line managers.

iii. Pay and Records; Leave and Attendance

For Pay and Records, the IR figure was markedly lower than DHSS; for Leave and Attendance it was lower than DEmp's. In discussion, we agreed that the difference might simply be one of classification. But we were unable to be sure. These activities are ones which might be amenable to practices and techniques and computerisation which could save personnel effort. DEmp is already computerising in this and hope to save up to 40 posts. We therefore believe there is scope for further study of the differences between the procedures used by IR and the other 2 departments in these particular functions.

Particular Comparisons: Group 2 - DTI, PSA, DOE/Tp (excluding DVLC) and MAFF

25. Superficially these four departments appear broadly similar. They are of medium size, employing between 11,000 and 16,000 non-industrial staff; all of them have both central London offices and some form of regional organisation; and all of them employ a substantial number of scientific, professional or other specialist staff.

26. However, the precise structure and organisation of each Department is a major determinant of the size and nature of its personnel function. On closer examination of the four Departments they show significant differences, which are naturally reflected in the performance of personnel work in each of them. Table 1 below compares a number of indicators of the Departments' structures.

TABLE 1: INDICATORS OF THE STRUCTURE OF THE DEPARTMENTS

	DTI	PSA	DOE/Tp	MAFF
Total Non-Industrial Staff	14,317	16,197	15,821	10,979
No. of Grades	170	202	490	200
Average no. of staff per grade	84	80	32	55
No. of locations	136	600	850	281
Average no. of staff per location	105	27	19	39
% of staff in Admin Group	54	11	45	39
% of staff in secretarial, typing and office support grades	20	30	18	14
% of staff in scientific, professional etc grades	26	58	37	47
% of staff at EO and equivalent and above	49	52	55	60

NOTE: The re-organisation of DTI and DTp during 1983 has not been taken into account in these figures.

This gives further evidence of the striking variations there can be even within apparently similar structures.

27. Overall, as Table 2 below shows, the ratios of personnel staff to total staff managed are very similar for the four departments.

TABLE 2: NUMBERS OF PERSONNEL STAFF (NON-INDUSTRIAL)

	DTI	PSA	DOE/Tp	MAFF
1. Total number of Personnel Staff	289	343	335	236
2. Total Non-Industrial Staff	14,317	16,197	15,821	10,979
1 as % of 2	2.0%	2.1%	2.1%	2.1%

A somewhat larger variation exists in the cost ratios, but even this is relatively small and is likely to reflect the different grade structures within the group. Overall therefore there was no particular ground for raising questions about relative efficiency.

28. Greater variations appear between the four departments when the resources employed on individual personnel functions are compared. More than anything else, however, we believe these variations reflect the difficulty which all personnel staff have in making a precise allocation of their time to the different functions, and in particular in differentiating between the categories of "staff management" and "pay and staff records".

29. In investigating particular marked differences we came to the following additional conclusions.

i. Training

The variation under this item is from 13% of personnel effort in MAFF up to 23% in PSA. In MAFF's case the relatively low level of resources is probably due to the fact that nearly half of the Department's staff are scientific and professional staff, much of whose training is received before recruitment or is arranged and provided by their specialist line managers. By comparison the PSA maintains a specialist training centre at Cardington to provide training in the particular skills required by a large proportion of staff in that Department, and the staff of that training centre form a large part of the resources committed to training. The difference therefore seems to reflect different training needs.

ii. Recruitment and Probation

The total resources committed to this activity in each Department are relatively small, as are the variations between Departments (from 4% to 7%). The group was not able to identify any reasons for variations.

30. None of these comparisons seems to point to particular changes of policy or organisation, or offer savings within individual departments in the group. But the group identified a number of other activities in hand where continued comparison of procedures and sharing of information would be useful.

Particular Comparisons: Group 3 - DVLC and DHSS Central Office Newcastle

31. There was, apparently, a significant difference between resources employed on personnel work at these large executive units. The ratio of numbers of personnel staff to 100 staff managed was 1.5 at DHSS Central Office and 2.0 at DVLC (though 2.0 is still below most other Departments' figures).

32. The organisations appear similar, although DHSS Central Office has over twice as many staff as DVLC. They have comparable staff structures and both have large computer installations.

TABLE 3 STAFF STRUCTURE

	DHSS Newcastle	DVLC
Total number of non-industrial staff	11483	4796
% in administrative & executive grades	17.5	13.4
% in clerical grades	59	62.6
% in secretarial & typing grades)	1.4
% in office service grades) 11	6.3
% in data processing grades) 10.5	16.3

33. There were difficulties in allocating the staff engaged on personnel work between the individual functions which makes the data imprecise.

Nevertheless, there are 2 functions to which DVLC devotes a significantly higher ratio of personnel resource to staff managed than their counterpart at Newcastle - policy/staff management and supervision of leave and attendance. In both cases the main reason appears to be greater responsibility of line management at Newcastle for career development, transfers and discipline. The organisation and size of the main line management Divisions at DHSS Central Office is such that there is greater scope for delegation to line management and for internal career movement, organised by line management, within the Divisions. At DVLC, the management units are smaller and most staff movement occurs between branches and is controlled by Personnel Branch. Unlike DVLC, DHSS Newcastle do not, currently, have a formal career development programme for clerical grades, although a scheme is planned.

34. DVLC is undergoing a period of considerable change due to replacement of their mainframe computer and the introduction of new technology generally. These changes involve a far reaching re-organisation of the way in which work will be carried out and the grade/skill structure required. There will be an increase in personnel work in consequence.

35. The comparison of these organisations showed some interesting differences mainly due to the degree of delegation to line management. Both organisations face major problems in adapting to new technology which raise difficult personnel issues. The scope for delegation does depend to an extent on line management structure and the size of the main units, which are smaller at DVLC.

THE WAY FORWARD

36. Taken as a whole, therefore, and with a few important exceptions where we have indicated further work is required, we judge that the variation between departments' figures is due to differences between the needs they require to be fulfilled by specialist personnel units. We do not think the prime cause is the development of systems or approaches in some departments which are more efficient than those used by others. It is clear to us that the effects of various types of re-organisation, of dispersal and of rapid change in the nature of business, create special demands on personnel sections. Dispersal, rapid change, privatisation programmes, and types of work which lead to high staff wastage are all reasons why in some departments more personnel effort is needed than in others.

37. Nonetheless, we remain convinced that there are real advantages in continuing to arrange for departments to exchange experience on their approaches. Common elements and common problems do exist. While one department is unlikely to be able to adopt another's solution or procedures lock, stock, and barrel, there are likely to be common factors which inspire or assist one department to find a way forward to suit its own circumstances.

38. If this is to happen most constructively, we believe that the focus of the comparison should not be an exercise which seeks to make departments justify why their resources are deployed in a particular way, on an across the board basis. The level of such debates is bound to be superficial, and defensiveness is encouraged. We believe more will come from greater in depth exchanges about particular personnel functions, with an emphasis on exploration and sharing of information rather than self-justification.

39. We see particular need for this activity in a number of fields in the immediate future. One is the further computerisation of personnel records, where a number of departments are pursuing innovations which should lead to efficiency savings over the next few years. It is unlikely that there is one basic system that will be right for every department. But it is likely that some features of such systems will be common and that there will be plenty of experience to be exchanged about the problems of devising and introducing workable systems.

40. Another is training, where the Cabinet Office (MPO) already arrange for considerable exchange of material through its Training Liaison Officer network, and where continued attention to resource control and output measurement will be necessary. The conclusions drawn from an interdepartmental efficiency review are due to be disseminated this summer.

41. Another is the impetus to increase the extent of delegation of personnel responsibilities to line managers. This is a common theme of both the Financial Management Initiative and the Review of Personnel Work, designed to take decisions closer to those who are affected by them and who can be held directly accountable for them. The process will not necessarily reduce total numbers spent on personnel activity, though it may reduce the size of central personnel units. Again, the extent and nature of this change will not be uniform and revised arrangements and dispositions of staff will have to be geared differently for small largely London-based policy departments and large multi-functional departments with widespread local office networks. But myths about the "impossibility" of delegating certain procedures can be dispelled by the knowledge that another department has been doing it for several years. For this reason, the Cabinet Office (MPO) has already circulated some material on how departments are handling delegation on recruitment, probation, promotion, career development, inefficiency procedures and control of poor attendance and sick leave. There are plans to continue this exchange of experience.

42. Yet another is in the area of control of leave and attendance and pay and records, where though no direct findings emerged from this study there is a possibility that some conclusion will arise from a further look at differences between IR and DHSS and DEmp systems, and an interest in looking at whether central requirements impose unnecessary burdens on departments.

43. We also believe that there is considerable work which is now in hand in departments, both as a result of the Review of Personnel Work and departments' own initiatives, and which should offer results it would be useful to exchange between departments. For example staff inspections of personnel sections are currently in progress in the DEN and planned in the DOE and DTI and MAFF; DEmp, DOE, and DHSS, are planning to computerise their superannuation systems in conjunction with the Treasury; the handing over of responsibility for staff to privatised bodies should enable DOE(C) to make staff savings in 1986; and MAFF, DEmp, DHSS, DTI, the RM and DEN are already planning computerising personnel records or are considering this.

44. In some cases we believe direct links between the departments concerned will be the most effective way of exchanging experience.

But we believe the Cabinet Office (MPO) should play an active part in collating and circulating such material around the civil service, providing this is done without the accompanying prescription of uniformity where this is inappropriate. It should also continue to circulate information on practice in the private sector, on the same basis.

SUMMARY

45. This report by officials builds on the report to the Prime Minister of November 1983, which looked at the comparison of units in a selection of departments and private sector firms. This review focusses, at the request of the Prime Minister, on comparisons between departments.

46. The basis of the comparisons used in the review was refined further at the start of the work, to remove some inconsistencies. But because allocation of work to particular personnel functions is in part subjective, the data remain imperfect. They cannot be used to reach conclusions without further analysis and investigation.

47. The main approach adopted was to group the departments together so that departments broadly of the same size and organisation were comparing their disposition of resources with each other. Each group drew conclusions from looking at overall levels of resources and differences between functions.

48. The broad conclusions are:

a. the differences between the overall resources employed, and the functional breakdown, are mainly due to differences in structure, organisation and geographical dispersal of departments which follow from the nature of their businesses. This directly affects their needs from specialist personnel units. It is unreasonable to look for uniformity.

b. in some departments, the effects of previous reorganisations, of dispersal and of rapid change create special demands on personnel sections. There is scope, however, to carry out further work on systems used for control of hours and attendance and pay and records. More particularly, partly as a result of this exercise, the MSC is considering an examination of the continued value of retaining separate personnel units in the field structure of its Training Division and Employment Division.

c. there are certainly areas where departments can learn from the approaches adopted by others. It is likely to be most constructive to do this on a functional basis. The Cabinet Office (MPO) can play an important role in disseminating information, provided this is not accompanied by prescribed uniformity where this is inappropriate.

d. there is a programme of action in hand in the departments concerned to look at particular areas where changes might improve efficiency. The results of this programme should be made available for general study.

NUMBERS OF PERSONNEL STAFF PER 100 STAFF MANAGED IN SELECTED DEPARTMENTS

APPENDIX 1
TABLE A

	IR	DHSS HQ Total (incl. DHSS CO)		DE Group DE MSC Total			PSA	MAFF	DOE/ DTp (excl. DVLC)	DTI	DVLC (DTp)	CO New- castle (DHSS)	Non- Ind	Defence ROF's Dock- (Ind) yards (Ind)		Energy	Royal mint
Total staff	72000	5999	91888	33558	23651	61599	16197	10979	15821	14317	4796	11483	105600	13715	17760	1101	960
Personnel staff	1014	95	1790	768	702	1618	343	236	335	289	88	154	2452	187	200	23	13
Dept ratio personnel staff/ staff managed	1.4	1.6	1.9	2.3	3.0	2.6	2.1	2.1	2.1	2.0	1.8	1.3	2.3	1.4	1.1	2.1	1.4
Pro-rata allocation for central departments	109	9	138	51	33	91	24	16	24	21	7	17	159	20	27	2	2
Overall ratio Personnel staff/ staff managed	1.6	1.7	2.1	2.4	3.1	2.8	2.3	2.3	2.3	2.2	2.0	1.5	2.5	1.5	1.3	2.3	1.6

APPENDIX 1
TABLE 8

% OF STAFF BUDGET SPEND ON PERSONNEL EFFORT IN SELECTED DEPARTMENTS

Costs £000s	IR	DHSS		DE Group			PSA	MAFF	DOE/ DTp (excl. DVLC)	DTI	Defence			Energy	Royal Mint
		HQ	Total (incl. DHSS £0)	DE	MSC	Total					Non- Ind	ROF's (Ind)	Dock- yards (Ind)		
Total staff	72000	5999	91888	33558	23651	61599	16197	10979	15821	14317	105600	13715	17760	1101	960
Total staff costs	550000	67249	639000	173018	162033	380615	140000	93000	136000	117000	900000	75750	98300	11303	7432
Personnel staff costs	8912	881	12901	5848	5191	12304	2750	1900	3400	2600	16850	1500	1650	233	102
Dept. ratio personnel costs/total staff costs	1.6	1.3	2.0	3.4	3.2	3.2	2.0	2.0	2.5	2.2	1.9	2.0	1.7	2.1	1.4
Pro-rata allocation for central departments	839	70	1081	388	244	632	188	126	185	165	1241	156	210	16	15
Overall ratio personnel costs/total staff costs	1.8	1.4	2.2	3.6	3.4	3.4	2.1	2.2	2.6	2.4	2.0	2.2	1.9	2.2	1.6

ALLOCATION OF PERSONNEL EFFORT IN DEPARTMENTS TO PARTICULAR FUNCTIONS
(Shown as a % of total personnel effort in each department)
(Functions are defined in Appendix 3)

	IR	DHSS (incl CO New- castle)	DE	MSC	PSA	MAFF	DOE/DTp (excl. DVLC)	DTI	DVLC (DTp)	CO New- castle (DHSS)	MOD	Energy
1. Policy	1	3	3	3	11	6	6	4	} 20	1	3	8
2. Staff Management	6	7	11	15	23	23	41	32		3	56	30
3. Training	30	35	41	42	23	13	18	17	25	37.5	17	10
4. Recruitment and probation	20	4	9	9	4	7	5	5	} 11	7	2	16
5. Promotion	7	3	5	4	6	7	4	8		5	2	4
6. Pay and Records	13	26	14	11	18	21	5	15	24	28.5	14	14
7. T & S	7	7	2	1	0	1	2	1	0	0	6	2
8. Leave and Attendance	4	5	8	8	5	7	6	4	15	11	2	7
9. Superannuation	5	4	4	3	7	7	7	7	0	0	3	6
10. Welfare	7	7	4	3	3	9	6	7	4	6	2	3

NB: Each column does not necessarily add up to 100% because of rounding of individual figures.

Appendix 2 gives a summary of departments' activities and personnel work within the context of the group exercises. It also includes summaries for the Ministry of Defence, Department of Energy and the Royal Mint.

GROUP 1

INLAND REVENUE

1. The Board of Inland Revenue administers and collects direct taxes and advises the Chancellor of the Exchequer on policy questions involving them. The Head Office is in London and there are Inspectors of Taxes offices and Collection offices throughout the United Kingdom. The Valuation Office (England and Wales) is responsible for valuing property for tax and rating purposes and for compulsory purchase and compensation. Of the 71,000 permanent staff employed, approximately 62,000 work in some 1,200 local tax, collection and valuation offices throughout the country. The overwhelming majority of staff are in the departmental classes.
2. Responsibility for personnel matters for staff in Tax and Collection grades is split between Head Office and the 15 Regional Offices. The Principal Personnel Officer in charge of the regional section is however accountable not to the central Personnel Division but to his Regional Controller. This leads to co-operation between line and personnel management.
3. The Valuation Office has a separate regional structure linked for administrative reasons to local authority boundaries. This means the areas of the 2 regional networks do not coincide. Responsibility for some functions has been delegated for many years to the Valuation Office's own personnel division, and there is some delegation from this to the regional and local valuation offices. The department has recently delegated a much wider range of powers and responsibilities to the Chief Valuer's personnel section, and the Chief Valuer is now considering whether his regional offices can absorb further personnel responsibilities including some of those recently transferred from the central Personnel Division.

DEPARTMENT OF HEALTH AND SOCIAL SECURITY (DHSS)

1. The DHSS employs 90,000 staff. Sixty-five thousand work on the delivery of social security benefits and collection of contributions, mostly in 500 local offices under 7 regional office commands and a headquarter based directorate. The local offices are mostly managed by SEO or Principal grade staff and tend to be self contained in their staff management, referring only the more difficult problems to the regional personnel sections. Delegation of more personnel functions to local office managers is being undertaken, eg in relation to clerical recruitment, inefficiency and probation procedures, and promotion of clerical assistants. This should further reduce demands for staff to be separately engaged on personnel work. Further delegation is being considered.
2. The 5,000 staff who work in headquarters are primarily concerned with the health and personal social services, including 1,200 professional or technical staff eg lawyers, doctors, pharmacists, statisticians, scientists and works group professionals. The multiplicity of grades and the varied

nature of the work here requires more personnel effort in ensuring the right person is posted to the right job or promoted. Large clerical and computer operations are based in Newcastle, Blackpool, Reading and Livingstone and the differing personnel arrangements necessary for these are exemplified by the separate description for Newcastle. Personnel staff in headquarters also handle policy issues for the Department and the staff management of middle and senior grades.

DEPARTMENT OF EMPLOYMENT GROUP

1. The group is made up of four organisations each separately accountable for its functions and hence with separate personnel effort in support of these. The DE itself makes and carries out policies for the labour market and provides a link with other parts of the group, but its most labour intensive task (85% of the staff) is to pay unemployment benefit through a regional, area and local office structure with personnel staff at headquarters and regional levels. There are two outstations of headquarters in Runcorn and Watford. The Manpower Services Commission (MSC) provides services to employers and the workforce through three separate networks, of the Training Division, Employment Division and the Skillcentre Training Agency. There are separate personnel support arrangements for the training network and the employment network in the regions.

2. This specialisation and separate line management control, has an additional cost in personnel management support. The Health and Safety Executive (HSE) works to improve health and safety at work with research and laboratory bases and separate field organisations for the inspectorates. Unlike the rest of the Group, about 60% of its staff are specialist grades. This requires additional personnel effort. The HSE is also involved in dispersal of staff to Bootle which requires temporary additional support by personnel staff. The Advisory, Conciliation and Arbitration Service (ACAS) provides industrial relations services through a regional field organisation of middle grade staff. At headquarters, the Group Personnel Unit coordinate policies and ensure the interchange and development of staff between the arms of the group.

3. The group includes some 2,000 small local unemployment benefit and job centre offices, managed largely at HEO level. This organisation is both economic and effective in the delivery of its services but limits the extent to which personnel management problems can be delegated. Regional support is therefore provided although FMI and implementation of recommendations in the Review of Personnel Work will lead to further delegations.

GROUP 2

PROPERTY SERVICES AGENCY

1. The business of PSA is to provide, manage, maintain and furnish the property used by the Government, at home and abroad, including defence establishments, offices, courts, research laboratories, national museums and galleries, training centres and land. PSA also perform some of these services for a number of Government-related bodies such as the Civil Aviation Authority, and for British Telecom.

2. The non industrial manpower of the PSA is employed in headquarters offices and in a territorial organisation at home and overseas consisting of regional, area and district offices. In all, PSA operates from over 500 offices in the UK and overseas. The headquarters organisation includes the central directorates plus professional support directorates and production directorates responsible for dealing with clients and undertaking major design. Regions also undertake some major design, and in addition organise the work of areas and districts on minor new work and maintenance.

3. Headquarters and regional headquarters offices carry the main administrative and supporting roles and in areas and districts the emphasis is much more on production. Within group 2, PSA stands out as employing the highest percentage of professional and technical staff and the lowest percentage of administration group staff. The large technical content of the work and the delegations to a widely dispersed organisation imply the need for a high level of specialised central training.

4. The regional organisation handles day to day staff management and related work on pay and attendance for grades up to SEO and equivalent. It also handles local training needs plus some recruitment and promotions and travel and subsistence, and there are welfare staff in each regional centre.

5. All other personnel work is handled at headquarters under the control of the Principal Establishments Officer. Three staff management divisions deal with the full range of personnel work with the exception of superannuation and the bulk of training. One of the staff management divisions is responsible primarily for administration group grades and for travel and subsistence, leave and attendance and welfare. The other two share responsibility for P&T grades. They all share policy responsibility with a Staff Resources Division. Superannuation and training are handled on behalf of PSA by the personnel organisation in DOE(C).

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD (MAFF)

1. MAFF has responsibility for policy and sponsoring research for agriculture, horticulture and fisheries in England and many food matters in the UK. In particular, it has the policy responsibility for the administration of the Common Agricultural Policy and operates a wide range of agricultural support measures. Through the Agricultural Development and Advisory Service it works to encourage improvements in productivity and efficiency within the agricultural and horticultural industries. These objectives involve a close and detailed contact with the industries the Department serves and hence a very dispersed organisation. The Department contains many diverse specialisms and about half the staff are professional and specialist. Two thirds of these are graded at EO or equivalent level and above. Although nationwide schemes are administered, there are no large-scale routine "clerical factories". Many of the units are very small and, as a result, the Department has an active and purposeful personnel system which aims to deploy and develop its staff so as to get the right person in the right place at the right time.

2. The personnel management function is divided between the central Establishments Group and the personnel sections of the regional organisation. The Personnel Division in London is concerned with staff management and policy functions. Responsibility for superannuation, leave and attendance, discipline, security, conditions of service and industrial relations, training and welfare is also located in London.

3. The Ministry's five regional offices have personnel units and, below them, the 19 divisional offices also have small personnel sections primarily concerned with attendance, overtime and sick leave. These functions are being examined during the follow-up to the Review of Personnel Work. These two groups of offices have the main responsibility for staff in the regional organisation up to middle management levels.

4. Although formal responsibility rests at present with personnel staff, the senior line managers of the main specialist groups of staff are directly involved with personnel division in the personnel management of their staff. At most of the main laboratories, the director has a small administrative support unit which performs some routine personnel functions, particularly for the more junior staff. In the follow-up to the RPW increased devolution of authority to these senior line managers will occur.

DEPARTMENT OF THE ENVIRONMENT AND DEPARTMENT OF TRANSPORT (DOE/DTp)

1. The DOE has a range of policy responsibilities including planning, local government, housing, environmental matters, sports, parks and historic buildings. The Department of Transport has policy responsibility for the transport industries and operational responsibility for the national motorway and trunk road network, the regulation of vehicles and the licensing of drivers and vehicles (this last through the DVLC which is described separately). The two Departments employ about 16,000 staff, excluding those who work for DVLC and staff who transferred from DTI with marine, shipping and aviation policy work. Staff outside headquarters in London are dispersed among some 850 locations; the joint regional office network, Traffic Area Offices, Local Vehicle Licensing Offices, local driver and vehicle testing stations and historic building and monument sites. There are, also, 2 large research stations. Thus they have a comparatively small number of staff deployed in the largest number of locations with twice as many different grades as the other departments in group 2.

2. The departments find it effective to have a joint central personnel directorate with branches in the regions. The regional personnel branches deal with local administration group staff up to and including HEO and also secretarial and office service staff. They deal with all aspects of personnel work except superannuation, training and welfare which are centralised. There are small personnel branches, mainly for clerical and support staff at the 2 research stations.

DEPARTMENT OF TRADE AND INDUSTRY

The DTI is responsible for promoting the interests, and ensuring the proper regulation, of British trade, industry and commerce at home and abroad. Its wide ranging functions include international trade negotiation, export promotion, sponsorship of nationalised and other industries, schemes for financial assistance to industry, support for innovation, industrial research establishments, regional policy, competition policy, standards, consumer protection, business statistics, company law, the insolvency service and the Patent Office. At the period to which the figures in this report relate it employed about 14,000 staff. More than half of the DTI's staff are based in London, with a further 1,800 in South Wales. There are also 7 regional offices and 4 regional development grants offices, each employing between 70 and 130 staff, and 4 industrial research establishments, each employing between 250 and 700 staff. In addition there are 32 Official Receiver in Bankruptcy Offices spread throughout the UK and several other small offices.

Within Group 2, the DTI has the fewest out-of-London offices and, in particular, has fewer very small offices. It employs fewer specialists in fewer grades than the other departments in this group.

All the main personnel management functions are undertaken centrally in London. There is a personnel management section and a small training unit in Cardiff but these operate as part of the central Personnel Management Division.

Heads of offices and establishments, the heads of professions, and other line managers are all involved to varying degrees in the personnel management of their staff, although at present formal responsibility rests with Personnel Management division. Most of the larger out-of-London offices have small administration sections which undertake, inter alia, some day-to-day staff matters, including the movement of staff within the office and, in some cases, recruitment. The extent of delegation to line managers, especially as regards non-mobile staff outside London, is currently under review.

GROUP 3

NEWCASTLE CENTRAL OFFICE (DHSS)

1. The Newcastle Central Office (NCO) of DHSS employs 11,000 staff on centralised aspects of administering social security. It incorporates a massive computer installation. It has a personnel branch reporting to the operational Controller of NCO which is responsible for recruiting clerks, promoting staff up to EO, posting staff, retirements up to Principal level, sick leave, attendance, monitoring of pay details.

2. NCO differs in its requirements of personnel effort from other parts of the department because its staffing structure is different, employing mainly clerical staff and data processors on routine tasks. This seems to result in less complex requirements on career management and fewer of the time consuming ad hoc queries because new situations are not continually arising and regulations can be laid down to guide line managers more easily than in Headquarters. The computer installation, however, brings with it some associated personnel problems, for example industrial relations problems.

3. A recent reorganisation has split management services from establishments work, which should help to streamline personnel effort. In two respects computerisation proposals should further reduce numbers of personnel staff; later this year it should be possible fully to computerise superannuation work; and in the longer term (target date of 1988) to computerise leave and attendance records.

DRIVER AND VEHICLE LICENSING CENTRE (DTp)

1. The work at the Driver and Vehicle Licensing Centre involves processing, licensing and registration applications, answering enquiries from the public and police and dealing with input to and output from the large computer system. The centre's work is divided into two main divisions which deal with driver licensing and vehicle registration and licensing. There are about eighty different types of transaction for each of the main activities

so the work in different sections can be quite varied. Staff deal with about 34 million transactions each year and 1.3 million enquiries from the public. Other staff work in the long term project to replace the existing computer system over the next few years.

2. Of the 4,218 permanent non-industrial staff at the centre 72% are in AEC grades including some 270 computer specialists. The centre also employs large numbers of casual staff to aid with peak workloads. The large proportion of clerical staff employed means the centre has a high turnover of staff. The personnel branch at DVLC also manages some 245 other DTp staff in 9 offices located in South Wales.

3. The personnel branch has responsibility for the personnel management of staff up to SEO. Higher grade staff are managed by the personnel and senior staff divisions of the common service section in DOE(C). The branch carries out all the personnel functions listed in the original study, except superannuation. Being the largest government employer in the area, DVLC also recruit for other government departments.

DEPARTMENTS NOT IN GROUPS 1 - 3

MINISTRY OF DEFENCE (MOD)

1. The MOD employs 200,000 civilians (including 96,000 industrials) and over 300,000 service personnel. Although it carries out the usual policy and administrative functions of a government department, the MOD's main concern is the management of physical resources. The majority of civilian staff are employed in support of units of the Armed Forces, in Research and Development Establishments, the Royal Dockyards, stores and maintenance depots, training establishments and executive functions such as contracts and accounts. The civilian workforce is required to carry out a vast range of tasks which is reflected in the classes and specialisms employed.

2. The MOD employs over 60 different non-industrial occupational groups at units, establishments, depots and other facilities spread across the United Kingdom and overseas. The personnel management responsibility for this varied and large group of staff poses particular problems, which calls for a clear management policy with adequate central control, but with authority delegated to line management as much as possible. The three main groups (the Science group and related groups - some 9,500 staff; the Professional and Technological Officers group and related grades - over 25,000 staff, and the Administrative Group - 9,900 administrative and executive staff and over 24,000 clerks) are managed separately in the centre. In addition the other specialist classes such as the MOD police have a central personnel management authority. Delegated powers for clerical and secretarial grades are exercised by dispersed civilian management units and a number of major line managers, eg Naval Home Command and HQ RAF Strike Command. The management of industrial staff, major policy issues apart, is almost wholly carried out away from the centre.

3. Major personnel policy issues are dealt with centrally including the allocation of resources, postings of centrally managed staff, promotions and career development. The centre plays the key role in planning the department's needs as a whole now and in the future. Line Management is closely involved in recruitment of junior staff, casework and maintenance

of personnel records and is kept in touch with centrally managed procedures.

4. Line Managers through the introduction of Responsibility Budgets will increasingly get greater authority and accountability. The choice between centralisation and further delegation of work is presently under review as part of the restructuring of the MOD to separate the formulation of policy and operations and coordination of resources from the daily management of the services.

DEPARTMENT OF ENERGY

The Department of Energy is a small, highly centralised headquarters organisation with a total staff of around 1,100. It has two small outstations in Glasgow and Leicester, which together employ some 150 staff. All the rest of the staff are housed in one building in London.

2. The Department deals with a diversity of activities which are all concerned with energy supply and demand. Its responsibilities include monitoring the nationalised energy industries (coal, gas and electricity) with a total annual turnover of some £20 billion; Government relations with the Atomic Energy Authority, British Nuclear Fuels Ltd and the British National Oil Corporation; and sponsorship of a number of private sector industries including oil companies, the offshore industry and the energy efficiency industry. The Department is also responsible for a wide range of regulatory activities including collection of royalties amounting to some £2 billion per annum, licensing of offshore exploration and production, controlling North Sea oil and gas productions and examining and certifying electricity and gas meters.

3. The Department of Energy is essentially a policy Department which works in small units and has no large-scale routine executive functions. Key policy advice is handled by 120 staff at Principal level and above. Given that the Department is small and the staff are mostly housed in one building personnel management is handled through one central Branch responsible for policy issues and for a wide range of personnel services to line managers. This includes responsibility for some 300 professional and technical staff and 800 staff in the administrative and clerical grades.

4. The Department's personnel policies lay particular emphasis on, amongst other things, broadening the commercial and industrial experience of staff. This had led to the recruitment of a relatively high percentage of staff with numerate qualifications and to an extensive programme of secondments and other attachments to outside bodies. The Department is also developing a major integrated training strategy.

ROYAL MINT

1. The Royal Mint is required to provide and maintain the United Kingdom coinage in accordance with statutory requirements and to the standards considered necessary by the Government of the day; to use its resources for the provision of seals, medals and dies for official purposes, and to manufacture for sale on commercial terms coins, medals and similar items. It is a Trading Fund Department required to manage its funded operations and to achieve such further financial objectives as the Treasury may indicate to be desirable. The current financial objective, covering the 3 year period,

1 April 1984 to 31 March 1987 is to achieve an annual rate of return, which when averaged over the period as a whole will be equal to not less than 12%. The aims of the Royal Mint for planning purposes have been defined as "growth of both capital and income in real terms, maximising the rate of return on assets over a period of years".

2. Current strength is 960, which includes 620 industrials, 119 professional and 221 administrative staff. All, other than 17 of the administrative staff, are based at Llantrisant in South Wales. The 17 who are on Sales and Marketing duties are based in London.

3. The Personnel organisation of 13, based at Llantrisant, deals with the total personnel function. Functions and involvement are regularly reviewed, the most recent audit review was in August 1983.

NUMBERS EMPLOYED ON PERSONNEL WORK

FUNCTIONS INCLUDED

1. POLICY

Reviewing and updating personnel policies and procedures, both at departments discretion and in response to central initiatives. Includes any general consultations with staff unions and overall manpower planning.

2. STAFF MANAGEMENT

Covers support by personnel staff to line managers and staff in the development and deployment of staff. Includes matching the jobs to be done as closely as possible to the abilities of the staff available to do them; planning the careers of staff through a succession of jobs to develop their potential; interviewing them on a fairly regular basis; and liaising with line managers on their needs for staff. This function also includes involvement by personnel staff in secondments to other employers; in retirements, resignations, redundancies and dismissals; and in conduct and discipline cases.

3. TRAINING

All training and support staff, but excluding student costs and non-staff items, such as the cost of equipment, lecture rooms, residential facilities etc. The cost of external training is excluded.

4. RECRUITMENT AND PROBATION

Covering personnel staff effort across whole range of recruitment undertaken by the organisation (but excluding such non-staff items as advertising) and subsequent involvement in probation, if used.

5. PROMOTION

The personnel effort involved in operating the promotion system used in the organisation.

6. ADMINISTRATION OF PAY AND MAINTENANCE OF STAFF RECORDS

Calculating and notifying changes of pay and implementing centrally negotiated pay settlements. Maintenance and development of information records for staff, including details of new entrants and departure and changes of job, grade or location. This does **not** include operation of the payroll computer system, or specialised programming staff or computer operation.

7. ADMINISTRATION OF TRAVEL AND SUBSISTENCE RULES AND CLAIMS.

Excluding those staff working on entertainment and the cost of hospitality.

8. ADMINISTRATION OF LEAVE AND ATTENDANCE

Maintaining attendance and leave records, including in particular sick and special leave; review of cases of long sick absence; approval and monitoring of overtime and other pay-related allowances.

9. SUPERANNUATION

Work on pensions policy and administration of superannuation schemes, including calculation and payment of pension and other benefits and arrangements for transfer of pension rights for staff moving to and from other employers.

10. WELFARE

Any separate provision for helping staff with personal or domestic difficulties which affect work performance, eg providing private counselling; assisting staff subject to redundancy, relocation or disciplinary measures. Effort on health and safety is excluded.

NB All these functions relate only to the employment of non-industrial staff. Line management effort on personnel is excluded.

21 JUN 1984
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CONFIDENTIAL



DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

Rt Hon Nigel Lawson MP
 Chancellor of the Exchequer
 Treasury
 Parliament Street
 London SW1P 3AG

20 June 1984

Dear Nigel.

TCSC: LONG TERM TRENDS ENQUIRY

Thank you for sending me a copy of your letter of 11 June to Quintin Hailsham.

I agree with what you propose. I envisage that the DES paper, which will be shown in draft to the Treasury, Scottish Office and Welsh Office, will start from the latest Public Expenditure White Paper to 1986-87. Beyond that date it will illustrate briefly, where possible, the references in paragraphs 40 and 41 of the Green Paper (Cmnd 9189) to the various pressures from pupil and student numbers (qualifying the figures for the latter by reference to the new projections of demand); diseconomies of scale; teacher quality and numbers; under 5's; and the demands of industry for more highly qualified manpower.

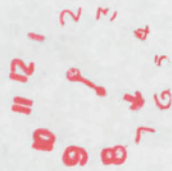
I am copying this letter to those who had yours.

*Ever
 Yours,*

CONFIDENTIAL

Civ SEND long term Pt 16

20 JUN 1964





DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

The Rt Hon Peter Rees QC MP
 Chief Secretary to the Treasury
 HM Treasury
 Parliament Street
 London SW1P 3AG

*not open
 20/6*

20, June 1984

Dear Peter,

FINANCIAL MANAGEMENT IN GOVERNMENT DEPARTMENTS

Thank you for sending me a copy of your letter of 7 June to the Prime Minister and the accompanying draft White Paper.

I understand the Prime Minister's misgivings about costs and agree that we shall need to monitor the benefits as the initiative develops. Some of these will only become apparent over time and I am glad to note as you mention that the draft White Paper does not commit us to a specific date for a further general report.

Having said this, I am content with the way that progress has been presented in the draft White Paper. It is not easy to report on this subject so as to interest those who are not directly concerned and I think that the examples in the main part of the draft would help to make the message clearer to any general reader. In particular, paragraph 13, which refers to non-departmental public bodies, could, I believe, be made more informative in this way. Peter Brooke and I attach particular importance to the application of the FMI to the Research Councils and we should welcome the addition of the following extra sentence after the second sentence of the present draft of this paragraph with a consequential amendment to the next following sentence as follows: "For example, the Department of Education and Science has been considering with the Research Councils how best the initiative might be extended to their operations. The results of this type of work by Departments have been brought together"

My officials are in touch with yours about a few detailed points of correction mainly to bring the draft report on DES in Part 2 up-to-date.

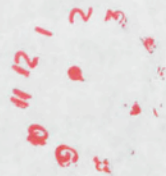
I am sending copies of this letter to the Prime Minister, Sir Robert Armstrong and Sir Robin Ibbs.

*Yours faithfully,
 G. W. Hill*

Civ Service Long term

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20 JUN 1984



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DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

NBM

AF 20/6

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON SW1P 3AG

19 June 1984

Dear Nigel

Thank you for copying to me your letter to Quintin Hailsham of 11 June about the Treasury and Civil Service Committee inquiry into long term expenditure trends. I agree that we should not simply rest on the Green Paper, and my Department is preparing a paper on the lines you suggest. They will be in touch with your officials about it later this month. I should mention that we may want to seek a short extension of the Committee's end June deadline, so that the paper to the Committee can take account of the White Paper on bus policy which, subject to colleagues' agreement, I intend to publish at the beginning of July.

I am copying this letter to recipients of yours.

NICHOLAS RIDLEY

CONFIDENTIAL

Civil Service PHS
Long Term Management

20 JUN 1988

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PRIME MINISTER

PROGRESS WITH FINANCIAL MANAGEMENT IN NORTHERN IRELAND DEPARTMENTS

Last September ^{PT 13} I published a Report on the Financial Management Initiative in Northern Ireland Departments simultaneously with the White Paper on the FMI in Great Britain. You saw a draft of the Report before publication. I now intend to publish a further Report on the FMI in Northern Ireland Departments, in parallel with this year's White Paper. In view of your close interest in the Financial Management Initiative, I am sending you a draft before publication.

The FMI in Northern Ireland takes account of particular Northern Ireland factors, but is conducted consistently with the FMI in Great Britain. There is the same emphasis on securing increasing value for money and improving the quality of financial management. The Report reflects the considerable progress made since the September 1983 publication, as well as the continued emphasis on planning and developmental work. I will continue to give the FMI a high priority so that its momentum can be sustained.

I should be grateful if you confirm that you are content that I should publish the Report. I would hope to publish it at the same time as the Great Britain Report.

I am copying this minute and the Report to the Chief Secretary and Grey Gowrie.

J. P.

18 June 1984

ER

18 JUN 1984



PROGRESS IN FINANCIAL MANAGEMENT IN NORTHERN IRELAND DEPARTMENTS

1. Introduction

- 1.1 In September 1983 the Department of Finance and Personnel published the document "Financial Management Initiative Within the Northern Ireland Departments". That document described the objectives of the Financial Management Initiative within Northern Ireland Departments, recorded the progress made, identified areas for improvement and set out a programme for further work. The purpose of this Report is to describe the developments since then and to set out in particular the progress that Departments are making in implementing their plans. The first part of this Report will look at main themes of the Initiative and give a general view of progress within Northern Ireland Departments: in the annexes individual Departments describe what they have achieved and what they are planning.

2. Background

- 2.1 The objectives of the Financial Management Initiative (FMI) were set out originally in the White Paper "Efficiency and Effectiveness in the Civil Service" (Cmnd. 8616). Specifically they were to provide in each Department an organisation and system in which managers at all levels have:
- (a) a clear view of their objectives and a means to assess and, wherever possible, measure outputs or performance in relation to those objectives;
 - (b) well-defined responsibility for making the best use of their resources, including a critical scrutiny of output and value for money; and
 - (c) the information (particularly about costs), the training and the access

to expert advice which they need to exercise their responsibilities effectively.

- 2.2 The Financial Management Initiative in Northern Ireland Departments is coordinated by the Central FMI Unit in the Department of Finance and Personnel. It is a separate exercise to that being conducted in Government Departments in Whitehall. However the exercises are parallel and in developing the Financial Management Initiative in Northern Ireland the Central FMI Unit has kept in close contact with the Whitehall Financial Management Unit and has benefitted considerably from advice and information which that Unit has supplied. Similarly the Central Unit has maintained close links with the Scottish Office and Welsh Office - UK Departments which are the Northern Ireland Departments' closest analogues. In addition individual Northern Ireland Departments have, where appropriate, drawn on the experience of their Whitehall counterparts in taking action on the Initiative.
- 2.3 Nevertheless the Northern Ireland Initiative remains separate and it takes special account - and advantage - of the distinctive features of the Northern Ireland administrative system. These were set out in the September 1983 publication and include the smaller scale of Northern Ireland Departments, the shorter lines of communication, and the greater potential for setting priorities and managing public expenditure as a regional resource.
- 2.4 The Northern Ireland Initiative has also had the advantage of constructive scrutiny from the Northern Ireland Assembly. The September 1983 publication was referred to the Assembly, which reported on it in December 1983. The Assembly's recommendation that each of the Committees which mirror the Northern Ireland Departments should monitor closely the Initiative within their respective Departments was welcomed by Government, which saw the interest of the Committees as a very helpful development. Already Committees are scrutinising, and thereby exposing to the public view, aspects of Departments' financial management plans.
- 2.5 The Northern Ireland Initiative has, therefore, developed its own unique features and its own priorities and programme. Nevertheless the thrust of

the Initiative is at one with that in ^{the} United Kingdom as a whole where the central aim is to improve the efficiency and effectiveness of Government with a view to providing the public with services that are better value for money. Within the Northern Ireland Departments, the prime objective is the more effective application of resources so that the funds made available to Northern Ireland are directed increasingly towards programmes which meet priority needs and are spent on both priority and non-priority programmes in a way which secures value for money. Because of the way in which public expenditure resources are allocated to Northern Ireland by means of a block system and the way in which manpower limits are set, savings resulting from increased effectiveness and efficiency can be channelled directly into the provision of enhanced programmes and services for the public. The achievement of these aims will require strict adherence to the objectives of the Financial Management Initiative at all levels in the administrative system and at all stages in the planning, forecasting and monitoring processes.

3. Top Management Systems

- 3.1 The September 1983 publication identified management information systems as a prerequisite of any effective financial management system. Since then all Northern Ireland Departments have put in place Top Management Systems corresponding to their own particular organisation and needs.
- 3.2 Some Top Management Systems have been in use for several years now and Departments have taken the opportunity based on experience of the systems to modify and improve them. For example the Department of Health and Social Services whose Management Information System for Ministers (MINIS) was first introduced in September 1982 has decided to produce its MINIS report on an annual basis related to the Public Expenditure Survey cycle, and to slim down the top level reports to focus on key objectives, with a lower tier of Divisional objectives. Objectives have been related to main functions within each division, with staff costs and complements being attributed to these functions. The Department's new computerised accounting system will enable better costing information to be included in the MINIS reports.

3.3 It is recognised that the Top Management Systems in most Departments are at an early stage in their evolution. The FMI Central Unit has therefore been encouraging their development. In this task the report on Top Management Systems produced by the Cabinet Office (Management & Personnel Office)/Treasury Financial Management Unit has been particularly helpful, and following its publication a special seminar on Top Management Systems was recently held for Principal Finance Officers of Departments. Generally, Departments have been made aware of the need to set objectives for programmes as well as for administrative tasks, to develop measures of performance and to link Top Management Systems more closely to other planning and management systems within Departments.

4. Budgetary Control Systems

4.1 The need for managers at all levels to have information about costs is a key element of the Financial Management Initiative and the need for improved systems based on available computer technology to record and analyse budgets and expenditure has been recognised by all Northern Ireland Departments. For example the Department of Finance and Personnel has put in place its Integrated Financial Management Information System, the first stages of which went live as planned in April 1984. Similarly the Department of Health and Social Services has implemented a computerised accounting system.

4.2 All Departments intend to introduce similar budgetary systems. The main constraints are the detailed work required in Departments to specify their requirements and the availability of computer expertise, with the result that Departments have had to stagger the implementation of their financial systems over the next two years. The full implementation of many aspects of budgetary control must await the introduction of the basic computerised systems.

4.3 Those systems which have been implemented have enabled further development to take place. The Department of Health and Social Services intends to use its computerised accounting system to introduce a new approach to the budgetary control of administrative expenditure. From 1985 onwards administrative and staff costs which are currently carried by central

divisions will be charged to identified cost centres. This will be particularly useful in a Department with a large local office network.

4.4 Although some individual Departments have practised a measure of budgetary delegation, so far no Northern Ireland Department has committed itself to the delegation of budget control and authority within a comprehensive Budgetary Control system but this, logically, is the next step. However such delegation will not be without problems and a number have already been identified by pioneering Departments in Great Britain. The FMI Central Unit will be keeping in close touch with development in Great Britain to ensure that Northern Ireland Departments can benefit from experience. The Central Unit will shortly be mounting a seminar for Departments on budgetary control, where future plans will be examined and information resulting from progress to date will be shared. It is the intention during the summer of 1984 to review progress and plans of Departments on budgetary control and to identify a number of pilot projects for early implementation.

5. The Management of Programme Expenditure

5.1 The annexes to this Report illustrate the steps which all Departments are taking to develop the information on which Public Expenditure decisions are taken. In each Department there are now a range of reviews aimed at improving the efficiency and effectiveness of programme expenditure.

5.2 An important aspect of the systematic management of programme expenditure is the availability of the means whereby performance against targets can be measured or assessed. The development of performance measures and performance indicators is therefore critically important, a fact that has been emphasised by the Northern Ireland Economic Council in its overall review of Public Expenditure priorities.* Despite the considerable difficulties involved in arriving at suitable measures and indicators, considerable progress has been made in Northern Ireland Departments. In the field of performance measures the Public Expenditure White Paper now sets out for certain Northern Ireland programmes precise targets against which performance can be gauged, for example in housing, where the planned programme including 3000 new house starts each year equates with the objective of reducing unfitness levels in the total housing stock by at least one percent per annum.

* "Public Expenditure Priorities: Overall Review" Northern Ireland Economic Council Report 42 March 1984

5.3 Of course not all objectives are capable of straightforward measurement and in a number of cases intermediate measures must be used - with full account taken of their indicative nature. An example is the performance indicators recently introduced for the health and personal social services by the Department of Health and Social Services which formed part of the database for the accountability reviews chaired by the Minister and held for the first time this year with each Health and Social Services Board.

5.4 There remains a need for Departments to bring systems for the planning and control of expenditure fully within the scope of their top management systems. Of course the exact way in which this is accomplished will vary from Department to Department and will depend on the nature of the expenditure it controls but Departments are already aware of the need to advance in this direction. One example is the Department of Economic Development which has developed a MINIS system which involves Assistant Secretaries setting down the effect on their division's work of both increases and decreases in the levels of financial and manpower resources. Another is the Department of Agriculture which has introduced a formal system for monitoring expenditure through its Top Management Group.

6. Training and Staff

6.1 The training of staff so that they are able to accept their new financial management responsibilities is a key element of the Financial Management Initiative and Northern Ireland Departments have made full use of the training opportunities made available. For example, over 60 officers in the grades Principal and above have attended the wide range of Financial Management Initiative and related courses offered by the Civil Service College at Sunningdale. In addition 90 Principal Officers, representing 35 percent of staff at that level have attended residential FMI Awareness Courses and 450 staff have attended half-day awareness seminars. In addition staff have taken advantage of other, more specialised courses that are available such as the Investment Appraisal courses run by the Ulster Polytechnic on behalf of the Civil Service Training Centre attended by 160 officials from Northern Ireland Departments, the Northern Ireland Office and Boards. The Northern Ireland Civil Service Training Centre which is taking

over responsibility for the central FMI training programme is preparing a series of FMI related courses.

- 6.2 The greater delegation of financial management responsibilities places new requirements on the professionalism and expertise of central divisions. A major reorganisation of Department of Finance and Personnel's Efficiency Services has been carried out and two new Divisions created: the Management and Manpower Review Division (MMRD) which will handle efficiency scrutinies, management structure and organisational exercises, and staff inspection; and the Central Information Systems Division (CISD) which will be responsible for information technology planning, advice, standards and training and for managing the central computer bureau and telecommunications.
- 6.3 The development of better personnel management is a further important aspect of the Financial Management Initiative, especially as staff are the most significant resource of many Civil Service managers. Generally speaking, developments in the Northern Ireland Civil Service keep broadly in step with those in the United Kingdom Civil Service. Where there are differences these stem mainly from the smaller size of the Northern Ireland Civil Service and the advantage of centralising certain functions such as recruitment which elsewhere in the United Kingdom would be delegated to Departments. A number of initiatives aimed at streamlining existing procedures and reducing costs have been started or are currently being examined.

7. Improving the Organisation

- 7.1 Intrinsic to the Financial Management Initiative is the development of suitable administrative structures with clear lines of accountability for services, budgets and so on and which allow effective delegation to take place. In addition structures must be flexible, and reviewed regularly, to ensure that they can and do respond to changing policies, needs and resources.
- 7.2 The need to improve the organisation and provide the right conditions for good financial management has been a focus of attention within the Northern Ireland Departments. The Department of Finance and Personnel plans to

conduct a thorough review of the top structure of all Northern Ireland Departments by 1986. A review of the Department of the Environment (NI) is currently being undertaken with the help of private sector consultants. The first part dealing with the three executive services - Roads, Water and Office and General Accommodation (Works Service) - has been completed in respect of the Works Service and consultations are taking place with the Trade Union side. The second part has dealt with the structure of the Planning and Urban Affairs Division, and the third and final part, which is being carried out with the help of private sector consultants, is examining the relationship between Divisions and Headquarters in the Roads and Water Services.

- 7.3 Private sector consultants have also been involved in the review, now completed, of the top management structure of the social security side of the Department of Health and Social Services. The top structure for its health and personal social services side is now being considered, having regard to the conclusions of the Griffiths enquiry into the management of the National Health Service.
- 7.4 Following initial work by consultants, significant progress is being made by Departments in planning their information technology requirements and in taking forward those issues (like telecommunications and common Information Technology systems) that need to be planned on a Northern Ireland Department-wide basis. As Departments develop information systems, ie, MINIS-type systems and Budgetary Control Systems, they are examining their organisational structures to ensure that at all times clear lines of responsibility exist and that the delegation process can be taken forward.

8. Non-Departmental Public Bodies

- 8.1 Considerable public resources are devoted to Non-Departmental Public Bodies in Northern Ireland and it is essential that they too develop sound financial management. Departments with responsibility for such bodies are ensuring that the principles of good financial management are being applied. Attention is being paid both to the programme expenditure incurred by these bodies and also to their effectiveness and the cost of their administration. For example, the Department of Economic Development is reviewing the generation activities of the Northern Ireland Electricity Service (NIES) with a

view to identifying a strategy which would lead to an economical^{and} / soundly based generation system for the future. Northern Ireland is 80% dependent on expensive oil-generated electricity and Government helps to keep tariffs at a level which is on a par with the highest in England and Wales. In 1984/85 tariff support will cost some £80 m. The review is taking into account the economics of introducing more coal-fired plant and an assessment of the potential for using locally mined lignite resources as a primary fuel. The review is to be completed in the Autumn 1984. An efficiency audit of the NIES by private consultants was completed last year. The results of this audit are now being acted upon by NIES and DED will be seeking to agree formally with the Service action to be taken against which progress can be monitored.

- 8.2 A major review of the physical housing strategy was undertaken by the Northern Ireland Housing Executive (NIHE) and by its sponsoring Department, the Department of the Environment (NI). The new strategy will be kept under review by the NIHE and DOE(NI) with a view to ensuring that the resources made available are maximised in terms of delivering the objectives established within the strategy and value for money. This continuing work will clearly involve measurement of performance in relation to targets in specific areas like renovation grants (ie, improvement, intermediate and repair grants). The development of a strategic framework for and performance analysis of housing expenditure which has been initiated is an important step forward and will be further developed over the next few years in the light of experience and with Department of Finance and Personnel involvement as required. As part of the development of systems a review of arrangements for accountability within the NIHE was carried out by consultants jointly commissioned by the NIHE and the DOE (NI). The recommendations of the Report are being followed up and will lead to further development of financial and information systems within the NIHE and between the NIHE and DOE(NI). A review of the NIHE top management structure has also been carried out with the aid of consultants and again the recommendations are being pursued as a basis for further development of efficiency and effectiveness.

8.3 Apart from specific reviews as mentioned above, sponsoring departments are also taking steps to improve the accountability and management systems of public bodies, particularly by making use of the Management and Manpower Review Division of the Department of Finance and Personnel.

9. Presentation of Expenditure Plans

9.1 As mentioned above (paragraph 5.2) the Northern Ireland chapter in the "Government's Expenditure Plans 1984-85 to 1986-87"* demonstrates clearly the progress that is being made in setting down objectives both qualitatively and quantitatively. This development flows from the work that has been going on for a number of years aimed at developing the Public Expenditure Survey and the identification of physical or other targets against which progress can be measured. The Department of Finance and Personnel is considering what further steps can be taken to improve the presentation of public expenditure plans and of the objectives they are designed to achieve.

10. Delegation

10.1 It is a basic tenet of the Financial Management Initiative philosophy that managers should, as far as possible, be given responsibilities for managing the staff and the budget allocated to them. It follows that, once the appropriate parameters have been determined, individual spending Departments should be given authority to conduct their business without frequent reference to the Department of Finance and Personnel. Accordingly Departments were asked to suggest instances of work where delegation of authority is appropriate. Proposals for increased delegated authority have now been received, and the Department of Finance and Personnel is compiling a report which will encompass Departmental suggestions in concrete proposals for action.

11. Costs

11.1 As the principles of good financial management become more deeply imbedded in departmental structures it becomes more difficult to distinguish

* Cmnd 9143-II February 1984

the resources devoted specifically to the Financial Management Initiative. However for 1983/84 it is estimated that the total cost of the Initiative in Northern Ireland Departments was £2.7 million which included £950,000 for capital expenditure (mainly computers), £800,000 for consultants and £60,000 for training. A summary of costs together with estimates for 1984/85 are set out in Table I.

TABLE I Summary of Costs of Resources Employed on the FMI (£000s)

Description	1983-84 Actual	1984-85 Estimate
1. <u>MANPOWER</u>		
(a) <u>Developing</u> new arrangements	451.2	766.0
(b) <u>Operating</u> new arrangements	242.0	426.4
(c) Developing, providing and receiving <u>Training</u>	51.7	94.5
Sub-Total - Manpower	<u>744.9</u>	<u>1,286.9</u>
2. <u>NON-MANPOWER</u>		
(a) Use of Consultants	796.7	479.0

(b) Capital Expenditure	954.0	1,570.5
(c) Training fees	8.0	27.0
(d) Other costs	160.0	316.0
	<u> </u>	<u> </u>
Sub-Total - Non Manpower	1,918.7	2,392.5
	<u> </u>	<u> </u>
TOTAL COST	2,663.6	3,679.4
	<u> </u>	<u> </u>

12. Conclusion

- 12.1 Both the main body of this Report and the Annexes illustrate the very substantial progress that has been made in Northern Ireland Departments towards the objectives of good financial management. They illustrate also the way in which, as the Financial Management Initiative has continued, the key elements of sound financial management are becoming part of the normal structure and systems of Departments.
- 12.2 The development of top management systems in Northern Ireland Departments and the initial development of computerised accounting systems has formed a solid foundation for future progress. The opportunity is there for these systems to be expanded and improved to meet the needs of individual Departments. Better training in financial management techniques and increased awareness of staff at all levels of the importance of financial management have also improved the ability of Departments to take advantage of the benefits offered by the Financial Management Initiative.
- 12.3 Of course not all the elements of the Initiative have yet become intrinsic parts of administrative systems. Clearly certain elements of the Initiative such as the development of output measures are inherently difficult and it is to be expected that progress in these areas will take time. Similarly other elements depend on necessary groundwork being completed - for example, budgetary control systems which are dependent on adequate accounting systems - and these inevitably require longer programmes of development. Therefore the need to sustain the momentum of improvement remains. The

aim to bring greater managerial awareness to the conduct of Government business will require continued effort to ensure that the fundamental attitudes of cost-consciousness and value for money are to be found in all Departments at all levels. The structures of improved financial management and the disciplines they comprise are however already throwing up ideas and proposals for further development and improvement and it is on this basis that the Financial Management Initiative will continue to progress in Northern Ireland Departments.

FMI IN THE DEPARTMENT OF FINANCE AND PERSONNEL

Introduction

1. The Department of Finance & Personnel is concerned primarily with the central control of both money and manpower resources within the Northern Ireland Civil Service (NICS) and with the provision of services to help achieve better management of those resources including, eg, the co-ordination of personnel, training, recruitment and industrial relations matters for the NICS. Its role of resource allocation and control is seen in the annual Public Expenditure Survey, in relation to annual estimates and in its responsibility for approving certain expenditure.
2. Its efficiency functions are now discharged through its Management and Manpower Review Division. In addition, the Department provides a large measure of Government computer services through the Central Information Systems Division, administers the Valuation ^{and Lands} Office of Northern Ireland, the Ulster Savings organisation and the Central Pay Branch. The Department, unlike most Northern Ireland Departments, does not have major spending programmes. The bulk of its expenditure is on the cost of the staff it employs and their related administrative cost. The Department's expenditure, therefore, reflects in large measure the systems needs of Government organisation as a whole in Northern Ireland.
3. The Department recognises and accepts the duty which it shares with all Departments to keep costs to a minimum and to see that its functions are efficiently discharged. The Financial Management Initiative can be seen as the framework through which the Department is seeking to improve management at all levels by clarifying responsibility and objectives, extending the concept of accountability and promoting more effective and efficient use of resources.

The Approach to the Financial Management Initiative

4. The main objectives of the Financial Management Initiative within Northern Ireland Departments were contained in a report published in September 1983. Annex 1 of the report dealt with initiatives within the Department of Finance & Personnel and identified the following 2 main developments.

(1) Key Areas Tally System

5. This is a management information system which compiles information for each Under Secretary command and sets out objectives, the key areas of activity contributing to those objectives in the ensuing 6 month period and the resource requirements of those activities. The system is based on the premise that every good manager possesses (either in his head or on paper) an "agenda" of areas to which he intends to devote special attention, priority goals which he wishes to achieve and weaknesses which he seeks to remedy. The agenda, in its evolving form, constitutes the critical path for his operations.
6. The system was implemented in June 1983 and has subsequently been modified to reflect refinements identified as being desirable. The modified arrangements were introduced with effect from 1 May 1984 and involve:-
 - (a) collated returns from each Under Secretary covering the forthcoming 6 month period are submitted to the Permanent Secretary before the commencement of the reporting period;
 - (b) discussion of the content of the returns takes place at a subsequent Permanent Secretary/Under Secretary meeting. The discussion examines performance in the previous 6 months measured against target and the way ahead for the next 6 months is considered. The returns are confirmed or amended as necessary;
 - (c) the final document then goes to the Minister to be considered at a

Departmental business meeting so that queries which the Minister might have can be dealt with and the document amended as necessary;

(d) Under Secretaries are then responsible for ensuring, before the period to which the relevant return relates, that the component units of their commands are aware of the tasks relevant to them and that progress is properly monitored. This is in line with the Financial Management Initiative philosophy of securing a hierarchy of objective setting and performance appraisal throughout a Department's management system;

(e) throughout the 6-months period of the returns the document is reviewed at the fortnightly Permanent Secretary/Under Secretary meetings so that any significant developments reflecting on its implementation can be identified.

7. The costs of developing the Key Areas Tally System have been negligible. Staff time devoted to the preparation, collation and consideration of the 6-monthly returns is estimated to be less than £10,000 per annum.

(2) Integrated Financial Management Information System

8. In designing this Financial Management Information System the Department was conscious that it should clearly meet the cardinal objective of the Financial Management Initiative which is that the line manager in charge of a unit must be aware of, and accountable for, all of his activities, performance and results, including the identifiable administrative resources he controls and consumes.

9. The Department implemented the first 2 stages of the computerised information system on 1 April 1984. These elements are:-

(a) Accounts Payable

Invoices are input to the computer system with expense codes and due dates for payments; the system prints payable orders to suppliers and

personnel (in the case of travel/expense claims) against the approved invoices.

(b) **Core Accounting**

All accounting entries are recorded to a general (nominal) ledger. Entries include payments, receipts, cash, journal vouchers. The discipline of double entry balancing of accounting transactions protects the integrity of data. Using the general ledger, budgets are recorded and matched to actual expenditure and accounting and statutory reports are produced.

10. In addition the system will ultimately provide at least a further 5 sub-systems within the next 6 months. For example, the following 3 modules are expected to be implemented by the end of July 1984.

(a) **Budget Profiling**

At the beginning of the year budget holders will return opening profiles based on the allocated budgets for which they are responsible. These profiles will show the anticipated expenditure each month during the incoming year. The profiles will be revised monthly by the budget holder in the light of reports of expenditure coming from the computer. These profiles will assist in the early identification of shortfall and longfall.

(b) **Main Estimates and Budget Preparation**

Around November each year budget holders submit Main Estimates budget bids for the next year based on the current year's allocations and expenditure to date. The bids are scrutinised by the Accountant who assembles the data into a submission to the Supply Officers at summary level. On approval the Main Estimates are distributed to budget level and become the budget allocations for the new year. The computerised system will assist in the preparation of this work and permit the

Accountant to analyse more speedily savings identified and additional bids made by budget holders during the year.

(c) Monitoring Returns and Supplementary Estimates

The new system will permit the ready preparation of monitoring returns throughout the year summarising the latest public expenditure and cash limited position by vote. These returns are built up from the latest information from budget holders. Two or three times per year the Accountant has the opportunity to request additional money to relieve pressure points or to surrender money if it is not going to be spent. This is done at the Supplementary Estimates time and the relevant information is constructed in a similar fashion to the detailed monitoring returns.

11. Other elements of the fully integrated system should be operational by October 1984 and include: the preparation of management reports for budget holders and cost centre managers on a regular basis to report actual expenditure against budget; the retention of Public Expenditure Survey data; and the preparation of the annual Scrutiny of Running Costs. Systems design and related program writing is continuing in order to meet the deadline set for the implementation of these sub-systems.
12. The main benefits which are likely to accrue from the Integrated Financial Management Information System will be the provision of comprehensive and immediate financial information to aid decision making and the facility to meet ad hoc demands for information. The corner stone of the new system is its data base concept in which data is held at the lowest level of disaggregation. The system has the flexibility to bring together these small blocks of data into any permutation required.
13. The total cost of developing and implementing the system in the 1983/84 financial year was £129,000 of which capital costs on computer and related equipment were £59,000, with consultancy costs of £30,000.

Other Initiatives

14. The other initiatives which are being progressed within the FMI framework are:-

(a) Valuation and Lands Office

- (i) The integration of the specialist staff within the former Lands Service of the Department of the Environment (NI) with the Valuation Office took place on 1 February 1984. The purpose of this reorganisation was to bring together the professional expertise in valuation and land management into a single coherent group with an enlarged remit. It is anticipated that this merger will lead to greater efficiency in this area of work while ensuring that the specialisms involved are concentrated in a purposeful way.
- (ii) A further initiative within the Valuation and Lands Office concerns the extension of computerisation. Since the original Financial Management Initiative report in September 1983 the Department's then Management Services Division has reported on the organisation and procedures of the Valuation and Lands Office with particular reference to the scope for the increased use of computers. The main recommendation on computerisation was that a pilot exercise, using a micro-computer, should be instituted in a District Office of the Valuation and Lands Office in order to assess the feasibility of extended computerisation and the associated cost benefits. In the light of the Management Services Division recommendations, a feasibility study is planned, which would examine the benefits of introducing computerisation throughout the Valuation and Lands Office. It is anticipated that, in the event of the study recommending that computerisation be proceeded with, a scheme could not be implemented before mid-1986 at the earliest.

(b) Ulster Savings

The Ulster Savings Branch is located at Coleraine and is concerned exclusively

with work arising from the administration of Ulster Savings Certificates. The work lends itself to computerisation and a decision was taken, following the preparation of an operational requirement, to implement a system based on linking the Branch with the Department's mainframe computer sited in the Central Information Systems Division in Belfast. The system specification has been prepared and consultants have been engaged to produce the software. Delivery of the computer terminals and associated equipment commenced in January 1984 and programme testing was completed in April 1984.

The computerised Ulster Savings system should be operational on 1 July 1984 and staff savings should begin to be realised shortly thereafter. However, because of the substantial amount of historical data to be computerised, full potential staff savings estimated at approximately £100,000 per year will not be realised until 1986/87.

Total cost of developing the system in 1983/84 was £122,000, of which hardware costs accounted for £28,000 and consultancy costs, including the provision of software, were £60,000. The rest of the expenditure was mainly on development and data preparation. Estimated costs to be met in 1984/85 are approximately £71,000, of which £17,000 will be for further hardware.

(c) Word Processing and Text Transmission

In order to speed up communications between Private Offices, and obviate the need for a considerable amount of retyping of drafts and papers, an initiative was taken to ~~introduce~~ communicating word processors by which text could be transmitted and received between various locations. A pilot project networking 9 word processors is under way. Three of these word processors are in the Department of Finance & Personnel at Parliament Buildings, Rosepark House and Stormont Castle and the scheme's potential will be evaluated in the coming year. During this period trials will also be conducted to test the ability to network with other equipment, eg, electronic typewriters and word processors from different manufacturers.

In parallel with this the Department has been upgrading its general typing service through the introduction of free standing word processors which, subject to the success of the above pilot exercise, could in the future be linked with the communicating network. To date 6 word processors have been introduced at a cost of £35,000, a large proportion of which is offset by reduced expenditure in other areas.

(d) Performance Indicators

Every organisation, including Government departments, must have what would be called in the business world a research and development function. This function can be seen as part of the ^{ordinary} remit of managers, who should devote some time and effort to quite deliberately breaking new ground—asking new questions, improving methods of doing things, improving information flow and generally maintaining a critical attitude to what is being done. The Financial Management Initiative detailed above should be seen as the natural extension of such a policy. The Department considers that the measurement of performance within its various areas of activity is an essential element of resource control. To this end the Department intends to explore ways in which performance indicators could be developed and used to measure success in achieving objectives. It is the Department's view that there is a need to provide managers with indicators of their performance and the information which will be produced as a by-product of the Integrated Financial Management Information System when it becomes fully operational will go a long way towards achieving this goal.

The work to be carried out on output and performance measures may, because of the emphasis being on administrative rather than programme expenditure within the Department, show much common ground with work undertaken in other Departments. This is particularly so where comparisons with similar activities elsewhere can provide targets and benchmarks. There are activities, however, where quality of output is less easily defined and where more work will be necessary, ie, training and areas of work involving policy formulation. The Department will use its economists and management services staff in this exercise.

FMI IN THE DEPARTMENT OF THE ENVIRONMENT (NI)

General

1. The decision to establish a new Information Systems Unit with specific responsibility for Information Technology and efficiency-related matters should enable the remaining resources in the Department's Central Management Branch to concentrate more fully on the development of the Financial Management Initiative within the Department. Apart from the careful monitoring of the various FMI projects, Central Management Branch has been giving priority to implementing a programme of awareness seminars for all senior and middle management staff.
2. In its efforts to press ahead on the FMI front the Department cannot easily disregard a number of important constraints under which it must operate. Many of the FMI projects are computer-based and in some of these the Department is totally dependent upon progress made by other agencies (eg, the proposed new comprehensive industrial payroll system including the facility for the calculation of productivity bonus payments being developed by Central Information Systems Division). Furthermore, there are established Trade Union side consultative procedures to be followed before the implementation of new systems can be achieved.

Training

3. In January 1984 an awareness seminar attended by the Permanent Secretary and led by the Under Secretary in the Department of Finance and Personnel (DFP) responsible for FMI was held for staff at Under Secretary and Assistant Secretary level. A second such seminar for the senior professional staff of the Department has also been held.
4. Staff at all levels down to Staff Officer are being invited to attend a series of awareness seminars currently being organised throughout the Department.

This is a major undertaking in view of the size and geographical spread of the Department.

5. Staff at Principal Officer level are continuing to benefit from the FMI residential courses organised by DFP. Six officers attended two such courses held last year and a further seven have participated in one held at the beginning of this year. The Department has asked for additional places to be reserved on future courses.

Information Technology (IT)

6. Since it was established late last year the Information Systems Unit has carried out a detailed review of the Department's Information Technology needs. The review has resulted in the production of an up-dated Information Technology strategy document which includes a programme of some 45 projects due to be undertaken or commenced during 1984/85.
7. With the continuing help of a local Information Technology consultant, the Information Systems Unit has been endeavouring to advance Information Technology projects already started and to plan for the implementation of the recommendations made as a result of the major review of the overall Northern Ireland Civil Service computing needs.

Internal Audit

8. Following the appointment of a new Chief Internal Auditor, the old style regularity audits have been phased out and Internal Audit are now committed fully to systems audit techniques. After a period of intensive staff training in these techniques and the production, with the help of a firm of consultants, of a blue print audit for guidance purposes, a number of further audits have been completed by Internal Audit staff.
9. Precise terms of reference which define among other things the role, function and scope of Internal Audit have been drawn up and circulated widely within the Department. One of the stated objectives assigned to Internal Audit is "to ensure the efficient, effective and economic use of Departmental resources."

Information Systems

10. The management objectives system, the computerised financial and accounting system and the Central Management Branch remain the three essential elements in the Department's information systems. The Department is continually exploring how these elements might be improved and refined. The inclusion of manpower and financial resources is one possible way in which the management objective systems might be enhanced. In addition objectives will be monitored more closely, more frequently and quantifiable targets established and subjected to rigorous examination.
11. One area in which a significant improvement in management information is expected is in the development of a management accounting system. This work will amount to a major overhaul of the existing computerised accounting system. While the Department will benefit from the experiences of the Departments of Finance and Personnel and Health and Social Services where new systems are presently being developed, the number and variety of functions administered by this Department suggest that development of an appropriate system will be a complex task. The Department is therefore setting-up a small team with the initial task of producing an operational requirement for the proposed new system.

Performance Indicators

12. The Department is considering the work undertaken in the field of performance indicators by the Chartered Institute of Public Finance and Accountancy in relation to certain Great Britain local authority functions. Furthermore, proposals relating to housing, water, roads and transport have been sent to DFP where the guidance and assistance of that Department's Policy, Planning and Research Unit have been sought.

Detailed Work Programme

13. The present position regarding each of the fourteen items listed in the FMI report published in September 1983 is set out below:-

13.1 Management Objectives for 1983/84

These objectives were produced and considered by the Departmental Board. Individual Branches have formulated objectives for 1984/85 and as part of that exercise have compiled reports on the progress made towards meeting the previous year's objectives.

13.2 Budgets and Profiles of Expenditure for 1983/84

This annual exercise was completed on time.

13.3 Works Service - Computerised Accountancy System

The receipts and payments relating to the Department's Works Service were computerised with effect from 1 April 1983.

13.4 Rate Collection

The rate collection system was also fully computerised with effect from April 1983 with a consequential reduction in the number of offices from 26 to 13. Further enhancements of the system, including the introduction of provision for dealing with housing benefits, were implemented ahead of the target date of December 1983.

13.5 Stores (Computerisation)

The development of a computerised stores information system had been proceeding on schedule but was subsequently suspended until decisions were taken with regard to the Rayner Team's recommendations on stores. The matter was further affected by the later outcome of a consultancy study of the Department's purchasing arrangements. With the drawing up of an action plan for the implementation of the Rayner Report and with the production of an additional report recommending the organisational and procedural modifications needed to maximise the benefits of both the Rayner study and the consultants' purchasing

assignment, work has recommenced on the computerisation project. The revised implementation date is presently April 1985. In the circumstances outlined it has obviously not been possible to make any progress with possible extensions of the system but a revised provisional target date for such an extension is April 1988.

13.6 Vehicle and Plant Maintenance Review

Management Services Division completed its review of and published its report on the Department's arrangements for vehicle and plant maintenance. Detailed discussions on the report's recommendations were subsequently held with the management of the services mainly involved (ie, Roads, Water and Works) and with the assignment officers. Agreement was reached on most points. The comments of Trade Union side are still awaited. The findings of the studies mentioned at 13.7 and 13.8 below may have a significant bearing on some aspects of this particular review (eg, the organisation and number of stores and depots). The target date for implementation is April 1985.

13.7 Stores Review

See also 13.5 above.

13.8 Purchasing Arrangements

The stores review was carried out by the Rayner Team which produced its findings in the summer of 1983. About the same time a firm of consultants commenced a major review of the Department's purchasing arrangements. Because of the inter-relationship between the two exercises the consultants were given a copy of the Rayner Team's report on stores. Following the publication of their report on the initial assignment on purchasing arrangements, the consultants were asked to undertake a further study and to produce a report on the integration of stores and purchasing.

The stage has now been reached where an action plan has been drawn up for implementation of the agreed Rayner recommendations and the

consultants have produced their second report. The Department is aiming to complete implementation by April 1985.

13.9 Productivity Bonus Calculations - Roads Service

13.10 Productivity Bonus Calculations - Water Service

13.11 Comprehensive Industrial Payroll System

These 3 projects which concern the industrial employees of the Department are very much inter-related. The new comprehensive or unified payroll is being developed by Central Information Systems Division and was recently introduced in the Department of Agriculture. This Department is next in line for the system but it is estimated that it will now be April 1985 before implementation can be achieved.

The new payroll system will incorporate provision for productivity bonus calculations. However an interim bonus calculation system is being developed for the Department's Roads Service. Pilot running of a computerised productivity bonus calculation system is due to commence shortly on a site and it is expected that the system will be fully introduced into the Roads Service this year subject to satisfactory consultations with the Trade Union side.

13.12 Computerisation of Development Control Systems

Consultants have completed their examination of the scope for the computerisation of the development control procedures. Specific recommendations were received in December and these are now being considered by the Department. Consultations with the Trade Union side are continuing and it is hoped to initiate a full pilot project using the development control records of one Divisional Office.

13.13 Review of Water Service's Programme

An appraisal study of the expenditure by the Water Service was undertaken as part of the 1983 Public Expenditure Survey discussions

between the Departments of Finance and Personnel and Environment (NI).

13.14 (i) Computerisation of Capital Works Programme

The capital works programme of the Roads Service has already been computerised using the equipment acquired sometime ago for technical applications. The Water Service has access to these machines and has used them to develop a limited system for the control of its capital works programme.

(ii) Management Accounting System

This was previously mentioned at Paragraph 11. The Department's present computerised accounting system has been operating since 1973 when the Department became directly responsible for a number of executive functions previously exercised by local authorities. Apart from the obvious need for improved financial management information which a more modern and sophisticated system could undoubtedly provide, the existing system will need to be replaced relatively soon, 1986 or possibly earlier. Accordingly, of the 45 Departmental Information Technology projects listed for commencement in 1984/85, the development of a new computerised management accounting system is regarded as being top priority in the Financial Management Initiative field. The Department has set up a team to work exclusively on identifying the specific requirements of a new accounting system and, subsequently, on its development and early introduction. The revised target date for the introduction of the new system is April 1986.

FMI IN THE DEPARTMENT OF ECONOMIC DEVELOPMENT

Introduction

1. In the published document titled "Financial Management Initiative Within The Northern Ireland Departments" the Department of Economic Development set down a five point Financial Management Initiative development programme. In this report progress on the implementation of that programme is reported and also the Department has taken the opportunity to set down longer term plans which in the main have derived from the use of the Management Planning System which was described in the original plan. This also demonstrates a growing momentum within the Department towards the achievement of the objectives that were set for the Financial Management Initiative. However it is important to note that the work being undertaken and planned is being done on a sound base and in the knowledge that the "value for money" criterion is and has been considered in relation to the activities of the Department.
2. The three main areas of expenditure by the Department are Industrial Development Support, Employment and Training and Energy programmes. Together these areas will account for £397m during 1984/85. The plans that have been laid take into account the requirements of these different areas of activity and are intended to meet the special needs of the Department.

Progress To Date

Management Planning System

MINIS

3. The six-month review of performance against management plans as at the end of September 1983 was completed in November. Key Financial Management Initiative themes have been identified and these will form part of the 1984/85 Management Plans. These themes are described in some detail in the 2 and 5 year FMI Development plans beneath.

Financial Monitoring

4. The monthly expenditure monitoring arrangements introduced in May 1983 have been the subject of continuing review and development and their effectiveness has been reviewed. However to advance this concept it will be necessary to introduce computerised accounting systems, and planning for this will continue over the next year. A target date for the implementation of a computerised financial accounting system is given in the 2 year development programme.

Control of Non-Departmental Public Bodies

5. New financial control guidelines were issued to non-departmental public bodies in November/December 1983 and their operation was reviewed recently. It is the Department's intention to pursue the introduction of Financial Management Initiative techniques with these bodies.

Staff Training

6. FMI familiarisation training for virtually all staff down to and including Staff Officer level has been completed.

FMI DEVELOPMENT PROGRAMME

7. The Department has compiled a comprehensive and wide-ranging development programme over two year and five year periods covering all aspects of the Department's work. The work that is already underway and on which progress has been reported will continue as those projects are developed and refined. The plan, attached to this Annex, is described in the following paragraphs.

Performance Measurement

8. The need to measure, where possible, whether or not policy objectives are being met and to evaluate the efficient use of resources is being tackled in the plan. Comprehensive coverage of the major areas of expenditure is intended over the next few years and the advice and help of the professionals in DED's policy division will be augmented by staff from the Policy, Planning and

Research Unit of the Department of Finance and Personnel. This is the immediate task for the Department and apart from the expertise that has been mentioned already consideration is being given to the findings in this area of the Northern Ireland Economic Council ("Public Expenditure Priorities: Overall Review" Northern Ireland Economic Council, Report 42: March 1984) and of the GB counterpart departments.

Budgetary Control/Cost Centres

9. To achieve this key element of the Financial Management Initiative, whereby accountability is clearly passed to management units, it is necessary to make use of modern technology. Therefore the Department has already embarked on the computerisation of the financial accounting system and in due course a management accounting system will be integrated with the new system. A target date of 1 April 1985 for implementation of a computerised financial accounting system has been put forward, and to achieve that date a dedicated team drawn from DED and the Central Information Systems Division has already begun work on evaluating the computerised systems of the Departments of Finance and Personnel, and Health and Social Services with a view to deciding which system would best suit the needs of DED. Having identified an appropriate cost centre structure, the next step will be to examine the delegation of authority to line managers and all that that entails.

Information Technology Developments

10. In common with other Northern Ireland Departments, DED had set up an Information Systems Unit which will be closely involved in the Department's use of technology over the coming years. Given the wide-ranging and heterogeneous nature of the Department's businesses, it is essential to employ modern technology if Management Information Systems are to provide information efficiently and effectively. Accordingly the Department has drawn up a list of applications and target dates for Information Technology development.

Structure of the Organisation

11. As part of the overall Northern Ireland Civil Service plan to review the top

management structure of each department, a review will be carried out in 1986 by the Management and Manpower Review Division of the Department of Finance and Personnel.

Reviews

12. A need to review areas of the Department's work from time to time is an essential part of good management and this type of exercise is important to shape Public Expenditure Survey decisions. Therefore the Department has decided to conduct the following reviews:-
- (a) Government Training Centres and the Attachment Training Scheme - consultants have been engaged to review and make recommendations on the vocational/skill training provision by DED in Government Training Centres and under the Attachment Training Scheme.
 - (b) Standard Capital Grants - a review group has been set up to review the existing operation of the Standard Capital Grants Scheme, assess its effectiveness in achieving Government's objectives and to make recommendations on how the scheme might contribute more effectively to those objectives.
 - (c) Service Sector Assistance - the objective of this review is to ensure that the service sector contribution to the creation of viable and lasting employment in Northern Ireland is maximised.
 - (d) Industrial Co-operatives - the objective is to launch an initiative in Northern Ireland designed to reinforce job creation through the co-operative concept.
 - (e) Public Purchasing Policy - the objective is to increase the level of local servicing of public contracts and thus contribute to job creation.

Non-Departmental Public Bodies


13. As stated in paragraph 5, it is the Department's intention to include these bodies in its Financial Management Initiative plans. Already a new

Directive and Letter of Interpretation have been issued to the Local Enterprise Development Unit (LEDU) and these have been formulated to achieve consistency of industrial development policy between the Industrial Development Board and LEDU while giving LEDU greater commercial freedom.

14. The improvement of accountability and management systems within the Northern Ireland Tourist Board is being sought and to assist this work a senior official from DED has been seconded to the Board.
15. Management and Manpower Review Division of Department of Finance and Personnel will be reviewing Enterprise Ulster in the context of a need for a decision as to whether statutory provision should be made for its continuance after March 1986.
16. The administrative arrangements within the Labour Relations Agency and the Fair Employment Agency, funded through DED, will be reviewed, again by Management and Manpower Review Division, with a view to identifying any area in which a worthwhile improvement in efficiency and cost effectiveness could be achieved.
17. A review is currently underway of the generation activities of the Northern Ireland Electricity Service (NIES) to identify a strategy which would lead to the establishing of an economical and soundly based generation system for the future. The Department is also monitoring the implementation of the recommendations of the Efficiency Audit of NIES carried out last year by private consultants.

Industrial Development Board

18. The Board is currently reviewing its top management information systems and is also developing a longer term strategy. It has undertaken an experiment in vertical integration with the establishment of a Food Sector Division which will handle all Industrial Development Board contact and involvement with that sector of Northern Ireland industry.



Conclusion

19. The work plan that is intended is comprehensive and includes all the key elements of the Financial Management Initiative. Since the last progress report in September 1983, a Principal Officer has been appointed full time to co-ordinate the Department's response to the Financial Management Initiative and the Departmental Management Committee will monitor progress against plans, thus demonstrating a high level commitment in the Department to the changes that will be brought about as a result of the implementation of the plans.

DEPARTMENT OF ECONOMIC DEVELOPMENT

FMI DEVELOPMENT PLANS

2 YEAR PLAN

OBJECTIVE

TARGET DATE
FOR
ACHIEVEMENT

1. The introduction of performance indicators for the major areas of expenditure; the development of such indicators may necessitate liaison with DFP's Policy Planning and Research Unit. For further details see Appendix 1. See Appendix 1
2. The identification of an appropriate cost centre system for the Department, bearing in mind the coverage of existing information systems. March 1985
3. Information Technology Developments.
The identification of IT needs and the introduction of suitable applications throughout both 2 and 5 year periods. Main details are set out in Appendix 2. See Appendix 2
4. A review of the top management structure of the Department as part of the series of post-Wardale reviews to be carried out by DFP's Management and Manpower Review Division. 1986
5. The introduction of revised delegation arrangements with DFP in relation to the Department's training activities. May 1984
6. The introduction, following consultation with DFP, of certain further delegation arrangements. October 1984

- | | | |
|-----|--|--|
| 7. | A post-Rayner, broadly-based, inspection of Employment Service Division to determine proper staffing levels; such inspection to be carried out jointly by DFP and the Department's Staff Inspectors. | December 1984 |
| 8. | A review of Government Training Centres and the Attachment Training Scheme by consultants to examine all aspects of training, cost effectiveness, etc. | April 1984 |
| 9. | The improvement of accountability and management systems within the Northern Ireland Tourist Board. | March 1986 |
| 10. | The completion of a programme of Management and Manpower Review Division assignments during 1984/85 in relation to -
(a) word-processing (ongoing throughout 1984/85)
(b) Enterprise Ulster (commenced April 1984)
(c) Fair Employment Agency (commencing early 1985)
(d) Labour Relations Agency (commencing Autumn 1984) | By March 1985 |
| 11. | Policy Reviews and Formulation -
(a) the completion of a policy review of the Capital Grants Scheme
(b) the completion of a review of arrangements for service sector assistance
(c) the formulation of a policy framework for the development of industrial co-operatives
(d) the development of an effective public purchasing policy
(e) the formulation of an electricity generation strategy | September 1984
September 1984
December 1984
September 1984
Autumn 1984 |
| 12. | The completion of a longer-term strategy for the Industrial Development Board. | December 1984 |
| 13. | A review of top management information systems in the Industrial Development Board. | June 1984 |

14. Establishment, on an experimental basis, of Food Sector Division in Industrial Development Board to handle all Industrial Development Board's contact and involvement with this sector of Northern Ireland industry.

January 1985
(Review of
arrangement)

5 YEAR PLAN

OBJECTIVE

TARGET DATE FOR ACHIEVEMENT

1. The introduction of performance indicators for other areas of expenditure (see objective 1 of 2 year plan) Phased introduction up to 1988
2. Continued consideration and, where appropriate, introduction of further Information Technology applications and refinements of existing systems including the incorporation of output/performance indicators into the computerised finance/accounts management system. Ongoing throughout the period
3. Assuming a positive decision to adopt the cost centre concept (see objective 2 in the 2 year plan), the application of such concept to all areas of the Department. Ongoing throughout the period
4. The application of FMI programmes to non-Departmental Public Bodies. By March 1988

APPENDIX 1

TARGET DATES FOR THE INTRODUCTION OF PERFORMANCE INDICATORS FOR MAJOR AREAS OF EXPENDITURE (2 YEAR PLAN)

EXPENDITURE	TARGET DATE
Financial assistance to Harland & Wolff Ltd	1 May 1984
Capital Investment Grants	1 May 1984
Youth Training Programme	1 May 1984
Action for Community Employment	1 May 1984
Government Training Centres - salaries etc of staff	1 January 1985
Functioning of the Labour Market - salaries of staff	1 April 1984
Enterprise Ulster	1 June 1984
Local Enterprise Development Unit - capital expenditure	1 December 1984
Financial assistance to Short Brothers Ltd	1 May 1984
Industrial Development Grants	1 October 1984
Factory Building	1 October 1984
Loans to industrial undertakings	1 October 1984
Interest grants on borrowing for industrial modernisation and re-organisation	1 October 1984
Northern Ireland Tourist Board	1 December 1984
Grants to the catering industry	1 December 1984
Grants to local authorities (tourist amenities)	1 December 1984

IT DEVELOPMENTS: APPLICATIONS AND TARGET DATES FOR INTRODUCTION

APPLICATION	TARGET DATE
1. The completion of a micro-based computer system in Corporate Finance Division, Industrial Development Board, to assist with financial modelling.	April 1984
2. The introduction of a small computer system in Companies Registry to record fees and, by use of micro-film technology, to ease the present heavy administrative burden.	April 1984
3. The installation of a word processor at Netherleigh, following a positive recommendation from Management and Manpower Review Division, Department of Finance and Personnel.	September 1984
4. The introduction of micro-computers in each of the following 3 areas of Industrial Development Board - Industrial Estates, Inward Investment and Internal Marketing.	During 1984/85
5. In addition the following main applications have been identified, although they are not as advanced as items 1 to 4 above -	
(a) Financial Accounting/Management Accounting	April 1985 onwards
(b) Employment and Training	
(i) completion of consultant's feasibility study	October 1984
(ii) dependent on (i), phased implementation	From late 1984 onwards

- (c) Company Database August 1984
Departmental consideration of extent and nature of
such database

- (d) Industrial Science Division
 - (i) completion of consultant's September 1984
feasibility study

 - (ii) dependent on (i), phased implementation From mid-1985
onwards

FMI IN THE DEPARTMENT OF AGRICULTURE

Introduction

1. In the period under review Department of Agriculture Northern Ireland has made several advances in accordance both with the overall objectives of the Financial Management Initiative and the developments envisaged in the original action programme. In addition to specifically planned development steps, particular efforts have been made by Senior Management to spread awareness and acceptance of the need to change and address the question of value for money. This report embraces both general developments and progress on the action programme.

Top Management System

2. A Top Management Group sitting under the Chairmanship of the Permanent Secretary and comprising the 2 Under Secretaries, Chief Scientific Officer, Chief Agricultural Officer, Chief Veterinary Officer together with the Principal Finance and Establishment Officers was constituted formally in December 1983. The Group is responsible for the introduction and on-going implementation of the Department's senior management system - DANIM. Following identification of appropriate organisational/responsibility levels the system requires each Assistant Secretary (or equivalent), to agree with the relevant Under Secretary (or equivalent) the general aims of the management units for which he is responsible together with specific objectives/targets and the financial and manpower resources allocated for the in-coming planning period. Top Management Group reviews, discusses and amends objectives as necessary and seeks to determine and indicate overall priorities for the Department in light of Ministerial guidance. The Group is concerned in the determination and allocation of financial and manpower resources and the on-going budget monitoring systems.

In-Depth Policy Appraisals

3. Henceforth it is envisaged that the Top Management Group will determine the departmental programme of in-depth policy appraisals and will receive the reports. An appraisal of the drainage capital programme, with particular reference to likely forward expenditure requirements, was carried out in the Autumn. A major internal policy review of agricultural education and training is presently being conducted through a Working Group.

Internal Audit

4. The Top Management Group acts also as an Audit Management Group determining the Departmental internal audit strategy, approving the annual programme and receiving appropriate reports. Efforts have been made to raise the profile of the internal audit service in the Department and to develop the systems based audit approach in order to provide a more valuable service to management. Following an audit workshop conducted by private sector accountants, audit documentation has been revised and planning and control procedures strengthened. A significant proportion of available internal audit staff time continues to be devoted to formal training, from which longer-term benefits will derive.

Management Information and Financial Accounting Systems

5. There have been various important steps in the broad area of development of systems that inform top management and are capable of identifying the true and total cost of specific parts of the overall business. Private sector consultants have been employed to seek to establish information technology priorities throughout the Department. The demand for a co-ordinated approach to technology and information systems is being faced within the Department through certain organisational changes designed to concentrate responsibility for efficiency services. An initial major computerisation project covering the administration of Animal Health is at an advanced stage of planning.

6. In the narrower context of financial information systems, work last year was concentrated on the introduction of a formal internal financial monitoring system with quarterly reports identifying expenditure against profile at least at the level of sub-programmes. These reports are submitted for scrutiny to the Top Management Group. The system is now in full operation and has proved highly satisfactory both in meeting the needs of DANI management for short-term cash information and providing the requisite base for reports to Central Departments.
7. Work has continued in developing a computerised book-keeping and payments records system designed better and more efficiently to inform and record expenditure. The base record system has been designed in such a way as to not merely produce required Vote and Public Expenditure Survey accounting data but also to analyse at finer levels of detail and in respect of cost centres. Consideration is presently being given to the extent this system can now usefully be linked to the ongoing financial monitoring system.
8. As an important underpinning of much future Financial Management Initiative work, the former 6 Votes for which DANI were accountable have been subject to amalgamation to 3 Votes in 1984/85, and to some early rationalisation within this revised structure. This amalgamation and ongoing rationalisation has the specific aim of allowing greater attribution, identification and control of expenditure at sub-programme and cost centre levels. Within the DANI internal budgetary control systems, the identification of those further expenditures which may be subject to delegation to cost centres is continuing.

FMI IN THE DEPARTMENT OF HEALTH AND SOCIAL SERVICES

Introduction

1. The Department conducts two main "businesses" - health and personal social services and social security. In respect of the former, the Department is responsible for policy, planning, resource allocation and monitoring, and for certain executive functions such as capital works and management services, while local planning and management of the services is delegated to four agent Health and Social Services Boards and associated central bodies. The Social Security programme is administered directly by the Department.
2. The Department employs approximately 5,800 staff, mainly in social security, and has a budget of over £1,800 million in 1984-85, of which £600 million will be spent on health and personal social services, £1,133 million on social security and £68 million on administration. The administration of the Department is organised under the Permanent Secretary in four Under Secretary commands - two covering the health and personal social services field, one providing central support services and one covering social security. Each of these commands comprises Divisions headed by Assistant Secretaries. Administration is advised and supported by a number of professional groups relating principally to the Health and Personal Social Services Divisions. Under Secretaries and chief professional officers form the Top of the Office Group which meets regularly under the chairmanship of the Permanent Secretary to deal with the planning and allocation of resources and to monitor progress.

Progress - General

3. Solid progress on the programme of work which was published last September can be demonstrated, though the Department is fully aware of the need to develop the systems which it is putting into place. The major task internally has been the computerisation of the accounting system which has been tackled

with rigour and commitment by a special team working closely with the then Computer Services Division of the Department of Finance and Personnel.

Progress - Against Plan

Departmental Systems

MINIS

4. September 1982 saw the introduction of a Management Information System for Ministers (MINIS) into the Department. The system was designed to combine information on three main areas of managerial concern - expenditure, manpower and objectives, to assist the Minister and senior management in assessing the effectiveness of the Department's activities and in the ordering of future business. The MINIS 2 report published in March 1983 developed the system further, and MINIS 3 was issued in October 1983 covering the six months to 31 March 1984. MINIS is being prepared on an annual basis from April 1984, as a top management system, with a lower tier of detailed objectives within Divisions. Objectives have been related to functions within each Division, with staff costs and complements attributed to these functions. The new computerised accounting system will enable attribution of total administrative costs to cost centres within Divisions.

Accounting System

5. The computerisation of the accounts payable and the general ledger sections of the system was implemented on 1 April 1984. The use of the PROMPT methodology to plan and monitor progress has been most beneficial to the joint team handling this task. The system will be further developed during 1984.

Budgetary Control of Administrative Costs

6. The Department is introducing a new approach to the budgetary control of its administrative expenditure similar to that being developed in Department of Health and Social Security (Great Britain). Administrative costs will be charged out to identified cost centres, for control by the cost centre manager.

This will not only make managers conscious for the first time of the full costs of running their operations, and so facilitate better management, but also give better costing information to senior management and the Minister through MINIS reports. Now that the Department's accounting system is computerised, the budgetting of administrative costs by cost centres can begin in April 1985.

The Health and Personal Social Services

Budgetary Control and Accounting Systems in Boards

7. Work is well advanced on the development of the computerised regional budgetary control system intended to replace the various systems presently used by the Health and Social Services Boards. The first module (budget building) is now available and being put into operation by the Boards. The second module (for salaries and wages) is currently being tested and will be available from July 1984. Work is progressing satisfactorily on the other modules and a training programme for the relevant Board staff is under way.
8. Private sector management consultants were engaged to examine financial systems in the North and West Belfast District of the Eastern Health and Social Services Board, and recommend improvements to secure more effective financial control and management information. Their report has been considered and it has been decided that a comprehensive overhaul of financial systems should be undertaken as part of the current reorganisation which will divide the District into three Units of Management.

Payroll

9. A Data Model has been prepared for the re-design of the present payroll system which handles the salaries and wages of some 66,000 staff employed by the Boards and other agent bodies. A liaison group, which includes a Board officer who is to be seconded to the project full-time, has been set up with the target of implementing the new system with effect from April 1986.

Audit Systems

10. A review has been carried out of the roles of the Department's Audit Branch

and Board internal audit in the light of a review of National Health Service audit in England (Salmon Report) to secure a proper balance between the traditional and necessary audit for financial regularity and that aimed at securing efficiency and value for money. The systems audit training of the Boards' internal audit and the Departmental audit staff has now been followed up by a pilot implementation exercise for salaries and wages expenditure in a large District. Assistance in this exercise was provided by private sector consultants. The methodology and the documentation is now to be implemented across all Boards.

Structure and Management

11. The current review of structure and management is designed to secure delegation of day-to-day management decisions to officials at the operational level; to free Boards and their Chief Officers to concentrate on strategic issues; and to secure the involvement of clinicians in management. New management structures will be in place throughout the four Health and Social Services Boards by 1 October 1984.

Planning System

12. The Department's Regional Strategic Plan for Health and Personal Social Services 1983-88 was published in December 1983. The final chapter of the Plan refers to a number of important initiatives designed to contribute to the further development of the planning system by enhancing its analytical capacity so that it becomes the key to the effective use of resources. To this end it is, for example, intended to link statistical data on activity and manpower to financial information, while the reports of the Steering Group on Health Service Information in the National Health Service in England are being taken as the basis of a local review of Health and Personal Social Services information systems, which is now under way.

Personal Indicators

13. The first cycle of annual Accountability Reviews with Health and Social Services Boards has been completed through meetings between the Minister and the Chairman, Vice-Chairman and Chief Officers of each Board to discuss

performance and strategic issues. To assist in this monitoring exercise a set of performance indicators has been developed based on indicators used in the National Health Service in England but extended to include the personal social services.

Economy and Efficiency

14. In recent years the Department initiated a number of major exercises not only to secure greater efficiency but also to promote better cost-effectiveness. In parallel with these initiatives Health and Social Services Boards are also pursuing action programmes designed to realise annually a minimum level of efficiency savings of 0.5% of revenue expenditure. These programmes cover such areas as supportive services, including catering, laundry, domestic, supplies and transport services; energy conservation; levels of overtime, sickness and absenteeism; rationalisation of acute general hospital services, including the development of day surgery; computerisation; postal costs; and telephone installations.
15. The Department will monitor the progress of Boards in these areas through the Accountability Review process in the course of which the Minister meets annually the Chairman, Vice-Chairman and Chief Officers of each Board to discuss the Board's progress in meeting various strategic objectives and its performance generally over the course of the previous year.

The Social Security Programme

Strategy for Social Security Operations

16. The main thrust of the strategy, which is designed to improve operational efficiency and flexibility, reduce administrative costs and improve both the quality of service to the public and the work of the staff, is towards the computerisation of social security benefit systems. Project teams set up jointly with the then Computer Services Division of DFP have completed feasibility studies. The next step, following consultation with the Trade Union side, is a full study of a unified computer system covering unemployment, supplementary, widows and child benefits and retirement pensions. The

expected completion date is Autumn 1985, with a target for implementation of the first stage in the strategy of 1988/89.

17. A pilot study on micro applications in Social Security Offices is expected to be completed in 1984-85 and full implementation in 1985-86. The examination of other miscellaneous micro applications in benefit operations is ongoing.

FMI IN THE DEPARTMENT OF EDUCATION

Introduction

1. The Department of Education's work programme was designed to place very considerable emphasis on systems to provide reliable and useful management information on a formalised basis. The individual aspects of the plan are being developed by or in close conjunction with the managers who will utilise them for the better function of their responsibilities and much progress has been made in some areas since the last progress report in September 1983, whilst in other areas the planning process is still continuing.

PROGRESS

Senior Management Information System

2. The basic Department of Education (DENI) MINIS-type system was envisaged as containing - apart from a summary paper on finance and details of staffing of the Department (and fringe bodies) - descriptions of Divisional functions (set against staff costs and numbers) and identified tasks for Divisions for a 6-month period. The shape of the exercise was approved by the Minister in November 1983.
3. In approving the basic concept the Minister also agreed that it should be enhanced by the identification of overall Departmental objectives for a longer time scale, ie, the next 4 or 5 years. All the Divisional functions and tasks are relevant to and consistent with this Statement, which was developed by the senior managers working together for approval by the Minister and will form the introduction to the DENI MINIS.
4. The DENI MINIS became operational for the 6-month period January - June 1984. It has also been decided to introduce a 3-monthly position report which will enable identification of those tasks presenting difficulties or falling behind schedule.

Computerisation of Expenditure Monitoring System

5. In-house computerisation of the detailed manual monitoring system introduced within the Department in 1981 has been undertaken by DENI staff using the Departmental micro-computer and a standard software package amended as necessary. This system is now operational, but in the absence of computerised accounts information it only covers expenditure from Divisional level upwards and this has limited capacity for analysis. It has, however, proved particularly useful in terms of "hands on" computer experience and in terms of development work in financial planning and modelling. The Department has concluded that the necessary enhancement of this system can only be based on the information presently compiled manually in the Department's Votes Ledgers and that the computerisation of this work is an essential pre-requisite for the development of sophisticated budgetary control systems. It is intended therefore to evaluate the computerised accounting systems in use by Department of Finance and Personnel and Department of Health and Social Services with a view to implementation within DENI as soon as possible. Target dates will be determined by the specific system selected, but full implementation should be achieved by 1 April 1986.

Programme Expenditure - A Management Accounting System for Schools

6. (a) **Teaching Costs - Salaries and Administration**

The decision to redesign the teachers' payroll will have a considerable bearing on the Department's work programme. The new system, based on the computerised pay package proposed for the Northern Ireland Civil Service, will have the facility to provide information on teaching costs which have been unavailable hitherto and it will have a dramatic effect on the administration of teachers' salaries. There will also be advantages for pension and accounting procedures. While a final timetable is not yet available the aim is to have the new system operational within about 2 years and it has a top priority with both the Central Information Systems Division of DFP and the Department.

Two components of the Department's original plan - the administration of teacher' salaries and teaching costs -are so much tied to the new project that progress in both areas will be determined and dictated largely by progress on the payroll. Since the new payroll will not be fully operational for at least 2 years, target dates for these components are therefore being revised.

As a first step in its Financial Management Initiative review of administration expenditure associated with teachers' salaries, the Department has amalgamated with effect from the beginning of this year Teachers Administration Branch, Computer Control Unit and the Teachers Negotiating Machinery Branch under one Principal Officer. A major assignment by the then Management Services Division on Teachers Administration Branch/Computer Control Unit has been completed and is currently being considered by the Department in the light of the proposals on the redesign of the teachers' payroll. Further discussions will shortly take place with Management and Manpower Review Division on the recommendations.

On teaching costs a preliminary examination and assessment of statistical and accounting information for improved estimating and monitoring of teachers' salaries has been carried out, but further progress in this field will be dependent on development of the new payroll.

(b) Other School Costs

In consultation with Education and Library Boards and corresponding branches within the Department, information sources relating to all aspects of the education service contributing to the unit cost (excluding teaching costs) of educating a child in the classroom have been identified and the various record systems examined in detail. On completion of discussions within the Department on the type of information collected, uses to which it is put, analyses carried out, frequency of updating, etc, a detailed discussion paper will be produced. The complexity of existing systems has, however, meant that original target dates were somewhat

optimistic and this discussion paper is unlikely to be finalised until early-summer.

(c) Output Performance Measures

As part of the Department's management accounting system for the schools programme the feasibility of developing measures of performance relating to those school outcomes which may be susceptible to such objective analysis is being investigated. A pilot study has been carried out on 5 schools in the Belfast Education and Library Board area and the exercise is now at the stage of applying selected indicators to all schools in Belfast.

Although it may be premature to anticipate the Group's findings, it is likely that the following points will be made:-

- (i) an exercise of this nature can deal only with outcomes which are susceptible to objective measurement. This considerably limits its scope;
- (ii) there are significant and surprising differences in the unit costs of schools located in comparable catchment areas and attended by pupils of the same age group and similar social background;
- (iii) such differences in costs, in spite of similarities in enrolment and social environment, should be useful in prompting follow-up professional investigations to determine if the additional costs are justified, wholly or partly, by a higher quality of education or by special circumstances (eg a rapidly declining enrolment);
- (iv) there is an urgent need to establish a central schools data bank so that information about costs, curriculum range, teacher qualifications and experience and examination performance of pupils can be made available quickly and on a confidential basis to administrators and inspectors. There would also be

merit in giving each school a profile of its own costs, resources, curriculum provision and examination performance.

Planning and Co-ordination Arrangements for Higher Education

7. The new arrangements for the planning and co-ordination of higher education are now fully operational. The University Grants Committee's Northern Ireland Working Party has met on a number of occasions in Northern Ireland, and has established good working relations with the institutions. The Queens University and designated officers of the proposed University of Ulster have agreed the present submissions to the Working Party setting out their views on the role which each institution will play in the development of a co-ordinated and cost-effective higher education system.
8. To assist in the future planning of higher education the Department is preparing a paper on demographic trends and the future demand for higher education in Northern Ireland.

CONCLUSION

9. An important element in ensuring the completion of the tasks above is that the best use be made of the technology available. To that end the Department has established an Information Systems Unit headed by a full time Principal to co-ordinate and implement overall computerisation strategy in the Department.
10. Although a lot of the work that is on-going does impinge upon Education and Library Boards and other bodies, the department is considering further the development of the Financial Management Initiative by these groups.

Carl Smeel

ATL

Long Term Management

CC/NO

nbpm
Dmb
18/6



QUEEN ANNE'S GATE
LONDON SW1H 9AT

18 June 1984

Peter,

FINANCIAL MANAGEMENT IN GOVERNMENT DEPARTMENTS

Thank you for copying to me your minute of 7 June to the Prime Minister. I am content with your proposals for the publication of the White Paper, subject to some small drafting points on the Home Office chapter about which my officials will be in touch with yours. My only comment on Part I concerns the first sentence of paragraph 3. In a document which emphasises the importance of, among other things, clarity of responsibility I think it is important to avoid the slight suggestion in the first sentence that it is only central Government which has the job of getting value for money from public expenditure. Other bodies are mentioned at the end of the paragraph but you may agree that an earlier reference to them would be sensible and tactful.

I am copying this to the recipients of your minute.

[Handwritten signature]

The Rt Hon Peter Rees, QC, MP

CS : long term policy : PEIS.



CABINET OFFICE

DMB
19/6

From the Minister of State

Lord Gowrie

MANAGEMENT AND PERSONNEL OFFICE

Great George Street
London SW1P 3AL
Telephone 01-233 8610

D M Barclay Esq
Private Secretary
10 Downing Street

15 June 1984

Dear David,

MPO'S MANAGEMENT DOCUMENTS FOR 1984-85

INSIDE FILE

The Minister of State, Privy Council Office has asked me to send you the enclosed copy of the MPO's Management Documents for 1984-85 for the Prime Minister's information. They describe in some detail how the MPO plans to take forward its work during the year.

Although the Management Documents have been prepared primarily for internal working purposes, copies have been sent to the Treasury and Civil Service Select Committee. They are also being made available publicly, albeit quietly.

Yours,

Sonia

MISS S C PHIPPARD
Assistant Private Secretary



CABINET OFFICE

MANAGEMENT AND PERSONNEL
DEPARTMENT
CABINET OFFICE
LONDON

For the Secretary of State
Cabinet Office

CONFIDENTIAL

18 JULY 1984

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SECRET

**CABINET OFFICE
MANAGEMENT AND PERSONNEL OFFICE**

**MANAGEMENT DOCUMENTS
1984-85**

**CABINET OFFICE
Management and Personnel Office
Great George Street
London SW1P 3AL**

CABINET OFFICE
MANAGEMENT AND PERSONNEL OFFICE

MANAGEMENT DOCUMENTS

1984-85

CABINET OFFICE
Management and Personnel Office
Great George Street
LONDON SW1P 3AL

June 1984

CABINET OFFICE (MANAGEMENT AND PERSONNEL OFFICE): MANAGEMENT DOCUMENTS 1984-85

Introduction

1. The Management and Personnel Office (MPO) outlined in its Operating Plan for 1983-84 how it intended to take forward its work. The Operating Plan was supplemented by a set of more detailed Management Documents describing all the main activities to be undertaken during the year.

2. Although the MPO became an integral part of the Cabinet Office in June 1983, the general direction of its work remained unchanged. With the appointment of Sir Robin Ibbs as the Prime Minister's Adviser on Efficiency in July 1983, the Efficiency Unit was separated from the Management and Efficiency Group of the MPO and reconstituted as a separate Unit reporting direct to the Prime Minister through Sir Robin. The Unit has continued to work very closely with the MPO and with HM Treasury.

3. Good progress was made on all aspects of the MPO's work programme during 1983-84. For example:-

- (a) the programme of efficiency work continued to receive a high priority;
- (b) the joint MPO/Treasury Financial Management Unit continued to work with departments towards the implementation of the Financial Management Initiative;

- (c) substantial progress was made on the complementary Personnel Work Action Programme which was launched in July 1983. The Programme is designed amongst other things to clarify line managers' responsibilities for personnel matters and to sharpen the incentives for good performance;
- (d) unified grading arrangements were extended to the Senior Principal and Assistant Secretary levels on 1 January 1984. Some 100 separate occupational grades, covering nearly 6,000 senior managerial staff, were replaced by three unified grades;
- (e) the management training effort of the Civil Service College was expanded and improved, particularly in the areas of personnel management, financial management and information technology;
- (f) a Deputy Secretary was appointed in January 1984 to plan and introduce a new training course for staff entering the Open Structure (ie at Under Secretary level and above);
- (g) recruitment activity in 1983 was significantly higher than in 1982, with increases of about 20% in the number of applications received by the Civil Service Commission and in the number of vacancies it was asked to fill. The Commission was able to cope with the extra demand for its services without any increase in staff because of improved working methods and procedures;
- (h) considerable progress was made on the implementation of the MPO's own financial management arrangements. In particular, a full trial run of the MPO's new system of activity planning and resource allocation took place during Autumn 1983.

1984-85 Objectives and Activities

4. The Minister of State has agreed that the MPO will have seven major objectives in 1984-85, as follows:

- (1) To carry out in conjunction with the Efficiency Unit a programme of new efficiency work for 1984-85 and to ensure that the full benefit of current and past management and efficiency work is secured.
- (2) To assist and monitor jointly with the Treasury the implementation by departments of their plans for improving financial management and to report progress in July 1984.
- (3) To provide efficient and cost-effective central services to meet the needs of government departments, particularly in the fields of recruitment, training and health. Work in support of this Objective will include further consideration of the scope for increasing the number of MPO services provided to departments on repayment terms.
- (4) To develop, in association with other departments as necessary, central personnel management policies, particularly in the fields of retirement, redundancy, merit pay, and pay and grading structures generally.
- (5) To co-ordinate, monitor and assist with the implementation of the Personnel Work Action Programme insofar as this is not covered by Objectives 3 and 4.

(6) To carry through a new initiative to improve the quality and coverage of the Civil Service Pay and Conditions of Service Code and the Establishment Officers' Guide which are among the most important basic documents for personnel work in the Civil Service.

(7) To improve further the MPO's own management procedures covering the full range of its work.

5. During the course of the 1984-85 planning exercise, the seven major objectives were developed into a full range of activity plans and targets for the component parts of the MPO. Those activity plans, which have been agreed by the Second Permanent Secretary in discussion with Responsibility Centre Managers, are set out in the Annex. They are an essential part of the new management accounting system that is being developed within the MPO.

Resources and Organisation

6. This year's plan requires the MPO to save 10 posts to meet its 1 April 1985 manpower target of 1185 - a reduction of 26.6% compared with 1 May 1979. Attached at Figures 1-3 are an organisation chart and tables relating to costs and manpower.

Cabinet Office (Management and Personnel Office)

June 1984

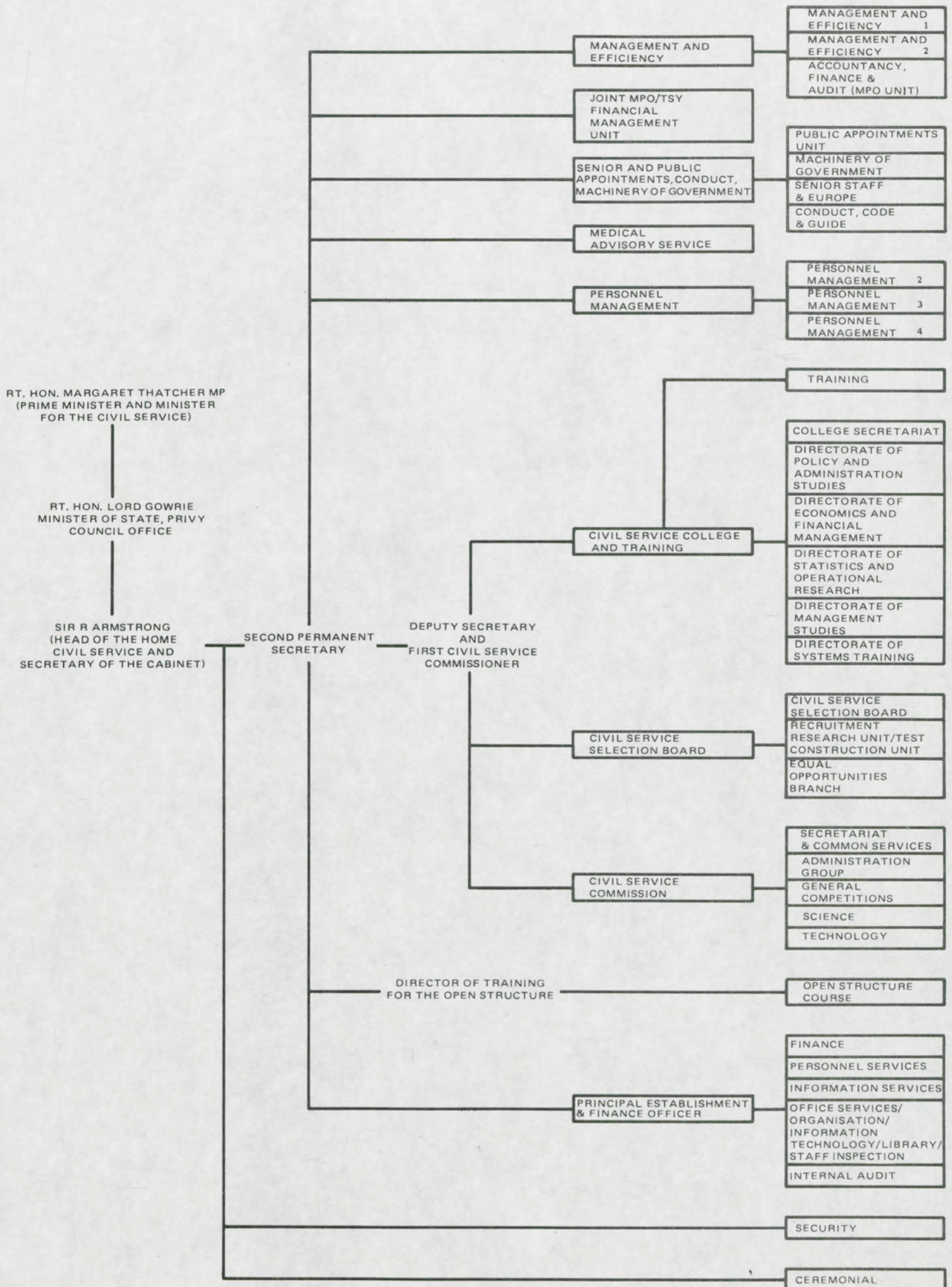


FIGURE 2

CABINET OFFICE (MANAGEMENT AND PERSONNEL OFFICE): MANPOWER AND COSTS, 1984-85

Manpower and costs in 1984-85 will be distributed as follows:

Responsibility Centre	Number of Posts at 1 April 1984	TOTAL COST, including cost of accommodation, telecommuni- cations, central typing and reprographic services and the notional cost of superannuation
		£'000
Management and Efficiency	44	1,110
Financial Management Unit (MPO element)	4	201
Senior and Public Appointments, Conduct, Machinery of Government	53½	1,220
Medical Advisory Service	62½	1,587
Personnel Management	67½	3,863 ^a
Civil Service College	204	6,866
Training	17	550
Civil Service Commission (including Civil Service Selection Board)	262	8,114
Open Structure Course	5	389
Establishment Officer's Group (Support Services to MPO)	302½	5,662
Minister's Office /Top Management	14	426
Other operations borne on MPO's Vote (including Parliamentary Counsel Office; Efficiency Unit; Security Division; Ceremonial Branch; Downing Street; Chief Whip, House of Lords etc.)	159	9,865
	<u>1,195</u>	<u>39,853^b</u>

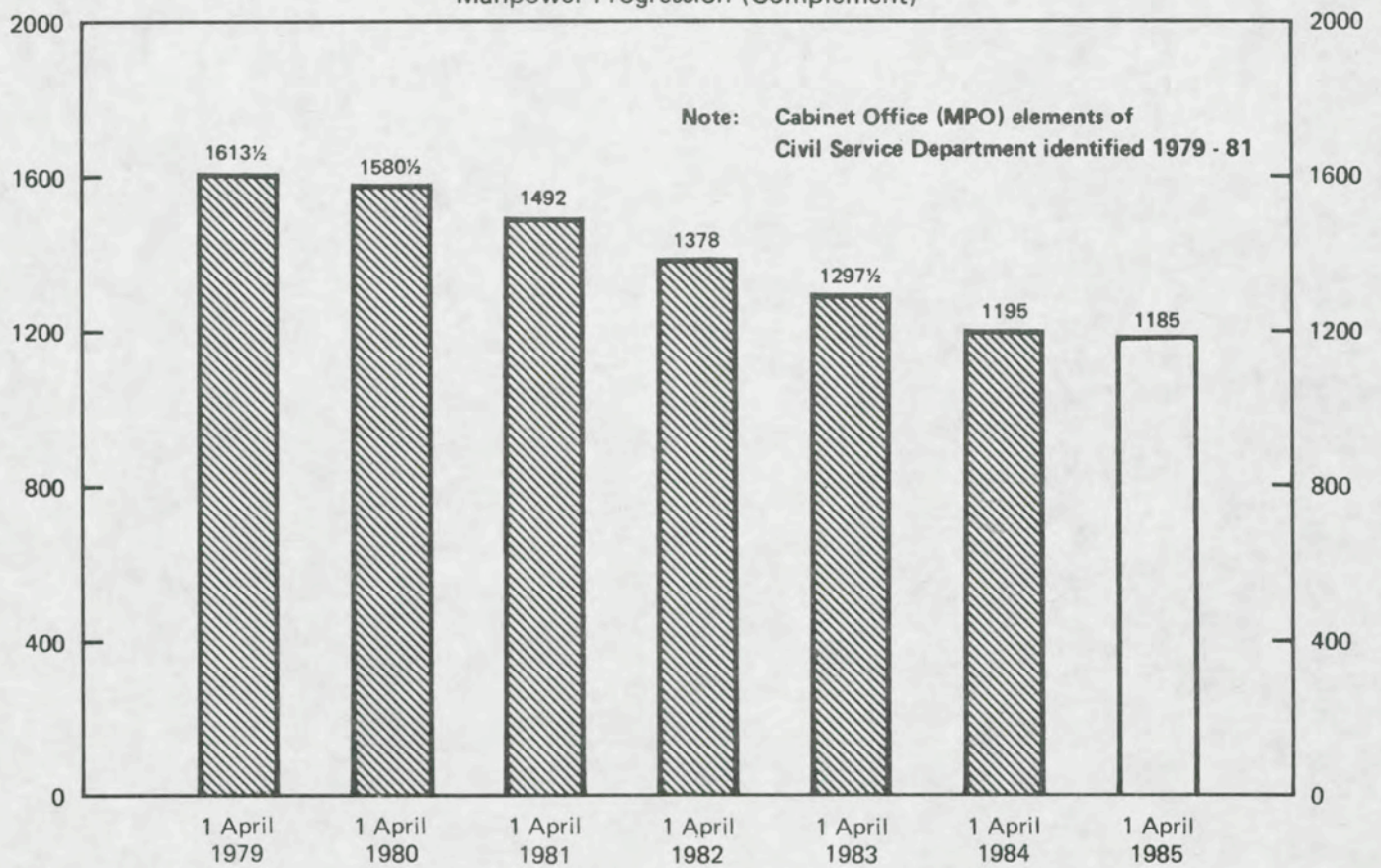
Notes

a. The total cost of Personnel Management includes £2.104m in respect of grants-in-aid to a number of organisations.

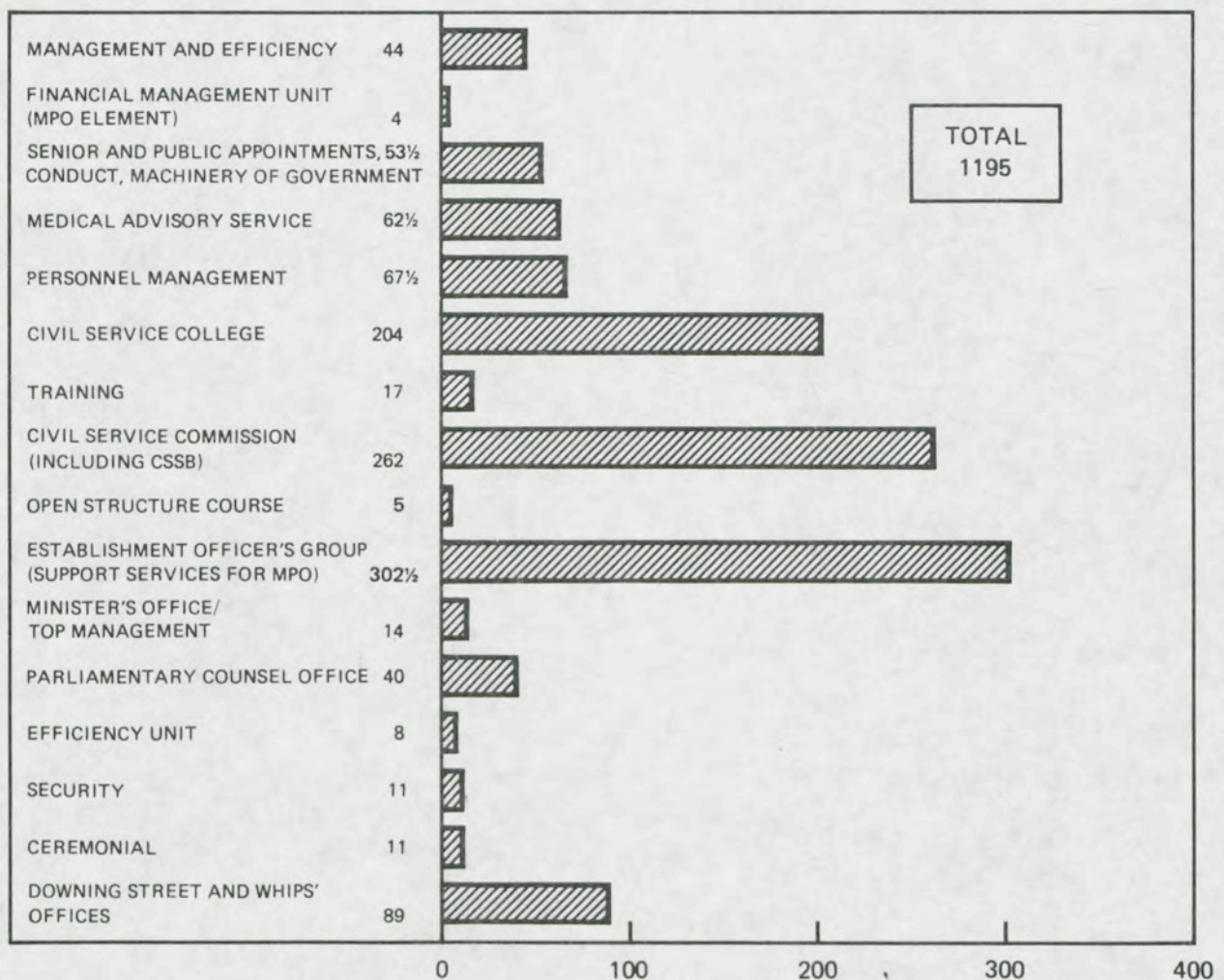
b. The total cost of £39.853m will be partially offset by receipts of about £3m during 1984-85. Of the £3m, about £2.5m will be in respect of training courses run by the Civil Service College on repayment terms.

FIGURE 3

Cabinet Office (Management and Personnel Office)
Manpower Progression (Complement)



COMPLEMENT AT 1 APRIL 1984 BY RESPONSIBILITY/ BUDGET CENTRE



MANAGEMENT AND EFFICIENCY

Number of posts at 1.4.84: 44

Total 1984-85 Cost: £1,110,000

Activity Number	Activity	MPO Objective	Timescale
Management and Efficiency 1 Division			
1	Conduct a multi-department review on departmental management of accommodation, involving co-ordination of a number of scrutinies, a report to the Prime Minister and follow-up work. Follow-up to previous multi-department reviews	1	Review due to end, February 1987 [Report to PM, February 1985]
2	Contracts and procurement procedures: including seminars for participating departments, development of community of purchasing officers.	1	To April 1986 [Report to PM, June 1984]
3	Research and Development support services: implementation of recommendations concerning delegation of responsibility for support costs.	1	To March 1985 [Follow-up report to PM, July 1984]
4	Government forms: continuing efforts to change the climate of opinion about forms.	1	To April 1985 [Follow-up report to PM, May 1984]

ME Group Cont'd

Activity Number	Activity	MPO Objective	Timescale
	Other work		
5	Co-ordinate and promote schemes of incentives to improve efficiency.	1	To April 1987 [Report to Ministers, June 1984]
6	General oversight and re-appraisal of the dispersal programme.		To December 1986
7	Miscellaneous Tasks: Parliamentary work; briefing for Ministers and senior officials; general efficiency questions.		Continuing
	Management and Efficiency 2 Division		
	The main function of Management and Efficiency 2 Division is to undertake studies of subjects common to most departments, to recommend improvements which may be made immediately, to disseminate good practice in "Management Guidelines", to audit the implementation of the guidelines and to take any necessary action following the audit.		
1	Transport Economy Unit. Audit guidelines, provide advice and undertake executive responsibilities.	1	September 1984
2	Travel Audit overseas travel guidelines; conduct studies of inland travel; prepare inland travel guidelines; and negotiate travel discounts (air and sea).	1	June 1985

ME Group Cont'd

Activity Number	Activity	MPO Objective	Timescale
3	Unallocated.		
4	Stores		
	Audit and conduct other follow-up work to guideline.	1	June 1984
5	Stocktaking		
	Continue studies in a range of departments and prepare guidelines etc.	1	June 1985
6	Productivity Schemes		
	Continue studies in a range of departments and prepare guidelines etc.	1	June 1985
7	Workshops		
	Begin studies in a range of departments and prepare guidelines etc.	1	June 1986
8	Training		
	Continue studies in departments; finalise and issue guidelines; and audit.	1	June 1985
9	Reporting systems		
	Provide support to PM division in the development of a new report system and JAR procedures (see PM Group, PM 2 Branch 1, activity 2).	5	April 1984

ME Group Cont'd

Activity Number	Activity	MPO Objective	Timescale
10	Postal Services Begin studies of departmental postal systems and produce a guideline etc (commitment made to departments when switched to public methods).	1	June 1986
11	Messenger Services Complete residual work on follow-up to guideline.	1	April 1984
12	Telecommunications Complete residual work on follow-up to guideline.	1	April 1984
13	Office Services Management Continue studies in departments and prepare and issue guideline etc.	1	June 1984
14	Reprographics Continue studies in departments and prepare and issue guideline etc.	1	June 1985
15	Typing Complete residual work on follow-up to guideline; move training centres to repayment; and explore varieties of secretarial support arrangements.	1	June 1984
16	Supporting Services for Administrative work. Follow-up development of office technology guidelines etc.	1	April 1984

ME Group Cont'd

Activity Number	Activity	MPO Objective	Timescale
17	Registries/Information Handling Continue studies in departments; provide encouragement to the Records Management Society; and prepare guidelines etc.	1	June 1985
18	Human aspects of Office Technology Develop and issue a series of guidelines.	1	June 1985
19	Micro-computer/Small Office Systems (including development of MPO small systems). Continue studies in departments; explore practical applications of software packages; develop control systems; and produce guidelines.	1	June 1986
20	Assignment work Provide "contract" assignment support to senior MPO management, the Efficiency Unit, ME1, MPO divisions, HM Treasury Expenditure divisions and other departments.	1	Continuing
21	Departmental Management Services Units Maintain central liaison and centre of excellence responsibilities for departmental management services units.	1	Continuing
22	Index of Management Consultants Revive the index of management consultants; rewrite the code of practice; and maintain links with the MCA and individual firms.	1	Continuing

ME Group Cont'd

Activity Number	Activity	MPO Objective	Timescale
23	Suggestion schemes Draw up plans for full delegation of central responsibilities to departments.	1	June 1984
24	Links with Civil Service College Maintain links with the Civil Service College to ensure central messages are carried into training courses and to make more professional assignment officer training.	1	Continuing
Accountancy, Finance and Audit Unit (MPO)			
1	Assist on implementation of MPO Management Accounting System.	7	Full implementation on 1.4.85
2	Assist ME2 on preparation, follow-up and seminar presentations of management guidelines.	1	Continuing
3	Assist AFA (Tsy) and the Efficiency Unit on the Annual Scrutiny of Running Costs and identification of long-term cost trends.	1	Continuing
4	Provide accounting advice to ME and other parts of the MPO.	1, 7	Continuing

FINANCIAL MANAGEMENT UNIT

Number of MPO posts at 1.4.84: 4

Total 1984-85 Cost (MPO): £201,000

Activity Number	Activity	MPO Objective	Timescale
1	<p>The joint Treasury - Cabinet Office (MPO) Financial Management Unit was set up in 1982 to assist Departments in preparing their programmes of work for improving financial management. The Prime Minister announced on 31 January 1984, in answer to a Written Parliamentary Question, that the unit's work had been of great value to Government Departments, and that it had been decided to extend its life until the end of 1984. The unit's position will be reviewed in the summer of 1984.</p> <p>Provide advice and assistance to departments to help ensure the continued development of programmes of work in response to the Financial Management Initiative (FMI), particularly:</p> <ul style="list-style-type: none"> a. in providing advice on how to get greater value from the current rounds of top management systems: b. in the study of how to improve the handling of programmes of expenditure, concentrating on how responsibilities of policy divisions may be sharpened for securing value for money in programmes; and c. in the further development of budgetary control systems concentrating on assisting departments in ensuring that top management systems become the top of a hierarchy of budgets. 	2	April-December 1984
2	Liaise with and advise other areas of MPO and the Treasury.	2	April-December 1984

Financial Management Unit Cont'd

Activity Number	Activity	MPO Objective	Timescale
3	Contribute to courses and seminars at the Civil Service College and in departments, including assisting the MPO Training Division in the development of generalised FMI training material.	2	April-December 1984

SENIOR AND PUBLIC APPOINTMENTS, CONDUCT, MACHINERY OF GOVERNMENT

Number of posts at 1.4.84: 53½

Total 1984-85 Cost: £1,220,000

Activity Number	Activity	MPO Objective	Timescale
Public Appointments Unit			
1	Maintain the Central List of people who might be considered for full or part-time public appointments; pursue all appropriate ways of strengthening the Central List by seeking and receiving advice from all sources including the public, representative organisations and government departments.	3	Continuing
2	Provide advice to departments whose Ministers are responsible for public appointments by suggesting against their specifications names of people from the Central List, or by advising on candidates under consideration who have been recommended to departments from other sources.	3	Continuing
3	Provide advice to the Head of the Home Civil Service on public appointments (other than Civil Service appointments).	3	Continuing
4	Co-ordinate, as necessary, policy and information relating to public appointments; advise departments on procedures; and other miscellaneous tasks.	3	Continuing

Senior & Public Appts, Conduct, MG Cont'd

Activity Number	Activity	MPO Objective	Timescale
Senior Staff and Europe Division			
1	Provide advice to the Head of the Home Civil Service on senior appointments.	3	Continuing
2	Provide advice, guidance and direction on matters affecting the Open Structure, including individual cases.	3	Continuing
3	Operate and develop the annual Succession Planning round.	3	Continuing
4	Co-ordinate Whitehall work on staffing of the European Communities and the promotion of good quality British candidates for appointments.	3	Continuing
5	Operate interchange schemes with foreign Civil Services (French, German, Canadian, Irish (annually); others (ad hoc).	3	Continuing
6	Stimulate and monitor interchange with outside organisations.	3	Continuing
Machinery of Government Division			
1	Provide advice to the Head of the Home Civil Service and to departments on the allocation of departmental responsibilities and associated questions.		Continuing
	Preparation of quarterly 'List of Ministerial Responsibilities'.		Quarterly
2	Undertake research and provide advice on constitutional issues, including Ministerial accountability, Civil Service and Crown status etc.	3	Continuing

Senior & Public Appts, Conduct, MG Cont'd

Activity Number	Activity	MPO Objective	Timescale
3	<p>Advise on Non-Departmental Public Bodies (NDPB) policy and management. Particular tasks are:</p> <ul style="list-style-type: none"> a. co-ordination of annual departmental reviews of NDPBs; co-ordination of reviews of MPO's own bodies; reporting on reviews to Minister of State and Prime Minister; b. revision of MPO's Guide on NDPB's (new edition to be published jointly with Treasury); c. Production of annual 'Public Bodies' report. 	3	<p>Continuing</p> <p>Issue revised Guide by Summer 1984</p> <p>Data collected April-September 1984; publication in December 1984</p>
4	<p>Advise on relationship between Executive and Parliament (eg Select Committees, PCA, House of Commons Disqualification). Individual tasks are:</p> <ul style="list-style-type: none"> a. day-to-day advice to departments on practice and precedent; b. consideration of policy issues eg extension of jurisdiction, scope, terms of reference of the PCA; c. maintenance of associated legislation and guidance. 	3	<p>Continuing</p> <p>Continuing</p> <p>Intermittent</p>
5	<p>Undertake policy work and provide advice on release of official information.</p>		Continuing
6	<p>Provide a focus of MPO contact with Treasury and Civil Service Select Committee (and other Committees to whom MPO are submitting evidence).</p>		Continuing

Senior & Public Appts, Conduct, MG Cont'd

Activity Number	Activity	MPO Objective	Timescale
7	Undertake central co-ordinating and editorial tasks, including briefing, speeches etc on MPO and Civil Service topics where no other MPO division is clearly in the lead.		Continuing
8	Provide guidance to departments, not covered above: a. Maintenance of existing manuals, eg Statutory Instrument Practice. b. Consideration of requirements for new guidance.	3	Intermittent Intermittent
Conduct, Code and Guide 1 Division			
1	Improve the quality and coverage of the Civil Service Pay and Conditions of Service Code and the Establishment Officers' Guide.	6	Continuing
2	Run the Interdepartmental Communications Group. a. Edit and undertake production work associated with the Civil Service Code, Establishment Officers' Guide and the seven associated series of Circulars and Notices. b. Exercise financial control and distribution control over the Code, Guide, and associated series of circulars and notices.	6	Continuing

Senior & Public Appts, Conduct, MG Cont'd

Activity Number	Activity	MPO Objective	Timescale
	Conduct, Code and Guide 2 Division		
1	Provide advice to Ministers and departments on conduct and discipline matters, including appeals procedure.	4	Continuing
2	Provide advice to Ministers and departments on the political activities of civil servants and the appointment of special advisers.	4	Continuing
3	Provide advice to departments and other MPO Divisions (written/oral) on policy and the interpretation of rules governing specified non-financial terms and conditions of service.	4	Continuing
4	Draft Notices/Circulars, model letters of appointment and amendments of the Code/Guide on specified non-financial conditions of service.	3, 6	Continuing
5	Miscellaneous tasks: PQs; comments on department's reviews; preparing ad hoc statements; briefs; progress reports, etc.		Continuing
6	Formulate policy on Civil Service Appeal Board matters.		Continuing

Medical Advisory Service Cont'd

Activity Number	Activity	MPO Objective	Timescale
2	Provide advice to the Civil Service Commission and departments on medical aspects of recruitment (6,000 referrals annually).	3	Continuing
3	<p>Provide advice to management on medical aspects of sickness absence (48,000 referrals annually), including:</p> <p>a. advice on placing individuals temporarily or permanently incapacitated in suitable employment; and</p> <p>b. advice on declining efficiency or behavioural problems where ill health is believed to be the cause.</p>	3	Continuing
4	<p>Provide advice to management on the medical aspects of retirement.</p> <p>Provide medical retirement certificates (3,800 annually) and medical evidence to Appeal Boards and Industrial Tribunals (50 annually).</p>	3	Continuing
5	<p>Establish CSMAS policies, including:</p> <p>a. building up a regionally based occupational health nursing service along the lines planned;</p> <p>b. improving communications between CSMAS and management;</p> <p>c. meetings with Staff Side representatives centrally and locally.</p>	3	<p>Continuing</p> <p>Full operation of new service by July 1984</p> <p>Continuing</p> <p>Continuing</p>

Medical Advisory Service Cont'd

Activity Number	Activity	MPO Objective	Timescale
6	Advice on health overseas, including: <ul style="list-style-type: none"> a. health screening of individuals posted abroad; b. health education of travellers; c. immunisation clinics; d. standards of medical facilities; e. costs of medical treatment abroad; f. arrangements for emergencies abroad and repatriation; g. medical and nursing cover for conferences and important visitors. 	3	Continuing
7	Conduct research into causes of ill health in civil servants including: <ul style="list-style-type: none"> a. collaboration with other research organisations; b. analyses of causes of retirement on medical grounds; c. review of sickness absence, in particular of civil servants in the unestablished health category. 	3	Continuing Full report by October 1984
8	Review the provision of occupational health and hygiene services in the Civil Service in collaboration with MOD PE Civilian Medical Services.	3, 7	By April 1985 [Interim report by September 1984]

Medical Advisory Service Cont'd

Activity Number	Activity	MPO Objective	Timescale
9	Maintain professional competence by postgraduate medical training, nursing training, clinical attachments, hospital consultancies.	3, 7	Continuing
10	Undertake health education at the workplace; arrange induction and retirement courses; provide Welfare Officer training and Safety Officer courses; train Local Medical Officers and Assistant Divisional Medical Officers.	3	Continuing

PERSONNEL MANAGEMENT

Number of posts at 1.4.84: 67½

Total 1984-85 Cost: £3,863,000 (including £2,104,000 in respect of grants-in-aid to a number of organisations)

Activity Number	Activity	MPO Objective	Timescale
1	<p>Personnel Management 2 Division</p> <p>Maintain contact with outside organisations, including management consultants, and with personnel staff in other departments, including some representational work as Welfare Adviser.</p>	3, 4, 5	Continuing
2	<p>Branch 1</p> <p>Revise the staff reporting and appraisal system:</p> <p>a. prepare and issue pre-tested model forms, guidance and training material;</p> <p>b. support departments in pioneering design and launch of their new appraisal systems;</p> <p>c. validate the mechanics of the new system; and</p> <p>d. monitor and review the effect of the revised appraisal and reporting system, including job planning and greater openness.</p>	<p>4, 5</p> <p>4, 5</p>	<p>September-December 1984</p> <p>Continuing</p> <p>Continuing</p> <p>Continuing</p>

Activity Number	Activity	MPO Objective	Timescale
3	<p>Local Management Co-operation</p> <p>Monitor and review interdepartmental experiments set up by EOM in 5 towns on more effective sharing of information and resources.</p>	4	Spring 1985
4	<p>Gather and disseminate information on efficient and effective approaches to Personnel Work, including comparisons between departments and with outside bodies.</p>	4, 5	Continuing
5	<p>Miscellaneous tasks, including a watching brief on new technology, follow-up to Review of Personnel Work on career development and Joint Review Group (Women) on postings systems; and ad hoc work on briefing, speeches, etc.</p>	4, 5	Continuing
Branch 2			
6	<p>Promotion Policy.</p> <p>a. Give day to day advice to departments about Service-wide rules and guidance on promotion, regrading, lateral movement, and opportunity posts.</p> <p>b. Complete review of guidance on temporary promotion.</p> <p>c. Complete remaining work arising from JRG(W) report, including (with PMRB) further research into promotion of women.</p>	3, 4	<p>Continuing</p> <p>Summer 1984</p> <p>Autumn 1984</p>

PM Group Cont'd

Activity Number	Activity	MPO Objective	Timescale
7	<p>Staff Welfare.</p> <p>a. Co-ordinate welfare work throughout departments, including:</p> <p>i. arranging 6 meetings of CWOs from main departments;</p> <p>ii. arranging 3 meetings and 1 conference of WOs from small departments, etc;</p> <p>iii. contact with working groups of CWOs;</p> <p>iv. with CWOs and WOs, contributing to and ensuring distribution of, "Welfare News" (6/year), "Welfare Officers Manual" (amendments), directory of welfare officers;</p> <p>v. answering day to day queries on welfare from departments.</p> <p>b. Supervise grants or grants in aid to CSRF, CSBF, CSSC, LHA: implement results of review of those bodies (with Finance Division);</p> <p>c. Give advice to departments on child care policy, and finish revision of guidance on day care (arising from JRG(W) report);</p> <p>d. Miscellaneous tasks, including secretariat to Joint Welfare Committee.</p>	3	<p>May, July, September November 1984; January, March 1985</p> <p>May, September December 1984; March 1985</p> <p>Continuing</p> <p>WOM amendments, April 1984; directory of WO's April, November 1984</p> <p>Summer 1984</p> <p>June 1984</p> <p>Continuing</p>

Activity Number	Activity	MPO Objective	Timescale
8	<p>Communication between management and staff.</p> <p>Encourage the improvement of written and oral communications throughout departments, including:</p> <p>a. compilation and distribution of guidance on style and impact of written communications, eg office notices;</p> <p>b. with Information Division (and Treasury), production of periodic broadsheets on personnel management topics for Service-wide distribution;</p> <p>c. with Information Division (and Treasury), appointment and supervision of consultants in study of Civil Service management communications; and</p> <p>d. arrangement of exchange of information between departments on internal communications reviews and activities.</p>	<p>3, 4</p> <p>3, 4</p> <p>3, 4</p> <p>3</p>	<p>Continuing</p> <p>Continuing</p> <p>Summer 1984</p> <p>Continuing</p>
9	<p>Motivation and involvement of staff.</p> <p>a. Maintain exchange of information between departments on initiatives in this field.</p> <p>b. Prepare new briefing material and consider reconvening seminar.</p>	<p>3</p> <p>3</p>	<p>Continuing</p> <p>Summer/Autumn 1984</p>
10	<p>Miscellaneous briefing for Ministers and senior officials, and related work on Civil Service morale, industrial relations and other personnel management topics.</p>	<p>3, 4</p>	<p>Continuing</p>

PM Group Cont'd

Activity Number	Activity	MPO Objective	Timescale
	Research Branch		
11	Conduct research and development of new appraisal practices, including testing forms and establishing a framework for assessing the effect of greater openness.	5	Continuing to April 1985
12	Conduct research on equal opportunities issues (Sex and Race), including study of the reasons for differences in promotion rates between men and women, and the allocation of men and women to duties.	5	December 1984
13	Analyse training needs in connection with Training Reviews.	4	As required
14	Miscellaneous tasks, including provision of behavioural science advice to MPO and Treasury divisions and other government departments; review of literature; and contact with behavioural scientists outside the Civil Service.	4	Continuing
	Job Satisfaction Team		
15	Carry out projects in government departments and agencies, involving: <ul style="list-style-type: none"> a. seminars on motivation and organisational change for managers, staff and trade union representatives; b. interviewing to identify issues for action; and c. support in developing and testing organisation, managerial and procedural improvements, including communications and teamwork. 	3, 4	Comprehensive review of projects in Autumn 1984
	Future projects are being explored with DOE, MOD, DHSS and MSC.		

Activity Number	Activity	MPO Objective	Timescale
16	<p>Identify and set up new projects. Miscellaneous tasks, including publicity for job satisfaction work, development of methodology and training for MPO and departmental JS practitioners, contributing to MPO policies, secretariat to JPMC(JS) and maintaining contact with other projects.</p> <p>Personnel Management 3 Division</p> <p>Branch A</p>	3, 4	Continuing
1	<p>Provide the central control for and co-ordination of 5 Management Committees (Legal, Information, Research, Economist, Statistician), including organising 10 meetings per year (2 for each group), preparing MPO papers and briefing and dealing with all MPO matters relating to the Groups.</p>	4, 5	Continuing
2	<p>Provide advice to departments and other divisions and the Head of PM3 Division on general personnel management topics affecting specialists and in particular on matters affecting the following groups: Economist, Statistician, Research Officer, Information Officer, Legal Grades, Librarians. This includes responding to trade union requests.</p>	4, 5	Continuing

PM Group Cont'd

Activity Number	Activity	MPO Objective	Timescale
3	Undertake central co-ordination of structure review work for all those Groups and Departmental Grades not covered by other Branches of PM3, including action arising on general structural issues and new cases.	4	Continuing
4	Provide central assistance with the re-deployment of surplus staff, particularly in the Research Officer Category.	3	Continuing
5	a. Mount, as required, promotion panels for accelerated promotion to Senior Legal Assistant within the Legal Group (England and Wales) and provide Secretariat services.	3	2 per year
	b. Mount the in-service scheme for the selection of Articled Clerks, and provide backing services.	3	1 per year
	Branch B		
6	Provide advice within MPO and to departments on all aspects of personnel policy affecting the Administration Group.	3, 4, 5	Continuing
7	Keep under review all entry points to the Administration Group; make changes in the specifications for recruitment given to the Commission where this is necessary to meet the needs of the Service generally.	4, 5	Continuing

PM Group Cont'd

Activity Number	Activity	MPO Objective	Timescale
8	Ensure that the promotion system within the Administration Group contained in the Promotion in the Administration Group (PAG) agreement reflects the present-day needs of the Service.	4, 5	Continuing
9	Devise ways in which the staff within the Administration Group can be developed to realise their full potential.	4	Continuing
10	Devise personnel policies within the ADP and Accountancy functional specialisms which while meeting the needs of departments in these particular areas are compatible with their presence within the Administration Group.	4	Continuing
11	Undertake follow-up action recommended in the Promotion Blockage Committee report.	4	Continuing
12	<p>Conduct a scrutiny into the means of identifying and developing staff in the various occupational groups who have the potential to rise to at least Principal. The work of the central MPO team will involve:</p> <ul style="list-style-type: none"> a. co-ordinating the efforts of 7 individual departmental teams; b. visiting various departmental regional offices and outside organisations; c. preparing a study plan together with a synopsis of the study findings midway through; and a final report. 	1	Summer recess

PM Group Cont'd

Activity Number	Activity	MPO Objective	Timescale
	Branch C		
13	Provide the secretariat for 2 Management Committees (Doctors and Psychologists) - 4 meetings a year. Liaise with contacts in both professions on Medical Officer and Psychologist Class matters generally.	4, 5	Continuing
14	Routine administration of centralised schemes: a. Doctors' Individual Merit Promotion Panel (likely 1 day's boarding, February 1985). Cartographic Draughtsmen efficiency bar examination (1 day's examination, February 1985; 100 candidates from 12 departments). b. Placement of surpluses for the groups and classes listed in Activity 16 below (approximately 70 per annum expected). c. Briefing and general support work.	3	Continuing
15	Discussion/correspondence with unions, central and employing departments on day-to-day matters concerning Medical Officers, Psychologists, Cartographic Draughtsmen, Reproduction A and B grades, Photoprinters, Instructional Officers, and Process and General Supervisory grades.	4, 5	Continuing

Activity Number	Activity	MPO Objective	Timescale
16	Undertake central co-ordination of reviews of structure and general procedures for the following groups and classes: Instructional Officers, Photoprinters, Cartographic and Recording Draughtsmen, Process and General Supervisory, Veterinary Officers, Medical Officers, Reproduction Grades A and B, Psychologists and Actuaries. Branch D	4	Continuing
17	Senior Professional Administrative Training Scheme (SPATS).	3	Candidates selected and the Civil Service College training completed by end 1984
18	Advise departments on the interpretation of existing policy for the P&T Group and related specialist grades. Provide secretariat services to the Management Committee for the P&T Group and the Working Party on Science and Technology (3 meetings per year; draft and issue 15-20 papers per year).	4	Continuing
19	Undertake structural review of the P&T Group and related groups (DOAs and Tracers) including the development of policy in agreement with departments, negotiation with trade unions, and implementation of changes. (Includes 8-10 interdepartmental and/or union meetings, preparation of 6-8 papers.)	4	To be reviewed at end of 1984
20	Undertake structural review of the Radio Technician and Telecommunication Technical Officers, including the preparation of policy measures, agreement with departments and implementation in consultation with the trade unions. Includes 4-6 meetings with departments and trade unions and the preparation of 4-6 papers.	4	Completion of review by mid 1984

PM Group Cont'd

Activity Number	Activity	MPO Objective	Timescale
21	<p>Introduce and monitor two separate linkage schemes for Photographers and Graphics Officers, aimed at the better management of these groups. Involves 4-5 meetings with Management Steering Committees; the preparation and oversight of one training seminar; the carrying out of a first review of both schemes.</p>	4	Initial review to be completed by end 1984
22	<p>Administer interdepartmental trawling arrangements for all grades and provide central assistance with the re-deployment of surplus staff (includes redundancy, compassionate and compulsory transfers) in the following groups and classes:</p> <ul style="list-style-type: none"> Professional and Technology Telecommunications Technical Officers Radio Technicians Tracers Drawing Office Assistants Photographers and Graphics Officers Marine Services Group 	3	650 trawls completed by end 1984
23	<p>Branch E</p> <p>Develop and promulgate central policy for the personnel management of the Science Group and related classes including staff in the fringe bodies. Advise others in MPO of this policy and continue liaison on it with the IPCS. Seek advice from committees including the Management Committee for the Science Group, the Working Party for Scientists & Technologists (Science Panel) and the Department Operational Research Committee. To this end some 50 papers will be written and 15 meetings held annually. Arrange committee membership and circulate briefings and minutes.</p>	4, 5	Continuing

Activity Number	Activity	MPO Objective	Timescale
24	Run the Individual Merit Promotion (IMP) Scheme to include the discussion of eligibility, criteria and standards; the arrangement of Panel membership, meetings and interviews; and the preparation of briefs and minutes. Some 50 nominations will be considered annually in parallel with a review of the status of some 30 IMP holders.	3	Continuing
25	Resolve central personnel management issues involving individual members of the Science Group including personal promotions (about 10 a year) and interdepartmental transfers of high flyers and surplus officers (about 50 a year).	3	Continuing
26	Review the Secretarial Category, in particular: a. examine the grading of operators of word processors and electronic typewriters; and b. examine the matrix of allowances payable to operators of word processors and electronic typewriters.	4	April 1985
27	Undertake inspections of Typewriting Training Centres (23).	3	Continuing
28	Central administration of the Secretarial Category, including: a. organising the annual conference of Typewriting Training Superintendents (1) and attending that and Typewriting Training Centre Regional Seminars (5); b. chairing and providing a secretariat for Training Superintendents' Working Group (most work done by correspondence; meetings ad hoc);	3	Conference in May 1984; Seminars continuing Continuing

PM Group Cont'd

Activity Number	Activity	MPO Objective	Timescale															
	c. preparing test papers (33) for various typewriting tests; and		Continuing															
	d. participating in conferences etc (3) organised by other parts of MPO and by HM Treasury in which an input on the Secretarial Category is necessary.		Continuing															
29	Undertake structure work as required in the groups and classes listed in Activity 30 below.	4	Continuing															
30	Answer both written and oral enquiries from, and give advice to, others within MPO, other departments and the trade unions in connection with the personnel management and related matters for the following groups and classes:	3	Continuing															
	<table border="0" style="width: 100%;"> <tr> <td>Secretarial</td> <td>Messenger</td> <td>Communications Operating</td> </tr> <tr> <td>Data Processor</td> <td>Paperkeeper</td> <td>grades</td> </tr> <tr> <td>Office Keeper</td> <td>Stores Officer</td> <td>Telephonist</td> </tr> <tr> <td>Security Officer</td> <td>Teleprinter Grades</td> <td>Translator</td> </tr> <tr> <td>Cleaner</td> <td>Museum Grades</td> <td></td> </tr> </table>	Secretarial	Messenger	Communications Operating	Data Processor	Paperkeeper	grades	Office Keeper	Stores Officer	Telephonist	Security Officer	Teleprinter Grades	Translator	Cleaner	Museum Grades			
Secretarial	Messenger	Communications Operating																
Data Processor	Paperkeeper	grades																
Office Keeper	Stores Officer	Telephonist																
Security Officer	Teleprinter Grades	Translator																
Cleaner	Museum Grades																	
31	Review of external typewriting qualifications.	3	October 1985															
	Staff Transfers Unit																	
32	Provide central assistance with the re-deployment of surplus and non-dispersing staff. (No forecasts of surpluses are available for 1984/85. MOD and HSE are both involved in Dispersal. MOD have not yet indicated if the STU will be needed but HSE have forecast that there may be non-dispersing staff for the STU to re-deploy.)	3	Continuing															

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Activity Number	Activity	MPO Objective	Timescale
33	Provide central assistance with compassionate transfer cases (about 800 cases).	3	Continuing
34	Advise on the practical aspects of policy affecting surplus, non-dispersing and compassionate transfer cases.	3	Continuing
	Trawling		
35	Administer interdepartmental trawling arrangements for all grades. Advise departments on the interpretation of current trawling policy (about 500-600 trawls per annum).	3	Continuing
36	Advise on the practical aspects of policy affecting trawling.	3	Continuing
	Personnel Management 4 Division		
1	Unified Grading. Prepare and implement plans to extend unified grading to Principal level.	4	April 1985
2	"Megaw" and Pay. Represent MPO interests in the development of post-Megaw pay arrangements and in current pay questions.	4	Continuing
3	Merit Pay. Prepare and implement merit pay schemes.	4	Up to April 1985 and beyond

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PM Group Cont'd

Activity Number	Activity	MPO Objective	Timescale
4	<p>Policy Administration.</p> <p>a. Provide advice and guidance on all aspects of retirement and redundancy policy, including the personnel aspects of privatisation.</p> <p>b. Process departmental applications for premature retirements/redundancies.</p>	4	Continuing
5	<p>Policy Review.</p> <p>Complete, where necessary, reviews of age and premature retirement policy.</p>	4, 5	May 1984
6	<p>Implementation of Policy Change.</p> <p>Develop and introduce changes in early retirement arrangements resulting from Activity 5 above.</p>	4, 5, 6	Spring 1985
7	<p>Provide the secretariat for 12 main EOMs and a Conference; and 3 EOMs (Small Departments) and a Conference.</p>	3, 5	Continuing
8	<p>Staff support to the Head of the PM Group on co-ordinating, reviewing and reporting work on the Personnel Work Action Programme.</p>	5	Continuing

CIVIL SERVICE COLLEGE

Number of posts at 1.4.84: 204

Total 1984-85 Cost: £6,866,000

Activity Number	Activity	MPO Objective	Timescale
1	<p>Basic Work Programme</p> <p>Run the planned programme of approximately 4,685 course days, 74,800 student days and earn £5,059,000.</p> <p>a. Directorate of Systems Training: 2,000 course days, 30,000 student days and earn £1,676,000.</p> <p>b. Directorate of Economics and Financial Management: 610 course days, 11,600 student days and earn £781,000.</p> <p>c. Directorate of Management Studies: 750 course days, 13,500 student days and earn £1,102,000.</p> <p>d. Directorate of Statistics and Operational Research: 435 course days, 6,500 student days and earn £515,000.</p> <p>e. Directorate of Policy and Administration Studies: 890 course days, 13,200 student days and earn £985,000.</p>	3	March 1985
2	<p>Undertake related research, advisory and consultancy work, including teaching help to departments.</p>	3	March 1985

Civil Service College Cont'd

Activity Number	Activity	MPO Objective	Timescale
	Review Activities		
3	Carry out research in support of the efficiency strategy and ensure that College courses promote the lessons of that strategy.	2, 3	Continuing
4	Complete the review of general developmental courses, taking note where developmental training at the College and in departments fits into the career development of middle managers; adjust College training accordingly.	1, 3, 5	August 1984
5	Clarify the role, aims and future strategy of the Public Administration sub-directorate, taking account of changing demand for training and current central policies for the improvement of Civil Service management.	3	July 1984
6	Ensure College activities continue to support FMI.	2	March 1985
7	Review training needs of generalists in economics and accountancy in conjunction with Treasury.	3	September 1984
8	Develop courses directed towards professional audit and accountancy qualifications.	3	September 1984
9	Ensure College activities continue to support the Personnel Work Review.	3, 4	March 1985

Civil Service College Cont'd

Activity Number	Activity	MPO Objective	Timescale
10	Review and improve College arrangements for the validation and evaluation of courses.	3	September 1984
11	Assess the training needs of new members of College teaching staff in order to make the most efficient use of their knowledge and experience.	3	September 1984
12	Undertake market research of training needs of the Science and P & T Groups in statistical and related topics (when current similar work on administration groups is finished).	3	March 1985
13	Undertake research into numerical analysis required by managers following the introduction of the FMI and use the findings to develop job relevant training courses.	2, 3	March 1985
14	Review, in consultation with the CSO and government departments, the role of the College in training in statistical computing.	3	December 1984
15	Review and develop further education/training for senior officers in information technology.	3	Continuing
16	Develop further training in telecommunications in support of the recommendations of the report on "Strategic Study of Government Administrative Telecommunications".	3	September 1984
17	Review and develop training in micro-computers.	3	July 1984

Activity Number	Activity	MPO Objective	Timescale
18	Review and adjust systems training in the light of privacy legislation.	3	September 1984
19	Improve refectory facilities in the London Centre.	3	March 1985
20	Review the information needs of management and teaching staff of the College and consider implications for the computer-based management information and accounting system and the communication of information within the College.	3	December 1984
21	Ensure that the contracted-out arrangements for hotel and catering facilities at Sunningdale are introduced satisfactorily and with due regard to comparable services at institutions which compete with the College.	3	Continuing
22	Review the College's annual planning cycle, in particular the awkwardness of having to work in both academic and financial years, and consider what changes are desirable.	3	September 1984
23	Consider whether the system of repayment by departments for immediately job-relevant courses introduced in April 1983 should be extended to some or all developmental courses and make arrangements accordingly.	3	March 1985
24	Ensure that College courses available to high-fliers at Principal and equivalent, Assistant Secretary, and Under Secretary levels support the current MPO initiatives designed to improve the career development and professionalism of such staff including the course for newly appointed Under Secretaries.	3	Continuing

Training Division Cont'd

Activity Number	Activity	MPO Objective	Timescale
2	<p>Financial Management Training</p> <p>Provide guidance and assistance to departments on identifying and meeting training needs; co-ordinate, monitor and review progress in departments on FMI training.</p> <p>Where necessary, develop training material centrally, including</p> <p>a. completion and issue of self-instructional package on "Government Accounting": begin review and up-date; and</p> <p>b. preparation of a video to promote understanding of the general principles of the FMI.</p>	2	<p>Continuing. Progress report by July 1984</p> <p>Issue package by July 1984</p> <p>July 1984</p>
3	<p>Personnel Management Action Programme (PMAP)</p> <p>a. Provide guidance and assistance to departments on identifying and meeting training needs; undertake other training related work arising from the PMAP. Co-ordinate, monitor and review progress in departments.</p> <p>b. Consider "Qualifications" Report, leading to decisions and first stages of implementstion.</p>	3, 5	<p>Timetable as in PMAP</p> <p>Decisions by late Spring 1984. Implementation continuing</p>
4	<p>Training Reviews</p> <p>Promote and co-ordinate a programme of departmental training reviews:</p>	1	Continuing

Training Division Cont'd

Activity Number	Activity	MPO Objective	Timescale
	<p>a. make up to 6 new starts in 1984-85 (some involving use of training consultants);</p> <p>b. follow-up reviews after report stage;</p> <p>c. produce with Management and Efficiency Division 2 Management Guidelines from review experience; and</p> <p>d. audit Guidelines by joint Training Division and Management and Efficiency teams.</p>		<p>Deadlines for individual reports</p> <p>Guidelines to Departments by July 1984</p> <p>Progress Report on audit by March 1985</p>
5	<p>Training Costs and Statistics</p> <p>Collect, collate, present and examine Civil Service training costs and statistics for 1983-84. Promulgate revised key ratios and performance indicators for use with departments.</p>	3	October 1984
6	<p>Office and Information Technology</p> <p>Help departments to deal with training needs arising from the increasing use of new technology. In particular, help departmental training organisations to contribute to improved general awareness; to managing innovation and change in this area; and to making effective use of operating equipment and systems.</p>	3	Continuing

Training Division Cont'd

Activity Number	Activity	MPO Objective	Timescale
7	<p>In particular:</p> <ul style="list-style-type: none"> a. mount an Information Technology development project on the training implications of new technology. Aim to provide practical guidelines; and b. run 2 workshops for Trainers <p>Training Technology and Methods (Includes computer based training, distance and open learning)</p> <p>Investigate and evaluate developments; advise departments and encourage them to participate in experiments and trials and to make use of developments likely to be of value.</p> <p>In particular:</p> <ul style="list-style-type: none"> a. mount training development project using Open Learning and Computer Based Training Methods; b. upgrade Educational Technology Exhibition; and c. run 2 workshops for trainers on Computer Based Training Methods. 	3	<p>January 1985</p> <p>Summer 1984 and Spring 1985</p> <p>Continuing</p> <p>Start by Autumn 1984</p> <p>By September 1984</p> <p>Spring 1984 and early 1985</p>

Training Division Cont'd

Activity Number	Activity	MPO Objective	Timescale
8	<p>Training of Trainers</p> <p>Liaise with MSC, College (TRG), departments and outside organisations to enable further steps to be taken to improve the effectiveness of trainers (including management trainers). In particular run 3 trainers workshops.</p>	3	Continuing
9	<p>Validation and Evaluation of Training</p> <p>Work with departments (through the Working Group on the Evaluation of Training) and consultants to develop and use better methods of validation and evaluation; handover training programme for staff engaged on this work to CS College (TRG).</p>	3	College to take over training programme by September 1984
10	<p>Developmental and Management Training</p> <p>Maintain contacts on current thinking and development in management training and management development; facilitate the introduction in selected departments of approaches and techniques likely to bring substantial benefit (eg coaching skills for line managers); disseminate the knowledge and experience gained across departments, eg by workshops.</p>	3	Run 5 workshops by end March 1985
11	<p>Equal Opportunities</p> <p>Ensure that training makes an appropriate contribution to the implementation of the Government's policies on equal opportunities; encourage departments to develop and implement more effective race relations training. In particular, run a seminar and 2 workshops.</p>	3	Continuing By end December 1984

Training Division Cont'd

Activity Number	Activity	MPO Objective	Timescale
12	<p>Further Education (FE)</p> <p>a. Provide advice to departments; advise and assist Regional Co-ordinators for FE; conduct FE training seminars; provide Chairmanship and Secretaryship of CSCFE.</p> <p>b. Establish a Working Party of Departmental Training Officers to report on the provision for Adult Further Education.</p>	3	Continuing Report by March 1985
13	<p>Youth Training Scheme (YTS)</p> <p>Monitor and review effectiveness of YTS arrangements in the Civil Service; assist departments, where necessary; and give advice on application of the national framework agreement.</p>	3	Continuing. Review to be completed by December 1984
14	<p>Training Framework for Young Civil Servants</p> <p>Determine how Civil Service training and education can more effectively equip young staff for specific jobs and working life in line with objectives 1 and 2 of the New Training Initiative.</p>	3	January 1985

CIVIL SERVICE COMMISSION

Number of posts at 1.4.84: 262

Total 1984-85 Cost: £8,114,000

Activity Number	Activity	MPO Objective	Timescale
Secretariat Branches 1 and 2			
1	Co-ordinate planning, estimating, monitoring and costing activities on behalf of the Civil Service Commission.	7	As required during period
2	Complete initial review of all Civil Service Commission's major forms and initiate and undertake assessment of procedures studies.	1, 7	March 1985
3	Participate in reviews including: a. age limits; b. probation and trial service; c. support services for administrative work and scrutiny of the Civil Service Commission; and d. preparatory work for reviews of EO recruitment and departmental recruitment during 1985.	3 5 1, 3 3, 5	Continuing Summer 1984 Action plan on support services report to Minister by end April 1984. Scrutiny report expected May 1984 Continuing
4	Deal with sex and race discrimination and medical appeals, including Industrial Tribunal cases; and contribute to policy in these fields.		Continuing

Activity Number	Activity	MPO Objective	Timescale
5	Consider the application of the Job Release Scheme to the Civil Service and the recruitment aspects of the Job Splitting Scheme and the Youth Training Scheme.	3	Continuing
6	Undertake other recruitment policy and co-ordination work, including use of the Commissioners' discretionary powers; guidance on departmental recruitment; Annual Report; Commission response to PQs, Ministers' cases, etc.	2	Continuing. Annual Report by end April 1984
7	Undertake selection boarding (with a target of 30 boarding days), staff management and representation (eg Careers Advisory Boards, overseas visitors).	3	Continuing
	Branch 3		
8	Prepare advertising material (normally within 24 hours) in support of the four recruitment divisions; monitor costs; and prepare quarterly/monthly statements of out-turn and commitments.	3	Continuing
9	Revise and up-date recruitment publicity material on annual/3-year cycle; sponsor production and procurement of audio/visual material.	3	Continuing
10	Control and process candidate data for Appointments in Administration, Executive Officer and Science Division recruitment competitions.	3	Continuing
11	Replace Remote Job Entry terminal and data preparation equipment and assist with introduction of micro-processors in Science & Technology Divisions.	3	By end March 1985

Civil Service Commission Cont'd

Activity Number	Activity	MPO Objective	Timescale
12	Deal with enquiries from potential candidates and despatch competition papers within one working day. Administration Group Division Branch A	3	Continuing
1	Recruitment: Appointments in Administration (1984 and 1985 competitions) Estimate: Vacancies 130 (in each competition) Candidates to QT 5000 Upper limit: Vacancies 200 (in each competition) Candidates to QT 6000 Lower limit: Vacancies 50 (in each competition) Candidates to QT 2500	3	Continuing
2	Recruitment: HM Inspector of Taxes continuous competition (1984 and 1985 competitions) Estimate: Vacancies 110 (in each competition) Applications 6000 Upper limit: Vacancies 150 (in each competition) Applications 6500 Lower limit: Vacancies 50 (in each competition) Applications 3000	3	Continuing

Civil Service Commission Cont'd

Activity Number	Activity	MPO Objective	Timescale
Branch B			
7	<p>Recruitment: Executive Officer main scheme, Executive Officer school leavers' scheme, DE Management Trainee Scheme, Diplomatic Service Grade 9 Scheme.</p> <p>Estimate: vacancies 2,850 candidates 42,000</p> <p>Upper limit: vacancies 3,600 candidates 47,000</p> <p>Lower limit: vacancies 2,000 candidates 35,000</p>	3	Continuing
8	<p>Participate in 7 selection seminars training a total of some 126 board members including departmental representatives. Participate in EO selection boards as required. Monitor up to 30 EO selection boards.</p>	3	Continuing
9	<p>Miscellaneous, including resource management and organisation of chairmen's conference.</p>		Continuing
Branch C			
10	<p>Review and revise as necessary departmental recruitment policy.</p>	3	Continuing
11	<p>Monitor:</p> <p>a. departmental recruitment monitoring arrangements;</p>	3	Continuing

Civil Service Commission Cont'd

Activity Number	Activity	MPO Objective	Timescale
12	b. HM Inspectors of Taxes continuous competition preliminary interview boards; and c. EO and equivalent boards. Provide advice to departments on the acceptability of educational qualifications for recruitment to the clerical grades and the Secretarial Category.	3	Continuing
Branch D			
13	Maintain liaison with Careers Services of universities, polytechnics, colleges of higher education and schools and with HM Forces resettlement services.	3	Continuing
14	Arrange accommodation, invigilation, supply and marking of question papers for tests and examinations throughout the UK. Provide receptionist for interviews outside London and Basingstoke.	3	Continuing
	a. For Branch A: Estimated 6,000 candidates to be invited to A-in-A tests in 43 towns.		Peaks October 1984 to February 1985
	b. For Branch B: Estimated 53,300 candidates to be invited to EO tests in 41 towns. Estimated 450 candidates to be invited to ADP tests in 12 towns. Estimated 5,300 candidates to be invited to interview in 10 towns.		Continuing

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Civil Service Commission Cont'd

Activity Number	Activity	MPO Objective	Timescale
	c. On repayment: Estimated 2,200 candidates to be invited to EO tests for FCO, Isle of Man, Northern Ireland Civil Service, etc.		2 schemes in November 1984, one scheme in Spring 1985
15	Arrange invigilation, supply and marking of ADP test papers for non-recruitment purposes:		
	a. In-Service staff: Estimated 2,500 staff (including 100 non-exchequer body staff); and	3	Continuing
	b. HM Forces personnel: Estimated 1,200 staff.		
16	Supply and exercise control over clerical test papers requested by government departments: Estimated 500 requests p.a.	3	Continuing
	General Competitions Division		
1	Recruitment: planning, organising and conducting competitions other than those that are the responsibility of the Administration Group, Science and Technology Divisions eg Accountants, Assistant Prison Governors, Diplomatic Service Grade 10, Economists, Factory Inspectors, Information Officers, Lawyers, Lecturers, Librarians, Linguists, Museum Category, Planning Inspectors, Research Officers and Statisticians. [Continued overleaf].	3	Continuing

Activity Number	Activity	MPO Objective	Timescale
	1984-85		
	Estimate: competitions 210 vacancies 1,000 applications 25,000		
	Upper limit: competitions 230 vacancies 1,100 applications 27,000		
	Lower limit: competitions 190 vacancies 900 applications 23,000		
2	Undertake selection boarding, including monitoring (30 days).	3	Continuing
3	Deal with recruitment policy issues, including input into Management Committees and improvement to selection procedures.	3, 4	Continuing
4	Arrange language allowance examinations for about 1,500 candidates in about 36 languages.	3	Continuing
	Development and testing of new syllabuses and examining methods (following a House of Commons Foreign Affairs Committee report on the need for improved language skills in the Diplomatic Service).		

Activity Number	Activity	MPO Objective	Timescale
Science Division			
1	Recruitment: Planning, organising and conducting competitions for Scientists, Doctors, Agriculturalists, Veterinary Officers, Patent Officers etc.	3	Continuing
	Estimate: competitions 240 vacancies 880 applications 19,500		
	Upper limit: competitions 250 vacancies 1,000 applications 20,000		
	Lower limit: competitions 220 vacancies 750 applications 17,000		
2	Undertake selection boarding (60 days) and select, train and monitor board chairmen (2 training courses).	3	Continuing
3	Deal with recruitment policy issues, including input into Science Management Committee and improvement to selection procedures.	3, 4	Continuing
4	Maintain liaison with universities and polytechnics (visit 75 institutions, hold one Conference).	3	Continuing
5	Miscellaneous tasks including the introduction of a micro-computer, planning, financial estimates and costings; statistics; forms review.	7	Continuing

Activity Number	Activity	MPO Objective	Timescale																								
1	Technology Division	3	Continuing																								
	Recruitment: planning, organising and conducting competitions for Professional and Technology disciplines, Architects, Engineers, Pharmacists etc.																										
	<table border="0"> <tr> <td>Estimate:</td> <td>competitions</td> <td>160</td> </tr> <tr> <td></td> <td>vacancies</td> <td>850</td> </tr> <tr> <td></td> <td>applications</td> <td>14,000</td> </tr> <tr> <td>Upper limit:</td> <td>competitions</td> <td>190</td> </tr> <tr> <td></td> <td>vacancies</td> <td>950</td> </tr> <tr> <td></td> <td>applications</td> <td>16,000</td> </tr> <tr> <td>Lower limit:</td> <td>competitions</td> <td>150</td> </tr> <tr> <td></td> <td>vacancies</td> <td>750</td> </tr> <tr> <td></td> <td>applications</td> <td>13,000</td> </tr> </table>			Estimate:	competitions	160		vacancies	850		applications	14,000	Upper limit:	competitions	190		vacancies	950		applications	16,000	Lower limit:	competitions	150		vacancies	750
Estimate:	competitions	160																									
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2	Undertake selection boarding, including monitoring (approximately 765 days boarding at 4½:1 ratio; also 12 days monitoring).	3	Continuing																								
3	Deal with recruitment policy issues, including preparation of papers for PTMC WPST and follow-up of recommendations; age limits; equal opportunities; structure and pay of the P&T Group and associated classes; improvement and validation of selection procedures; remedial action for recruitment of shortage grades. (Includes preparing 3 papers for PTMC, setting up some elements of an extended selection procedure for RCNC recruitment and initiating a follow-up and validation exercise for graduate trainee recruits to MOD).	3, 4	Continuing																								

Civil Service Commission Cont'd

Activity Number	Activity	MPO Objective	Timescale
4	Select board chairmen and run 2 training courses each for 9 chairmen and 3 departmental members and of 3 days' duration.	3	Continuing
5	Maintain liaison with Universities and Polytechnics, including visiting approximately 55 Universities and Polytechnics during Autumn 1984 to give careers talks to students.	3	Continuing
6	Liaise with professional institutions etc on assessment of professional and technical qualifications. (Complete recognition of ISVA. Initiate scrutiny of IAAS).	3	Continuing
7	Provide guidance on departmental recruitment, including issuing revision of the Establishment Officers' Guide.	3, 4, 6	Continuing
8	Miscellaneous tasks including planning; financial estimates and costings; statistics; forms reviews.	3, 7	Continuing
Civil Service Selection Board (CSSB)			
1	Conduct extended selection procedures and undertake associated work (including staff management, assessor training and implementation of Atkinson Report) for Appointments-in-Administration (400 candidates in 1984 competition, 470 candidates in 1985 competition with "back to back" boarding), HEODs (60 candidates) and Principals (200 candidates).	3	April-June 1984 and January-March 1985

Activity Number	Activity	MPO Objective	Timescale
2	Conduct extended selection procedures and undertake associated work (including staff management, assessor training and implementation of Adams Report) for Inspector of Taxes competition (450 candidates).	3	April 1984- March 1985
3	Conduct extended selection procedures (including staff management and assessor training) for specialist competitions (90 candidates for Economist, 110 for Statistician and 70 for Planning Inspector).	3	September 1984 and February-March 1985
4	Conduct extended selection procedures for other competitions (65 candidates).	3	April 1984- March 1985
Recruitment Research Unit/Test Construction Unit			
1	Undertake various research and development projects already commissioned, as follows.		
	a. EO Selection Project (RR8): follow-up study to examine accuracy of selection decisions.	3	Continuing
	b. CSSB General Information Test (RR9): monitor effectiveness of new test.	3	Continuing
	c. A in A/EO Qualifying Tests (RR10): examine feasibility of statistical linkage between the two.	3	March 1985
	d. Shortlisting (RR11): monitor effectiveness of new sifting procedure for ITCC and pursue development of improved sifting procedures in other areas.	3	Continuing

Civil Service Commission Cont'd

Activity Number	Activity	MPO Objective	Timescale
	e. Assessment of potential (RR12a): research into and develop improved selection methods, including management potential (implementation of Atkinson and Adams Reports).	3	Continuing
	f. Extended selection for RCNC (RR12b): finalise plans for new procedures (closely related to RR12a).	3	February 1985 (with some continuing monitoring)
	g. A in A Qualifying Test and CSSB Tests (RR14): continue long-term development of more effective tests, and monitor current procedure (implementation of Atkinson Report, related to Adams Report).	3	Continuing
	h. Science and Technology Recruitment Study (RR15): examine accuracy of selection decisions.	3	April 1985
2	Maintain a general programme of Test Construction and development.	3	Continuing
3	Provide ad hoc support to recruitment divisions including training of interviewers, monitoring etc.	3	Continuing
4	Act as a CSSB Assessor.	3	Continuing
5	Follow-up studies of AT and Inspector of Taxes recruitment to examine the effectiveness of recent selection decisions (related to the implementation of Atkinson and Adams reports).	3	Continuing
6	Numeracy: reactivate study of administrative numeracy.	3	Continuing

Activity Number	Activity	MPO Objective	Timescale
Equal Opportunities Branch			
1	Race Relations.		
	Deal with policy issues; follow-up the review of policies and procedures; provide guidance to departments; undertake ethnic monitoring following an ethnic count in the North West Economic Planning Region and the County of Avon in autumn 1983 (scale as yet uncertain).	4	Continuing
2	Sex discrimination.		
	Deal with policy issues; oversee the follow-up to the Programme of Action on Equal Opportunities for Women in the Civil Service.	4	Continuing
3	Employment of Disabled People.		
	Deal with policy issues; liaise with Departmental Disabled Persons Officers; prepare annual publication of 'Independent'.	4	Continuing

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OPEN STRUCTURE COURSE

Number of posts at 1.4.84: 5

Total 1984-85 Cost: £389,000

Activity Number	Activity	MPO Objective	Timescale
1	Plan and introduce a series of new training courses for staff entering the Open Structure (ie at Under Secretary level and above).	3	January 1985
2	Run the first course.	3	January - March 1985

SECURITY DIVISION

Number of posts at 1.4.84: 11

Total 1984-85 Cost: £237,000

Activity Number	Activity	MPO Objective	Timescale
1	Formulate and monitor Civil Service personnel and physical security policy and advise the Head of the Home Civil Service.		Continuing
2	Provide advice to the Head of the Home Civil Service and to departments on business appointments; review the rules governing business appointments.	4	Continuing
3	Provide secretariat support to the Security Commission.		Continuing
4	Ensure that the Civil Service is in a position to respond to civil emergencies; co-ordinate the Civil Service aspects of contingency plans.		Continuing
5	Co-ordinate staffing arrangements for the Civil Service in war.		Continuing

ESTABLISHMENT OFFICER'S GROUP (SUPPORT SERVICES TO MPO)

Number of posts at 1.4.84: 302½

Total 1984-85 Cost: £5,662,000

Activity Number	Activity	MPO Objective	Timescale
INFORMATION SERVICES DIVISION			
1	Provide advice to Ministers and officials on presentational aspects of MPO. Advise on the preparation and content of speeches.	1 - 7	Continuing
2	Act as the sole point of contact for newspapers and TV and radio companies to deal with enquiries on all aspects of policy and activity	1 - 7	Continuing
3	Feed information on news, comment and outside reaction to appropriate divisions and officials, largely by daily press summary, cuttings and press notices.	1 - 7	Continuing
4	Collect and edit material for staff journal press notices. Co-ordinate and exhort departments to promote the Civil Service image in the regional media.	1 - 7	Continuing
5	Make arrangements for foreign and undergraduate visitors to the Department; interview some of them personally.	1 - 7	Continuing

Establishment Officer's Group Cont'd

Activity Number	Activity	MPO Objective	Timescale
6	Evaluate the news and feature material possibilities of developing policies; advise on presentational aspects; write press notices and feature material; organise media and public relations exercises to promote and inform on policies.	1 - 7	Continuing
7	Offer advice with the aim of developing publicity strategies for policies of all component parts of the MPO.	1 - 7	Continuing
8	Implement the publicity strategies as agreed by applying budgets to the production of publicity material involving exhibitions, displays, publications, films, etc, and arranging press and Public Relations presentations.	1 - 7	Continuing
PERSONNEL SERVICES DIVISION			
1	<p>Secure the availability of staff to fill the approved number of posts by:</p> <p>a. recruiting (approximately 42 staff);</p> <p>b. trawling:</p> <p>Internal (approximately 18 trawls) Service-wide (approximately 20 trawls) = Approximately 1,250 applications;</p> <p>c. arranging promotions boards;</p>	7	<p>April 1984- March 1985</p> <p>April 1984- March 1985</p> <p>Continuing</p>

Establishment Officer's Group Cont'd

Activity Number	Activity	MPO Objective	Timescale
	<ul style="list-style-type: none"> d. chairing boards and participating as board members; and e. negotiating movement in/out under the Loan Exchange Scheme (including staff from HM Treasury, Basingstoke). 		<ul style="list-style-type: none"> Continuing Continuing
2	<p>Central career management of MPO staff.</p> <p>Grade management of staff (including ASRs, CDIs, postings, discipline etc). Principal level and above (approximately 163 staff); EO to SEO level (approximately 468 staff); below EO level (approximately 580 staff).</p>	7	Continuing
3	<p>Review and develop in consultation with senior management and the Trade Union Side, personnel management plans, policies and procedures.</p> <ul style="list-style-type: none"> a. Bring together the personnel management policies of the Cabinet Office and the MPO. b. Formulate and promulgate a new agreement on retirement. c. Interpret and apply policies. d. Develop equal opportunity policies. e. Implement the Personnel Management Action Programme. f. Respond to central MPO policy initiatives. g. Produce new Staff Handbook. 	7	<ul style="list-style-type: none"> Continuing December 1984 December 1984 Continuing Continuing Various Continuing October 1984

Establishment Officer's Group Cont'd

Activity Number	Activity	MPO Objective	Timescale
4	Provide administration and support to 1-3 above. a. Administer the arrival and departure of staff. b. Control and process ASRs and JARS. c. Maintain career records. d. Process applications by staff for OGD trawls. e. Provide Secretaries to the Departmental Whitley Council, General Purposes Committee, etc.	7	Continuing
5	Welfare. a. Provide welfare services to all staff. b. Run pre-retirement courses.	7	Continuing
6	Training. a. Mount 63 courses representing 182.5 training days and 1,781 student days. b. Arrange attendance at internal, external and College courses. c. Arrange day release/adult further education. d. Develop and mount new courses in response to MPO central initiatives.	7	Continuing
		2, 5, 7	

Establishment Officer's Group Cont'd

Activity Number	Activity	MPO Objective	Timescale
	<ul style="list-style-type: none"> e. Research and analyse training needs. f. Consider opportunities for computer-aided learning. g. Review and revise existing course programme. h. Complete statistical and costing analyses. 		
	FINANCE DIVISION		
	Branch 1		
1	Estimates.	7	September 1984 - March 1985
	<ul style="list-style-type: none"> a. Prepare and submit to HM Treasury: <ul style="list-style-type: none"> 1. the financial estimates; and 2. the results of the departmental running costs exercise. 		
2	Appropriation Accounts.	7	Continuing
	<ul style="list-style-type: none"> a. Maintain vote accounting records throughout the year. b. Prepare and submit the Appropriation Account to the National Audit Office (and HM Treasury). 		April - August 1984

Establishment Officer's Group Cont'd

Activity Number	Activity	MPO Objective	Timescale
3	<p>PES.</p> <p>a. Prepare PES submission after consultation with divisions and submit it to HM Treasury.</p> <p>b. Maintain a record of PES balances making adjustments as necessary.</p> <p>c. Complete other PES and FIS returns.</p>	7	<p>February - September 1984</p> <p>Continuing</p> <p>Continuing</p>
4	<p>a. Maintain the management accounting system, including entering up-to-date budget information.</p> <p>b. Monitor expenditure throughout the year, producing and circulating reports of expenditure by Cost Centre.</p>	7	Continuing
5	<p>Review level of economic charges and complete the annual review of fees and charges for submission to HM Treasury.</p> <p>a. Produce Memorandum Trading Accounts for the Civil Service Commission, Civil Service College, the Medical Advisory Service, and Typewriter Training Centre.</p> <p>b. Agree and determine fees and changes for following financial year.</p>	7	<p>September 1984</p> <p>September-March 1984</p>
6	<p>Arrange overseas travel including flight and hotel bookings, obtain foreign currency, passports and visas as necessary.</p>	7	Continuing

Establishment Officer's Group Cont'd

Activity Number	Activity	MPO Objective	Timescale
7	Undertake cashier duties, including local payments of advances, and banking.	7	Continuing
8	Issue invoices for the Civil Service Commission and maintain a record of all recoveries, including necessary follow-up action.	7	Continuing
Branch 2			
9	Undertake cashier duties, including local payments and banking.	7	Continuing
10	Pay travel and subsistence claims from staff (about 3,000 claims) and candidates (about 15,000 claims).	7	Continuing
11	Pay 4,600 occasional examiners' fees, 16,000 doctors' fees, 500 occasional assistant fees, 6,000 provisional supervisors' fees, 1,800 lecturers' fees and 900 miscellaneous fees.	7	Continuing
12	Pay about 5,000 miscellaneous bills.	7	Continuing
13	Participate in the Forms Review.	7	Continuing
14	Manage 9 sub-accounts.	7	Continuing
15	Calculate and pay removal and excess rent allowance payments to the 80 entitled officers.	7	Continuing

Activity Number	Activity	MPO Objective	Timescale
Finance Division (Management Planning and Information Unit)			
16	Implement a new management accounting system for the MPO covering activity planning, resource allocation, and cost and performance monitoring.	7	March 1985 (work to be undertaken in stages during 1984-85; cf Annex E to the MPO's Response to the FMI)
17	Assist top management in monitoring progress on MPO's work during 1984-85.	7	Continuing
18	Assist MPO's Central Management Library with the operation of its MAGIC system, a management information system that monitors and controls the costs of Library and Publications Services.	7	Continuing
OFFICE SERVICES, ORGANISATION, LIBRARY AND INFORMATION TECHNOLOGY DIVISION			
Office Services			
1	Maintain necessary common service facilities for:	7	Continuing
	a. accommodation services;		
	b. postroom operations/van services;		
	c. reception/cashier/travel;		
	d. stationery, office equipment and committee section;		
	e. reprographic services;		

Establishment Officer's Group Cont'd

Activity Number	Activity	MPO Objective	Timescale
	<ul style="list-style-type: none"> f. office keeping; g. portering services; h. messenger services; i. cleaning and doorkeeping; j. security and emergency organisation; k. typing and secretarial services; l. registry services for the Civil Service Commission; and m. Typewriter Training Centre (training and testing the staff of Cabinet Office, OAL and MPO and other departments). 		
2	Re-locate MPO staff currently in Standard House so as to return that building to PSA.	7	August 1984
3	Re-locate MPO staff currently in Loddon House with the rest of MPO's Basingstoke staff in Alencon Link.	7	August 1984
4	Prepare financial estimates and exercise budgetary control (including PRS and FMI).	7	Continuing
	Organisation Branch		
5	Complete the review of all MPO's forms.	7	October 1984
6	Maintain a permanent design and control system for new and reprinted forms.	7	Continuing

Establishment Officer's Group Cont'd

Activity Number	Activity	MPO Objective	Timescale
7	Undertake O&M reviews as commissioned or following staff inspection recommendations; assist with implementation.	7	Continuing
8	Undertake full and ad hoc staff inspections.	7	Continuing
9	Deal with complementing issues, including grading questions, manpower estimates, PESC and other forecasts; implement staff inspection recommendations; monitor staff in post.	7	Continuing
10	Maintain effective registry systems; train staff and audit procedures, as necessary.	7	Continuing
11	Review files and papers, maintain archives in good order; supply files and papers on demand; dispose of files as directed.	7	Continuing
Library Branch			
12	<p>Provide reader services.</p> <p>a. Answer written and oral enquiries from MPO, other government departments and the general public on MPO business (approximately 300 per week).</p> <p>b. Carry out literature searches, manual and on-line (approximately 15 per week); produce bibliographies; and select books and journals for Central Management Library stock.</p>	1 - 7	Continuing
13	<p>Administer the Central Management Library.</p> <p>a. Order and distribute periodicals and monographs.</p> <p>b. Maintain and develop LIDAS, the on-line serials control system (1080 titles on-line).</p>	7	Continuing

Establishment Officer's Group Cont'd

Activity Number	Activity	MPO Objective	Timescale
	<p>c. Maintain and develop MAGIC, the management accounting system under FMI to control expenditure on library and publication services.</p> <p>d. Arrange ad hoc distribution and bulk storage of MPO publications.</p>		
14	<p>Provide bibliographic services.</p> <p>a. Catalogue and classify new publications (24 per week); produce library accessions list; compile annual catalogue of MPO/CSO publications.</p> <p>b. Update the index to locations of material in the Central Management Library.</p> <p>c. Complete LIDAS review, write manual.</p>	1 - 7	<p>Continuing</p> <p>June 1984</p> <p>July 1984</p>
15	<p>Arrange professional career development and on-the-job training; arrange computer training.</p>	1 - 7	Continuing
16	<p>Consider the means of co-ordinating the library services provided to the central departments: MPO, Treasury, Cabinet Office and OAL.</p>	3	March 1985
17	<p>Conduct an investigation into on-line book processing systems.</p>	3, 7	March 1985
18	<p>Produce publications, including command papers, reports, advisory booklets, manuals. Tasks include guidance to divisions on the most effective means of dissemination, production control, arrangements for distribution, financial control. (Anticipated load: 70 items).</p>	2 - 7	Continuing

Establishment Officer's Group Cont'd

Activity Number	Activity	MPO Objective	Timescale
19	Edit and undertake production control of the Civil Service Yearbook.	3	January 1985
Information Technology Branch			
20	Make recommendations concerning the development of an Information Technology (IT) strategy; thereafter review that strategy on a regular basis in order to take account of any changes in technology or the departmental environment.	7	May 1984; and continuing
21	Assess and collate information concerning user requirements, security, technology standards and costs in order to produce a Development Plan for the application of the IT Strategy.	7	July 1984
22	Act as a focal point for IT and office machinery matters and give advice to users concerning the planning, procurement, development and running of IT and office machinery applications. In so doing, encourage the provision of such applications, where appropriate, within the framework of the IT strategy.	7	Continuing
23	Promote the understanding and introduction of IT by whatever means are appropriate.	7	Continuing
INTERNAL AUDIT			
1	Assess the audit need throughout MPO. Identify all functions, activities and systems to be audited.	7	September 1984

74

Establishment Officer's Group Cont'd

Activity Number	Activity	MPO Objective	Timescale
2	Decide on the length of the audit cycle and the priorities and frequencies within it. Assess the resources required. Prepare the audit programme. Agree with the Principal Establishment and Finance Officer the resource requirement and recruitment action.	7	By end October 1984
3	Commence audit examinations in accordance with the plan.	7	1 November 1984 and continuing

(1)
PRIME MINISTER

DIRECT ENTRY PRINCIPAL COMPETITION

Attached is a minute from Lord Gowrie reporting on last year's Direct Entry Principal Competition, and seeking your approval for another "new look" Competition this year.

As a Principal myself, I should declare an interest (though rather an indirect one).

Last year's Direct Entry Competition was very disappointing. There were 1000 applicants, but only 15 of the 36 vacancies were filled. This degree of mismatch between the standards set and the qualities of applicants is worrying. The MPO attribute it to the rather narrow job specification included in the advertisement. (It was narrow at your request, in order to minimise the impact on existing staff). But it is doubtful whether this can be the full explanation. The mismatch occurred also in the AT competition for fast stream graduates: there were 3000 applicants last year, and only 45 appointments were made.

The cost of the Direct Entry Principal Competition is estimated in the official note with Lord Gowrie's minute at £42,000. This is an extraordinarily low figure given the number of applications, and the number (189) who went on to extended interviews at the Civil Service Selection Board. The explanation appears to be that overheads have been excluded from the costing.

For the current year, Lord Gowrie is looking to fill 35 to 40 vacancies by direct entry. The new feature of his proposal is that the competition will also be open to internal candidates of any grade. But it would be surprising if this innovation turned out to be more than cosmetic: the 1983 Competition was open to those in the

/grades

grades immediately below Principal, and not a single Civil Service applicant was successful. Similarly, 126 internal candidates applied for the AT Competition, and only two were appointed. How much hope can there be that more junior staff will do any better?

Lord Gowrie's minute does not say much about the numerical justification for the Competition, relying on the statement that "a number of Departments report a shortfall". It would be interesting to know whether this shortfall is balanced to some extent by surpluses elsewhere of staff who cannot be moved - or, for example, by a supply of women Principals whom some Departments are reluctant to employ part-time.

Nor does the minute comment on the effect of Direct Entry recruitment on the promotion prospects of existing staff, either at or below Principal level. You were concerned about this last year. ✓

Agree to ask Lord Gowrie for a further note:

- (i) setting out the numerical case for the proposed Competition; ✓
- (ii) giving the cost per appointment of last year's Competition, if a full allocation of overheads if made; ✓
- (iii) commenting on and quantifying the likely effect on the promotion prospects of existing staff? ✓

DMB
15 June 1984

*Yes - Hartley on
mt*



FILE

RJ

Fed 3030

10 DOWNING STREET

18 June, 1984

From the Private Secretary

Dear Mary,

DIRECT ENTRY PRINCIPAL COMPETITION 1983

The Prime Minister saw over the weekend Lord Gowrie's minute of 11 June, in which he reported on the 1983 Direct Entry Principal Competition, and proposed a further Open Principal Competition for 1984.

Before reaching a decision on the proposal put to her, the Prime Minister would be grateful if the numerical case could be more fully set out. It would be helpful if you could accordingly arrange for a note to be prepared setting out the forecast supply and demand for principals in 1984 and subsequent years, in aggregate and by individual departments. The note should bring out the extent to which shortfalls in some departments could be compensated for by surpluses elsewhere, or for example by more extensive part-time employment of married women principals with young children.

The Prime Minister would in addition be grateful for further information on two points:-

- (i) the total cost of the 1983 Direct Entry Principal Competition, on a fully allocated basis (i.e. taking into account a share of CSSB, Cabinet Office and other overheads).
- (ii) the predicted effect of the proposed 1984 competition on the promotion prospects of existing staff at and below principal level.

I am sending a copy of this letter to Richard Hatfield (Cabinet Office).

Yours ever,

David

(David Barclay)

Mrs. Mary Brown
Lord Gowrie's Office

u 10



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

From the Minister

The Rt Hon Peter Rees QC MP
Chief Secretary to the Treasury
Parliament Street
London SW1 3AG

14 June 1984

nbpm
DMS
14/6

FINANCIAL MANAGEMENT IN GOVERNMENT DEPARTMENTS

I am content with the draft White Paper and pleased to see that it does not commit Departments as to the amount of detail which will eventually be published about the results of their management reviews. Rigorous internal examination of objectives and performance will not be facilitated if it has to be exposed to the different pressure groups with which we all have to contend.

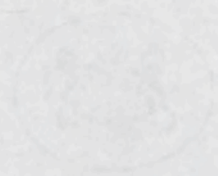
attached

A copy of this letter goes to the Prime Minister and other colleagues, to Sir Robert Armstrong and to Sir Robin Ibbs.

MICHAEL JOPLING

14 JUN 1984

CIVIL SERVICE C-T



Faint, illegible text, likely bleed-through from the reverse side of the page.

Wife PR



10 DOWNING STREET

From the Private Secretary

13 June 1984

Financial Management in Government Departments

The Prime Minister has considered the Chief Secretary's minute of 7 June about the financial management initiative.

Subject to the views of colleagues, the Prime Minister is prepared to agree that the draft White Paper should be published in July in accordance with the Government's commitment. She hopes however that it will be possible even at this late stage to include in the published text some more concrete examples of improvements in essential public services, or of cost savings, which have stemmed from improved management systems.

More generally, the Prime Minister has some misgivings about the course which the Government's management initiative appears to be taking. She has noted, for example, that the costs associated with the initiative in 1983/1984 alone amount to £20m., and she wonders what the public has gained in return for this expenditure. The Prime Minister feels it is important to guard against the criticism that Departments may merely have mastered the jargon of management systems, without delivering the results. She hopes all these points will be borne in mind as the initiative develops.

I am sending copies of this letter to the Private Secretaries to all Ministers in charge of Departments and to Richard Hatfield (Cabinet Office) and Sir Robin Ibbs (Efficiency Unit).

David Barclay

John Gieve Esq
Chief Secretary's Office.

VC

Prime Minister (1)

(I agree this approach)

Agree a response on these lines?

CONFIDENTIAL

What have we gained for £20 million?

MR BARCLAY

DMS
12/6

12 June 1984

PROGRESS IN FINANCIAL MANAGEMENT IN GOVERNMENT DEPARTMENTS

The draft White Paper describes the management systems which Departments are adopting (Minis, ARM etc). Installing these systems and getting civil servants to think in managerial terms is uphill work. It is disappointing however, that the paper can say so little about the benefits which the public has received. £20 million are being spent on these systems. What are the savings? By how much have essential services been improved?

The cynical journalist (and which is not?) will probably comment that the report shows that Government Departments have mastered the jargon of management systems, in a way which is acceptable to their political masters, and are using it as a way of justifying what they want to do - regulating, helping, sponsoring, promoting. Paragraph 8 tells us that "Departments are getting useful results even from the first round of such systems". It cites examples such as:

- Plans for visual display terminals in Unemployment Benefit Service offices.
- The selection of areas for review in MoD.
- "A framework for decisions on resources" in DTI and Energy. The boosting of the staff for Energy Efficiency Office is claimed as a benefit of this system.

These are hardly achievements which mean anything to the public. Are we actually improving essential services? Or even the inessential ones? We learn, for example, that MAFF is "developing a top management system on a programme basis to provide a planning tool giving a clear, complete and consistent map of the Ministry's activities..." but we know that MAFF is unable to say what effect their capital grants have, in terms of promoting investment; whether the additional investment is of any economic value; how many jobs are preserved by less favoured area allowances?

What we would like to see emerging from this exercise is a simple score card which shows, for each Department, how much has been spent on management systems, and the size of the benefits achieved, in terms of costs savings, scrapping of inessential functions, improvements in essential services to the public. It is the only way in which departmental performances can be monitored. We should aim for a paper in 1985 which explains these changes to the public.

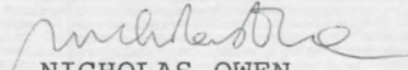
DATABASE

CONFIDENTIAL

I share these doubts about our management initiatives

Meanwhile the best we might hope to do with the present draft, which we are committed to publishing in July, is to strengthen the references to useful results at paragraph 8. We recommend that the Prime Minister replies along the lines that:

- 1) She is encouraged that the Government's concern for efficiency is being reflected in better management systems.
- 2) She had hoped that the paper could include some concrete examples of improvements in essential public services, or cost savings. The draft fails to draw a connection between the improved management systems and tangible benefits for the public. *This should be an essential feature of future policy.*


NICHOLAS OWEN



Prime Minister (1)

Content, subject to
colleagues, for this
review to proceed?

MINISTER OF STATE, PRIVY COUNCIL OFFICE

PRIME MINISTER

Yes no

DMB
4/7

MULTI-DEPARTMENT REVIEWS 1984/85

One strand of our efficiency programme for 1984/85 consists of multi-department reviews of subjects common to a number of departments. One such review, of the means of identifying and developing internal talent, is already under way. I now propose a second review of the management of civil accommodation.

Civil accommodation costs form by far the largest element after pay in departmental running expenses, yet they have often received far less attention than staff costs. The Property Repayment System, now operating and being progressively refined, should provide the basis for cost-conscious decisions about accommodation. But best use will be made of accommodation resources only if departments look at the arrangements by which they take decisions about the location and quality of accommodation. The PSA will be doing a great deal of work over the next couple of years on their own role in providing accommodation as the follow-up to your meeting on 29 March. I understand that Patrick Jenkin will be bringing forward a number of initiatives on this front very shortly. But I think there would also be value, as a complement to that work, in looking at the arrangements departments have for managing and budgeting for accommodation.

I therefore propose that there should be a review involving linked studies in six departments, co-ordinated by a small central team in Cabinet Office (MPO), including someone from the Property Services Agency. I hope to get the help of someone with appropriate expertise from outside government on a consultancy basis. The Treasury will also be brought in fully. The departmental examining officers would report to their own departmental Ministers and, with the help of the central team, I would report to you on the wider lessons to be drawn from the review. I suggest that the following departments should take part:

Department of Employment (including Manpower Services Commission)

Department of the Environment/Department of Transport
Inland Revenue

Customs and Excise

Department of Trade and Industry

Department of Energy

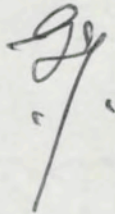
... A more detailed specification for the review is attached. The Ministry of Defence and Ministry of Agriculture, Fisheries and Food, both of which already have work planned in this area, would be associated with the review.

The review would commence in September, with departmental reports completed by the end of the year and my central report to you would be made at the end of February 1985. I propose the following terms of reference:

"To examine current provision of office and administrative accommodation and whether it meets current and foreseen needs; to examine departmental arrangements for managing and budgeting for accommodation; to consider the value for money of these arrangements; and to make recommendations."

Departments have been consulted at official level on these proposals. Subject to your approval, I should be grateful for colleague's agreement to take part.

I am copying this to Tom King, Patrick Jenkin, Nicholas Ridley, Nigel Lawson, Norman Tebbit, Peter Walker and to Michael Heseltine, Michael Jopling, Sir Robert Armstrong and Sir Robin Ibbs.



LORD GOWRIE

11 June 1984

MULTI-DEPARTMENT REVIEW: ACCOMMODATION

1. Provision for civil accommodation costs (including rates) is £946 million in 1984/85 and forms by far the largest element after pay in departmental running expenses. Yet, in comparison to the attention paid to reducing staff costs, earlier reviews have shown management information and control systems in this area to be weak. On the one hand, accommodation costs have sometimes shown a disproportionate increase compared with inflation or other costs. Furthermore, the size of the civil estate has been falling at a smaller rate than the size of the Civil Service, taking one year with another. On the other hand, many Civil Service buildings are of poor quality and do not provide an environment about which it can be said that staff work in pleasant surroundings. There seems a reasonable expectation that value for money could be improved.

2. The arrangements by which departments obtain accommodation through the Property Services Agency and the basis on which it is provided have recently been changed through the introduction of the Property Repayment System, now operating and being progressively refined. These arrangements are still settling down but should provide the basis for cost-conscious decisions about accommodation. However, best use will be made of accommodation resources only if departments look at the arrangements by which they take decisions about the location, extent and quality of accommodation.

Scope of the Review

3. It is therefore proposed that there should be a multi-department review of the management of office and administrative accommodation in the Home Civil Service. Headquarters buildings in London and dispersed and local offices will be included. The review will focus on the following main themes:

- the current provision of office and administrative accommodation, in the light of current and foreseen needs in terms of location, quality and space and taking account of the application of existing standards;
- how need is judged (for example, for location in expensive areas), how provision is brought into line with need and the scope for improvement;
- how responsibility for budgeting for accommodation is allocated in departments, taking into account existing and planned systems for delegated budgeting, and paying particular attention to the respective roles of accommodation officers and line managers at different levels;
- similarly, how responsibility for managing accommodation including heating, lighting, cleaning, furniture and equipment, is allocated;
- the costs of current arrangements and the value for money they represent in terms not only of economy but of a pleasant working environment, including the scope for incentive to departments to reduce costs and improve the quality of accommodation;
- how the efficiency of departmental management of accommodation is affected by the present structure of relationships between the Treasury, PSA and occupying departments, given that the PRS system provides the main framework and is still being developed.

4. Other elements in the review will include:

- the relationship between devolved budgeting and departmental application of central standards;

- the effect of repayment on the management of accommodation (MSC is to be included in the review as an example of a full repayment client);
- the costs of split accommodation, including both travel and communications costs;
- the possibilities for interdepartmental co-operation with PSA on location offices.

Conduct of the Review

5. The following departments will take part in the review:

Department of Employment (including Manpower Service Commission for repayment aspect)
 Department of the Environment/Department of Transport
 Inland Revenue
 Customs & Excise
 Department of Trade and Industry
 Department of Energy.

6. Each department will appoint its own examining officer to carry out a review and report. The departmental reviews will be co-ordinated by a central team, including a member from PSA, who will prepare a central report.

7. The review will be based on an "occupancy audit", perhaps in specific areas, to establish how accommodation is currently being used. Several departments have already undertaken work of this kind and some are well advanced with it. Others may need to consider setting such work in hand before the start of the review proper.

8. The multi-department review will overtake and subsume the MPO efficiency review which was initiated in response to a recommendation of the Review of Personnel Work in the Civil Service. Work already done will be carried forward into the larger review.

9. Current work in the Ministry of Defence and Ministry of Agriculture, Fisheries and Food will be taken into account by the central team, but these departments will not formally participate in the review.

10. The review will commence in September 1984 and departmental reports will be completed by the end of December. The central report will be completed by the end of February 1985.



MINISTER OF STATE, PRIVY COUNCIL OFFICE

PRIME MINISTER

 13
 DIRECT ENTRY PRINCIPAL COMPETITION 1983

When on 31 August last year you authorised a resumption of the Direct Entry Principal Competition you asked me to report back to you on its outcome, and to consider its implications for our programme of recruitment and promotion at this level for 1984.

... 2. The attached report by the Civil Service Commission gives a detailed picture of the progress of the competition and its outcome. The competition did produce some good recruits, but it was nonetheless a relatively disappointing result - under half the 36 vacancies were in the end filled. This was not through any shortage of applicants - nearly 1000 people applied - but the standard set for success was (rightly) a high one, and not enough candidates with the necessary combination of intellectual and personal qualities were found. Of the 19 candidates who were successful, 4 have since withdrawn, thus exacerbating the shortfall.

3. Although there were a variety of contributory factors to this rather disappointing outcome, the Commission believe that the major cause was a combination of the narrowness of the experience specification and the lack of detailed description of the jobs that successful candidates would perform once recruited. They consider this had the effect of discouraging the good generalist from applying, without at the same time providing sufficiently focussed job descriptions to attract more of the experts in a particular field who wished to continue working only in that field. If we are to run a competition again, this problem will have to be overcome.

Supply of Principals in 1984

4. A number of departments report a shortfall in the number of Principals required to meet pressing operational needs in the short term. We need to look at this in the light of our whole set of existing and prospective policies which bear on the problem, and to use to the full the opportunity it represents to bring on internal talent.

5. We are looking more fundamentally at this potential source of supply; in our discussion with you about the 1983 competition you were particularly concerned that we should make the best of the young talent we already possessed in the Service. With your agreement and the co-operation of Sir Robin Ibbs, I accordingly

MANAGEMENT IN CONFIDENCE

launched this spring an inter-departmental scrutiny of the means we use to identify and bring on such people. This scrutiny is being carried out with all possible speed, and will be completed this summer. However, the effect of the scrutiny's recommendations cannot be fed through into the system in time to meet this year's need. We therefore need some other mechanism in the short term. The essential problem is the classic one that if there are people capable of doing some of these jobs, they may well be in the wrong place - usually in departments different to the ones where the vacancies need filling - and the normal promotion machinery, which is departmentally based, would not pick them up.

6. A special central exercise is therefore needed. I propose we identify these staff by mounting a special competition to fill Principal posts which is open to all civil servants in the grades below Principal. We should need to insist that the individuals concerned can demonstrate achievement in the effective exercise of real responsibility in his or her work. But we would not confine this to the grade immediately below Principal for the Civil Service candidates. It would, for example, offer talented young Higher Executive Officers a chance to jump the Senior Executive Officer grade entirely, and compete directly for Principal. We would therefore ensure that no artificial barriers prevented suitably able staff to advance in this way.

7. The results of even a competition like this would not necessarily meet all our needs. I therefore also propose that this competition is open to external candidates with the particular qualities needed by today's Civil Service. We would want to draw on the experience of last year's competition in defining the appropriate specification. Widening the internal competition in this way would make the approach consistent with our recruitment at other levels in the Service and would also ensure that our internal candidates could be judged against the quality of staff available from other sectors.

8. Although the Civil Service unions are likely to protest at such a competition, both because it includes external candidates and because it by-passes conventional promotion channels, I think it would have great attraction for serving staff. I intend, if you approve, to ensure that suitable candidates of whom departments are already aware - some of whom may be blocked from early advancement by serving in small departments or in specialist fields - are encouraged to apply and take their chance in equal competition with the outside candidates. I believe the effect on morale and motivation of even one or two promotions of this kind could be very good. As to the outside candidates, an open job specification would enable a wider variety of external candidates to apply, including,

MANAGEMENT IN CONFIDENCE

but not exclusively confined to, those with business and commercial skills. This too is a lesson we need to take from last year's exercise.

9. I should be grateful for your agreement that the Civil Service Commission should hold a Principal competition open both to in-Service candidates and outside candidates on this basis.

gy

LORD GOWRIE
11 June 1984

MANAGEMENT IN CONFIDENCE

DIRECT ENTRY PRINCIPAL COMPETITION 1983

REPORT BY THE CIVIL SERVICE COMMISSION

INTRODUCTION

1. The Direct Entry Principal (DEP) competition had its origin in the continuing shortage of high calibre Principals in many departments. This stemmed from the Government's drive for improved management, involving the greater delegation of good quality work and the deliberate policy of deploying "fast stream" Principals on a much wider range of jobs.

2. Departments had tried to meet the shortage by promotions; but their requirements for good quality staff had not been completely satisfied. An alternative source of supply was to recruit more Administration Trainees; but this was rejected because it would take a long time to reap the benefit and would also exacerbate the promotion blockage problem. So the best solution appeared to be to take on a few mature, mid-career DEPs, with the additional attraction that they would bring fresh ideas and experience from outside organisations; the stock of DEPs with this kind of background had declined by 40% since 1979. It was also argued that the relatively small size of the planned entry (36 appointments to a group totalling about 4000) and the present retirement rate of Principals would mean that the scheme should not affect the promotion prospects of those already in the Service who were good enough to rise to Principal level and above.

3. To meet this need, a scheme was prepared modelled on the lines of the last competition in 1978. Broadly this meant that we were expecting to look for high quality people to fill generalist posts, who would provide an additional bonus if they came with senior level commercial, industrial or related resource management experience.

4. In approving the scheme on 31 August, Ministers stipulated that this experience should be regarded as an essential requirement, so that it could be designed to fill a specific gap for particular

types of staff. Furthermore, the age limits were set between 35 (instead of 28) and 50, both to emphasise the need for wider experience and to recruit people with more limited career expectations. It was hoped that, as a result, the morale of in-Service staff would not be seriously affected by what they would otherwise regard as a reduction in their promotion prospects.

5. Annex 1 gives details of the 36 vacancies declared by departments.

INITIAL STAGES

6. The scheme was advertised in the first half of September in the Times, the Sunday Times, the Daily Telegraph and the Guardian. The text of the advertisement (Annex 2) reflected the changes agreed at Ministerial level. A circular was also issued to departments requesting that the attention of their staff should be drawn to the competition.

7. 933 people applied (excluding six who withdrew before the initial sift). Table 1 shows their background and experience. 53% of the field had managerial experience and 62% came from an industrial or commercial background. Over a third had both an industrial or commercial background and managerial experience. Just under 15% of the applicants were from the Civil Service. 70% of those applying who gave details of their current salary were on less than £15,000, whereas 8% were receiving in excess of £20,000 (Table 10).

SIFT

8. The aim of the sift was to reduce the field to be seen at the Civil Service Selection Board (CSSB) to approximately 5 candidates per vacancy. It was carried out between early October and early November in two stages. First, each application was examined against the requirements set out in the memorandum. This reduced the field to 316. References were then obtained before the final sift which, taking in all the information available (ie qualifications, career details, and referees' reports), reduced the field to 189 who were invited to CSSB.

9. The sift was carried out by senior representatives of the Cabinet Office (Management and Personnel Office) from the Civil Service Commission, CSSB and Personnel Management Divisions.

10. The criteria used for both sift stages were as specified in the memorandum. Salary and age were used as rather rough measures of the level of experience: those with more than 5 years at an appropriately senior level had a slight edge on other candidates. Academic or professional qualifications were not decisive. In view of the relatively few applications from women, preliminary sift decisions in these cases were reviewed independently.

11. Table 2 provides an analysis of the 189 candidates who were short-listed. Nearly two-thirds had managerial experience and three-quarters were from industry or commerce. Over half were from industry or commerce with managerial experience. A comparison with Table 1 reveals that background and experience were decisive factors in the sifting process. The proportion of civil servants and of those from local authorities were reduced from 15% to 4% and 11% to 4% respectively.

CIVIL SERVICE SELECTION BOARD

12. 32 boards were held between the end of November and the middle of January. Only 141 of those invited accepted the invitation. This drop-out rate of 25% was considerably larger than expected. Neither background nor experience appeared to provide a significant explanation for those who withdrew (Table 3). However, of the 40 who withdrew and gave details of present salary, none was receiving less than £10,000, over three-quarters were earning more than £15,000 and a third were over £20,000. It is also clear from Table 8 that the proportion of those dropping out after sift was greater in the younger age ranges.

13. Table 4 gives details of the background and experience of those attending CSSB.

14. In this scheme, CSSB was looking for candidates who possessed a "satisfactory combination of basic intellectual and personal qualities and of demonstrable skill in resource management". CSSB had to be satisfied that those it judged successful should be capable of tackling a wide range of demanding fast stream work. The principal shortcoming of the majority of those unsuccessful at this stage was a lack of some or all of the requisite intellectual qualities. In some cases, CSSB judged that an apparently weak candidate's basic intellectual equipment was actually quite powerful, but had not yet been applied to its full extent: given the age of these candidates, however, there was not much confidence in most cases that this potential would now ever be realised.

15. Where personality weaknesses compounded intellectual ones, CSSB noted in particular authoritarianism and insensitivity to others; and a lack of drive, commitment and initiative. In just a few cases, negative personal qualities constituted the principal reason for lack of success.

16. With successful candidates, CSSB was able to accept the occasional shortcoming so long as there were compensating strengths. A common attribute appeared to be that in their careers to date they had demonstrated considerable skill in resource management. Although some of the CSSB "failures" had also apparently enjoyed successful careers, under the CSSB scrutiny it became clear that many of them in fact had very little such experience.

17. CSSB passed on 33 candidates to the Final Selection Board (FSB). Table 5 contains details of the background and experience of the 31 who attended, 12 of whom were considered by CSSB to be just below the standard required. These show that those from industry with managerial experience had done particularly well in contrast to those from a commercial background. Table 8 shows that the younger candidates had done better at CSSB: 48% of those under 40 were successful, compared with only 16% of those over 45.

FINAL SELECTION BOARD

18. Six boards were held during December 1983 and January 1984. In the main, FSB endorsed the CSSB assessments. Most of the boards were chaired by a retired First Civil Service Commissioner who is now working as an executive search consultant. He commented that the main failing of the unsuccessful candidates was an inability to take the broader view necessary at this level. With his long experience of interviewing candidates for the Civil Service, he felt that there was little prospect of finding sufficient candidates in the age range 35-50 of the quality we were seeking and at the salary we were aiming to offer. His main reaction at the end was one of surprise that we should have found so many successful candidates.

OUTCOME

19. 19 candidates were successful and recommended for appointment (although 4 have so far declined the offer). Table 6 shows that 10 came from industry and all but 3 had financial or managerial experience. No civil servant was successful. Nor were any women: but this is not altogether surprising. 59 women (6% of the total field) applied, but only 17 were from industry or commerce and, of these, only 3 had managerial experience. Four women were short-listed; but two withdrew before CSSB (both earning in excess of £15,000) and one was sent forward to FSB. It is also noteworthy (from Table 8) that, although the age distribution amongst those successful corresponds roughly with that observed amongst total applications, it differs significantly from the short-listed population. This indicates a difference of emphasis between short-listing, mainly on experience, and CSSB, mainly on intellectual ability.

20. In salary terms, 64% of all successful candidates who gave details of their present pay were earning more than £15,000 (Table 9). Only one of those successful declared a salary of under £10,000, and he was in temporary employment. For some of the successful candidates, accepting a Principal appointment in the Civil Service will mean a cut in salary and several of them have had to be given an increase in the recommended starting salary.

COSTS

21. The direct extra costs of this competition (ie excluding the costs of full-time Cabinet Office staff) were of the order of £42,000.

CONCLUSION

22. In spite of such a large field of candidates of an apparently reasonable quality and appropriate experience, it was disappointing to find so few who reached an acceptable standard. It became clear in the course of the scheme that one of the main causes for this was an underlying tension in the job specification that we were being asked to satisfy: ie departments wanted people of quality who were capable of doing a wide range of fast stream work; but, under the terms of the scheme's conspectus, the successful candidates also had to be specialists from a restricted field of experience. This resulted in our having to sift out a number of promising candidates from local authorities, the academic world and the Civil Service, as well as discouraging the good generalist from applying in the first place. The details of the vacancies which we published with rather more specific requirements than in the past were a help to sifting by reference to track record; but they did not appear to provide sufficiently focussed job descriptions to attract more of the people we wanted. It is our experience that those in this latter category are used to applying for a specific job against which they can match their own qualifications and experience.

CIVIL SERVICE COMMISSION

APRIL 1984

DIRECT ENTRY PRINCIPAL SCHEME 1983

VACANCIES DECLARED BY DEPARTMENTS AND POSTS OFFERED TO SUCCESSFUL CANDIDATES

Departments	Vacancies	Successful Candidates
DES	2	1
DEmployment	2	2*
DEnergy	2	1
DOE & TPT	6	4*
DHSS	3	1
HO	3	1*
IR	2	-
DTI	5	4*
LCD	1	1
MAFF	1	-
MOD	1	1
PSA	2	-
SO	1	-
HM Treasury	3	1
WO	2	2
TOTAL	36	19

*Including one candidate who declined after assignment.

DIRECT ENTRY PRINCIPAL SCHEME 1983

TEXT OF ADVERTISEMENT .

MANAGEMENT IN GOVERNMENT

IMPORTANT OPPORTUNITIES AT UP TO £17,900

The Home Civil Service needs about 30 men and women who can apply relevant skills and experience to the organisation and management of people and resources within various Government departments.

Candidates, aged at least 35 and under 51 on 1 March 1984, must have acquired considerable administrative, managerial or financial experience, normally as the result of holding responsible posts in the industrial, commercial or related sectors. While no formal qualifications are required, candidates should be of good graduate or equivalent professional standard.

Salaries and Locations

The salary range for these Principal grade appointments is £12,935 to £16,655 (up to £1250 higher in London) according to qualifications and experience. Posts are available in Croydon, Cardiff, Sheffield and perhaps elsewhere, as well as in London.

For further details, and application forms to be returned by 5 October 1983, write to Civil Service Commission, Alencon Link, Basingstoke, Hants RG21 1JB, or telephone Basingstoke (0256) 68551 (answering service operates outside office hours).

Please quote ref: A/651

Media

Guardian	15 9 83
Times	8 9 83
Sunday Times	11 9 83
Daily Telegraph	15 9 83

DIRECT ENTRY PRINCIPAL SCHEME 1983

TABLE 1: BACKGROUND AND EXPERIENCE OF ALL CANDIDATES

Experience	Background							Total	%
	Industry	Commerce	Academic	Forces	Local Authority	Civil Service	Others		
Financial	26	27 (1)	2	-	4	8 (2)	8	75 (3)	8
Personnel	18	4 (1)	-	3	7 (1)	-	4	36 (2)	4
Admin	36 (8)	19	5 (1)	1 (1)	24 (3)	41 (5)	5 (1)	131 (19)	14
Managerial	289	59 (3)	10 (2)	15	40 (3)	64 (5)	16 (1)	493 (14)	53
Sales	29 (1)	6 (2)	-	-	-	-	-	35 (3)	4
Others	48 (1)	15	13 (5)	3	24 (5)	23 (2)	37 (5)	163 (18)	18
Total	446 (10)	130 (7)	30 (8)	22 (1)	99 (12)	136 (14)	70 (7)	933 (59)	
%	48	14	3	2	11	15	8		100

Females in brackets

DIRECT ENTRY PRINCIPAL SCHEME 1983

TABLE 2: BACKGROUND AND EXPERIENCE OF THE SHORTLISTED CANDIDATES

Experience	Background							Total	%
	Industry	Commerce	Academic	Forces	Local Authority	Civil Service	Others		
Financial	7	6	-	-	-	1	3	17	9
Personnel	5	1 (1)	-	-	-	-	1	7 (1)	4
Admin	6 (1)	-	-	-	1	2	1	10 (1)	5
Managerial	83	15	3	7	5 (1)	3 (1)	6	122 (2)	65
Sales	10	-	-	-	-	-	-	10	5
Others	5	7	1	-	1	1	8	23	12
Total	116 (1)	29 (1)	4	7	7 (1)	7 (1)	19	189 (4)	
%	61	15	2	4	4	4	10		100

Females in brackets

. DIRECT ENTRY PRINCIPAL SCHEME 1983

TABLE 3: BACKGROUND AND EXPERIENCE OF THE SHORTLISTED CANDIDATES WHO WITHDREW BEFORE CSSB

		Background							
Experience	Industry	Commerce	Academic	Forces	Local Authority	Civil Service	Others	Total	%
Financial	1	2	-	-	-	-	-	3	6
Personnel	-	1 (1)	-	-	-	-	-	1 (1)	2
Admin	3 (1)	-	-	-	-	-	-	3 (1)	6
Managerial	20	2	-	3	-	1	3	29	60
Sales	3	-	-	-	-	-	-	3	6
Others	1	4	-	-	-	-	4	9	19
Total	28 (1)	9 (1)	-	3	-	1	7	48 (2)	
%	58	19		6		2	15		100

Females in brackets

DIRECT ENTRY PRINCIPAL SCHEME 1983

TABLE 4: BACKGROUND AND EXPERIENCE OF THE CANDIDATES SEEN AT CSSB

Experience	Background							Total	%
	Industry	Commerce	Academic	Forces	Local Authority	Civil Service	Others		
Financial	6	4	-	-	-	1	3	14	10
Personnel	5	-	-	-	-	-	1	6	4
Admin	3	-	-	-	1	2	1	7	5
Managerial	63	13	3	4	5 (1)	2 (1)	3	93 (2)	60
Sales	7	-	-	-	-	-	-	7	5
Others	4	3	1	-	1	1	4	14	10
Total	88	20	4	4	7 (1)	6 (1)	12	141 (2)	
%	62	14	3	3	5	4	9		100

Females in brackets

DIRECT ENTRY PRINCIPAL SCHEME 1983

TABLE 5: BACKGROUND AND EXPERIENCE OF THE CANDIDATES SEEN AT FSB

Experience	Background							Total	%
	Industry	Commerce	Academic	Forces	Local Authority	Civil Service	Others		
Financial	1	-	-	-	-	-	2	3	10
Personnel	-	-	-	-	-	-	-	-	-
Admin	-	-	-	-	-	-	1	1	3
Managerial	15	1	-	1	4 (1)	-	-	21 (1)	68
Sales	2	-	-	-	-	-	-	2	7
Others	1	1	-	-	1	-	1	4	13
Total	19	2	-	1	5 (1)	-	4	31 (1)	
%	61	7	-	3	16		13		100

Females in brackets

DIRECT ENTRY PRINCIPAL SCHEME 1983

TABLE 6: BACKGROUND AND EXPERIENCE OF THE SUCCESSFUL CANDIDATES

Experience	Background							Total	%
	Industry	Commerce	Academic	Forces	Local Authority	Civil Service	Others		
Financial	1	-	-	-	-	-	2	3	16
Personnel	-	-	-	-	-	-	-	-	-
Admin	-	-	-	-	-	-	1	1	5
Managerial	9	1	-	1	2	-	-	13	68
Sales	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	1	-	1	2	11
Total	10	1	-	1	3	-	4	19	
%	53	5		5	16		21		100

DIRECT ENTRY PRINCIPAL SCHEME 1983

TABLE 7: PROGRESS OF MEN AND WOMEN THROUGH THE COMPETITION

OUTCOME	Men	Women	Total
Total Applications	874	59	933
Sifted out	689	55	744
Sifted in	185	4	189
Withdrew before CSSB	46	2	48
Attended CSSB	139	2	141
Unsuccessful at CSSB	107	1	108
Successful at CSSB	32	1	33
Withdrew before FSB	2	-	2
Attended FSB	30	1	31
Unsuccessful at FSB	11	1	12
Successful at FSB	19	-	19

DIRECT ENTRY PRINCIPAL SCHEME 1983

TABLE 8: PROGRESS OF CANDIDATES BY AGE BAND THROUGH THE COMPETITION

OUTCOME	AGE RANGE			Total
	35-39	40-45	46-50	
Total Applications	325	344	264	933
Sifted out	288	272	184	744
Sifted in	37	72	80	189
% Sifted in	11	21	30	20
Withdrew before CSSB	16	16	16	48
% withdrew in Sifted in group	43	22	20	25
Attended CSSB	21	56	64	141
Unsuccessful at CSSB	11	43	54	108
Successful at CSSB	10	13	10	33
% Successful at CSSB in group attending	48	23	16	23
Withdrew before FSB	-	1	1	2
Attended FSB	10	12	9	31
Unsuccessful at FSB	4	4	4	12
Successful at FSB	6	8	5	19

RECT ENTRY PRINCIPAL SCHEME 1983

TABLE 9: SALARY RANGE, BACKGROUND AND EXPERIENCE OF ALL SUCCESSFUL CANDIDATES

SUCCESSFUL CANDIDATES

SALARY RANGE

Background	Experience	SALARY RANGE				Not Stated	Total
		Under £10,000	£10,000-£15,000	£15,000-£20,000	Over £20,000		
INDUSTRY	Financial Managerial	1	1	1 4	1	2	1 9
COMMERCE	Managerial					1	1
ACADEMIC	All						Nil
FORCES	Managerial					1	1
LOCAL AUTHORITY	Managerial Others		1	2			2 1
CIVIL SERVICE	All						Nil
OTHERS	Financial Admin Others		1 1	1		1	2 1 1
ALL BACKGROUNDS	Financial Admin Managerial Others	1	1 1 2	2 6	1	1 4	3 1 13 2
TOTALS		1	4	8	1	5	19
% OF TOTAL		5	21	42	5	26	

DIRECT ENTRY PRINCIPAL SCHEME 1983

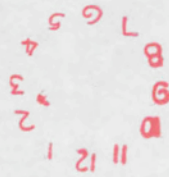
TABLE 10: SALARY RANGE AND BACKGROUND OF ALL CANDIDATES

SALARY RANGE

	Under 10,000	10,000- 15,000	15,000- 20,000	Over 20,000	Not Stated	Total
INDUSTRY	38	180	92	39	97	446
COMMERCE	14	47	22	10	37	130
ACADEMIC	2	16	2	1	9	30
FORCES	-	4	10	1	7	22
LOCAL AUTHORITY	13	64	16	1	5	99
CIVIL SERVICE	18	89	15	-	14	136
OTHERS	10	25	8	7	20	70
TOTAL	95	425	165	59	189	933
% OF TOTAL	10	46	18	6	20	

Civil Service Pt 15

Long-Term Management



JUN 2 1984



CC NO

Annex to the White Paper

PRIME MINISTER

FINANCIAL MANAGEMENT IN GOVERNMENT DEPARTMENTS

^{Pt 13.}
You said in your minute of 28 June 1983 that you would like to have a further progress report this summer on the work being done in departments to improve financial management. We are also committed, in the White Paper published last September (Cmnd 9058), to publish a further White Paper this July.

2. I asked each department to prepare a report on the work it has been doing in the past year. These have been discussed with the Treasury, the Cabinet Office (MPO) and the Efficiency Unit, and they are now included in Part 2 of the attached draft of the forthcoming White Paper. Part 1 of the draft draws out the main points and gives examples of what is being done.

Recent Developments

3. A great deal is being done to implement the plans which were set out in last September's White Paper:

- i. Each department is developing its MINIS or some similar system tailored to its own needs. This will give colleagues an essential tool for ensuring that the work of their department conforms with our priorities as a Government. (Paragraphs 7-9 of the attached draft White Paper)
- ii. Work to get better value for money in the running costs of departments is now being broadened out to tackle also expenditure on programmes. Responsibilities of managers are being more sharply defined, and more measures of performance are being developed so that they can be given clearer targets. (Paragraphs 10-14)
- iii. Budget holders are being given progressively more authority over the resources they manage, so that they can be held more accountable for the result. (Paragraphs 15-18)

4. This work is being underpinned by steps to improve personnel management and

training. The aim is to introduce a more managerial and cost-conscious approach to all government business, and this requires a change in attitudes at all levels, which the Personnel Work Action Programme will help to foster. (This section of the White Paper, paragraphs 20-21, also contains a reference in square brackets to merit pay. This will need revision if a statement is made on the subject before the White Paper is published).

5. So far activity has necessarily concentrated on setting up new systems - eg MINIS-type systems, better management information systems, performance measures and so on. There is a great deal of development work still to be done. But we now need to get the benefit of all this work in terms of practical results and better value for money. Some early benefits are already showing, for example where the new systems have pinpointed areas which need review, either in programmes or in departmental administration. Part 1 of the White Paper picks out some of these. Further gains should be achieved as the work gets under way.

6. There is also an important link between the work on the FMI and the efficiency studies which were the subject of the presentation by Robin Ibbs on 10 May. The detailed FMI work provides the essential information and means to take action to obtain better value for money and greater efficiency.

Costs

7. The specific costs, which departments have been able to identify as related to the initiative, totalled some £20 million in 1983-84. However, there can be no clear-cut distinction between the cost of this work and other costs incurred on financial administration generally. The cost of the work in improving financial management should be offset in due course by the better value for money which it helps departments to obtain in both running costs and programme expenditure.

Follow-up

8. Good progress has been made in the past year but much remains to be done. I shall be continuing, with Grey Gowrie and Robin Ibbs, to follow up progress on this during the coming year; and the central departments will continue to give advice and support. The White Paper does not commit us to publish a further general report of the present kind by a specific date. I would prefer to keep our hands free to report progress in whatever way we consider most appropriate at the time.

9. I would underline the importance of the priority which individual colleagues give to this work in their own departments. It is only in that way that we will get full value from

this considerable investment in effort and resources. The meetings which you propose to hold with Ministers and their senior officials to consider progress on value for money will also provide evidence of the progress made in financial management.

Publication of the White Paper

10. We are committed to publish the present White Paper in July. The attached draft has been prepared in close consultation with the departments concerned and Grey Gowrie and Robin Ibbes. I should be glad of your agreement and that of other Cabinet colleagues, if possible by 14 June, to its publication. The precise date for publication can be settled in consultation with your office in the usual way.

11. I am copying this minute and the draft White Paper to Ministers in charge of departments and to Sir Robert Armstrong and Sir Robin Ibbes.



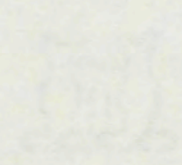
PETER REES

7th June, 1984.

Civil Service: Long-Term Management

ATB

COMPTON



11/6/84

PROGRESS IN FINANCIAL MANAGEMENT IN GOVERNMENT DEPARTMENTS

PART 1

Introduction

1. This White Paper describes the progress made by government departments in improving their financial management. It should be read in conjunction with the previous White Paper on this subject⁽¹⁾ published in September 1983. Part 2 contains detailed reports by departments on progress.

2. The Government's Green Paper on public expenditure into the 1990s⁽²⁾ showed that firm control over public spending is an essential condition for bringing the burden of tax back to tolerable levels. Over the past 20 years, real public spending⁽³⁾ has risen by 90 per cent, while real national income has risen by 50 per cent. As a proportion of GDP, general government expenditure rose from 36 per cent to around 46 per cent. This massive growth of public spending has driven up the burden of taxation. The Government believes that we must break away from this pattern by establishing a clear view of what can be afforded, setting spending plans accordingly, and then sticking to those plans. The principal instrument for establishing public spending plans and controlling total expenditure is the public expenditure survey. The Government's decisions on total expenditure and on the size of the main spending programmes are set out in the annual public expenditure White Papers, the latest of which was published in February 1984⁽⁴⁾.

3. It is vital that the Government not only controls the total amount of public spending but gets value for money for every pound spent. Better planning and management which increases value for money year by year is the sound way to improve essential public services while reducing the tax burden to more tolerable levels. It means starting with clear objectives for each programme and then pursuing them in the

most efficient way. Getting better value for money in each service is critically dependent on the quality of financial management within government departments and in other bodies which spend **public money**.

4. That is why the Government launched in 1982 a special initiative⁽⁵⁾ to improve the allocation, management and control of resources throughout central government. The previous White Paper described the plans made by 32 departments and the progress they had then made to meet the objectives of the initiative, which were defined as "to promote in each department an organisation and a system in which managers at all levels have:

- (a) a clear view of their objectives; and means to assess, and wherever possible measure, outputs or performance in relation to those objectives;
- (b) well-defined responsibility for making the best use of their resources, including a critical scrutiny of output and value for money; and
- (c) the information (particularly about costs), the training and the access to expert advice which they need to exercise their responsibilities effectively."

5. The good progress departments have made in the past year is described in this White Paper under three main heads:

(a) meeting the needs of Ministers and senior managers

to:

- decide strategic objectives and priorities
- allocate resources within a department's programmes
- make managers more accountable for their performance

- question the need for work
- launch reviews and scrutinies (including those monitored by the Efficiency Unit) to achieve greater efficiency or better value in particular programmes or in running costs

(Paragraphs 7 - 9)

(b) **managing programmes** with:

- sharper definitions of particular objectives for each programme and for the individual manager
- better measures of what programmes achieve and cost
- better appraisal of spending proposals

(Paragraphs 10 - 14).

(c) **budgetary control systems** which are:

- increasing awareness of costs
- giving managers greater authority to manage their budgets
- turning priorities into practical action
- sharpening the incentive for all managers to get better value for money

(Paragraphs 15 - 18).

6. This report necessarily concentrates on what departments are doing in order to strengthen their management systems. But for the initiative to be successful attitudes needs to change as well. The aim of better value for money requires a more managerial approach to government business. A greater sense of cost-consciousness needs to be fostered by the way in which departments set about planning, organising, communicating and

motivating. **Training** for managers is preparing them for more professional and knowledgeable financial management. Action on **personnel management** is reinforcing this process of change. (Paragraphs 20 - 26).

DEVELOPMENTS SINCE THE LAST WHITE PAPER

Meeting the needs of Ministers and senior managers

7. Each department has now taken steps to introduce a top management system for Ministers and senior managers. All are designed to enable Ministers and senior officials to review regularly the department's aims, examine its "businesses" and the "customers" they serve, set objectives, and establish priorities.

8. Departments are getting useful results even from the first round of such systems. The main benefits of the new arrangements are:

(a) **ideas for greater efficiency or value for money:** for example

in the Department of Employment, where each manager was required to put forward proposals for improving efficiency and effectiveness. Arising from this the department's senior management endorsed plans for achieving substantial possible benefits by introducing computer-linked visual display terminals in each office of the Unemployment Benefit Service (UBS), and also set in hand action to streamline procedures for redundancy rebate claims.

(b) **Selecting areas for scrutiny or review:** for example

the Ministry of Defence used its MINIS exercise to select a number of areas for efficiency audit and review (for instance the Directorate General of Defence Accounts). The Home Office launched a number of scrutinies including one of expenditure in the Immigration Service.

Departments have also used their top management discussions to identify subjects for the efficiency studies which are monitored by the Efficiency Unit: the programme of these studies for 1984-85 is outlined in Appendix 1.

(c) a framework for decisions on resources: for example

the Departments of Trade and Industry and Employment are extending their systems to enable Ministers to review plans for the whole period of the public expenditure survey. In the Department of Energy it provided the framework for the decision to reallocate staff to strengthen the Energy Efficiency Office

(d) changes in organisation: for example

the Department of Employment identified a problem at regional level where managers were accountable to the managers of the UBS but had tasks specified, or resources controlled, by different divisions at headquarters. It decided that headquarters branches should be made responsible for both the resources for the tasks and their performance, so that regional managers have clear targets. In the case of the UBS it decided to transfer to the manager of the UBS full responsibility for personnel, accommodation and some other central services. The Ministry of Defence's MINIS stimulated proposals for major organisational changes⁽⁶⁾.

9. The report⁽⁷⁾ by the Financial Management Unit gives more information about these arrangements and their benefits; and about the work needed to make them more effective. Objectives and responsibilities for programmes need to be defined as clearly as for administrative costs. More measures of achievement are needed to translate objectives for improved management into targets for individual managers who can then be held accountable for achieving an agreed level of performance. The systems need to be linked with the arrangements for public

expenditure planning and control, and with delegated and decentralised budgeting and management information systems. Departments will pursue these points in the development of their arrangements for Ministers and senior managers in the coming year.

Managing programmes

10. Many departments initially concentrated on improving the management of their own operations. In the past year they have turned their efforts increasingly to the handling of programme expenditure and to including it within the top management systems for Ministers and senior managers.

11. The following are some examples of improvements in the management of expenditure, and of the new arrangements that are helping managers to handle it better:

The Home Office is developing and piloting a framework of information about activities and costs to help HM Inspectors of Constabulary assess efficiency and performance.

The Department of Health and Social Security is working with the Treasury and Government Actuary's Department to improve methods of monitoring and forecasting expenditure on social security benefits.

The Department of Energy is developing improved indicators for the effectiveness of its energy efficiency programme such as the net saving from improved use of energy associated with each pound spent on advice to consumers.

The Inland Revenue has added targets for the accuracy of PAYE codes and assessments to the existing measures of volume and timeliness.

Wider reviews will also help to secure improvements. For example the Department of Health and Social Security has

announced fundamental reviews of four areas of social security expenditure, each of which provides an opportunity to examine the management of complex programmes.

12. The Government similarly initiated a review of the management of the National Health Service in England by a team with extensive management experience in the private sector (the Griffiths Inquiry⁽⁸⁾). The Government has recently announced its decision to implement in full in England the Inquiry's proposals and in particular the identification of individual general managers at the different levels of the service. It has also announced changes in the management of the NHS in Scotland and in Wales based on the same principles. This programme of action will, along with other measures already taken by the Government, contribute to a National Health Service in which objectives are clearly defined, responsibility for achieving them is properly identified, and progress towards them is systematically monitored.

13. The drive to improve the management of programme expenditure is also relevant to expenditure programmes run at arm's length from government departments by non-departmental public bodies (NDPBs). Over the past year several departments, working with the Financial Management Unit, have reviewed their relations with bodies they support, particularly their financial management. The results have been brought together in a report from the Financial Management Unit⁽⁹⁾. The lessons learned will be incorporated in revised guidance on the management of NDPBs⁽¹⁰⁾ which will be available later this year to help with the work in progress in departments.

14. Departments have discussed with the local authority associations ways in which particular central government systems and procedures for managing expenditure on local authority services might be improved. Individual departments have also been taking suitable opportunities to make progress in their own areas. For example the Department of Education

and Science's policies for raising educational standards and the new specific grants, which will permit innovatory projects to be directly funded, will help to achieve better value for money from spending on education (about half of all current spending by local authorities). These and other issues will be taken forward in discussions with the local authority associations during the coming year. The work of the Audit Commissions will also help authorities in making the best use of their resources.

Budgetary control systems

15. The last White Paper described how departments were planning to develop a more decentralised style of budgetary control by dividing work into appropriate blocks and into "cost centres" within each block, by identifying budget holders who would be accountable for the management of the costs they can control in meeting specified targets, and by establishing the information and procedures needed to underpin and operate these arrangements.

16. Departments have developed, or bought from outside suppliers, accounting systems to collect and report the information about costs and budgets they will need for budgetary control. Many either began pilot schemes in the second half of 1983-84 or prepared to launch them for 1984-85.

17. Until now budgets have generally been given to managers from the centre of departments, by allocating its total resources among budget holders. This year many departments are working on procedures (sometimes on a trial basis) for line managers to prepare budgets for the resources they believe they will need in 1985-86. These proposed budgets will be put to their senior managers for review, revision and approval.

18. Appendix 2 summarises the position in many departments and indicates their plans for the future. It brings up to date the summary in the report by the Financial Management Unit⁽¹¹⁾

which looked at developments in 1983-84 and their likely course in the future.

Work of the central departments

19. The implications for the work of the Treasury and the Cabinet Office (Management and Personnel Office) were set out in paragraphs 45-47 of the last White Paper. They have continued to promote and monitor changes in departments and to identify and disseminate good practice, both directly and through the Financial Management Unit. The Efficiency Unit, now under Sir Robin Ibbs, keeps in close touch with the central departments, so that there is a concerted effort to push forward improvements in management.

The **Treasury** has continued to provide guidance to departments on the development and application of output measures and performance indicators; on the need for and techniques of economic appraisal of investment and other expenditure decisions; on the setting of fees and charges for services provided by government departments; and on the development of staff inspection and internal audit⁽¹²⁾. It is reviewing with departments the arrangements for monitoring and forecasting public expenditure on demand-led programmes. The Central Computer and Telecommunications Agency has reviewed its activities and will be putting more emphasis on advice to departments on how information technology can serve their objectives.

The **Cabinet Office (Management and Personnel Office)** has been in the lead in the major areas of training and personnel management described in paragraphs 20-26 below.

The **Financial Management Unit**, set up by the Treasury and Cabinet Office (Management and Personnel Office), continues to advise individual departments, to

disseminate useful lessons and good practice, and to bring common problems to the attention of the central departments. It comprises both civil servants and consultants from some major firms of management consultants.

The **Efficiency Unit's** main aim is to encourage and assist individual departments to make their top management systems thoroughly effective in setting targets for improving value for money year by year. It continues to provide a supporting framework for departmental scrutinies, although it has been increasingly selective since the publication of the last White Paper in the number in which it takes an active part.

Personnel work

20. The Government is carrying through a complementary set of improvements in personnel management, based on the Review of Personnel Work in the Civil Service published in July 1983,⁽¹³⁾ and other related work. The objective of the personnel work action programme is better value for money, by making the best use of the talent and expertise in the Civil Service. The basic needs are improved career management and training; getting more emphasis on job performance into personnel procedures; and making sure that there are no impediments to selecting the best person for each job. Managers at all levels must be clear about their responsibilities for monitoring and appraising the work of their staff. There needs to be more delegation to line managers of responsibilities in the personnel field now often exercised by central personnel staff in departments.

21. Key elements in the programmes are:

improved career management and training - plans for those with the potential to rise to senior positions are being extended to lower levels. The aim will be to identify

staff in good time to prepare them for such positions and to give them relevant experience by postings, by training, by secondments and by other means. A new course for those entering the senior management of the service will start early in 1985:

more effective staff appraisal and reporting procedures - staff assessments will be more closely related to performance, measured against agreed objectives, and to managerial achievement. New basic principles have been developed centrally and, subject to trials, departments will move progressively in 1984 and 1985 to introduce arrangements more tailored to their own needs;

incentives to good performance - the Government is preparing a set of experiments in rewarding staff who perform exceptionally well. [It is also considering ways to introduce individual merit pay arrangements;]

dealing with inefficiency and poor performance - new procedures were promulgated in April 1984;

early retirement arrangements - the conclusions of a review are being considered by the Government. A special scheme for the early retirement of certain senior staff to assist with bringing on the best of the younger talent in the civil service is in operation for 1984;

simplifying the grading structure of the civil service - a system of unified grading down to Assistant Secretary (Grade 5) and Senior Principal (Grade 6) came into operation in January 1984 following the unification in 1972 of the most senior grades. The costs and benefits of a further extension of unified grading to Principal and equivalent levels are being considered; in addition the need for structural changes in other key areas including that of clerical and data processing work is being reviewed;

a comprehensive statement of personnel management policy - which each department is charged to produce by the end of 1984, reflecting the need for greater delegation to,

and accountability by, line managers for responsibility in personnel as well as financial matters.

Training

22. Departments are greatly increasing financial management training. Most have drawn up a training strategy involving awareness training for senior and more junior staff, detailed training for staff with new budgetary and managerial responsibilities, and increased general financial training. Many have completed, or are well advanced with, series of awareness courses, and the training for new budget holders reflects timetables for introducing delegated budgets. In the Department of Trade and Industry, for example, in the year to September 1984 some 2,700 staff will have received training, including instruction about the department's management information system.

23. At the Civil Service College the senior finance course, introduced in 1982-83, now comprises 8 modules which run twice a year. All the many courses in financial skills and in related areas such as information technology, management services and performance indicators have been well attended. In the 1983-84 academic year the College total of student days will again show a significant increase. In 1983-84 a series of one-day awareness seminars was held for senior staff together with a "value for money" course for staff at Under Secretary level (Grade 3). A senior personnel course (on the lines of the senior finance course) is being planned.

24. The Training Division of the Cabinet Office (MPO) promotes and supports financial management training in departments by providing training aids and helping to spread good practice through its training liaison officers. Training material collected from departments and the College were exhibited to departmental training officers at their annual conference in November 1983.

25. 1983-84 was the first full year of the major training programme in internal audit announced in last year's White Paper. Since September 1983, 370 students have started the 2-year programme, which involves courses at selected polytechnics as well as the Civil Service College.

26. Complementary work by departments and the acting head of the Government Accountancy Service is identifying needs for accountancy training and reviewing the arrangements for encouraging staff to seek professional qualifications. There is greater recognition of the contribution that qualified and experienced specialists of many kinds can make. Many departments have used outside consultants for immediate tasks, with useful interchange of ideas and experience.

Costs

27. Departments have been asked to quantify those costs which can be directly related to steps taken under the financial management initiative. These are shown in the separate chapters in Part 2. For 1983-84 they total about £20 million, including £2 million for computer systems, £2 million for consultants and £2 million for training. This total represents about 0.1 per cent of departments' running costs.

28. Many departments have already found that there can be no clear-cut distinction between the costs of this work and other costs incurred on financial administration and indeed on the general management of each department. The distinction will become increasingly artificial as departments' plans are put into full effect. The cost of the extra investment in improved financial management should in due course be offset by the better value for money which it helps departments to obtain in both running costs and programme expenditure.

Meeting the needs of Parliament and the public

29. The new approach to financial management has already begun to improve the information provided in the Government's key

publications about public expenditure plans, the annual public expenditure White Paper and the Supply Estimates through which Parliamentary approval is sought. Last February's White Paper included more information about output and performance - over 500 indicators, an increase of a quarter over the previous edition.

30. Departments are also providing more information following paragraph 51 of last year's White Paper. Examples of the kinds of publication and departmental papers in which this information is included are given in Appendix 3.

31. Further progress in financial management will be shown in future publications. For example the next Public Expenditure White Paper will have more improvements in information about output and performance; and the structure of more Supply Estimates will be changed to reflect better how expenditure is managed in departments.

Conclusion

32. Last year's White Paper said of the plans it contained "It is a programme for the life of a Parliament and beyond". A good start has been made. The Government intends to maintain the momentum of this programme.

- (1) Financial Management in Government Departments (Cmnd 9058), September 1983.
- (2) The Next Ten Years: Public Expenditure into the 1990s (Cmnd 9189), March 1984.
- (3) defined as general government expenditure, the principal measure of public expenditure used in the national accounts.
- (4) The Government's Expenditure Plans, 1984-85 to 1986-87 (Cmnd 9143), February 1984.
- (5) Efficiency and Effectiveness in the Civil Service (Cmnd 8616), September 1982.
- (6) MINIS and the Development of the Organisation for Defence, Defence Open Government Document 84/03.
- (7) Top Management Systems: Report by the Financial Management Unit, February 1984.
- (8) The report of the NHS Management Inquiry, October 1983.
- (9) Financial Management in Non-departmental Public Bodies: Report by the Financial Management Unit, [July] 1984.
- (10) Non-Departmental Public Bodies: A Guide for Departments, Cabinet Office (MPO), first published 1981, Third impression 1983.
- (11) Budgetary Control Systems: Implementation Report by the Financial Management Unit, February 1984.
- (12) The bibliography at Appendix 3 includes guidance and other material provided by the Treasury.

- (13) Review of Personnel Work in the Civil Service: Report to the Prime Minister, by J S Cassells CB, HMSO, 1983.

PART 2
PROGRESS IN DEPARTMENTS

Each report in this part has been prepared by the department concerned as a summary of developments in its programme of work.

Department	Page
Ministry of Agriculture, Fisheries and Food	
Intervention Board for Agricultural Produce	
Cabinet Office (Management and Personnel Office)	
HM Customs and Excise	
Ministry of Defence	
Department of Education and Science	
Department of Employment Group	
Department of Employment	
Manpower Services Commission	
Health and Safety Commission	
Department of Energy	
Department of the Environment	
Department of the Environment (Property Services Agency)	
Export Credits Guarantee Department	
Foreign and Commonwealth Office	
Department of Health and Social Security	
Home Office	
Central Office of Information	
Inland Revenue	
HM Land Registry	
Lord Chancellor's Department	
Department for National Savings	
Northern Ireland Office	
Ordnance Survey	
Overseas Development Administration	
Paymaster General's Office	
Office of Population Censuses and Surveys	
Scottish Office	
Department of Trade and Industry	
Department of Transport	
HM Treasury	
Welsh Office	

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD

1. The Ministry of Agriculture, Fisheries and Food (MAFF) has continued to implement and further develop its plans for improving financial management. The main developments since the last White Paper are summarised below.

Top management system

2. MAFF is developing a top management system on a programme basis to provide a planning tool giving a clear, complete and consistent map of the Ministry's activities, linked closely to the public expenditure survey process and timetable. A pilot round of the system of Ministerial information in MAFF (MINIM) was conducted in 1983. The results were submitted to Ministers during the summer and reviewed through the autumn.

3. A second round was commissioned by Ministers in February 1984. It continues to be based primarily on programmes, showing for each of them the objectives and the use of resources (both of manpower and expenditure) over the past year and for the next two years. In addition to the main programme returns, supplementary material is this year being prepared on certain of the larger organisational units.

4. The 1984 MINIM returns will cover MAFF contributions to the work of the Intervention Board for the Agricultural Produce (IBAP) and will show the resources deployed by IBAP on the common agricultural policy where MAFF, along with the other agricultural departments, has the main responsibility for European Community negotiations. The MINIM returns will also show MAFF payments to non-departmental public bodies (NDPBs) and the additional accountant mentioned in Cmnd 9058 has begun to strengthen the financial input into MAFF's oversight of these bodies.

Financial information systems

5. Following the design work outlined in Cmnd 9058 and an evaluation of commercial software packages, the department took delivery of a commercial general ledger system in March 1984. Work is now in hand to test and develop this (using the Ministry's mainframe computer at Guildford) into a Management Accounting Information System (MAIS). This will replace the existing bookkeeping system from April 1985 and, also,

provide an organisational analysis of running costs. The department has been assisted in this work by independent management consultants. In addition, a post in Finance Group, with support from economists, is being devoted to the systematic application and development of investment appraisal in the Ministry.

Control of administrative expenditure

6. The Ministry plans to move from budgeting and control by central divisions to a system under which line management commands, and budget centres within them, will have the prime responsibility for budgetary control. A first step towards this objective has been to bring within a single vote (Class III, Vote 5 of the 1984-85 Estimates) the expenditure which is expected to feature within such a new system. Pilot work has explored methods of informing managers more fully about the cost of the resources they use, including, for example, typing and telephone services. Managers involved in the work have found that such information has, by increasing their awareness of the cost implications of their decisions, influenced the decisions themselves. This work is continuing, and is being expanded, in order to cover manpower and related costs more fully, to the whole of the Eastern Region. Plans are also in hand to decentralise substantial budgetary responsibility to the Central Veterinary Laboratory at Weybridge from April 1985. The possibility of instituting further small scale pilot work to cover particular issues not so far addressed is under consideration.

7. Subject to the satisfactory development of the MAIS (which will provide the information base for decentralised budgeting and control) and to the outcome of the work described in paragraph 6 above, it is intended to make the major move towards decentralised budgeting and control for the department as a whole in April 1986. The detailed arrangements are still under discussion; but it is envisaged that for 1986-87 a fully decentralised budgeting and control system will apply to the majority of the department's running costs. Thereafter further development will be needed on internal charging arrangements and on the degree to which it will be cost-effective to apply such methods; consideration will also be given later to the handling in management accounts of costs which are not directly reflected in Ministry votes.

Other management information systems

8. Alongside that described above, work is under way to
- (a) develop a general management information strategy;
 - (b) co-ordinate the development of management information systems;
 - (c) establish what output measures and performance indicators are available or might be developed.

Management consultants have reviewed central management information systems in MAFF and a strategy for implementation of their recommendations is being developed. It is envisaged that full implementation could extend over several years on a step-by-step approach. Apart from the development of the MAIS, high priority is being given to work relating to time allocation and recording so that manpower costs may be more accurately attributed to programmes and projects. In particular, studies are being undertaken to assess the information needs of managers in the regional administration; these studies, which cover both time allocation systems and possible performance and output indicators, should be completed by mid-1985.

Staffing and training

9. The central team of staff directly responsible for carrying out the work is being built up and has received increasing support from computer specialists. There have been difficulties in recruiting qualified accountants for this work.

10. Members of the Ministry's financial management team have spoken to many groups of staff during the year often at their request, to explain their work and staff across the Ministry are now increasingly aware of the implications for their work of developments in financial management. Activity is now under way throughout the Ministry to press home this awareness of these developments and of their implications. Systematic training has so far been directed mainly to dedicated staff and those involved in pilot projects. With consultancy assistance, plans for a major training effort, to be undertaken when the various changes - in particular those linked with the development of the MAIS - are about to take place, are now laid; they will be implemented over the coming year. A training programme on investment appraisal methods has also been initiated.

Costs

11. The cost of the work described above in MAFF in 1983-84 is estimated at £525,000 of which £450,000 relates to the cost of Ministry staff engaged (full or part time) in the work and the remainder to payments to consultants. The great majority of these costs relate to the development of new systems rather than to their operation. As the systems become routine working tools, it will be both more difficult and less meaningful to identify their costs. Development work will be continuing in 1984-85; the costs for that year are likely to approach £1 million.

INTERVENTION BOARD FOR AGRICULTURAL PRODUCE

1. The role of the Intervention Board for Agricultural Produce (IBAP) is largely executive. It is responsible for the operation of market organisation measures under the common agricultural policy (CAP) for which policy responsibility lies with the agricultural departments. That role is reflected in the overall objective of maximising the benefit of the CAP to the national economy consistently with national and Community accounting standards.

2. Since publication of Cmnd 9058 the workload and accountability of the department have continued to grow rapidly. Staff numbers have increased from 600 to 620 whilst annual expenditure and receipts are currently aggregating about £2 billion compared with the figure of £1.5 billion mentioned in Cmnd 9058. Annual turnover per head of staff has increased from £2.5 million to £3.2 million. Further increases in workload are expected as a result of transfers of certain functions from the Ministry of Agriculture (MAFF) and changes agreed in the context of the CAP price fixing decisions taken at the beginning of April.

3. The main opportunity for improvement in the department's effectiveness and efficiency remains the implementation of the five-year computer development plan drawn up by outside consultants in 1982 and projected to produce savings of about 60 staff by 1988. A start was made during 1983 on all the scheduled new projects, including the installation of some microcomputer facilities. There was some slippage in the timetable for a variety of reasons including a shortage of experienced specialist staff, the unpredictability of Community requirements and the need to maintain and update existing systems whilst new and replacement systems are being developed. Important lessons have been learned and many of the problems overcome. Modest additional resources have been found for the development work particularly in the department's computer support unit; and the project control structure recommended in the consultants' plan has been fully implemented with clear definitions of responsibilities and enhanced participation by users of the facilities. High priority will continue to be given to implementation of the development plan.

4. Work on the department's financial management programme has continued broadly under the headings in the previous White Paper viz:

- (a) Management information
- (b) Cost centres
- (c) Agents
- (d) Internal audit
- (e) Staffing and training

Management information system

5. As well as contributing manpower and expenditure figures to the second round of MAFF's MINIM the department has set up its own Ministerial information system (the Intervention Board Information System or IBIS) on which it is expected that a report will go to the Board and to the four agricultural Ministers early in the summer of 1984. IBIS will break down the programme information in MINIM to sub-programmes, showing expenditure and also resource use for individual measures.

6. The report on round 1 of IBIS will include expenditure and manpower figures for the years 1983-84 to 1985-86 together with objectives and plans for the years ahead against which performance can eventually be measured. Work on the identification of suitable performance indicators, which started with a pilot study of a limited number of measures in 1983, will now continue in the context of IBIS. In addition some of the basic data on which performance indicators for particular measures may be based will continue to be identified in the programme of reviews of individual Community schemes, which make an important contribution to the achievement of the department's overall objective.

Cost centres

7. The department has been split into 19 cost centres for the purposes of monitoring and controlling administration expenditure during 1984-85. The cost centre managers will generally be Principals in charge of branches although, in order to provide complete coverage, some outstations and smaller units have also been made cost centres.

8. Costs which can be directly controlled by the cost-centre manager such as travelling and subsistence and printing will be allocated in the

form of a budget for the year in question; in addition the manager will be informed of other costs such as accommodation, fuel and utilities in order to increase general awareness of the total resources consumed. Monthly reports to the managers of cost centres will show both sets of costs. The ultimate aim is that managers should be free, subject to any overriding constraints such as manpower ceilings, to re-allocate the resources which they control within their cost-centre budgets. Experimental budgets for 1984-85 have had to be allocated on a fairly arbitrary basis for many items and the system will not be fully operational until 1985-86. Budgets in 1985-86 will be set on the basis of outturns recorded in 1984-85.

9. Managers of cost-centres will play a full part in the process of estimating requirements for 1985-86. In the meantime a study will be carried out into the feasibility and desirability of recording and subsequently allocating other costs such as telephone charges for which budgets may be appropriate but for which there is at present no means of allocation.

Agents

10. The department relies to a considerable extent on services provided by other departments and by non-governmental agents. The costs of these services, or the manpower numbers employed, will be recorded against the support measures to which they relate in IBIS reports. For those paid agents (mainly the Department of Agriculture for Northern Ireland, the Meat and Livestock Commission (MLC) and the Home Grown Cereals Authority) which account for about two-thirds of the department's total administrative costs, arrangements have been made for 1985-86 bids for the public expenditure survey in 1984 to be accompanied by information which will relate costs more closely to the functions carried out. A major staff inspection of the MLC by Treasury inspectors began towards the end of 1983.

Internal audit

11. The department's internal audit branch was reorganised during 1983 to give greater emphasis to account and systems-based audit.

Staffing and training

12. In the light of experience during 1983 additional staff have been provided for computer support and a qualified accountant for financial management which will increase the cost of staff directly engaged on the initiative to £25,000 to £30,000 in 1984-85. Emphasis in training has been given to computer and audit related courses.

Further work

13. 1984-85 is an experimental year for cost centres and IBIS. In both areas a considerable amount of work is expected to arise, once the first year's results are available, in refining techniques and developing the systems to maximise their usefulness as management tools particularly for planning purposes.

CABINET OFFICE (MANAGEMENT AND PERSONNEL OFFICE)

1. The Cabinet Office (Management and Personnel Office) (MPO) made good progress during 1983-84 on the implementation of the programme of work outlined in Cmnd 9058. The emphasis throughout the period was on experimentation and development and that approach will continue during 1984-85. The MPO's new financial management arrangements will become fully operational on 1 April 1985.

Top management system

2. The top management system was reorganised in 1983 to clarify responsibility not only for the tasks to be performed but also for budgeting, monitoring and controlling costs. The changes cleared the way for a full trial run during the autumn of a new system of activity planning and resource allocation. For the first time, both functions were brought together into a single exercise.

3. The planning exercise for the 1984-85 financial year was based on a set of major MPO objectives for the year that had been agreed provisionally by the Minister: these were subsequently developed into a full range of activity plans and targets for the component parts of the department. In the light of this work, responsibility, budget and cost centre managers were required to bid through their line management chains for the total resources (including centrally provided services such as accommodation, telecommunications, typing and reprographics) they would need to carry out their proposed activities in 1984-85. As well as providing the major input to the preparation of the 1984-85 Estimates, the exercise resulted in each centre manager starting the financial year with an agreed set of activities, an agreed manpower profile, and an agreed budget for the year. In general, the trial run was a success. The experience gained is now being put to good use in designing the 1985-86 planning exercise.

4. Monthly cost statements, showing actual costs against budgets, have been provided to all MPO budget holders and to senior management since the beginning of 1984-85 via the Treasury's computer-based management accounting system (MAISY). As a major user of MAISY, the MPO worked closely with the Treasury throughout 1983-84 to redesign the system.

Senior management's arrangements for monitoring performance on the work of MPO have also been reviewed and streamlined. High priority is now being given to the development of a range of key ratios and performance indicators for the MPO; the work is scheduled for completion by 31 December 1984.

Budgetary delegation

5. The introduction of the new budgetary arrangements with effect from 1 April 1984 will be complemented during the course of the year by a series of revised delegations from the Permanent Secretary/Accounting Officer. The intention is that responsibility for a range of staffing and budgeting matters will be transferred from the Principal Establishment/Principal Finance Officer to responsibility centre managers. The aim will be to give responsibility centre managers the maximum amount of freedom to manage their own affairs within their approved overall budgets. In particular, and subject to a limited number of constraints, they will be empowered to switch spending between cost elements within budgets and between budgets within a responsibility centre.

Typing and reprographic costs, time-logging and zero base budgeting

6. Trials were conducted during 1983-84 into:

(a) recharging central typing and reprographic costs to users.

The trials established that significant differences would occur in the results achieved from a budgeting and costing system based on actual usage as opposed to one based on pro rata allocations. An accurate, reliable and inexpensive system of recharging was developed during the trials. Senior MPO management has decided that central typing and reprographic costs should continue to be allocated to users on an actual basis in the future;

(b) time-logging. The trials were conducted in 7 responsibility centres and the logging of time to activities was tested in varying degrees of detail. The results of the trials are now being assessed;

- (c) zero base budgeting. The technique was tested in the MPO's Management and Efficiency Group at the end of 1983-84. The results are now being assessed.

Programme expenditure

7. Although the MPO is not directly responsible for any programme expenditure, it makes grants of £2.1 million net (1984-85) to a number of organisations, mainly in the welfare field. The basis on which these grants are assessed and the associated control systems are being reviewed. The work is due to be completed during the summer of 1984.

Staffing and training

8. A succession plan has been drawn up for the Open Structure and for key posts at Assistant Secretary level, paying particular attention to those posts that have significant financial or resource management responsibilities. In addition, an internal survey is being conducted into the MPO's requirements for particular management and specialist skills. The survey is due to be completed by the end of the year.

9. A start has been made on securing specialised training for the MPO's 40 or so responsibility and budget centre managers; this programme will continue throughout the next 18 months. A series of one-day awareness seminars about the Government's initiative and its application within the MPO were held in late April and May 1984 for all staff with budgetary responsibilities, broadly at Senior Executive Officer level and above. Sessions on financial management are now regularly included in departmental training courses for middle and junior managers.

10. In addition to formal training, Finance Division staff provide direct assistance to centre managers in the exercise of their newly acquired financial responsibilities. Detailed guidance notes have been issued to all budget holders.

Other groups within the Cabinet Office

11. The various organisational groups within the Cabinet Office (Secretariat, Central Statistical Office, MPO etc) are served by a single Establishment Officer's Group. Consideration will be given during 1984-85 to the extension of the MPO's new management accounting system, as appropriate,

to the rest of the Cabinet Office. Decisions will be taken by December 1984.

Office of Arts and Libraries

12. The main impact of the initiative on the Office of Arts and Libraries (OAL) is in its financial and other relationships with non-departmental public bodies. In the course of 1984-85, the OAL will review with the bodies concerned:

- (a) the arrangements for the retention and spending by the National Museums and Galleries of the additional revenue generated by their own fund-raising activities;
- (b) in collaboration with the Property Services Agency (PSA), the relationship between the National Museums and Galleries and the PSA;
- (c) more generally, its own relationships with the non-departmental public bodies which it supports financially.

Implementation

13. To facilitate full implementation of the new system, the implementation team was combined with Finance Division in January 1984 to form a new Senior Principal command. A good working relationship is being developed with the new internal audit branch which was established in February 1984 to cover the whole of the Cabinet Office and the Privy Council Office.

14. The total cost of the department's improved financial management programme during the period November 1982 to March 1985 is estimated at about £500,000. Approximately £290,000 of this relates to the implementation team itself.

HM CUSTOMS & EXCISE

1. The three main businesses in the department are Customs, VAT and Revenue Duties. It employs some 25,150 staff of whom nearly 20,000 work in the Outfield a network of 22 regions which deal with the operational aspects of the department's work in geographical areas. The Outfield is headed by one of the ten Commissioners; these, including the Chairman, comprise the Board which manages the department. It is estimated that, of the total manpower, 9,590 are devoted to work on VAT, 7,340 to Customs, 2,620 to Excise, 1,245 to fraud work, 995 to accounting and 3,350 to administrative support services including personnel, common office services and the provision of training. All these figures include the associated computer services and operational legal work. The net cash limit for 1984-85 is £342 million of which 70 per cent relates to salaries and associated costs.

Approach to improving financial management

2. Work has continued on 4 broad fronts:

- (a) management planning;
- (b) measuring achievement;
- (c) control of resources (accounting, budgeting, costing);
- (d) information systems;

and particular progress has been made on management planning and control of resources.

Management planning

3. The Board have identified the further development of their management plan and management planning down the line as one of the key elements in improving financial management. Planning in the department is based on the concept that managers at all levels will work within a broad framework prescribed by the Board and endorsed by Ministers which is progressively refined into specific objectives and targets. In this way resources are concentrated on those activities which senior management consider important. The Board's management plan together with the annual scrutiny of running costs forms a report to Ministers comparable to MINIS. The plan is an annual statement by the Board of

the department's priorities and general aims, and the resources to be directed to each area of work. It is the basis on which senior managers, especially in the Outfield, prepare their own plans in the light of local circumstances and communicate them to their staff.

4. The 1984-85 plan is a sharper, clearer document than the 1983-84 plan. The main benefit of the 1983-84 plan was that it gave everyone in the department an explicit statement of what the department was attempting to do and, especially for the Outfield, the ordering of priorities helped Collectors to allocate resources on the ground to best advantage at times of pressure. It makes clear what is to be achieved, by whom and when. It also identifies more clearly those objectives requiring complementary action by other headquarters offices or by the Outfield and it lists those areas to be reviewed formally to see if the need for the work is still justified. A practical example of the system is in the priority given in the 1984-85 plan to the collection of VAT which is reflected in the decision to allocate 200 additional posts to local VAT offices. This was translated into objectives to improve the efficiency of VAT control by achieving an overall 4 per cent increase in visit sessions to registered traders and a 7½ per cent increase in additional revenue in real terms. These objectives have been reflected in targets in the Outfield against which achievement will be able to be measured.

5. By early summer statements will be prepared assessing the extent to which the department achieved its objectives in 1983-84. This assessment, progress to date in 1984-85, and the prospects for the remainder of that year and beyond will be considered by the Board when they carry out a formal review of the management plan in the autumn. It will also be the starting point for the formulation of priorities and objectives for the 1985-86 plan. It will be more than a simple holding to account, important though that is. It will enable top management to identify any areas where responsibility is unclear and, where necessary, to strengthen authority and accountability. It will also consider ideas for improving economy, efficiency and effectiveness, whether they come from the bottom or from the top.

6. To ensure that the Board's plan is translated into appropriate operational plans, 6 pilot Collections have helped to develop planning. They have been given guidelines which give examples of the required level and detail of objectives, activities and measurable performance targets necessary to put the Board's plan into practical effect. The project team concentrated this year on planning in VAT. The 6 pilot Collections have produced plans which will enable the team to construct models from which all 22 Collections can prepare plans from April 1985. Meanwhile the team is preparing further guidelines and examples for the other major businesses of the department, to be used by Collections from April 1985.

Measuring achievement

7. The project team has examined the general characteristics of measures to determine the overall scope for development and to identify the key elements for inclusion in a comprehensive development plan. It has concentrated initially on VAT and has examined that area in detail and identified the main decision areas, management concerns and measures currently in use. It has used the management information systems which the department has had for some years and confirmed the value of key measures suitable for use by all levels of management such as the average value of underdeclarations per VAT visit; an analysis of the number of visits made which indicates the attention given to revenue risk factors on the one hand and the output per man day of visiting staff on the other. It has also identified measures suitable for local use, and measures to be discarded. This work has been combined with the development of management planning in VAT, and objectives in this year's plans are more sharply focused on improving economy, efficiency and effectiveness. Work in the other major work areas of Excise and Customs is being approached in the same way and operational research staff will assist with development.

Control of resources

8. The programme of delegation to Collectors of the responsibility to assess the manpower and grading needed to do the work (other than in VAT control) and operational management generally is largely complete.

9. This financial year all Collectors (heads of regions) have delegated to them budgetary control for many items of expenditure: for example,

travel and subsistence, overtime, telecommunications, postage, HMSO small stores, car parking, fuel and utilities, furniture and minor new works. Four of the six pilot Collections have also been given on a trial basis an accommodation rental budget and two have been given a manpower budget in cash terms as well. These two Collections each have about 1,000 staff. For them it means that virtually all of their administrative expenditure has been delegated. This delegation process and the greater cost-consciousness which it has engendered already appear to be paying dividends. During 1982-83 and 1983-84 very worthwhile savings have been made by local managers on for example, overtime, travel and subsistence, telecommunications and postage which might not have been achieved without the delegation of these budgets.

10. In parallel with the delegation of responsibilities described above it is planned to sharpen central scrutiny by monitoring the running costs of Collections and developing key ratios to assist in this process.

11. One of the pilot Collections, Manchester, has used a microcomputer to control its budget in 1983-84 and following successful experimental work the Board have decided that all Collections in the Outfield will receive a microcomputer during 1984-85, primarily to help them control their delegated budgets. The initial microcomputer was also used to provide management information on the costing of activities and this has prompted examination of the way certain activities are organised to achieve greater economy and efficiency. As a result all Collections will also have suitable computer software to help them develop this initial thinking on activity costing. This is an interim system and work is in hand to provide a more sophisticated management accounting system for the whole department. The department's computer division is already exploring options which will satisfy the need which has been established.

Information systems

12. Work on financial management is being co-ordinated with other important projects being developed in the department. For example, by June 1985 each local VAT office will have a visual display unit enabling it to interrogate the central VAT computer. In Customs it is proposed to give most customs offices some form of electronic access to a mainframe

computer. Through these links managers will eventually have access to better and more timely information to enable them to cost activities and measure performance.

Training and awareness

13. 5 regional and 4 HQ seminars have been held on the development of financial management, for all the senior management of the department, each led by the Board member responsible for implementing the plans in the department. In the 6 pilot Collections seminars and meetings have included all middle management. The departmental trade union side has also been given 3 seminars led by the Board member responsible.

14. The monthly staff newspaper and weekly bulletins which go to all staff and regular management newsletters which reach all middle and junior managers have been used to give information about the plans to development financial management, including details of the Board's management plan and an explanation of why it has been created and how it was compiled. Collections have supplemented this information with their own local information systems explaining, especially in the pilot regions, how and why specific changes are being made to local procedures. Awareness of financial management, especially in the Outfield, will be increased in a very practical way in the autumn as all Collections prepare for their formal planning activity and the use of their microcomputer.

15. Departmental management training courses will reflect the need for a greater concentration than before on results and the costs of achieving them. Meanwhile work in the pilot Collections is identifying training needs required in the Outfield in preparation for the wider implementation during 1985-86.

Incentives

16. As an incentive to the improvement of efficiency in the department the Board have extended the staff suggestions scheme by widening the scope for monetary awards for ideas which for example, reduce costs, improve office methods, simplify forms, improve the department's relations with the public or improve efficiency by other means, including increased morale and job satisfaction.

Work in headquarters

17. Although much of the project work has been done in the Outfield, important work is taking place in headquarters offices. They are involved in the planning process and make direct contributions to the Board's plan. Only two budgets, travel and subsistence and overtime have been delegated so far to divisions (Assistant Secretary commands), but divisions have constructed cost centre structures to allow tighter control of those budgets and to prepare the way for any further delegation considered suitable. Pilot work with the department's Computer Division has concentrated on producing a system which costs their work to users based on the real expenditure incurred calculated from activity analysis procedures. When fully developed this system will provide an accurate cost for each man or machine hour.

Costs

18. It is estimated that over the course of three years' development work (1983-1986) the manpower requirement for staff engaged wholly as part of the central project team will be about [32] man years and for other staff, including operational managers, training staff and budget centre managers, about [70] man years. During 1983-84 10 members of staff were engaged full-time on development work at a cost of about [£224,000]. The involvement of other staff was equivalent to about [16] man years in 1983-84, at an approximate cost of [£250,000]. The cost of developing computer systems, including the involvement of specialist staff, is estimated to be about [£300-£400,000].

MINISTRY OF DEFENCE

1. Since the publication of Cmnd 9058, important decisions have been taken by the Secretary of State which are designed to create organisational and accounting structures more suited and receptive to the department's programme for improved policy and financial management as well as to give a much stronger thrust to the development of a comprehensive responsibility budget strategy within the MINIS framework. These changes are described under the relevant headings below as part of the department's general progress report.

MINIS

2. The first round of MINIS, introducing this top management information system into the department, continued into the early months of 1984. At its conclusion returns produced by some 90 senior officers at about Under Secretary or equivalent level had been discussed at meetings with Ministers. In the course of MINIS 1 a number of management principles to be pursued through the continuing MINIS process were identified. They were aimed for example at clarifying responsibilities and objectives, matching authority with responsibility, and extending the accountability of managers with responsibility for resources. This general approach, and the search for improvements in efficiency, will be continued in MINIS 2 which was set in train in March and extends coverage to the headquarters of front-line Commands. The system is also being developed to link closely with the introduction of delegated responsibility budgets.

Reorganisation

3. As a result of MINIS 1, the Secretary of State drew up proposals for major changes in MOD procedures and organisation, published on 12 March as "MINIS and the Development of the Organisation for Defence" (Defence Open Government Document 84/03). There are three major elements. A fully unified and integrated Defence Staff, reporting to Chief of the Defence Staff and Permanent Under Secretary, will be created: its responsibilities will include advice on military priorities in the allocation of resources and on operational requirements for equipment. The principal function of the Service Chiefs of Staff, chairing Executive

Committees of their Service Boards, will be the oversight of the management of their Services. An Office of Management and Budget will be established under the Second Permanent Under Secretary to strengthen central control over MOD corporate planning, the commitment of resources and the monitoring of departmental financial and management systems.

4. The details of the changes required are now being worked out. In addition, a review of the organisation of the Procurement Executive is in hand, drawing on expertise from the private sector.

Staff numbers

5. Across the department staff reductions have recently been achieved through general streamlining, the dropping or curtailing of functions and contracting out and privatisation. Substantial further reductions are planned to achieve the published target of 170,000 by 1 April 1988 (which includes the change in status of the Royal Ordnance Factories organisation) and the department will seek further to improve on these figures. The Government's efficiency strategy aided by the MINIS system will assist in making these further savings.

Responsibility budgets

6. Two major features of the reorganisation plans described above are the further development of the concept of accountable management and the devolution of day-to-day management responsibility as far down the line as possible. Both these objectives will be realised through the introduction of responsibility budgets which are of two kinds: executive responsibility budgets (ERBs) which will cover all types of expenditure attributable to individual units or establishments, and staff responsibility budgets (SRBs) which are expressed in terms of staff numbers and the associated financial provision.

7. As indicated in Cmnd 9058 the department instituted trials at a number of locations with the object of evaluating the first of these two systems. Sufficient progress has been made, particularly in the structuring of programmes of work and associated budgets, to justify a decision to adopt executive responsibility budgets on an extensive scale within the support field in the UK. These new arrangements will cover a wide variety of activities, including supply and repair, Service

hospitals, the individual training of Service personnel, and research and development and will involve some 300 units with annual operating costs of over £3 billion. Such a fundamental change in the way the Services and the Procurement Executive account for their support functions will inevitably take time to complete. Although many units already have cost and management accounts of one kind or another there is a great deal of work to be done in terms of preparing comprehensive budgets which can be related to the Estimates; of ensuring that there are adequate arrangements for the monitoring of expenditure; of setting appropriate performance targets, preferably in the form of physical programmes; and of developing output and performance measures which are applicable to particular types of activity and relevant to the targets set.

8. All this adds up to a formidable task which will make heavy demands on the department at various levels of management. To assist with the work a special development branch has been established within the Directorate General of Defence Accounts. In addition more management accountants will be deployed at the local level to develop and operate the budgets. Accordingly it has been decided that ERBs should be introduced progressively over a three-year period, with the first phase in 1985-86 covering units with operating costs of approximately £1.2 billion.

9. A system of SRBs came into operation on 1 April 1984. Some 90 per cent of MOD civilians are covered and it is the intention to extend coverage to Service personnel outside the front line from 1 April 1985. Budget holders are MINIS senior officers, generally at two star level (equivalent to Grade 4). Authority has been given to managers to vary class and grade mix (up to Higher/Senior Executive Officer level) within their staff ceiling and to switch cash resources within their allocated budgets - eg between casual labour and overtime, where a permanent labour shortfall exists. However, 1984-85 will be an experimental phase and these aspects will require further consideration as the system is developed. As ERBs are developed they will incorporate any SRBs which are already in place, together with the associated delegated powers.

10. Whether a particular activity is covered by an ERB or SRB will depend on its nature. For example when the expenditure is mainly on pay

and other staff related costs - eg office based functions - SRBs will in most cases be more appropriate. But whichever system is operated it is the intention that the budget holder should enter into an agreement with his senior manager to achieve a specified level of performance with the resources made available to him.

11. Both systems will be linked with the MINIS procedure, which, as explained in Cmnd 9058, will also be linked in with the Long Term Costing arrangements. With SRBs the initial allocation of resources is made to senior officers, both Service and civilian, with the aim of enabling them to meet their objectives and carry out their tasks as summarised in their MINIS documents. They in turn are encouraged to allocate responsibility and delegate authority for managing the associated resources as far down the line as possible. Similarly, there will be a hierarchical structure of ERBs. Unit budgets, with budget holders at one star level (equivalent to Grade 5) or below, will be aggregated in larger blocks under the control of MINIS senior officers. Objectives agreed in MINIS will help to determine the performance targets set for budget holders. The assessment of budget holders performance will contribute to subsequent MINIS reviews of individual areas of activity.

Other measures

12. The outcome of the major reorganisation outlined in paragraph 3 above will have an important effect on the way financial responsibilities within the department are allotted and defined. But some improvements do not depend on these changes and a number of specific steps have been taken to improve financial control eg in Army training. New and comprehensive guidance has been issued on the application of investment appraisal techniques and a formal course of instruction is being introduced. Work continues on the development of performance indicators both for ERB's (paragraph 7 above) and for more general use; and there is a focal point for advice in the department. It will be the aim to achieve consistency in the application of indicators in comparable areas of activity.

13. Progress has also been made in the department's management of cash at the end of the financial year. This have always been a difficult area

for the MOD: the margins for forecasting error have been, and remain, significant. Flexibility to carry forward unspent funds up to a maximum of 5 per cent on capital expenditure has substantially helped with the management of cash. But the department has also been greatly assisted by closer consultation with its major suppliers in industry on forecasts of cash flow throughout, and at the end of, the financial year.

Training

14. The department's programme to improve financial management is being brought to the attention of staff through training courses, seminars and conferences as well as through the normal administrative processes. In addition, information and guidance has been widely disseminated on specific items such as responsibility budgets.

15. The major changes which are taking place call for greater professionalism among finance staff and more knowledge and understanding of financial matters among line managers, both Service and civilian. In response to these new demands the department's own financial training programme is being substantially expanded and, following a comprehensive review of future needs, further measures are planned, including the provision of training for staff who will be involved in the operation of the ERBs. The department's financial training school will be training some 800 students in 1984-85 compared with 400 in 1983-84.

Costs

16. In Cmnd 9058 the immediate cost of the initiative to the MOD was put at rather more than £500,000. This was an initial estimate which covered in particular the costs associated with the setting up of a MINIS unit and the trials of ERBs. Since then, there has been a considerable expansion of activity as further decisions have been taken and this trend will continue. In 1983-84 actual expenditure attributable to the initiative amounted to about £1 million while the comparable figure for 1984-85 is estimated at £2.8 million. These figures cover the costs involved in both developing and operating new arrangements and also in the provision of training. In the main they consist of staff costs and the associated overheads but there are also capital and other costs arising from computer support requirements. All the resources which are

devoted to the initiative are being found within defence budget limits and staff ceilings.

DEPARTMENT OF EDUCATION AND SCIENCE

1. The Department of Education and Science (DES) has about 2,400 staff and domestic expenditure of about £50 million a year. But it is responsible for annual programme expenditure of £13 billion, over four-fifths of it by local authorities.

2. The department's principal objectives, which guide its financial management development programme, are to raise standards throughout the education system - where appropriate in ways that can be measured. For the schools, the aim is that 80-90 per cent of pupils should reach at age 16 at least the level of attainment now achieved by the average pupil in a range of skills over a number of subjects; and to plan for a smaller but better teacher force as pupil numbers fall. In higher education, the major aims are to raise standards, to make the system more responsive to the needs of employers and to adapt it efficiently to the fall in student numbers towards the end of the decade. In non-advanced further education, again the aim is to increase the responsiveness to the needs of employers, while providing a sound education for those young people who have chosen this particular route in preference to staying on at school. The aim of science policy is to maintain the quality of funded scientific research; to encourage more technology transfer from basic science research to industry and commerce; and to increase responsiveness to changed opportunities.

New arrangements for policy development

3. In August 1983, a new flexible System for Policy Evolution and Review (SPER) replaced the DES' former Departmental Planning Organisation. The lead responsibility for keeping educational policies under review and for planning their development lies with the relevant policy branches. A steering committee chaired by the Permanent Secretary supervises the functioning of the system and establishes as and when necessary working groups drawn from the relevant branches. Examples are a working group considering innovatory projects to be supported through Education Support Grants (see paragraph 8 below) and another which considers issues affecting the development of a more effective teacher force.

The Trident management review system

4. The three elements of the DES' management review system, now drawn together under the title Trident, comprise the annual Staffing of Functions exercise, the annual Ministerial Priorities Review and the Branch Programme meetings which take place from February to October.

5. The Staffing of Functions exercise consists of a scrutiny of the relative staff costs of the department's functions in relation to Ministers' priorities and objectives. The exercise also provides early warning of changes in staffing requirements and helps senior management to reallocate staff where necessary. The Ministerial Priorities Review gives Ministers the opportunity to satisfy themselves that the department is correctly interpreting their policy priorities, and also to judge whether the allocation of staff is consistent with these priorities. For 1984 new arrangements have been established for the Branch Programme meetings under the chairmanship of the Permanent Secretary to ensure in particular that agreed objectives are set by branches for the following year which are consistent with Ministerial guidance. Branches are required to consider ways of improving value for money. In future years the meetings will review the degree to which each branch achieves the objectives set the previous year.

Control of administrative expenditure

6. Experimental cost centres have been established for the department's Darlington Office, the University Grants Committee, Her Majesty's Inspectorate and a sample of 5 out of 14 Branches in the department's headquarters. The experiment thus covers 75 per cent of the department's staff. Each cost centre has been given a cash-limited budget covering manpower and some non-manpower costs, and managers will be accountable for keeping expenditure within this limit. Switching between different types of expenditure will be allowed in certain circumstances. The objective of delegating financial control to "users" is to make them more cost-conscious in their use of resources, and so to encourage better financial control and value for money. The costs and benefits of the experiment will be evaluated carefully. A new information system is being developed with the help of consultants so that all running costs can be attributed to individual centres throughout the department and to cost units within these centres.

Management of programme expenditure

7. Rather more than £2 billion of the DES programme expenditure goes to the universities, Research Councils and other grant-aided bodies. The bulk of this money is not spent or distributed directly by the department. The further development of the financial management of this expenditure therefore requires the active co-operation of the recipient bodies. The following action is being undertaken:-

- (a) the report on the financial management in the Science and Engineering Research Council and on the Council's relations with the department and the Government has been completed. Steps are in hand to implement the recommendations for improving the management system in the Council itself and for streamlining communications between the Council and the DES and central departments. The application of the recommendations to other Research Councils and fringe bodies is being explored. Further more general efficiency exercises on each of the Research Councils' activities are being considered;
- (b) efficiency studies are to be undertaken in selected universities (under a steering group appointed by the Committee of Vice-Chancellors and Principals with a senior industrialist as chairman and the head of the Efficiency Unit a member), and in the Open University. It is hoped to have these studies completed by March 1985;
- (c) the Secretary of State has set up an enquiry into the academic validation of first and higher degree level courses in the public sector: this exercise should be completed by March 1985. The Committee of Vice-Chancellors and Principals launched last year a study into academic quality and standards at under-graduate level in the universities: the first of a series of reports has issued. The Council for National Academic Awards has engaged consultants to look at the efficiency of its operations, and to report during summer 1984;
- (d) systematic procedures for appraising directly funded policy initiatives are now in operation and will be applied, inter alia, to projects financed under the specific powers granted to the Secretary of State under the Education (Grants and Awards) Act 1984. The procedures concentrate on the need systematically to specify objectives clearly; consider

alternative means of achieving them; estimate all relevant costs accurately; and build in from the beginning monitoring and evaluation arrangements.

8. The remainder of the DES programme, nearly £11 billion (including mandatory awards to students, on which DES pays 90 per cent grants), is spending by local authorities. Much DES policy work is directly or indirectly concerned with improving value for money from this expenditure. In particular this objective is implicit in all the policies aimed at raising educational standards. The new specific grant powers (paragraph 7(d) above) will enable the Secretary of State to fund innovatory projects promoting the re-deployment of a small part of spending by local authorities in line with national policy objectives. The first grants will be made in 1985-86. Subject to the approval of Parliament the activities to be supported will include the development of records of achievement for school leavers, improved management of the school teacher force by local authorities, and the improvement of mathematics and science teaching in schools. A report on arrangements for allocating capital expenditure has been drawn up in consultation with the local authority associations. It recommends a simplified and manpower-saving approach which is being discussed with the associations for implementation in 1985-86. The department expects to take account of any recommendations the Audit Commission makes as a result of its examination of non-teaching costs in secondary schools and aspects of expenditure on further education. The department is funding the development of the Further Education Management Information System, which will improve efficiency in further education colleges.

9. Work continues on the form and use of possible output measures to assist the development of education policy. In higher education, data on the cost per graduate are being refined and information about the demand for graduates and their salaries is being analysed. The graduate cost data allow comparisons to be made across subjects and sectors, and such indicators assist in the development of the future strategy for higher education. The employment market information about graduates is a useful complement to impressionistic evidence available from employers about the economy's need for different types of graduates. The department is carrying out a pilot study of factors affecting examination results in a sample of individual schools. This should yield some insight into the

relative importance of variables such as the socio-economic grouping of a school population and expenditure per pupil. Good progress is being maintained in the development of the relationship between authorities' expenditure and the Government's assessment of their needs for the purposes of rate support grant; and in the development of computerised financial information systems for local authority as well as vote expenditure.

Staffing and training

10. The DES has increased the financial management component of the general training courses for its staff and is strengthening its internal audit capability. Training courses are being developed for key members of cost centres, and the development of training packages tailored to meet the requirements of particular branches has begun on a pilot basis. Awareness training is being expanded by the inclusion in much general training of a financial management session and by a programme of branch training seminars, designed to relate the branch's work to the principles of the department's financial management development programme.

Implementation

11. A co-ordinating unit has been set up for the department's programme to develop financial management, and extra staff have been allocated to work on the implementation of the financial information system. Outside consultants continue to be employed on this part of the programme.

12. The total cost of the department's work is estimated to have been about £300,000 in 1983-84, and is likely to be of the order of £400,000 in 1984-85.

THE DEPARTMENT OF EMPLOYMENT GROUP

THE GROUP

1. 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). 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.

DEPARTMENT OF EMPLOYMENT

2. Substantial progress has been made in implementing the main elements in the department's programme. These are:-

- (a) working through the Senior Management Group (SMG) to secure improved management of both administrative and programme expenditure;
- (b) developing cost centre accounting and a resource information system (RIS);
and
- (c) introducing devolved budgeting (including appropriate training).

Senior Management Group

3. The first round of SMG reviews, chaired by the Permanent Secretary, was completed in October 1983 and an account of its results was published in February. The SMG examined each management command on a statement of its organisation, performance and efficiency, focusing on accountable organisation, output and performance measures and use of resources, including future plans. The Secretary of State accepted the SMG's general conclusions and indicated that he

would be taking a continuing detailed interest in the SMG's activities.

4. The SMG identified two major issues on the organisation of the department. The first concerned the accountability for resource use in the Unemployment Benefit Service (UBS). Responsibility for and to some extent control over the major elements of resources (including premises, personnel and some staff complementing authorities) fell at Headquarters, not to the manager of the UBS but to central common service branches which also provided these services for other activities in the department. The SMG decided that the UBS, with 27,000 staff, was sufficiently large and coherent to justify transfer of these responsibilities to UBS branch.

5. The second issue concerned the allocation of responsibility at headquarters for executive functions in the regions. Regional offices are mainly concerned with managing the payment of benefits to the unemployed, but also administer redundancy payments and some special employment measures. Regional office managers stand in direct line management responsibility to the managers of the UBS, but their additional functions are the policy responsibility of separate branches at headquarters. The SMG concluded that regional managers should be given clear performance standards by the headquarters policy branches responsible and these are being developed for application in 1984. This means that the headquarters policy branch becomes responsible for monitoring and controlling both inputs and performance, but day-to-day control of the executive function is delegated to the regional managers.

6. The SMG is currently undertaking a second round of reviews, in which Ministers are closely involved. It focused initially on examining the three commands with major expenditure programmes: UBS, special employment measures and employment protection/redundancy payments. This enabled the SMG to consider performance and prospects in these areas before submission of the department's 1984 public expenditure survey.

All commands are being required to pay particular attention to the measurement of output and efficiency. The UBS for example in developing the use of indicators to show the speed and effectiveness of computer handling of claims and adjudication decisions; and a new operational planning system is being introduced in the Race Relations Employment Advisory Service. The Secretary of State is receiving up-to-date reports on the progress towards implementing the plans to develop financial management throughout the Department of Employment Group.

Cost centre accounting and a resource information system

7. The department is on course to introduce cost centre accounting to provide management at all levels with the detailed information on resource use that is needed to support both future SMG reviews and delegated budgeting. Cost centres will be serviced by a system of management accounts - the RIS - which will record the cost of each centre's resource use and in some cases for example manpower, the amount employed. The process of evaluating, selecting and procuring a computer package (RTZCS's GL Plus) was completed in January. The intention is to complete the implementation substantially by November 1984 and to complete test running in March 1985. If this programme is fulfilled, the system will run live in 1985-86, producing both management and financial accounts. The RIS will be used in financial and management planning to assist in the preparation of PES plans, annual estimates and budgets; in financial accounting to summarise vote expenditure against estimates and cash limits and assist in producing the department's Appropriation and White Paper accounts; and in management accounting to help line management to assess the costs of their activities. It will be possible to make comparisons between cost centres, and of in-house costs with external suppliers. The SMG will also be better able to assess the cost-effectiveness of different activities and programmes and to cost alternative means of attaining objectives.

8. The development and running costs of the RIS up to April 1985 will be some £1.4 million.

Devolved budgeting

9. The department's plans for devolving budgeting responsibilities to line managers were described in Cmnd 9058. All budget holders will prepare trial budgets for 1985-86 with both line managers and central divisions scrutinising budget submissions and monitoring subsequent performance. Information derived from the RIS will assist managers in preparing budgets for 1985-86 and beyond. The pilot studies initiated in 1983-84 showed that the process of constructing and operating budgets had stimulated managers to consider ways of achieving greater efficiency and effectiveness. Suggestions that emerged from the pilot studies and were subsequently acted upon included the modernisation of local office switchboard equipment, and local negotiation and acceptance of contract cleaning tenders.

10. The SMG has approved the principles upon which the budgeting system will be based. These provide for responsibility, in terms of specific managerial authorities, to be transferred to line managers wherever it is sensible and possible to do so; for budgets to cover the full range of resources that can sensibly be allocated to line managers (including programme expenditure); and for the key level of budget responsibilities to be that of the management command, ie mainly grade 5. Grade 4 managers will have power to switch funds between the commands for which they are responsible; and the SMG will have power to switch funds between divisions. It is recognised that budgeting will need to take account of central controls on both spending and staff, and the substantial proportion which staffing costs represent of total administrative costs. There is considerable variation between the size of the largest and smallest commands and the approach adopted needs to be flexible enough to accommodate this.

Management of programme expenditure

11. Control of programme expenditure is an important element of the SMG review process. Commands with programme expenditure have included in their statements details of objectives,

targets, outputs and performance measures. In some cases the SMG has requested that commands should review whether improvements are needed in the arrangements for monitoring the achievement and performance of these programmes and the SMG will be looking carefully at progress in this area. The SMG has also asked appropriate commands to consider, in consultation with the MSC, whether improvements are needed in the arrangements for monitoring the achievement and performance of programmes operated by the Commission.

Training

12. The department has focused its initial training effort on raising staff awareness of the principles of financial management and its plans for further developments. A series of headquarters seminars was attended by over 500 staff and it is planned to hold a further series shortly to bring staff up to date on implementation of the department's programme of work. It is intended that financial management training should take place as close as possible to the time managers actually become involved in developing plans and constructing budgets. In the UBS, some 180 budget holders, 800 cost centre managers and about 1,000 other staff will require specific training and a series of residential seminars is being held to help prepare budget holders for the planning and budgeting process. A Regional Budget Adviser has been appointed in each region.

MANPOWER SERVICES COMMISSION

Corporate Management Information System

13. The first, exploratory, round of the Corporate Management Information System (COMIS), took place in the autumn of 1983. The reviews, conducted by MSC senior management, identified a number of points for action which are now being pursued: they covered management and efficiency questions, management information and monitoring, issues of organisation and responsibility and the evaluation and review of policy areas.

14. Experience of the first round of reviews has led to revised arrangements for the COMIS process:-

- (a) a major round of divisional review meetings in the late spring covering the MSC's past performance, general efficiency and plans for the coming years. The reviews will form a background for MSC's public expenditure proposals as well as providing an opportunity for top management to maintain the pressures for administrative efficiency and effective expenditure on programmes across the board. The main reviews will be supported by scrutiny of PES and Estimates proposals using the agreed COMIS programme structure which brings together all expenditure appropriate to a particular area of activity; and
- (b) a series of meetings spread throughout the year to examine efficiency in pre-selected programmes in greater depth. All MSC activity would be covered in a 3 year cycle.

15. The total cost of the autumn 1983 COMIS exercise was approximately £125,000, £25,000 of which related to the cost of the COMIS team. For the current year the cost of the COMIS team is expected to be around £90,000.

Computerised financial and management accounting systems

16. The planned installation of mini-computers in Training Division's regional and area offices has been successfully completed and has led to staff savings of around 200 and savings in salary costs of £1.4 million per annum. They have considerably speeded up the processing of payments and the transmission of expenditure details to the central processor and the range of payments they cover is being gradually extended. Their introduction also facilitates the use of the Bankers Automated Clearing Service (BACS). Money transmission

costs via BACS are some 6p lower for a payable order and 30p for a Girobank cheque and MSC volumes of payments by the latter methods are over 4 million per year. It is intended to convert these payments to the BACS method wherever possible; the system is already operating for payments on the Enterprise Allowance Scheme (650,000 payments a year) and pilot projects are in progress to prove the feasibility of the system for paying major programme sponsors. Significant savings in money transmission costs should accrue.

17. The user requirement and package evaluation have been completed for a revised central financial and management accounting system (FMAS). The user requirement specifies a system which will provide an interactive on-line facility between some 180 terminals throughout the country and a central processor, and will also provide financial control information on MSC's relations with several thousand external service providers, eg YTS managing agents, colleges, including details about future commitments on for example course places planned, approved and filled. Costs of the project in 1983-84 were some £220,000. In 1984-85 estimated costs of some £2 million will be incurred, of which around £1.2 million is equipment cost. Running costs thereafter, including staff costs, are put at some £0.9 million per year. Ministers decided that in the interests of developing a DE Group computing and accounting policy MSC should develop its FMAS on the package and computer used for the Department of Employment's own Resource Information System. This means that FMAS will be substantially implemented in 1985-86 and all stages completed by 1987-88

Budgetary control

18. In Training Division, salary and manpower budgets are now held at regional level, and travel and subsistence budgets at area level. Programme expenditure budgets for the division's 2 major programmes, YTS and TOPS, have also been devolved to area level under regional control. Budgets for other items of current expenditure are being introduced at both regional and area level during the current year, eg postage,

telecommunications, minor works and utilities to areas, with major premises costs and major new works being retained at regional level.

19. Similar arrangements have been introduced in Employment Division, with salary, manpower and major premises budgets being held at regional level and budgets for such items as travel and subsistence, post, telecommunications and utilities being held at HEO manager level. In conjunction with these measures, Employment Division has introduced an integrated planning and resourcing system, which encompasses operational planning, complementing, and decentralised budgeting. The system involved successive levels of management in bidding for resources on the basis of their forecast outputs; stimulates the consideration of productivity and cost-effectiveness improvements; and provides feedback on resource utilisation.

20. In Head Office, budgets for salaries, manpower and travel and subsistence have been devolved to branch head (Assistant Secretary) level. Moves towards direct recharging for central services are under way, so that each command is fully informed of its true costs of operation.

21. The overall cost of operating devolved budgets in the current year is estimated at around £1.5 million. This is higher than originally forecast, partly because some items have been devolved earlier than anticipated.

Performance measures

22. The range of performance measures now in regular use in the MSC has been extended to include indicators of efficiency in the management of the Commission's employment and training programmes: for example, output per staff unit in the Employment Service. The monthly meetings of the Chairman's Management Committee are provided with a variety of measures relating principally to the main operating divisions' performance in cost/output terms. The first COMIS round identified a number of gaps in such measures in several areas

and those gaps are now being filled. Major improvements are anticipated when various staffing (eg in Training Division) and costing (eg in central service areas) reviews are complete, and once the revised financial and management accounting system comes on stream.

Skillcentre Training Agency

23. In its first year of operation as a separate management unit the Skillcentre Training Agency has made considerable progress towards meeting its self financing target within 3 years. A full management team is now in post and implementation of consultancy reports on marketing strategy and initiatives and financial management accounting systems is proceeding. A major effort is under way to reduce costs and to increase training sales, especially in the field of new technology. The financial system incorporates devolvement of operating budgets - both expenditure and revenue - to the 68 skillcentre managers, and a computerised management accounting system will be introduced [shortly]. Cost reductions of some £4 million were achieved in 1983-84 over 1982-83. Further significant reductions are anticipated in the current and succeeding 2 years.

Training

24. In the past year a training strategy has been drawn up to support the development of financial management. All staff at Senior Principal level and above have attended seminars, Area Managers in Training Division have had separate seminars and Employment Division Managers have undergone relevant training to support their integrated planning and resourcing system. Those staff directly involved with financial budgeting and monitoring have received appropriate financial training. Further training in, for example, costing, trading accounts and investment appraisal is being given to staff at EO level and above. A wide range of staff are receiving more specific training about particular aspects of MSC's response to the Financial Management Initiative that are relevant to their work. Financial awareness training for all levels is being

arranged. The cost of this financial management training in 1983-84 amounted to some (£400,000) and the estimate for 1984-85, reflecting the increased coverage of training, is around (£900,000).

HEALTH AND SAFETY COMMISSION

25. Progress has been maintained on each of the items forming the Health and Safety Executive's future programme in response to the Financial Management Initiative as set out in Cmnd 9058. As in previous years, divisional work plans are submitted to the 3-man executive and form the basis for resource allocation. They allow progress and performance to be monitored.

Financial and management accounting system

26. Work has been going ahead on replacing the accounting system which provides outturn information for HSE management. At present the main budget holders in HSE are Under Secretaries/Chief Inspectors. The new system will produce cost information on major items such as salaries for smaller management groups, for example to section level and its equivalents in HSE's field organisation. From this HSE will be able to build up budgets for these units and it will then be possible to devolve budgetary responsibility below division head level where this is considered appropriate.

Budgetary control

27. In the past budget holders in HSE have been given budgets for each specific item within their control and have been expected to keep within that budget for each item. From 1984-85 certain items - for example travel and subsistence, permanent transfer expenses and training and conferences - will be grouped together and budget holders will be required simply to keep within the total sum allocated for each group. This should be a considerable improvement in terms both of additional flexibility and devolved responsibility.

Manpower database and project register

28. The new computer database covering manpower figures came into operation as planned in April 1984. It provides much better information than had been available hitherto for manpower planning and control in HSE and will provide a basis from which manpower costs can be calculated for financial management. The development of HSE's project register which gives a detailed account of work in progress continues and it is planned to computerise the system during 1984-85.

Efficiency scrutiny

29. The report of the recent scrutiny of the efficiency of the field activities of the Inspectorate and the Medical Division found that salary expenditure accounts for over 85 per cent of the total costs associated with visit related activities and pointed to the need to record the time spent on these activities. The report made a number of recommendations on performance indicators and HSE is pressing ahead to implement them. This implementation will be carefully tied in with the organisation's overall planning and monitoring arrangements and the new accounting system will provide the necessary cost information. HSE is also studying ways in which the effectiveness of compliance-oriented activities can be measured. A number of retrospective studies are underway and arrangements are being made to evaluate all major new policy developments. The timescale for this work is inevitably fairly long but preliminary studies of particular aspects of HSE's work produced useful results.

Training

30. HSE's training programmes for staff at all levels continue to include an increasing amount of material on financial management. Both the senior management course for staff at mainly Principal level, and the management of resources seminars for higher level management include sessions dealing specifically with the objectives of the financial management initiative and its implementation in HSE and elsewhere.

DEPARTMENT OF ENERGY

1. The Department of Energy has continued the development of its financial management programme along the lines set out in Cmnd 9058, especially in four main areas:

- (a) improvements to the management information system;
- (b) control of programme expenditure;
- (c) further devolution of responsibility for administrative expenditure; and
- (d) staffing and training.

DEMIS

2. The department's Management Information System (DEMIS) provides the material for an annual review by top management of the deployment of manpower and other resources. It is timed to precede and inform the formulation of the department's annual Estimates.

3. The 1983 DEMIS had two principal aims: to review what line managers had achieved during the past year compared with what they set out to do; and to define the main tasks to March 1985 as a basis for decisions on the allocation of staff resources. It proved a valuable framework for decisions such as the allocation of additional staff to reflect the priority given to the work of the Energy Efficiency Office.

4. While retaining its basic format for these purposes, further development of DEMIS in 1984 will concentrate on clarifying tasks and objectives, thereby enhancing its usefulness as a management tool, particularly for line managers.

Programme expenditure review

5. A comprehensive review of the department's programme expenditure was conducted in 1983. The aim was to enable divisional forecasts for the annual public expenditure survey to be considered in the light of stated objectives for each programme and an assessment of its value for money, and to provide a coherent background against which the department's top management and Ministers could consider future expenditure plans. This comprehensive review of programme expenditure was used by Ministers as a

basis for commissioning full reviews of policy in particular expenditure programmes.

6. A similar programme expenditure review has been undertaken this year. Effort has been concentrated on further clarification of objectives and on assessing progress over the past year. In addition, divisions were asked to support their forecasts for this year's public expenditure survey with an indication of the output of their programmes where practicable. The department received assistance from the Treasury and Financial Management Unit in identifying possible improvements in the measures used by the Energy Efficiency Office in assessing the progress of their various programmes. The Energy Efficiency Office will pursue the ideas discussed.

7. Expenditures on nuclear and non-nuclear research and development are borne on separate departmental votes. Although brought together in the formulation of Estimates and the public expenditure survey, they are subject to different methods of control and review. In order to subject all the research and development funded by the department to consideration within a common framework, it has been decided to set up a single departmental budget for research and development, to handle all the expenditure on a single vote and to broaden the remit of the Advisory Council on Research and Development to cover advice to the Secretary of State on the content of nuclear, as well as non-nuclear, research and development.

8. The department is conducting a general review of the role and activities of the Atomic Energy Authority with the objective of establishing a long term framework for the Authority's activities and for public expenditure in this area.

9. Authority to give financial approval to non-nuclear research and development projects (other than those on energy efficiency) hitherto concentrated in one division, will in future be exercised by all the divisions concerned. The managers responsible for research and development programmes will thus carry responsibility for the best use of the resources allocated to them within the departmental budget mentioned in paragraph 7 above.

10. In the light of a report by consultants in 1983 on the efficiency of operation and the structure of management of the Government Oil Pipeline and Storage System, the department is reviewing policy on the future control, financing and management of the system: privatisation is amongst the options.

Responsibility for administrative costs

11. From 1 April 1984 the budgets for which divisions have administrative responsibility have been broadened to include official entertainment, expenses of independent members of committees, and conference fees, as well as their existing responsibility for expenditure on travel and subsistence.

12. The department has decided to treat the Gas and Oil Measurement Branch (previously Gas Standards Branch) as a cost centre from 1 April 1985. The aim is to achieve a better attribution of costs to services and the charges made for them, and to secure operation at maximum efficiency. Preparatory work is now in hand.

13. A group on management of resources has been set up under the chairmanship of the Permanent Under Secretary of State to scrutinise the department's administrative expenditure and to make cost savings and improve efficiency in the day-to-day running of the department. The group's remit covers all areas of administrative expenditure; it complements the system of delegated responsibility in those areas where it is not cost effective to introduce divisional budgeting. Scope to cut expenditure on subscriptions to publications has already been identified. Savings here should allow investment in new technology to be accelerated.

14. The department already makes considerable use of computers, notably for statistics, energy modelling and petroleum resource analysis. The need for computer facilities continues to expand. Independent consultants were therefore appointed in 1983 to study its working methods and to recommend a co-ordinated strategy for further cost-effective computerisation. Their report last February identified a number of ways of meeting this objective and forms the basis for decision-making by the department's top management in this field.

Staff and training

15. The department has carried out an analysis of all posts from Executive Officer to Assistant Secretary to establish the skills which they require with particular reference to the financial management and of business, commercial and financial expertise. With the same aim, the programme of inward and outward secondments and attachments to industry is being carried forward as part of the normal career management of staff. An in-house training programme is being developed which places major emphasis on resource management.

Costs

16. The annual running cost of implementing the department's response to the Financial Management Initiative is estimated at £200,000.

DEPARTMENT OF THE ENVIRONMENT

1. Progress in the last year and plans for the next year fall into four main areas:

- (a) consolidation and further development of top management systems;
- (b) clarification and development of line management accountability;
- (c) increasing staff awareness and training; and
- (d) the department's relationship with external spending bodies.

A major theme in each of these areas has been to establish clearer objectives, quantified wherever possible. Attention has increasingly been directed to programme expenditure in addition to administrative expenditure.

Top management systems

2. Cmdnd 9058 indicated that it was intended to develop the management information system for Ministers (MINIS) so as to give greater attention to the definition and measurement of objectives and to relate it more closely to the planning and monitoring of public expenditure. The most recent MINIS reports by commands in the department have accordingly contained much more material on those matters. In addition a new set of reports on programme expenditure (Performance Review Reports, PRRs) have been prepared by each responsible directorate. These internal management reports were introduced to enable Ministers to review the aims and objectives of all of the department's main expenditure programmes. Where possible these reports identified the scope for using quantified performance indicators to set targets and to monitor performance.

3. The new reports were considered by Ministers and senior management together with the MINIS reports and enabled top management to review the objectives and effectiveness of expenditure in a systematic manner. This review process is beginning to provide a significant input into the department's work for the public expenditure survey. Quantification of objectives and performance will be further developed in future years.

4. The MINIS and PRR systems will be reviewed during 1984. A range of issues will be examined, including the selection of material and its

presentation; the closer definition and pursuit of objectives; and the relationship between the needs of top management and of line management.

Line management accountability

(a) administrative costs

5. A main objective of the plans to develop financial management has been to delegate greater financial responsibility and accountability to individual line managers. For administrative expenditure by the department (staff costs and overheads) responsibility is increasingly being delegated in this way to cost centres. During the past year the department has established a computerised system of budgeting and accounting for cost centres: the Management of Administrative Expenditure Information System (MAXIS).

6. Considerable progress has been made in implementation and development of MAXIS. A review of this system with a view to possible improvements is planned for the current year. Managers' freedoms to switch resources between different items of administrative expenditure in order to achieve greater value for money are gradually being extended, within the constraints of vote control.

(b) programme expenditure

7. Accountability for the department's programme expenditure was reviewed in the study of the role of Finance Divisions mentioned in paragraph 9 of Cmnd 9058. The main conclusions of the review, which have been endorsed by the Permanent Secretary's Policy and Management Group, were that a further impetus should be given to the development of better financial management; that the policy line is best placed to exercise effective day to day financial management; that there must be a capacity for critical external questioning, which can most effectively be provided by a separate finance organisation; and that there is a need to instil an even greater sense of cost-consciousness more widely through the department.

8. A steering group, chaired by the Second Permanent Secretary, has been set up to oversee the implementation of the main recommendations. This will involve the systematic application of current best practice in financial management; and changing attitudes towards financial

management through increased effort in training and dissemination of guidance on financial matters.

9. The development of management accounting for programme expenditure is now being considered. A review was carried out last year of flows of monitoring information to senior managers, covering both physical and financial information. This work is being taken forward with a new study to establish the management accounting needs of the department.

Staff awareness

10. A series of seminars on financial management was held last Autumn, chaired by the Permanent Secretaries. Most senior managers with financial management responsibilities attended, and there was a final key-note session with the Secretary of State and Ministers.

11. Training for financial management in both finance and policy divisions is being given the highest priority as the department implements the recommendations of the review of the role of Finance Divisions, and in parallel the wider recommendations of a recent internal report on overall training strategy. In addition to formal training, it is envisaged that finance divisions will hold more regular bilateral discussions with financial managers and their staff in the policy line. A basic presentation of the department's finance framework is also being produced for general circulation amongst officers who have or will have responsibility for financial management.

External spending bodies

12. As indicated in Cmnd 9058, most of the executive non-departmental public bodies (other than local government) sponsored by the department have been invited to produce and update each year corporate plans following a broad model, but tailored to suit the needs of each body. Some 21 bodies are involved, covering expenditure of £1,135 million. Most are now producing or proposing to produce plans focussing on 1985-86. Among other things Ministers intend to use these plans each year as a basis for discussing and agreeing objectives and targets for future years with each body (with quantified measures wherever possible) and for reviewing the past year's performance against previous objectives. The plans will be prepared or updated to a timetable related to the public expenditure planning cycle. The plans will come to the

department in the spring; and the official level and Ministerial discussions will be held during the summer in time to inform public expenditure decisions in the autumn for the following year. A sponsored bodies forum has been established under the Second Permanent Secretary to co-ordinate the department's approach to relationships with its sponsored bodies. The forum will be considering a range of issues over the next year, including the clarification of responsibilities within the department for these bodies (sponsoring divisions, finance, internal audit, accountants, establishments, manpower); progress on corporate plans and objectives; and the development of performance indicators.

13. The issues in relation to local government identified in Cmnd 9058 (para. 16) have been discussed by the government departments primarily concerned and the Local Authority Associations. The four main issues discussed were:

- (a) ways of improving medium term expenditure planning for long capital programmes;
- (b) the operation of the general systems for influencing current expenditure and for controlling capital expenditure;
- (c) the scope for review of how specific controls and specific grants are administered;
- (d) the development of more quantified measures of output and achievement.

Individual departments have been taking these themes forward in their own areas where appropriate. The Audit Commission has also separately been addressing economy, efficiency and effectiveness questions for local authorities. The Department of the Environment will take the general issues forward as opportunities arise over the next year.

Costs

14. In addition to the costs of work in finance divisions and throughout the policy line, the present costs directly attributable to the development of financial management within the department are about

£385,000 for MINIS/PRRs (this represents a similar MINIS cost to last year with an extra £70,000 for new PRR work); about £900,000 for MAXIS (this reflects the peak of implementation work in 1983-84 and should not represent the eventual annual cost of the system); and about £130,000 for the specialist unit co-ordinating and carrying out financial management reviews: a total of about £1.4 million.

DEPARTMENT OF THE ENVIRONMENT (PROPERTY SERVICES AGENCY)

1. Over the last year much of the work of the Property Services Agency (PSA) on future management information, accounting and budgetary control systems has been associated with consideration of the major proposals for structural changes referred to in Cmnd 9058. The Government has now decided not to proceed at present with these proposals for reorganisation, but the need for new systems to improve control remains. A start has been made on the major programme of development work required; meanwhile, steps are being taken to improve and strengthen existing arrangements.

2. The urgency of such developments was underlined by the Wardale Touche Ross (WTR) report on recent cases of fraud and corruption in the PSA. Apart from specific systems recommendations, the WTR report called for changes in managerial attitudes to achieve clearer identification of individual responsibilities, improved financial control and better value for money - themes in line with general thrust for better financial management. Since the publication of the report in October, the Agency's senior management has undertaken a substantial programme of meetings and discussions with regional and local managers to ensure the lessons of the report are fully disseminated and absorbed throughout the management structure.

MINIS

3. The system designed to help top management to review the performance of individual PSA directorates against their stated objectives is now in its fifth year. Three important changes to improve the effectiveness of the system have been made in the current round:

- (a) the timing of preparation of the annual MINIS statements has been changed from the autumn to January to use more up to date information;
- (b) the format has been revised to sharpen the supporting information on administrative costs and expenditure programmes;
and

- (c) a summary MINIS statement has been prepared covering the PSA as a whole, to focus attention on the most important issues affecting the Agency.

4. The results of this round will be evaluated to see what further improvements in format and procedures can be introduced for next year. The Agency will also consider how best to link MINIS more explicitly with detailed operational objectives for lower levels.

Management information systems

Long term developments

5. To provide a framework for the long-term development of new systems the Agency commissioned two studies from consultants. Their first report in December 1983 defined the broad information needs of management in the light of PSA's overall objectives. The second, completed in May 1984, provides costed recommendations for a technical data processing and telecommunications strategy to satisfy these needs.

6. The Agency's Executive Board are reviewing these proposals. Decisions will be taken this summer on action, including the future organisation needed to manage such major developments in information technology.

7. These decisions should give the Agency a firm foundation on which to press ahead with a major series of projects to define in detail the systems and databases needed to support particular PSA functions. Full implementation of comprehensive information systems will require substantial investment in computers and telecommunications links phased over a number of years.

Interim developments

8. In parallel with the longer term work, good progress has been made on two initiatives to achieve early improvement in the Agency's management information on programme expenditure:

- (a) an interim works systems (WIS) will help to control total annual maintenance spending of about £550 million. This

micro-computer system will provide local managers with up-to-date information, about the level of commitments on total defence and civil maintenance expenditure and progress on each job exceeding £2,500. Following pilot studies, the micro-computers and associated equipment was ordered in February 1984. Installation in the Agency's 156 District Works Offices has been accelerated, and is due to be completed by April 1985; and

- (b) an on-line interim system for civil estates management (CERIS), initially using a commercial bureau, will give estates staff access to a centralised property data base, thus speeding response to enquiries and the production of reports. CERIS will hold information on the assessed rental values of individual properties as well as details of space occupied by departments. It will facilitate the development of the Property Repayment Services (PRS) scheme, under which PSA charges departments for the space they occupy. CERIS is now being introduced progressively: the 30 terminals across the Agency should be installed by July 1984.

Budgetary control

9. In the context of the work on management information described above the Agency is concerned to improve budgetary control of both programme and administrative expenditure.

Programme expenditure

10. Work is now in hand to develop enhanced budgetary control arrangements, as recommended in outline by the WTR report, for bulk maintenance expenditure. These are jobs costing less than £2,500 which are not individually recorded; the total expenditure involved is about £250 million. A pilot study is being designed to test the value and cost effectiveness of budgetary control of bulk maintenance on a property by property basis, and to consider how the work done to establish the unit costs of maintenance might be incorporated. The study will run in selected District Works Offices from August and cover the 1985-86 budgetary cycle.

Administrative expenditure

11. In the short term the Agency is extending its arrangements for delegated budgeting of administrative costs - some £300 million. Local budgets for telecommunication services in the regional organisation will be introduced from October 1984.

12. A longer term aim is a better integrated mechanism for reporting actual expenditure against budgets. At present the monitoring of actual costs by the PATOCAP system primarily spreads administrative costs over the Agency's operational activities and organisation units. It does not readily relate actual costs to budget.

13. Stage I of the review of PATOCAP by a joint PSA/CCTA team was completed in September 1983. This confirmed the broad technical feasibility of breaking down the current centralised system into inter-locking parts to make costing and budgetary control information more readily accessible to all levels of line management. It is intended, within the framework of the overall information strategy described in paragraph 7, to put proposals for replacement systems to senior management in September 1984.

Integrating programme and administrative costs

14. Controls over administrative costs and programme expenditure need to be better integrated. A joint PSA and Ministry of Defence working party is considering the possibility of a single vote for defence works and associated administrative costs to enhance the overall awareness and control of the full costs of providing these services. The aim is to introduce new arrangements in April 1985.

Consultancy, inspection and review capabilities

15. The Agency participated in a multi-departmental review of Consultancy, Inspection and Review Capabilities (CIRC). The report of the PSA study recommended organisational and other changes to provide better services with a more clearly defined relationship to line management. Senior management will take decisions on the report in the light of the central report being prepared by the Efficiency Unit.

Other developments

16. Progress in other areas noted in Cmnd 9058 includes work on monitoring the quality of the Agency's investment appraisals by a central team set up last year (the review of the team's work in April 1984 recommended continuing with a central unit for a further year) and changes in the methods of work of internal audit. Appropriate training is being undertaken in conjunction with the development of individual systems.

Costs

17. 1983-84 costs for the areas of work discussed above are estimated as follows:

<u>Operating Costs</u>	£
MINIS	250,000
CERIS	50,000
Other additional costs, including central investment appraisal monitoring unit	75,000
	<u>£375,000</u>
<u>One-off Costs</u>	
Consultant studies on information strategy	160,000
WIS and CERIS equipment	300,000
Other costs; including CIRC study and consultancy advice on FMI matters	125,000
	<u>£585,000</u>

18. In 1984-85 and 1985-86 the Agency anticipates substantially higher costs in the areas of computing hardware and software, associated telecommunications links and systems development, but the scale of these costs has not yet been precisely defined.

THE CROWN SUPPLIERS (formerly PSA SUPPLIES)

19. The Crown Suppliers operate on a full trading fund basis. A change of title to The Crown Suppliers (from PSA Supplies) was announced on 18 January 1984. Seminars with suppliers and customers were held to publicise these changes.

20. The plans described in Cmnd 9058 have been taken forward. During the year a detailed marketing plan has been developed with the help of consultants. A Sales and Marketing Division has been created utilising

existing staff, with some key posts filled as necessary by people recruited from outside the Crown Suppliers. Efforts are continuing to attract further orders from the public sector. Purchasing work was re-organised in October 1983 by amalgamating some of the sections responsible for the administrative and technical work in placing contracts. The new teams are placing contracts faster without extra resource costs. It is hoped to introduce further amalgamations during 1984.

21. Accounting systems for the Crown Suppliers were finally separated from the rest of PSA on 1 April 1984. Consultants' proposals for improving and replacing management information systems are under examination. They are more extensive than envisaged but decisions on them will be taken before the end of 1984. Improved systems would be introduced progressively and full implementation could take at least 5 years. The proposals include the establishment of a directly controlled computing facility to replace the service presently provided by PSA. The equipment, software, and hire of bureaux facilities during the development stages is estimated to cost about £5 million. Implementation would also absorb a large amount of staff resources. Meanwhile the planned short-term changes to improve the stock control part of the system and to speed up the response to orders from customers are being introduced by the installation of terminals providing access to central computer records of stock, current contracts and past demand. Implementation began in February 1984 and will be completed by the end of 1984.

EXPORT CREDIT GUARANTEE DEPARTMENT

1. The Export Credit Guarantee Department is improving its financial management on two fronts. Its existing management accounting system is being enhanced to pave the way for a system of cost and budget centres; and an improved management information system is being introduced, not only to give top management better information on the department's trading performance, but also to provide line managers (particularly underwriters) with better information on which to base decisions. Good progress is being made on the department's plan. In relation to the summary plan in Part 2 of Cmnd 9058, developments are as follows.

Objectives

2. Work on developing more specific measures of ECGD's basic financial objective of operating at no net cost to public funds has continued during the past year. Agreement in principle with the Treasury has now been reached on the adoption of a number of indicators of the department's financial performance. It is expected that these will be published in the Trading Accounts for the current financial year.

3. Discussions are also well advanced with the Treasury on the content of a business plan for the department which will be reviewed annually by Trade and Treasury Ministers. This plan builds upon existing work which forecasts future cash flow and outturn of the department's trading activities and will provide the framework within which decisions can be made for example on future premium rates and the allocation of resources to enable the department to meet its newly defined financial objective. The plan will also take account of PSBR and public expenditure implications.

4. In addition to the work on the financial objective and the business plan more precise operational objectives will be set during 1984-85 for the Comprehensive Guarantee Group, which handles the bulk of the credit insurance business.

Underwriting performance

5. A key feature of the plan is the improvement of underwriting and risk control by more effective management information systems for the

operational divisions. The new computer facilities referred to in Cmnd 9058 are now fully operational and have facilitated a considerable improvement in the production of statistical information. Planning is well advanced for an enhancement of the existing computer database which records information on claims payments and recoveries. By the Autumn of 1984 this system will begin to include records of cases of probable loss, and claims under examination; amongst other things these additional records will form the basis of a computerised system aimed at providing underwriters with early warning of future market difficulties.

6. Two underwriting divisions have been selected as pilot areas in which to develop a management information system designed to improve underwriting performance by providing underwriters with detailed and up-to-date information about the performance of the facilities and markets for which they are responsible, thus enabling better-informed decisions to be reached. These pilot studies will be completed during 1984-85. A new range of statistics is being produced which, when fully evaluated, will be extended across the department and in aggregated form will provide the basis of a management information system for middle and senior management.

7. A top management information system is also being designed. A new monthly report for senior management has been produced since February 1984 which gives, in a highly aggregated form, key statistics on the department's performance. This will be supplemented by detailed cash flow information on the business as a whole, and on the performance of particular facilities.

Administration costs

8. A computerised management accounting system is now being developed to support the network of budget, cost and responsibility centres which are to be introduced throughout the department at line manager level. Although the full system is not expected to be ready before 1985-86 an interim system has been introduced for 1984-85. The feedback from this interim system will assist in the design of the full system.

9. As a parallel exercise, work is proceeding in two pilot areas to consider what output measures can be devised so as to measure performance more effectively.

Programme expenditure

10. A project for the computerised system for processing and monitoring the Fixed Rate Export Finance facility is now at the detailed specification stage. The new system will improve public expenditure forecasting and audit control and give more information about the way in which the scheme is being used. It is expected that this system will be implemented during 1985.

MINIS

11. The proposed business plan will fulfil some of the functions of the MINIS-type systems being introduced in other departments. The information deriving from the management accounting system, and from the management information system, will enable supplementary information to be made available to Ministers: the scope and format of such a reporting system is currently under review.

Training

12. A series of seminars has been conducted for middle and senior managers at which the department's plan was explained. At the beginning of this year an information note was issued to these staff describing the planned system of cost and budget centres. The interim management accounts system will be introduced by a series of training seminars for heads of divisions. More generally, the department is moving the emphasis of its training effort to the provision of courses more specifically designed to meet specific and specialist needs. Particular importance is attached to financial training with the use of Civil Service College courses and the sponsorship of staff for accountancy training.

Costs

13. Work to develop and operate the management accounting system cost some £160,000 in 1983-84 and will cost an estimated £370,000 in 1984-85. Other developments reported above were planned before the initiative in 1983 and have been taken forward as part of the

department's programme of work on financial management at no additional cost.

FOREIGN AND COMMONWEALTH OFFICE

1. The nature and extent of the expenditure of the Foreign and Commonwealth Office, Diplomatic Wing (FCO), was set out in last year's White Paper. Since then the FCO has assumed financial responsibility for about £20 million of publicity services overseas commissioned from the Central Office of Information and has transferred to the Home Office the responsibility for the Passport Office which also involves some £20 million. Improved methods of assessing the worldwide costs of providing consular services, including the issue of passports, led to fees being raised in November 1983 to cover these costs fully.

2. The main features of the FCO's financial management plan remain those mentioned in last year's White Paper:

- (a) Top management. A Financial Planning Group, chaired by the Permanent Under-Secretary, was set up to consider the deployment of FCO financial resources. Plans were initiated for a Management Information System (MIS) to come into operation by 1 April 1986.
- (b) Delegated budgeting. To delegate responsibility to overseas posts for an increasing proportion of their costs, thus moving away from a tightly centralised financial administration. Some 20 per cent of all local costs were devolved to posts in 1983-84 under a new local budget system.
- (c) Programme expenditure. Though responsible for relatively little programme expenditure, FCO decided to review its methods of applying the principles of good financial management in this area, without infringing the independence of institutions such as the BBC External Services and the British Council.
- (d) Staff and training. The FCO accepted the need for higher calibre staff to be associated with financial work and to increase training in financial management.

Top management

3. The Financial Planning Group has held regular meetings to discuss financial management and resource allocation. It has prepared a set of strategic objectives which have been approved by FCO Ministers. Work is in hand on adopting detailed objectives for individual FCO departments for the year 1985-86. These are likely to take the form of general aims

of long-term validity and specific objectives capable of achievement in the short-term. For FCO posts abroad there already exists a system of confidential country assessment papers outlining British objectives. These papers will be adapted to take account of developments in financial management. Work continues in securing output measurement standards which will overcome the difficulty of assessing work (such as political reporting, negotiation and the provision of advice to Ministers) which does not readily lend itself to measurement techniques.

4. The Financial Planning Group has paid close attention to monitoring the rate of spend in the FCO's 214 posts overseas. Talks have been started with the Treasury with the aim of establishing a system of dealing with the degree of uncertainty in long-term planning caused by the fluctuations in sterling and overseas inflation which affect 40 per cent of the FCO's financial provisions. A decision was taken to make a financially advantageous purchase of the freehold of Hanslope Park, the centre of the FCO's communications network, thus saving future costly expenditure when the lease was due to expire in a few year's time.

5. The Financial Planning Group intends to study the overall distribution of FCO resources in the light of information to be provided by the MIS. A pilot study covering Diplomatic Service expenditure throughout South-East Asia is now complete. The study has established more precisely the costs of the 9 posts which report to the FCO's South-East Asian Department, breaking these costs down by function - consular, commercial and so on. Pending the introduction of a fully computerised MIS in 1986, an interim broadbrush system will be introduced in 1984 based on the pilot study. This will produce a presentation of worldwide costs by country and function to enable management at all levels to take informed decisions in drawing up their priorities.

6. It is intended that the MIS will take full advantage of a computerised internal communication system known as FOLIOS which the FCO is pioneering, and for which plans are well advanced. FOLIOS would provide a rapid and effective range of electronics office and information retrieval facilities that should prove particularly useful for a department such as FCO which is spread over so many different buildings.

Delegated budgeting

7. The first year of the new local budget system for overseas posts was complicated by the weakness of sterling and the unpredictable nature of many overseas costs increases. Nevertheless, useful experience was gained in overcoming these difficulties and in some cases it was possible to absorb at least part of the adverse effects of the high inflation prevailing in certain overseas countries. For 1984-85 the scheme has been extended to take in new areas of local delegation, including local staff overtime and casual labour, and to allow certain types of receipts to be offset against expenditure. The ability to switch resources between component parts of the local budget has been considerably extended. By 1 April 1985 the knowledge gained by posts should enable them to prepare their local budget estimates themselves instead of having quotas allocated from London. The incentive to save in certain areas in order to expand higher priority activity should encourage posts to seek new ways of securing better value for money.

8. As a means of further devolution from the centre a system of travel budgets delegated to Under Secretaries was also introduced in 1983-84. Since the Under Secretaries concerned with the various sectors of the world are taking decisions about travel abroad by London-based staff and official visits to the United Kingdom by staff serving overseas (instead of all such journeys being approved by one central department), there has been an incentive to look for cheaper means of travel and a more structured weighing up of priorities. This has enabled FCO to fulfil its essential travel requirement with no increase in resources in spite of a worldwide increase in air fares and subsistence payments.

9. In April 1983 responsibility for the management of the Diplomatic Estate overseas was transferred from the PSA to FCO. It is in accordance with the principles of sound financial management that the FCO should have full responsibility for all the resources which it uses. FCO is actively seeking ways to rationalise the estate to suit modern operational needs and to save running costs in the long term by more efficient use of resources and by spend-to-save policies. Examples include the decision to build embassy offices in the garden of the Ambassador's residence in Vienna. Several under-used or otherwise unsuitable properties have been sold. The proceeds of some £1 million of these sales which arose during the course of the last financial year were

used to purchase a smaller and more modern house for the Ambassador in The Hague, thus yielding savings on the rent, repairs and other running costs of the existing house.

Programme expenditure

10. The FCO's programme expenditure is mainly in the form of international subscriptions, military aid and grants-in-aid to non-governmental bodies. Considerable efforts are made to ensure zero real growth in international organisations to which the Government makes assessed contributions. FCO works closely with the Ministry of Defence to ensure value for money in contributions to peace-keeping forces. A Resource Management Committee, chaired by the Principal Finance Officer, carefully assesses the justification for all grants to the smaller non-government bodies. Application of the principles of good financial management to the two major grant-aided bodies, the BBC External Services and the British Council, involves a balance between the need to ensure that value for money is being achieved and the need to respect the constitutional autonomy laid down by their Royal Charters. The Permanent Under Secretary is a member of the British Council Board. For some years the Council has possessed a computerised management information system involving activity analysis and has delegated most local spending to its overseas representations.

Staffing and training

11. In accordance with the FCO's own Rayner study on running costs, undertaken in 1982, a qualified management accountant has been recruited and further professional accountant posts agreed. FCO training now involves an increased financial management input. A specially recorded video presentation has been made to introduce the principles of good financial management, the local budget system and responsibility for the overseas estate to members of the Service at all levels.

Costs

12. The costs of the FCO's response to the initiative continue to be met from existing resources. These consist of 6 full-time staff, some

17 man years' effort by various other staff and a training input costing approximately £30,000. This will be supplemented by the MIS extension of the FCO's computer facilities which is likely to cost £100,000. Total costs for 1983-84 were approximately £517,000; these are expected to rise to at least £600,000 in 1984-85.

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

1. Good management in accordance with the principles of the initiative in 1982 has been of importance to the Department of Health and Social Security (DHSS) for many years, particularly in the social security operational commands, but these principles have now been given new emphasis at headquarters. Since last year's report DHSS has made further progress both within the department itself and in the programmes, including those of the non-departmental public bodies (NDPBs), for which it has lead responsibility. The department has initiated major reviews in both the health and social security programmes. These are outlined in more detail below. The common theme is a re-examination of the purpose and effectiveness of particular policy areas in the light of an assessment of present and future needs.

Top management: priority setting

2. The mechanisms by which Ministers and senior officials manage the department and its programmes have been strengthened by work on the implementation of the recommendations of the Report of the Inquiry into NHS Management (the Griffiths Report, see paragraph 12) which related to setting strategies for and the management of the health service. A Health Services Supervisory Board has been established within the department under the chairmanship of the Secretary of State to strengthen arrangements for the oversight of the NHS and wider health care arrangements. Under the Supervisory Board will be a new Management Board set up within the department, with responsibility for the NHS management programme. In the interim period before the Board is established and its new chairman appointed a multi-disciplinary management group is handling this responsibility. On the social security side a director has been appointed to manage the operational strategy (see paragraph 9).

Divisional management accounts

3. The second annual cycle of the divisional management accounts (DMA) system has been completed. This round aimed to provide a more explicit mechanism for linking priorities and functions with the necessary manpower resources. It allowed a stronger element of stewardship : Ministers and senior managers were able to scrutinise performance by Under Secretary-led divisions towards the objectives set in the first

experimental round. Ministers were better able in this round to judge priorities and assess objectives within particular divisions and in the department as a whole. The DMAs also helped management to identify policy areas for review and to set realistic manpower levels for headquarters.

Budgetary control and delegation

4. The department now has a computer-based financial information system with the details of expenditure reported monthly to over 800 cost centres and summaries for higher levels of management. A limited number of items of expenditure were subject to delegated budgetary control in 1983-84 and, although it is difficult to assess the extent to which budgets were the cause, the year has seen significant savings on all of these items totalling about £8 million compared with forecast expenditure of over £90 million. Further developments for 1984-85 gave individual managers the opportunity to bid for their requirements, budget for a wider range of expenditure and a degree of flexibility to switch funds between budget headings. The intention is to devolve further items as the system develops until all major blocks of expenditure are charged out to identified budget holders.

5. The DHSS is working towards the development of financial management by:

- (a) looking for ways to delegate more authority to line managers to reduce central control;
- (b) completing implementation of the report in [1981] of the department's traffic study of the flow of work between headquarters, regional offices and social security local offices. All but a few of the recommended changes in organisation and methods to devolve responsibility for handling business have now been implemented, with their consequent staff savings, and the remainder will follow soon;
- (c) experimenting in 34 local offices and in part of one of the central offices with budgets for a much wider range of administrative expenditure (including manpower) and greater authority for managers for staffing and switching resources

between budget headings to obtain better value for money;

- (d) a 2-year experiment in social security local offices which provides cash incentives for offices which achieve
 - (i) good or improved overall performance; or
 - (ii) administrative savings.

Initial developments have been encouraging, with some significant savings.

Management information

6. The management information in use and the links with the DMA and budgetary control systems continue to be improved. Key developments in the department and in the NHS include:-

- (a) continued progress on the work of the Steering Group on Health Services Information (the Körner Committee): development proposals covering hospital and community health activity, finance and manpower are now being completed; an implementation time-table has been agreed and announced. The proposals are being piloted in the Bromsgrove and Redditch Health District;
- (b) the development and publication of performance indicators for health authorities. A joint NHS/DHSS working group is improving the system;
- (c) improved manpower planning and control within the NHS. Health authorities are now required to submit for approval annual manpower targets as part of their service plans. Progress in achieving targets is monitored by quarterly returns;
- (d) extended use of microcomputers in the department's regional offices.

Social security reviews

7. Social security expenditure in 1983-84 was over £35 billion, more than 29 per cent of all public expenditure. Effective management of this complex and diverse programme requires clear analyses of objectives and assessments of success. It also calls for periodic reappraisal of policies, particularly in the light of economic and social developments; and it imposes on those who manage this vast programme a duty to ensure

that the resources consumed are used to best effect where they are most needed. The department has therefore set up a series of wide-ranging reviews covering the bulk of social security expenditure. These reviews constitute the most fundamental and co-ordinated examination of the benefit system since the Beveridge Report 40 years ago. They are:

- (a) Inquiry into provision for retirement. An inquiry chaired by the Secretary of State to study the future development, adequacy and costs of state, occupational and private provision for retirement including the portability of pension rights. The inquiry will consider possible changes taking account of the recommendations of the Parliamentary Select Committee on Social Services on retirement age;
- (b) Housing benefit. A review under an independent chairman to examine the structure and scope of the scheme to ensure it is as simple as possible, that help is concentrated on those most in need and to improve its administration by local authorities;
- (c) Supplementary benefit. To review, under Ministerial chairmanship, the structure of the supplementary benefits scheme and to consider the scope for easing its administration;
- (d) Benefits for children and young people. To review under Ministerial chairmanship the present social security arrangements for giving financial help to families with children and to young people above school leaving age.

A central review unit has been established in the department to co-ordinate the work of the review teams and to examine issues which go across the board.

Operational strategy

8. These programme reviews are complemented by continuing work to streamline operations. Information technology systems already play an important part, for example in the payment of benefits, and their role is being further co-ordinated and developed within the social security operational strategy. The main objectives of the strategy are more efficient and cost-effective administration of the social security system, better service to the public, and better jobs for staff. A

directorates has been established to manage the staged implementation of this strategy over the coming decade.

Social security evaluation

9. Output measures are being developed for social security benefits and work is in progress on criteria for appraising the effect of policy changes. Chapter 2.12 of the latest public expenditure White Paper (Cmnd 9143 - Vol II) lists the main measures and criteria used currently and illustrates their application to various benefits.

Forecasting

10. The department (with assistance from the Treasury and the Government Actuary's Department) is improving the method of forecasting of social security expenditure. Work is in hand to introduce by the end of 1984 an improved computer based system to monitor expenditure. It is planned to extend this to cover forecasting year's outturn by the start of the 1985-86 financial year. Improvements are also being made in the forecasting of benefit expenditure for the three year public expenditure survey period. Substantial steps have been taken to improve the monitoring and forecasting of expenditure on the demand-led family practitioner services, in order to improve budgeting and reduce the scale of in-year adjustments to financial provision.

Newcastle Central Office (NCO)

11. A new management services branch has been formed with responsibility for the financial management plans of the NCO, including budgetary control, manpower control, management accounts, staff inspection and organisation and methods. The branch will be directly responsible to the Office's controller. Steps have also been taken to improve the decision making processes for major managerial and operational issues.

Progress in the NHS

12. Significant improvements have been made in the management of the NHS:

- (a) Regional and district reviews. The review system is designed to ensure accountability for the performance of health authorities within a framework of clearly defined and delegated

management responsibility. The second round of regional and district reviews has been completed and the system is being extended to unit level.

- (b) Planning and manpower control. Health authorities are now required to produce annual programmes and strategic plans which reconcile projected improvements in services with financial and manpower inputs, and which contain substantial cost improvement programmes. Authorities are now required to submit for approval annual manpower targets as part of their annual programmes. Progress in achieving targets is to be monitored by quarterly returns.
- (c) Scrutiny programme. The first four reports of the NHS Rayner scrutinies have been published. These point to ways in which money can be made available for patient care by economies in other directions. For instance savings of up to about £9 million a year might be possible on non-emergency ambulances;
- (d) the works function within the NHS is being reviewed;
- (e) Competitive tendering. Health authorities are requested to test the cost of their support services by putting them out to competitive tender. The purpose is to identify savings which can be made and thereby release resources for improved patient services.
- (f) NHS audit. Health authorities have in the last 10 months taken substantial steps to increase their internal audit capability and to raise its status. Ministers will shortly consider the results of consultation on the report of the Salmon Committee on NHS audit. There has been strong support for its broad thrust and Ministers are likely to issue guidance to health authorities at an early date. In the meantime, the experimental use of private firms by DHSS to undertake external audit has been expanded from 8 health authorities accounts in 1982 to 14 in 1983.

Inquiry into NHS management

13. The Griffiths' report endorsed the action taken by the Government to improve NHS management, and proposed a further programme of management action. In particular the report identified the need for a clearly defined general management function in the NHS to draw together responsibility for planning, implementation and control of performance. After wide consultation the decision to implement the report's recommendations in full was announced recently and guidance for this purpose has been issued to the NHS. In particular, the Government is requiring health authorities to identify individual general managers at regional and district level, and in hospital and other units. This will be the key to seeing through successfully the management improvements already in hand and the further action recommended by Griffiths.

14. One specific area of improved financial management in the report and already underway is the development of management budgeting. This involves clinicians at unit level, who are responsible for determining the use of resources, being brought in as budget holders in the management of resources. A national steering committee, which includes a member of the inquiry team and five NHS members, will ensure that guidance on successful developments and good practice, and on false trails, is given to other health authorities.

Family practitioner services

15. Reports have been received from consultants on the administration and the financial management of the family practitioner services.

Other developments

16. Work has started on producing an operational requirement for the computerisation of the central vote accounting system for all health and personal social services votes within the department. Action has been initiated to ensure that budgets for services financed centrally from these votes (in total some £400 million a year) are prepared in accordance with the principles of the initiative. Work has continued on drawing up a programme under which all centrally financed services (other than those provided by NDPBs) will be subjected to an in-depth review - including an examination of financial management systems - at intervals

of between three and five years. Services provided by NDPBs are already reviewed in accordance with guidance issued by the Cabinet Office (MPO).

Spreading awareness and understanding

17. A concerted effort has been made to promote the importance of good financial management throughout the department by special circulars, seminars, training arrangements etc. These have included seminars given to headquarters staff by the Principal Finance Officer and the Principal Establishment Officer, attended by about 700 senior staff, a presentation to the departmental Trade Union Side and a series of awareness seminars for senior and middle management staff in the central offices and social security regional organisations. A conspectus detailing relevant training courses provided by the department, the Civil Service College and outside institutions has been widely circulated and the department has it in mind to prepare a video illustrating the 3 basic objectives of the financial management development plan. This commitment to staff training will continue. "Value for Money in Administration" has been selected as one of two departmental priorities for 1984-85 for the social security regional organisation and staff at all levels will be encouraged to develop tasks and initiatives in support of this priority.

Costs

18. The promotion of good management, which includes good financial management, is intrinsic to the administration of the department: implementation is regarded as a fundamental element of each line manager's responsibility. The costs of the programme of work outlined above cannot, therefore, readily be isolated. The main identifiable costs for 1983-84 include:-

- (a) the implementation and operation of the budgetary control system - £400,000;
- (b) the production and scrutiny of the divisional management accounts - estimated at £100,000;
- (c) the NHS management inquiry (including expenses of the team and staff costs of the secretariat) - £100,000;
- (d) some £25,000 on co-ordination of the department's response to the initiative.

HOME OFFICE

1. Public expenditure provision for Home Office services is rather more than £4 billion. 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 the Immigration Service, the Forensic Science Service and telecommunication services for the police and fire services). The department employs about 36,000 civil servants, of whom all but 9,000 are in the Prison Department.

2. Since the publication of the last White Paper in September 1983 a number of projects have moved from the planning stage to implementation. They include the setting up of the prison costing system, introduction of a delegated budget in the Immigration and Nationality Department and piloting of financial information systems for HM Inspectors of Constabulary and the Probation Inspectorate. The work in these and other areas, described below, continues to be given high priority.

Annual performance review

3. The Annual performance review (APR), which has now completed its second cycle, is the Home Office's top management information system under the personal direction of the Permanent Secretary. The APR has provided a structured approach to the review of performance and progress toward defined objectives within Ministerially determined strategy, the formulation of which it has also assisted. It has also provided useful cost information and been the starting point for a number of special studies and scrutinies designed to signal ways of obtaining better value for money.

4. The internal scrutinies launched as a result of the 1983 APR include a progressive scrutiny during 1984-85 of expenditure in the Immigration Service, including a study of options on methods of control at points of entry. The main objective of the study is to identify ways of making more effective use of manpower - the 1,700 staff are by far the most important item of expenditure in the service. A study of the scope for developing performance indicators in various parts of the Home Office is nearing completion with the objective of promoting the improved use of such indicators in those parts of the central administration of the Home

Office in which regular administrative and executive operations are carried out. A review of the way in which the research programme of the Scientific Research and Development Branch is planned, managed and monitored is about to begin with the aim of ensuring that the research programme reflects the requirements of the police and other services it is designed to help, and is managed effectively and economically.

Expenditure planning and performance review

5. Besides the developments for resource planning which have arisen from the APR internal arrangements for public expenditure planning have been improved. An experiment with computerised facilities has considerably assisted the work of Finance Division in marshalling financial information in different ways and at different levels of aggregation so as to enable senior management and Ministers to reach decisions on resource allocation on the basis of information which is both more comprehensive and more easily considered, and to provide better feedback to line management.

Prisons

6. The Prison Department's management strategy continues to give priority to establishing the systems by means of which more efficient use of resources and hence better value for money will be achieved. There are two main strands to this activity. On the one hand, the lines of accountability between the various levels in the Prison Service are being clarified, within the general context of devolving as much responsibility as far down the management line as possible. On the other, a specially created Efficiency Unit at the Prison Department's headquarters is co-ordinating the development of control systems to ensure that the responsibilities which are devolved are properly exercised. This comprehends not only the follow up to several major resource control studies but also the introduction of local budgetary control mechanisms, based on the developing prison costing system, on 1 April 1986. Improved forecasting, within the PES context, of future Prison Service expenditure and, as an interim measure until local budgets are introduced, tighter control of current expenditure under the present vote management arrangements are also being addressed.

Other directly incurred expenditure

7. The appraisal of the existing arrangements for managing administrative expenditure, referred to in the last White Paper, has resulted in the establishment for 1984-85 of a delegated budget for the Immigration and Nationality Department (IND). As from 1 April 1984 IND has been given a share of the central Home Office Estimates provision for 1984-85 and PES provision for later years. The initial allocation represents the attributed costs of IND's share of almost all central services, including manpower. Within the budget and manpower ceiling the IND Under Secretary has a significant degree of flexibility to vary the amount spent on individual items, these include changes in the fields of manpower, personnel and accommodation. Below the Under Secretary there are five other experimental budget holders with lesser but nonetheless significant freedom to manage the resources for which they are responsible. Further work includes experiments testing the idea of further delegation within IND, and a project to improve management information about IND's functions and activities. The reduction in most nationality fees from 1 April 1984 was the result of the preparation of a budget for 1984-85 for the nationality operations and the increased emphasis on the financial aspects of their management which include an improved accounting system. The potential for similar changes in the Directorate of Telecommunications is under consideration in the context of the development of a new management accounting system and a revised structure of accountability. After evaluation of the IND experience, consideration will be given to how similar arrangements might be extended to other parts of the Home Office.

8. The review of expenditure has also resulted in the creation of a simplified and more managerially relevant vote structure for the 1984-85 Supply Estimates, designed to show more clearly how financial provision is allocated and managed. The nature of divisional responsibilities for budgets is being addressed in the preparation of a finance manual for divisions and will be of direct relevance for the APR system. In addition a study of divisional responsibilities in relation to grants to voluntary bodies is being conducted in order to clarify the nature of the sponsoring function involved. A project has also been launched, aimed at exploring ways of enabling and encouraging line managers to secure greater economy in the use of office services, such as telephones, stationery and reprographic facilities.

Local authority services

9. In relation to the police service, a Home Office circular on manpower, effectiveness and efficiency in the police service was issued in November 1983. [A cash limit has been imposed on the net revenue expenditure of the Metropolitan Police]. A financial management information system has been devised for HM Inspectors of Constabulary, to help them to make an analysis of an individual force's expenditure by functional category and type of spend. The system was piloted in the inspection of six forces during the first half of 1984. The system should assist HM Inspectors to assess, with chief officers, the extent to which the allocation of resources is consistent with national and local objectives and priorities, and the efficiency with which resources are being used. Other work relating to police expenditure has included 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 scope for applying them to the measurement of police efficiency and effectiveness; this work is being followed by further study.

10. The Home Office has appraised the potential for applying the methodology developed in the police context to the other local authority services in which it has an interest. A financial management information system for the probation service has been developed, on the lines of the police model, which relates its functions and activities to the resources consumed. The Probation Inspectorate have used the system on a pilot basis to explore resource use and priorities in twelve probation areas in the early part of 1984 with a view to extending the coverage of the system to all probation areas in 1984-85. Work is also under way on the development of management information systems for magistrates' courts, and advice has been issued to them on improving fine enforcement and is shortly to be issued on reducing waiting times.

11. The preparation of plans for organising, staffing and managing the proposed new independent prosecution service, and of the legislation which will be needed to implement them, is being undertaken by an interdepartmental steering group under Home Office chairmanship. This work is providing an important opportunity to establish a new service taking the principles of good financial management into account from the outset.

Internal audit

12. An audit committee has been formed to oversee the strategic development of internal audit. Satisfactory progress has been made towards the required complementing, training and computer audit standards.

Staffing and training

13. The development of the programme of financial training continues with:

- (a) further seminars on general financial matters for senior staff. Over 300 senior staff have now attended such seminars. A two day middle management course on finance has also been introduced as part of the full time Home Office training programme. Over 200 staff have now attended these courses;
- (b) training in investment appraisal, both in-house and using the Civil Service College. Guidance has been given to divisions on the appraisal of proposals with cost implications, including the application of investment appraisal techniques. More general guidance of financial matters will be covered in a new finance manual which is in preparation; and
- (c) training in the general principles of good financial management and on the use to be made of the data becoming available through the prison costing system for groups of headquarters staff. This will be extended into the Prison Service as circumstances require. Training in options appraisal techniques for those involved in top level policy and operational decision making is also planned.

14. The review of requirements for specialist finance and accountancy skills within the Home Office is nearing completion and the recommendations will be considered in the autumn.

Costs

15. It is estimated that the direct staff costs of the programme for 1983-84 were about £716,000 of which £466,000 was for the prison costing system. In addition the computer cost for the prison costing system for the same period was £300,000.

CENTRAL OFFICE OF INFORMATION

1. The Central Office of Information (COI) moved to a repayment service on 1 April 1984, with a financial target of breaking even year on year. An annual trading account will be produced.

2. Preparation for the move to repayment began before the Financial Management Initiative was launched, but the requirements of the two were sufficiently similar for the objectives of improving financial management to be taken into account. This was especially so in the areas of organisation and budgetary control.

Management organisation and systems

3. The review of the management structure of the COI mentioned in Cmnd 9058 has been completed. On 3 October 1983 the activities of the department were brought together in 4 main groups: Home Publicity; Visual Media and Radio; Overseas Publicity; and Client Services. The group directors were included in the new management committee.

4. The main aims and objectives of the COI have been clarified and articulated. Within the overall financial target of breaking even, sub-targets are being set and work is continuing on the setting up of performance indicators.

Budgetary control

5. The COI's new computerised management accounting system went live on 1 November 1983. The system involves the setting up of managerial budgets, consisting of: the cost of staff (salaries, superannuation, etc) directly employed on the activity; the cost of services provided by other budget holders (including staff and non-staff costs); direct non-staff costs (accommodation, telephones, etc) based wherever possible on measured usage; depreciation of assets and other notional costs; and direct operational programme expenditure with public and private sector suppliers. Each budget holder has to match income with expenditure over a 12 month period.

6. Monthly reports on the performance of COI as a whole are sent to the Director General, Deputy Director General and Principal Finance Officer. These three together with the Principal Establishment Office and the four

group directors form the management committee for the department. The group directors receive reports summarising the performance of their divisions. Below them divisional directors, service managers and job managers each receive suitably disaggregated reports on their areas of responsibility for the performance of which they account to their immediate superiors.

7. The five months of live running of the management accounting system before the introduction of repayment on 1 April gave managers little time to understand and use the figures produced. However the second set of budgets showed a marked increase in the level of understanding. It is too early to draw general conclusions from experience to date, but already accommodation holdings are being reduced and the need for and cost of other resources are being critically examined. The use of cost-saving items of new technology is also being actively explored.

8. The management committee reviews the overall trading position each month and makes policy decisions on the viability of particular activities taking account of demand for services, the resources devoted to them and the prices charged for them.

9. Each manager controls direct spending within his budget and against prices quoted when work was commissioned by the client. The propriety of this expenditure is monitored after the event by Finance Branch. Monitoring of the efficiency of expenditure is being considered as part of the work on the development of performance indicators.

10. Decentralisation of financial control is the first major step towards combining the responsibilities of the Principal Establishment and Finance Officers. This is expected to be achieved by 1986.

Staff training and attitudes

11. The COI is a specialist-led department. About half of its staff are specialists recruited direct at all levels, mainly from the private sector. Apart from a small administrative cadre, the remainder of the staff are engaged in providing support services. Traditionally specialists within COI have had to concern themselves largely with the skills for which they were recruited (journalism, design, film production, etc), with resource control exercised from the centre. The

disciplines of repayment and the department's programme to develop financial management have caused specialists to become more resource conscious and attitudes have changed considerably over the past year, as indicated in paragraph 7 above. There has been a series of seminars for all staff at Executive Officer/Assistant Information Officer level and above, whilst more junior grades have had elements of the disciplines introduced into more generalised training. Senior staff have attended Civil Service College courses on financial management and conferences of senior staff have been organised. Further training will take place as more specific needs are identified.

Costs

12. The full cost of introducing repayment and developing financial management has been identified, but because the two are so closely related it is not possible to separate them. Much of the work carried out for one would have been necessary for the other. The estimated combined cost is now £380,000 before 1983-84 (of which £189,000 was for consultants); £820,000 in 1983-84 (including £230,000 for consultants and £150,000 for computers); and £250,000 in 1984-85. It should be noted that the estimated cost in Cmnd 9058 was only in respect of the management accounting systems.

INLAND REVENUE

1. The Inland Revenue administers the direct taxes and duties and provides rating and other valuations. It employs nearly 70,000 staff mostly in some 1200 local offices, which are organised into regions.

2. The department's programme of work described in Cmnd 9058 is now well underway, and is on time. The main aspects are discussed in more detail below. They comprise four major areas of work:

- (a) the introduction of a senior management system (SMS);
- (b) improvements to management information systems (MIS);
- (c) a new budgetary control and financial information system (FAMAS); and
- (d) developments in the field of management audit.

The senior management system (SMS)

3. The SMS is the main means by which the Board reviews the plans and achievements of each major command, usually at about Under Secretary level. It provides the opportunity to look systematically at the department's priorities for future years, and to set targets and objectives for levels of management down the line. The first annual SMS review took place last autumn. The Board discussed each return with the head of division responsible. Their plans were amended where appropriate and a number of reviews were commissioned. The returns were published on 30 April.

4. While the SMS already contains detailed information about outputs, targets and performance at operational levels, it will be enhanced in future years to give a better picture of the current position and of future plans, at all levels in the department. In the second round of the SMS, in Autumn 1984, the department will carry forward the process of integrating the management and financial information systems discussed below. Following the introduction of FAMAS for example it should be possible to provide more financial information in the SMS than was practicable in the first round and to make progress in allocating costs more precisely to specific functions.

Management information systems (MIS)

5. The department's target remains to have in place a fully operational management information system by 1986-87 for each of its main areas of operations, which include the three networks of local offices - Tax Districts, the Collection Service (including the Accounts Offices and local offices with PAYE audit and recovery functions) and the Valuation Offices.

6. The aim is to provide systems which enable line managers to define specific areas of responsibility, to set targets for output, and to measure progress against those targets, including some measure of quality. The systems will also provide information about the use of staff resources, and the efficiency or performance of an operational unit. The plans to computerise PAYE and Schedule D now offer the opportunity within the next few years to capture much of the MIS data automatically and in more detail. The department will look at ways of using information technology to improve the flow of management information in other areas of the department.

7. Substantial progress has been made to date in all operational areas:

(a) Taxes network

the MIS introduced in 1983-84 marked a significant advance over the previous approach, which concentrated on the level of work arrears, by sharpening the measurement of key outputs (or work done) and the deployment of staff. The plans for the next two years will focus on extending its coverage to new work areas such as PAYE/Schedule E compliance and also on determining the best way to monitor clerical performance and the quality of technical work.

(b) Collection service

- (i) PAYE audit: a new MIS was introduced in April.
- (ii) recovery network: an interim MIS was introduced in April, and there will be further substantial improvements from November 1985.
- (iii) Accounts Offices: an interim MIS will be introduced in November, with a full system from November 1985.

(c) Valuation Office

(i) professional work: a MIS is already in operation. Significant progress has been made in closer monitoring of inputs, outputs and the timeliness of the services provided. Quality controls already introduced are being further developed.

(ii) clerical work: performance indicators have been introduced, and are to be refined.

(d) Other large operational units

Plans are being produced for each of these offices (eg the Capital Taxes Office), with the intention of introducing initial systems by April 1985.

Financial and management accounting system (FAMAS)

8. The development of FAMAS is progressing to plan. The general ledger software package, on which it is based, has been implemented successfully and monthly production of management accounting reports to local managers began in May 1984. In addition, the new system reports monthly actual costs, compared with estimate, to the head office staff responsible for controlling expenditure under each vote subhead, as well as to those managers taking part in the budgetary control pilot exercise described in the next section.

9. Plans for 1984-85 include the improvement of information flows into the new system; the development of functional costings; and work on the development of the financial planning and control cycle (PES, Supply Estimates and budgets).

Delegated budgeting

10. A new system of budgetary control will become operational throughout the department in 1986-87. Line managers from local offices upwards will hold budgets covering all costs which they can influence, and will be responsible for the effective use of the resources under their command. They will make regular critical scrutinies of the results that are being obtained in relation to the costs. There will be a clearer definition of responsibilities throughout the management structure, together with greater delegation of authority to line managers. The new system will

build on the cost-reporting facilities already provided by FAMAS which will help to overcome the problems of data capture and reporting encountered in the previous manual schemes of delegated budgeting for specific categories of expenditure such as travel and subsistence and telephones.

11. In April 1984, the department started a pilot scheme in 15 tax offices in the South East region to test all aspects of the new system before seeking to extend it further. The managers involved have more scope than their counterparts in the rest of the department to decide on the precise mix of their resources. In particular they now have the ability to switch resources from the pattern shown in the budget in order to achieve a more effective deployment to meet changed circumstances. They will be accountable to their line manager for all budgetary decisions.

Management audit

12. The operational review of the Enforcement Office review has been completed. Decisions have been taken on the proposals to be implemented, and implementation is under way. A second review, of secretarial and typing services, is now nearing its conclusion. These reviews, which will be followed by others and are part of a departmentally agreed programme of work, under the direction and control of the Principal Finance Officer. This also includes the remainder of the department's management services projects, together with the internal audit programme and Rayner scrutinies.

Staffing and training

13. The departments plans mean that many traditional attitudes and assumptions will have to be changed fundamentally. The department accordingly attaches high priority to the training of all staff, particularly those who will become directly involved with the new systems in their day-to-day work.

14. Since Summer 1983 financial management seminars for senior line managers have been taking place regularly. Sessions are now included in the departmental management courses which reach about 250 staff a year at HEO level and above. The main effort, however, has been geared to

providing introductory training on the department's plans for financial and management information to local office managers up and down the country in time for the arrival of the cost-analysis reports from FAMAS in May. It was felt that the most appropriate way to carry out this training was by 'cascading' it down through the line management structure. Seminars were held for senior regional management in the three networks, who in turn then held similar sessions with their local office managers thereby reaching at the end of the day over around 2,500 staff. Similar techniques were used in the non-network offices. In order to communicate the initiative a variety of training aids have been used, ranging from conventional explanatory literature through professionally produced slides to a dramatised video film.

15. In addition staff have been made aware of the department's plans through the departmental news letter. There have also been a number of sessions with the Trade Union Side to discuss various aspects of the initiative, in particular the delegated budgeting pilot scheme. Finally a user panel, consisting of representatives drawn from the major parts of the department, has been formed to provide consumer reaction to the details of the impact of the programme of work.

Costs

16. The use of consultants will continue, and there will be a continuing need to invest in computer hardware and software. In addition, substantial resources will continue to be devoted to financial management training for staff at all levels. During 1984-85 the total commitment will be around 170-200 staff, principally for the operation of MIS and FAMAS.

17. The total cost is estimated to have been about £250,000 in 1982-83, increasing to slightly over £2 million in 1983-84. For 1984-85 as the full costs of implementation are felt, the figure is likely to be about £3 million, about two-thirds of which represents use of Revenue manpower.

Benefits

18. It is too early to assess fully the benefits flowing from these developments. But the evidence so far is encouraging. Regional taxes

management involved in the MIS trial covering technical work welcome the additional information. Senior managers found the SMS useful in identifying a number of problem areas and in generally sharpening up the management process. As the new management and financial information systems become bedded in, and developed, they should help all levels of management to deploy the department's resources to the best effect.

HM LAND REGISTRY

1. The main thrust of the Land Registry's work on financial management has been threefold:

- (a) to develop a more responsible organisation structure at senior levels to ensure a continuous forward look at policy, strategy and priorities;
- (b) to clarify objectives at all management levels throughout the Department; and
- (c) to enhance the existing resource allocation and control systems to promote a greater awareness of costs and better financial management throughout the organisation.

Management responsibility

2. The Land Registry Policy Committee, under the chairmanship of the Chief Land Registrar, is now well established. This Committee provides the overall direction for medium and long-term planning, for policy and for all matters affecting the department, in particular the evolution of conveyancing practice in England and Wales.

3. The department's Management Committee, under the chairmanship of the Chief Executive, meets monthly to co-ordinate the operational tasks of the Land Registry by establishing appropriate strategies and priorities, reviewing results and directing action.

4. Following the internal review of its existing systems, the Land Registry standardised, throughout its regional offices, its system of managers' guides. With the publication of 'Accountable Management in the Land Registry' in August 1983, all offices undertook a programme which set out the aims and objectives of all managers. Regular reviews of performance are carried out throughout the management line to monitor progress. Managers' guides operate at all levels up to Assistant Secretary.

Management information

5. The new micro-computer based financial accounting system went live on 2 April 1984, one year earlier than had previously been planned. Computerisation of the financial records has provided management with far greater flexibility and a more detailed and timely analysis. It has also

been possible to introduce financial modelling to aid decision making. By integrating both vote and management accounts into one data base, it will be possible to produce at short notice regular memorandum trading accounts showing expenditure compared with fee revenue and also detailed reports of receipts and payments compared with the vote. Incorporated into the accounting structure is the delegation of responsibilities for budgets to accounting centre managers. Work is scheduled to start in early summer on incorporating standard costing with full variance analysis. The new system also replaces the manual production of payable orders and all payments can now be generated automatically.

6. A review of the existing management accounting system (which was essentially a means of manpower control only) has led to the following basic changes. These are designed to improve the ability of managers at all levels, to monitor actual performance against targets, using financial as well as non-financial performance measures:

- (a) identifying and separating discrete management functions;
- (b) identifying the 'inputs' which generate work in each of the discrete functions so that the various overall and intermediate workloads can be quantified;
- (c) establishing a system of resource allocation whereby managers submit resource bids in terms of manpower and of money for each function and for each quantified input;
- (d) ensuring that evaluation of bids and the monitoring and controlling of actual performance throughout the year is based on reliable yardsticks expressed in terms of output standards and cost; and
- (e) providing the incentive for managers to look for ways of achieving more effective results within the limits of their overall manpower and financial budgets.

7. The new system will operate during 1984-85 on a trial basis, in parallel with the existing system which will be phased out at the beginning of 1985-86.

8. The department's system of budgetary control was fully extended to the Land Charges Department during 1983-84, and standard costing was introduced on target in October 1983.

9. The policy of extending the range of 'direct' work standards for budgetary control purposes has continued with the creation of performance standards for filing branches, registration rooms and map stores. Since the introduction of the department's first management accounting and information system in April 1975, the number of staff engaged on activities which are measured by output standards (ie 'direct' work) has increased from 42 per cent to 74 per cent of the total complement.

Internal audit

10. The creation of a strong internal audit team has played an important role in measuring the effectiveness of operational and financial systems and controls, with special emphasis on value for money. Twice yearly visits are made to all accounting centres and all major activities are to be reviewed over a two-year cycle. Recommendations already made and accepted will improve and strengthen existing control systems and result in lower costs even on such mundane matters as travel and subsistence claims and checking deliveries of supplies.

Staffing and training

11. High priority is being given to ensuring that the main thrust of the policy for good management is understood at all levels of management. All centrally conducted courses include sessions related to achieving the aims of the initiative. At the more senior level, a series of 2 or 3-day seminars will commence this autumn and will include contributions by the Principal Establishment and Finance Officers and Head of Internal Audit.

12. In recognising the need for improved skills in financial accountancy, the department currently has four staff who are training for a professional qualification.

Costs

13. The only separately identifiable costs of work in response to the initiative are £45,000 for the microcomputer for computerising the financial accounts.

LORD CHANCELLOR'S DEPARTMENT

1. Work is proceeding in the Lord Chancellor's Department (LCD) along two lines, with the development of separate but complementary financial management systems. The first covers the operational requirements and cost of the courts where the main administrative task is to provide the framework within which the independent judicial processes can work efficiently and effectively. The second covers the policy formulation and programme expenditure requirements and cost of headquarters.

Courts administration

2. As reported in Cmnd 9058, some 400 courts have been established as cost centres and are given information about costs incurred under individual expenditure items. The six Circuits, into which the administration of the courts is divided in England and Wales, have now been given greater delegation and have powers to switch general administrative expenditure, covering travel and subsistence, postage and telephone charges, within their total budgets.

3. Work has continued during the past year on rationalising the collection and dissemination of information. As Cmnd 9058 recognised, there was some danger that management information systems, especially those which have been developed in response to specific demands, might duplicate the collection of information already in existence. Vital information has sometimes been obscured by a mass of less relevant detail. An exercise was therefore mounted to establish specific objectives for the various functions associated with court administration, including targets which were agreed by each of the Circuits in accordance with its own circumstances. These will provide a uniform measure of performance, for example waiting time between committal and trial in the Crown Court, and between an application for an appointment and a hearing before a Registrar in the County Courts. Information systems are being devised to highlight basic measures of effectiveness.

4. As part of the preparatory work in the cycle of annual Supply Estimates, the Circuit Administrators will in future make an annual report to the appropriate Deputy Secretary on how effectively they met their targets during the preceding year and on their assumptions about

work in the forthcoming year in the light of which agreed targets and bids for a share of the department's resources will be settled. These targets will be translated by Courts Administrators (who are responsible for groups of courts) into more specific requirements of the performance expected of the chief clerks in charge of the courts. The system will begin operating in its new form in September.

Management of headquarters

5. The second development is of a management information and resource allocation system for headquarters. This has been based on the well-tried systems introduced successfully in other Government departments, appropriately modified to cater for LCD's specific requirements. It is designed to identify and establish the objectives and cost of each function currently being discharged. The system will assist management to justify and accord appropriate priority to all functions and to enable a management board, chaired by the Permanent Secretary, to make informed recommendations to the Lord Chancellor on priorities and the allocation of resources.

6. The system identifies actual (as opposed to notional or apportioned) costs for each headquarters command headed at Grade 5 (Assistant Secretary or equivalent) level and allows the development of cost centres with specific budgets for which the heads of command will be accountable. A pilot run was conducted in April. The system will be extended to the whole of LCD headquarters by September.

Cost effectiveness

7. A management scrutiny section headed by a Principal and located in a newly established Organisation and Planning Branch has been created since the publication of Cmnd 9058. It applies an efficiency unit-type approach to various structural and management questions within LCD and seeks to improve cost-effectiveness. The following four management

scrutiny reports have been completed (and recommendations in the first two have already been implemented):

- (a) conveyancing in the Official Solicitor's Department;
- (b) the structure of the Law Commission;
- (c) the functions of the Listing Officer in the Crown Court; and
- (d) the structure of the Central Office in the Royal Courts of Justice.

8. In addition, a scrutiny of the handling of private moneys (£1,000 million) within the LCD was undertaken by the Efficiency Unit; an action plan, which takes into account the views of interested parties, is in the course of preparation. A scrutiny of the Law Society's administration of the legal aid fund is being conducted by a private firm of management consultants. A report is expected by the middle of the year.

Programme expenditure

9. Significant developments in this area are as follows:

- (a) as part of an exercise to improve control over legal aid and its administration, the management scrutiny mentioned in the previous paragraph was commissioned. From 1 March 1984 control of legal aid in matrimonial proceedings has been tightened through administrative changes made by the Law Society.
- (b) the Government's announced intention of introducing a national, centrally-funded, independent prosecution service in 1986-87 will have major implications for costs from central funds. Detailed work is in hand on a new system of payments to reflect changed responsibilities in future.

Awareness

10. The department recognises the importance of fostering a positive approach to its development of financial management by raising awareness and, where necessary, changing attitudes. Training is central to this. In the light of the reaction to the training programme originally envisaged, LCD's approach to training is being reconsidered and a programme of locally based financial awareness seminars is planned and will concentrate on the use which managers should make of the new

financial information they receive and the responsibilities they carry for managing their affairs within a cash limit.

Costs

11. As foreshadowed in Cmnd 9058, a Principal has been appointed to a new post with responsibility for taking forward the LCD's work on financial management. The post has been established in the new Organisation and Planning Branch, referred to in paragraph 7 above, headed by an Assistant Secretary, who reports to the Principal Establishment and Finance Officer. To the cost of the new team (about £33,000) should be added the additional (but often hidden) costs of developing and implementing the improved management systems for the Circuits and headquarters described above. An estimated £200,000 was spent on all of these related activities in 1983-84. More will be spent in the current year. Such costs are small in comparison with the benefits which should accrue from a fully developed management system.

DEPARTMENT FOR NATIONAL SAVINGS

1. The functions of the Department for National Savings (DNS) are unchanged from those shown in Cmnd 9058, as are the broad outlines of the departmental financial arrangements. However the stock of savings has grown from £23 billion to about £26 billion whilst manpower has continued to be reduced. The DNS vote is entirely administrative with no programme expenditure in the sense in which the term is used for most government departments. Managing the stock of savings, together with inflows and outflows of savings money, can be regarded as in some ways equivalent to programme expenditure for DNS.

2. Cmnd 9058 set out the main areas in which development would take place to improve financial management. The progress on each is reported below. In some cases plans have changed from those originally envisaged this time last year, in other cases better progress has been made than was thought possible.

Top management system

3. The third round of MINIS has been completed. Each of the rounds has provided top management with statements of objectives and achievements and of the disposition of resources. Now that the third round has been completed information is beginning to accumulate on which strategic decisions can be made. For the future the improved management information emerging from the system outlined in paragraph 5 below, together with the output measures in paragraph 6 below, will feed into MINIS and will provide an improved basis for the development of resource priorities and for examining the need for individual areas of work.

Budget and cost centres

4. Five budget centres were established on an operating basis from 1 April 1984 and the department's vote has been restructured to show the separate running costs of each. These centres are operating quarterly budgets within a rolling 12 month budgetary system. A computerised vote accounting system has been developed on a mainframe computer at Marton (Blackpool) and each budget centre is linked by an on-line terminal network. Within each budget centre a microcomputer system has been reporting the cost of running the 72 cost centres since

January 1984. Control of manpower and finance has been unified in the Finance Officer since the introduction of the budgetary control system.

Management information

5. The cost centre microcomputer system mentioned above is an interim measure. It will be replaced as soon as possible by a comprehensive management information system now being developed to run in conjunction with the vote accounting system already mentioned. This will start coming into operation by January 1985 with complete implementation by the end of 1985-86. Instead of relying on aggregate figures already available, further development has shown that the new system can be designed to identify workload, performance and cost information for each cost centre and to produce individual and aggregate cost and performance information which can be used in the department's MINIS as well as for most other management information purposes.

6. Intermediate and final measures of output have been identified with the help of the Treasury and the system is scheduled for full implementation by the end of 1985-86.

Internal audit

7. The strengthening of internal audit is continuing; six of the department's internal audit staff are undergoing training for formal qualifications. This is in addition to the five members of staff who are undergoing training leading to accountancy qualifications.

8. Consultants have been employed to advise on audit aspects of the computer system being developed for National Savings Certificates.

Post Office

9. The department has reviewed the standard of service provided by the Post Office to the DNS and to national savings customers. As a result they are working with the Post Office to raise:

- (a) the standard of display of national savings products in post offices;
- (b) the awareness of national savings products amongst staff operating the 20,000 post office outlets; and
- (c) the level of post office accuracy in the handling of national savings transactions.

This is likely to be a continuing aspect of the department's work.

Transaction accounting

10. As mentioned in the introduction, the stocks and flows of money in and out of DNS are regarded for the purpose of financial management as the equivalent to the department's programme expenditure. Work on the clarity and comprehensibility of the accounts has started and recommendations will be available by the end of the year. This will be followed by a comprehensive review of the accuracy and efficiency of the department's transaction accounting systems; this will be commissioned in the autumn and is seen as a major exercise for consultants extending over a year or so.

Training

11. In addition to increased audit and accountancy training, two senior finance staff have attended the Senior Finance Course at the Civil Service College, and one further person has been earmarked for the next course. Other staff have attended financial management seminars at the College. The Director of Savings has chaired a series of seminars attended by all cost centre managers and other senior staff. These have been followed up by detailed discussions between the leader of the financial management project team and cost centre managers, and also by one-day departmental training courses aimed at giving a wider picture of financial control in government. All management personnel down to EO level are now attending financial management seminars which are being conducted by DNS management training branches.

Costs

12. The costs remain difficult to estimate but expenditure spread over 1983-84 to 1985-86 may be around £725,000. This includes the direct running expenses arising in those years, which are estimated at £50,000 for a full year. The increase above the estimate put in Cmnd 9058 is caused by provision of £250,000 for the consultancy fees mentioned in paragraphs 8 and 10 above, together with increases in training and in the number working in the implementation team; and increased expenditure on computer hardware and software. No allowance has been made for expenditure arising from changes which may in due course be recommended by the transaction accounting study.

NORTHERN IRELAND OFFICE

1. The Northern Ireland Office (NIO) is responsible for expenditure of some £400 million a year, of which almost two-thirds consists of grants to non-Governmental bodies. The largest is to the Police Authority for Northern Ireland with a 100 per cent grant of £255 million. The department itself employs some 4,500 staff (including over 2,900 Prison Service grades). Its running costs amount to £103 million a year (including some £80 million for the Northern Ireland Prisons).

2. The majority of the NIO's resources and expenditure are employed in maintaining law and order and relate to security policy, policing, the treatment of offenders, compensation and related subjects. The Office also assists the Secretary of State in constitutional and political matters and in his general oversight of Northern Ireland affairs. The NIO bears the costs of four Ministers who assist the Secretary of State in supervising the six Northern Ireland Departments.

Programme for improving financial management

3. The NIO has developed a management accountancy structure under which the work of the Office is divided between 8 responsibility centres, which are subdivided into a total of 27 cost centres. It is intended that this structure, which is already in use for the annual Management Information System (MIS), will be adopted for the NIO vote (Class XVII,1) from 1 April 1985, the related Financial Information System and the NIO's public expenditure planning in the 1985 Public Expenditure Survey. It will then be possible to relate all budgeting, analysis and monitoring of costs and performance to the same structure.

Management information system

4. The NIO's Management Information System (MIS), introduced in 1983, has been developed further with the second annual report (MIS 2) produced in March 1984. Like its 1983 predecessor (MIS 1) the report covers both programme and administrative expenditure, summarises departmental objectives down to cost centre level, provides output measures and performance indicators where practicable and gives details of resources consumed and controlled. Statements of objectives have been refined. The system has been extended to fringe bodies and the report includes a review of performance against MIS 1 targets. MIS 2 also

provides a more detailed breakdown of administrative costs and suggestions for policy and efficiency reviews. As a further stage towards reallocation of resources, and integration with the Estimates process, cost centre reports now specify desirable tasks that require additional manpower and the tasks that would have to be reduced or discontinued if further resource savings were to be made. During 1984 further progress will be made in aligning the MIS with the Public Expenditure Survey and Estimates procedures.

5. The MIS has already begun to prove its value in sharpening awareness of cost, and identifying areas for programme and policy review, for example a review of the security staff grant scheme. It has also assisted senior management to monitor the work of responsibility and cost centres. For example, in MIS 2 the Permanent Under Secretary has held review meetings with heads of responsibility and cost centres and, where appropriate, follow-up work designed to provide a more effective use of resources has been put in hand.

6. Management consultants have been engaged to assist in computerising the largely manual financial and accounting systems by 1 April 1985 and subsequently to develop management accounting systems for introduction in 1986. These changes will provide central and line management with better and more immediate information and allow increased delegation of financial responsibility.

7. A pilot study into delegations of financial and other responsibilities is in progress at the Northern Ireland Forensic Science Laboratory. Information obtained from the study will also be valuable when extending delegation to other areas of the department.

Progress in major expenditure areas

8. Development in MIS and PES will continue to improve the quality of resource management in all expenditure areas whether under direct NIO management control or grant aided. Progress has also been made in designing an activity/functional costing system for prison establishments which, in the first phase, will provide headquarters management with greatly improved information about costs and enable them to establish more effective budgeting systems. Such enhancements depend upon computerised prisons payroll and stores systems which are expected to

become operational during 1986-87. The management consultants will also assist in these developments.

9. The statutorily independent Police Authority for Northern Ireland has drawn up a detailed work programme extending over several years for achieving more effective financial management. Their plans provide for a structure of cost and responsibility centres to improve budgetary control within the Authority which will be linked ultimately to a system of activity planning, resource allocation and financial monitoring for the RUC. These improved financial information systems will be used in inspections by HM Inspectorate of Constabulary, who will play an increasingly important role in monitoring the effectiveness and efficiency of the Force. They will carry out annual inspections aimed at assessing the RUC's performance and identifying scope for civilianisation and for more effective use of resources. This process will begin with a full inspection of the RUC in spring 1984. Other significant features include the initiation of a pilot scheme based upon four police cost centres; a training programme to improve the financial awareness of senior police officers; and a scrutiny to improve the management of the police building programme.

10. Work programmes for improving financial management have also been agreed with the Probation Board for Northern Ireland and the Police Complaints Board. In both, computerised systems will be introduced to improve budgetary control and the availability of management information.

Training

11. An extensive programme of training is underway for both Home and Northern Ireland civil servants to develop financial awareness and understanding, and to acquire specific skills (for example in investment appraisal). This training is provided both in-house and with the help of the Civil Service College and the NI Department of Finance and Personnel. By 31 March 1984, over a hundred managers had attended courses in financial management and related matters.

Expected costs

12. The best available estimate is that the cost of the programme of work for improving financial management in the NIO will be about

£0.85 million for the three years 1982-83 to 1984-85. Of this project team staff and training (including staff for the prisons project team) will represent £460,000, consultants £130,000 and computer costs £100,000. The total figures also takes some account of additional work falling on operational divisions (notably on MIS) and of the costs of the general programme of in-house financial training.

13. The above figures do not include implementation costs incurred in the Police Authority and the RUC. Those costs are estimated at some £0.25 million over the same period.

ORDNANCE SURVEY**Future Status**

1. The future status of Ordnance Survey (OS) has now been resolved. Following a report from the Ordnance Survey Advisory Board (OSAB) the Secretary of State for the Environment announced to Parliament on 24 January 1984 that the OS would continue to be a civil service department financed by vote instead of becoming either a trading fund or given grant-in-aid status.

Changes in responsibilities since Cmnd 9058

2. The Directorate of Overseas Survey (DOS) was transferred to the OS from the Overseas Development Administration (ODA) on 2 April 1984. ODA will be charged the full cost of its work - an estimated £4.4 million in 1984-85.

Long term planning

3. The OS five year rolling plan continues to be the primary tool for planning for the longer term. After approval by Ministers and consultation with the OSAB the rolling plan will be published. As a first step the 1983-84 plan, which had been held back pending the resolution of OS future status, was published earlier this year. The 1984-85 and future plans will be published in the following autumn.

4. Although remaining vote financed the OS is being set revised financial targets with the object of minimising its dependence on Exchequer support and has a clear remit to be an efficient, business-like operation with performance targets against which it will report achievements.

Annual accounts etc

5. Commencing with the financial year 1984-85 the OS annual trading accounts, including statements of revenue and expenditure, will be published in addition to the normal vote account. The annual reports of the Director General of the OS and the OSAB will also be published.

Finance and planning

6. A general ledger software package was introduced on 1 April 1983. This has enabled earlier presentation of financial reports to budget

and cost centre managers and senior management than the previous clerical system. As foreshadowed in Cmnd. 9058 this will provide a financial modelling capability which is planned to be developed early in 1985.

Marketing and sales

7. The marketing and sales systems have been strengthened with improvements to statistical and financial reports and more efficient debtor control. In the longer term it may be more cost-effective to buy commercial software packages than to devise further in-house systems. Decisions in these areas will be made at the end of 1984-85.

Survey and production control

8. The development of the department's survey and production control systems is continuing. The field control system, which provides management information on regional survey costs and which will link with headquarters' systems was introduced on 1 April 1984. An on-line production control system is now working. This system enables the monitoring of work-in-progress and is used for the planning of work schedules and the efficient use of production capacity. It will be further enhanced to permit the monitoring of production standards and the identification of turn-round times, process times etc. The system is targeted for completion by December 1984. The headquarters' information system, which is used to provide management information on performance, is due to be fully revised by October 1986. In the short term it has been enhanced to make it compatible with the on-line production control system.

9. The department has reviewed the possibility of computerising its map information. It found that a computer database would be more cost-effective, and would lead to more efficient use of staff than the present manual system. Accordingly a new computerised system will be introduced during 1984-85 and 1985-86.

Staff and training

10. Efforts to improve financial, general management and specialist skills have been maintained. An in-house study into the control of delegated authority has been initiated. A micro-computer is used to sift staff records to assist in manpower planning, career development and succession planning.

Costs

11. OS has not incurred extra operating costs nor recruited specialist staff to support its programme for improving financial management. The developments reported above would have taken place in any event.

OVERSEAS DEVELOPMENT ADMINISTRATION

1. The bulk of the funds for which the Overseas Development Administration (ODA) is responsible is devoted to programme expenditure for development programmes overseas. Long-standing financial management systems, centred on rolling four-year plans which are reviewed annually, enable Ministers to determine the allocation of programme resources. Well-developed systems exist for appraising monitoring and evaluating the use of programme resources. Decisions to integrate and computerise the flow of management information covering programme resources were taken some years ago and this process should be completed within the next two years.

2. The paragraphs below report the results of the work, described in Cmnd 9058, which was completed during 1983 and early 1984 on:

- (a) improving management information in the area of administrative costs and linking these by means of a MINIS-type system, to programme spending;
- (b) delegating more authority over the use of aid programme resources from the Treasury to ODA and, within ODA, to and down line management;
- (c) setting quantified targets and timetables for individual managers.

(a) improved management information and administrative costs

3. The department has decided, as a result of the pilot study announced in Cmnd 9058 and the work on running costs, that data should be assembled annually showing the costs of administering the delivery of aid for individual elements of aid programmes. The costs of related aid administration work being carried out by the FCO Diplomatic Posts overseas, the British Council both in London and overseas and the Crown Agents will be incorporated into this framework when data becomes available in a suitably disaggregated form. Each of these organisations has this in hand.

4. The information will be widely available in ODA and will be reviewed in late summer of each year by an ODA senior management group, chaired by the Permanent Secretary, in the light of Ministerial decisions on the detailed allocation of aid programme resources for three years ahead.

The review will assess changes in the cost of delivering the aid programme, will take account of assessments made by line managers at Under Secretary level of the staffing position in their divisions and will determine for the coming year the allocation of administrative resources, particularly administrative and advisory manpower, between ODA departments and development divisions.

(b) greater delegation and decentralisation of authority

5. The department has reached agreement with the Treasury on the essential features of generally increased and substantially simplified delegation of authority to ODA over the use of aid programme resources. This new agreement has been codified and is now in operation. Formal delegations of authority within ODA, which are already well developed, are currently being reviewed. The aim will be to increase the scope for line managers to take decisions about the use of funds without reference to senior managers or central ODA departments. Such delegated authority would continue to be subject to the existing requirements to seek specialist advice and assistance to ensure that what is financed meets the required standards.

6. Authority over travel and subsistence expenses which are important for ODA will be delegated to line managers responsible for managing the staff undertaking the travel. The allocation of travel funds will thus be handled by each responsible Under Secretary.

(c) setting objectives and targets

7. In parts of ODA the work has a high policy and advisory content for which it is extremely difficult to formulate quantified targets; further the task of using aid funds effectively is continually affected by events outside the control of ODA or the Government. Nevertheless the department intends to make a significant effort during 1984 to develop quantified and time-bound targets and set these for individuals in administration and advisory grades. The aim of these and the more rigorous and systematic approach they involve is to ensure that line managers at each level agree priorities in the work programme, have a clear understanding of the role of each individual in implementing them, and have an agreed basis for monitoring the performance of individual departments and officers. The main responsibility for defining objectives and identifying and specifying targets and monitoring

performance would fall to each line manager and his or her subordinates on the basis of discussion between them. The targets and progress towards them would need to be reviewed at regular intervals.

work previously under way

8. Testing of Phase I of the computer-based Management Information System (MIS) is in progress. This covers records and payments for personnel on overseas assignments, and much of ODA's accounts work; it is expected to be operational later in 1984. Phase II is scheduled to be operational in 1985 and will handle inter alia financial information on aid programme expenditure. It will help improve financial control, forecasting and planning, as well as strengthening information required for decision making by senior management and Ministers. A third phase will add statistical tasks and further enhancements are under discussion.

9. The reorganisation of the scientific units has been completed and the planned reduction in size will be implemented by April 1986. Memorandum trading accounts have been introduced.

Training

10. A comprehensive review of training needs has been completed and its recommendations accepted in principle by the department. These are that training should be regarded as essential for all staff and therefore mandatory in principle; that line managers should be responsible for planning the training of staff within their commands; that central management will still be able to advise on and control individual staff training to take account of career development plans; and that training profiles will be prepared for all grades. Computer facilities are being obtained to assist with the more systematic approach. Implementation of some of the proposals in the review has begun. Outline training profiles have been developed for each grade. Financial management awareness seminars have been attended by most staff in all grades and further financial management training is under way. The training required for the new MIS is well advanced.

Costs

11. New work in response to the initiative cost £68,000 in 1983-84, and consisted entirely of manpower costs. Approximately 20 per cent of the

financial management unit's time has been spent on providing training for the rest of the office. The costs in 1983-84 of work already under way on the MIS was £1,021,000. In 1984-85 costs of refining and introducing the expanded running costs exercise are estimated to be []; the expected cost for MIS in 1984-85 is £860,000.

PAYMASTER GENERAL'S OFFICE

1. The Paymaster General's Office (PGO) has made steady progress in implementing its plans described in Cmnd 9058. The PGO is a small agency department with no programme expenditure, so its plans are concentrated on administrative expenditure and, in particular, on co-ordinating existing information systems to provide timely reports to the various levels of management from a central database. The intention of the department's top managers is that the managers of cost centres will be aware of the costs incurred in their areas of responsibility and that they will be able to compare efficiency and cost-effectiveness between similar cost centres.

Top management system

2. A MINIS-type top management information system has been developed and a trial run covering the first period of output was completed manually in March 1984. The results are being evaluated and it is expected that the first full round will benefit from the lessons learnt. MINIS reports will be twice yearly and from 1 April 1985 information from the computerised financial management system will replace the present manual input.

3. The MINIS statements show each cost manager's agreed objectives, achievements (including measurement by performance indicators), staff complement and costs. MINIS will stimulate control of all resources by strengthening the responsibility and efficiency of cost centres in reporting commands.

Other developments in the department

4. A cost centre structure at Senior Executive Officer level has been established. A pilot scheme for the control and monitoring of computer projects using project management techniques was introduced in February 1984. Various commercial software packages for financial and management information systems were evaluated and a suitable package has been purchased. An automated personnel analysis system was introduced in April 1984 replacing the manual recording system. These elements together will ensure that an automated budgetary control system for monitoring vote and full cost expenditure will be provided by 1 April 1985.

5. Developments of the financial management system will continue: enhancements such as management statistical suites, computer usage and stock control systems will be introduced progressively to achieve a fully integrated financial accounting and management system by 1990.

6. By January 1985 the department should have completed its purchases of hardware. As the system is developed, so the internal audit team are being involved. Annual system reviews and regular progress reports to the Economic Secretary to the Treasury, who is currently carrying out the functions of the Paymaster General, will be made once the system is fully in operation.

Training

7. The department recognises the need to make staff aware of good financial management. Top management keeps line managers in touch through regular briefing and departmental circulars. Training meetings held to explain the MINIS-type system have also helped to promote the financial management concept. In addition, a user committee provides a common platform for discussing system design and any problem areas.

8. Training is seen as a major contributory factor towards the success of the introduction of the financial management system. The department's trainers are preparing a training plan with the necessary training modules so that training of users and awareness for other staff can begin in January 1985.

Trade union side involvement

9. The departmental trade union side (TUS) has been kept up to date with developments, and a sub-committee of the departmental Whitley Council has been set up to give members of TUS the opportunity to discuss any points from the initiative which might cause them concern.

Costs

10. The initiative, taking account of basic staff costs, common services, hardware/software procurement, training, travel and subsistence is now expected to cost in all about £196,000. This includes about £65,000 for computer hardware and software.

OFFICE OF POPULATION CENSUSES AND SURVEYS

1. The Office of Population Censuses and Surveys (OPCS) outlined its programme of work to improve financial management in Cmnd 9058. Further progress on this is set out in the following paragraphs.

Top management system

2. Senior management in all nine divisions of OPCS have been involved in the development of a top management system. It will provide a formal framework for reviewing long-term objectives and plans, linking them with the Public Expenditure Survey (PES), setting short-term targets, planning the size and allocation of divisional budgets, setting the Supply Estimate and monitoring results. In all divisions managers down to Principal level have set out their objectives. These will be reviewed regularly in future as part of the process leading to the annual PES submission to Treasury. Work has been done to identify specific targets for 1984-85 in each division, again down to Principal level. This process follows the review of objectives and sets the pattern for 1985-86 and later years.

Budgetary control

3. OPCS plans to develop budgetary control in stages. The manager in charge of each of 45 responsibility centres receives regular monthly budget statements of administrative expenditure. From 1 April 1984 managers have also received monthly budget information on staff numbers and costs. The next stage should include the more rigorous application of control procedures to departmental computing. In the 1984-85 Supply Estimate for OPCS, salaries and general administrative expenditure have been combined in one vote subhead to allow more flexible use of resources by managers.

Management information

4. The new computerised accounting system mentioned in Cmnd 9058 has been installed. This has reduced by four weeks the time taken to report expenditure to managers.

5. For PES and Estimates, and other management information work, the department is now using two microcomputers linked to a computer bureau service. These are proving to be of considerable value in the

development of information systems. Benefits obtained to date include financial and development staff being able to process work at the same time, and bureau time and cost being reduced.

Performance measurement

6. In collaboration with a Treasury operational research specialist a pilot project on output measurement has been set up in a statistical unit. Although the results are not yet available it is hoped the pilot project will provide guidance for measuring performance which can be applied in other statistical areas of the department.

Training

7. Training is being approached with two aims:

(i) to improve general awareness of the principles of good financial management and its objectives, and;

(ii) to improve skills and the understanding of specific aspects.

8. Particular attention has been given to ensuring that staff are aware of the plans to develop financial management and how they affect them. Internal seminars for senior management were held in May 1983. These were followed by a programme of one-day awareness seminars which have been attended by over 80 per cent of staff of Executive Officer level and above.

9. Further seminars will be held later this year to deal with specific problems such as the clarification of objectives, and the use of output and performance measures and budgetary control. The OPCS is making extensive use of financial courses provided by the Civil Service College and is also encouraging financial staff to study for professional accountancy qualifications. One member of the financial management team recently passed the final examinations of the Institute of Cost and Management Accountants and another has started his training.

10. As a further aid to increasing awareness and reinforcing commitment a regular newsletter is distributed throughout the department, informing staff of developments in financial management as they occur.

11. A financial guide has been produced and distributed to managers. The guide contains information on all relevant financial matters

including the PES, Estimates, the role of the Finance Branch in the department and advice on charging policy. It also includes the department's own ready reckoner for staff costs.

Costs

12. The estimated cost of developing financial management in OPCS in 1983-84 was £197,000 (including £93,000 for use of computers and £21,000 for training). The corresponding estimate for 1984-85 is £229,000 including £50,000 for computers and £22,000 for training.

SCOTTISH OFFICE

1. The main features of the Scottish Office's work on the plan set out in Cmnd 9058 were:

- (a) a comprehensive review of arrangements for financial management of programme expenditure, to improve decision-making and objective setting and provide output measures;
- (b) the introduction of a departmental running costs information system and pilot studies in budgetary control;
- (c) a further round of management plans, aimed at improving planning and control of resources and identification of areas requiring specific review;
- (d) development of a budgetary control system for the Scottish prison service and improved financial management in the national health service;
- (e) pilot studies on the review of financial management of non-departmental public bodies; and
- (f) a new financial management training programme.

Meeting the needs of Ministers and top management

2. The redesigned management planning system now serves as a basis for annual presentations to the Secretary of State through his junior Ministers identifying the main issues and objectives for the work of each department. Subsequent discussion with Ministers confirms priorities for policy review. In 1983 these included higher education and list D schools. Further changes in the format of management plans were introduced for the 1983-84 round to focus attention more sharply on the relationship between manpower, organisation and budgeting and programme expenditure objectives and make the material easier to arrange and disseminate rapidly. The new-style plans have already proved useful by showing where reviews of performance, plans or general management are needed.

Programme expenditure

3. The work on financial management of programme expenditure has been taken forward and a common information base (in the form of detailed programme narratives) established for the internal conduct of the Public Expenditure Survey. This base will be improved as further work is carried out on objectives and output measures. It has already led to a

better presentation of issues to Ministers and an improved commentary on the Scotland programme (published in March 1984) which expands upon the information about the Scotland programme in Part 2 of the Public Expenditure White Paper and serves as a comprehensive account of the Scottish Office's stewardship for the resources it controls. Following a 1983 survey by questionnaire of the financial management of programme expenditure, work is proceeding on programme objectives, output measures and procedural guidance. Areas in which detailed work is taking place include further education, social work, selective financial assistance to industry and the motorway and trunk road programme.

4. Particular attention has been devoted to devising a methodology for the conduct of financial reviews of non-departmental public bodies in view of the prominent role they play within the ambit of the Secretary of State's responsibilities. Pilot studies have been carried out in the Scottish Sports Council and the Scottish Council for Educational Technology, and a pilot scheme to develop improved financial planning is in progress in a number of bodies grant-aided by the Scottish Education Department.

5. Discussions have begun with the Convention of Scottish Local Authorities on aspects of financial management. In relation to the police service, the role of HM Inspectorate has been strengthened by the development of policy guidelines for inspections and the appointment of a second Inspector of Constabulary; and consultations are well advanced about a draft circular on value for money in the police service.

6. Within the NHS, a programme of regular monitoring of the progress made by Health Boards in moving resources to priority services identified in national guidelines is now established. A system of monitoring and analysing costs in relation to output at hospital level is operating effectively and is being developed further. Measures have been taken to reduce the relative cost of NHS administration, to improve the flow of statistical information and to raise the standard of internal audit. Consideration of how best the principles of management set out in the management inquiry ("Griffiths") report should be applied has involved an extensive analysis of management and budgetary structures in the NHS; the implementation of these principles should result in more efficient and effective management of the service.

7. The management accounting system for prisons expenditure is being developed in two ways. The pilot budgetary control system has produced interesting results in 1983-84 and is to be extended from three to six institutions for 1984-85 and eventually to all. Secondly, more detailed unit cost statements are enabling the central management to contrast and compare running costs at different establishments to identify areas of potential saving.

Control of administrative expenditure

8. Good progress is being made with developing the Financial Information and Control System (FICS) which by autumn will cover all administrative expenditure. In conjunction with the Scottish Office's management planning system this will form the basis for the extension of a system of budgeting to most of the more important elements of operational expenditure. At its core is a powerful on-line general ledger package which is expected to have wide application beyond FICS itself. Since April 1984 FICS has provided managers in all divisions with monthly expenditure statements covering most of the principal items of operational costs. A pilot study on the operation of budgets is being carried out in 1984-85 using a representative sample of six diverse budget centres and will be extended to the whole department from April 1985. Experience with budgeting for travel and subsistence, with the reporting of photocopying costs and with telephone extension logging, indicates that useful savings can be expected.

Consultancy, inspection and review capabilities

9. A scrutiny has taken place covering staff inspection, management services, advisory services related to new technology, assistance available for policy review work and internal audit procedures. The report emphasised the importance of linking the various capabilities more closely into management of the Scottish Office and proposed organisational and procedural changes to that end. Action following the scrutiny will proceed in the light of a central report by the Efficiency Unit. The Scottish Office Management Group approved in March the reviews to be undertaken by the agencies covered in the scrutiny.

Training

10. Specialised training in the operation of FICS and in the principles of budgeting for administrative expenditure has already been given to

budget centre managers and their staffs and this will continue as the system develops. In addition, a comprehensive training programme has been devised to introduce all other staff (some 350) exercising direct and indirect expenditure responsibilities to the principles of the financial management initiative.

Costs

11. Total expenditure, including development and operating costs, on all the aspects of the programme of work described above is estimated at about £0.56 million in 1983-84 and about £0.73 million in 1984-85.

Impact on the Scottish Office

12. Staff have been made aware of the principles of the Government's initiative and of the plans for the Scottish Office itself through the issue of management circulars, the circulation of descriptive papers and management briefs, the provision of training courses and discussion sessions between divisions and the relevant finance division and the financial management review team. The main effort up to March 1984 was on management plans and programme expenditure but since April every division and unit has received full information about administrative costs and is now preparing to operate the new budgeting system. The trade union side have been kept fully informed of developments and have discussed them with the official side.

13. There is one important aspect of the financial management initiative - the acceptance by line management of responsibility for decisions on the allocation of resources - to which the Scottish Office has found itself well placed to respond. The federal structure is described in Cmnd 9058 - with five functional departments and central services each headed by a Deputy Secretary, with the Management Group under the chairmanship of the Permanent Under Secretary of State ensuring co-ordination across and between them, subject to the general approval and direction of the Secretary of State and his Ministerial team. Each departmental head and the head of central services is thus already accustomed to exercising a wide range of managerial authority including control of manpower resources, programme expenditure, personnel management, analysis of the output of each department's management plans and the allocation of travel and subsistence budgets. It is thus possible to build on the existing role of the Deputy Secretary and the

well-established channels of line management responsibility within his command, when introducing most of the main features of the initiative. These structural features have made it possible to introduce and to develop a reasonably uniform approach to most of the main features of financial management work, despite the fact that the Scottish Office is responsible for a wide range of subject matter and contains within it divisions and units which differ widely in size, structure, function and mode of operation.

DEPARTMENT OF TRADE AND INDUSTRY

1. In the past year the Department of Trade and Industry (DTI) has concentrated on establishing integrated management systems following the merger of the separate departments in June 1983.

2. The first step was for DTI Ministers to formulate a new set of departmental aims for the DTI as a whole. These were published in January 1984. There are 16 sub-aims underpinning the department's central aim "to encourage, assist, and ensure the proper regulation of, British trade, industry and commerce; to increase the growth of world trade and the national production of wealth". Particular attention is being given to the integration of export and sponsor work.

Activity and Resource Management system (ARM)

3. This is a Management Information System for Ministers which was formed from the two separate systems in the Department of Industry and Department of Trade before the merger. The ARM system is an annual exercise, the purpose of which is to examine the department's current and future use of resources in finance and manpower in the light of the department's policy aims. In the 1984-85 exercise this involved:

- (a) Ministerial scrutiny of the work programme of each division;
- (b) each division submitting against its work programme bids for both finance and manpower over the public expenditure survey (PES) period.
- (c) consideration by Ministers of the total proposed resource allocation throughout the department, and adjustments to divisional work programmes in the light of the overall picture and policy priorities.

The work programmes of divisions will be monitored during the course of the year by Ministers.

4. At the management level the ARM exercise also identified issues for in-depth review, including an examination of the department's library services and the level of office support services.

Performance measurement

5. An important element in the ARM exercise has been the development of performance measures for programme expenditure. Thus for selective financial assistance schemes (which absorb 27 per cent of the department's finance and 7 per cent of its manpower), divisions have been required to set targets covering the proposed impact of the scheme (eg number of jobs to be created/safeguarded, amount of investment to be assisted) and also the efficiency with which a scheme is run (eg average case processing time, number of monitoring or follow-up visits). Performance will be reviewed against targets during the year. The evaluation effort of the department on the overall benefits, including the cost effectiveness, of programme expenditure is also being strengthened. This will be co-ordinated by the Finance and Resource Management Division with a major input from the department's economists and those running selective assistance schemes.

6. To strengthen management efficiency, units of the department carrying out similar tasks (eg the Regional Offices and Regional Development Grants Offices) or ones with a regular pattern (eg the Companies Registration Office and Patents Office) have been encouraged to introduce or develop management ratios. Regional Offices' targets and activities are being scrutinised on a comparative basis for significant variations; Regional Development Grant Offices have introduced ratios per member of staff for case loads and case processing time. The results are reviewed monthly on a comparative basis.

Administrative expenditure

7. Since 1 April 1984, over half the department's staff have been in Responsibility Cost Centres (RCCs). The RCCs are all discrete units - the 7 Regional Offices, the 4 Research Establishments, the Business Statistics Office, the Patents Office, the Companies Registration Office and the Insolvency Service. From 1 July 1984, the 4 Regional Development Grants Offices will also become RCCs. Each RCC is given a budget covering its administrative costs (salaries, accommodation, postage, telecommunications etc) and is required to live within it. These new responsibilities have been accompanied by additional freedom from the centre. Thus, for example, within their guidelines, they can transfer savings they make in one area of their budget to another. Those units

which have been RCCs for some time are enthusiastic about the new responsibility and the benefits of decentralised management. Significant savings have already been made in the fuel and utilities, printing and telecommunications costs of some Regional Offices. The RCC system is seen as evolutionary and further consideration will be given to its development during the coming year.

8. Headquarters Divisions pose separate problems because their administrative costs are not always readily separable. It is however the intention to introduce as far as practicable cost centre principles. Travel and subsistence and entertainment budgets have already been devolved to them.

Improvements in information supply

9. If full advantage is to be taken of the various management developments in the DTI, improved information is required for staff at all levels. The department has drawn up an information systems strategy supported by computerisation. This is known as the Management Information System (MIS); it has five elements which are being developed as an integrated whole:

- (a) Financial Resource MIS: in addition to replacing existing separate computer systems dealing with the general ledger and PES and Estimates, the new integrated system will provide greater facilities to attribute expenditure to organisational units within the department. This will be particularly important in monitoring the existing RCCs and extending budgetary control. Parallel running with existing systems will begin in Autumn 1984;
- (b) Sponsorship MIS: the use of computer models will permit better monitoring and forecasting of financial assistance to industry together with information on results. To date, work has concentrated on regional assistance. Information on schemes under the Science and Technology Act (currently processed by a commercial bureau) is also to be brought in-house;
- (c) Human Resources MIS: this involves automated records of posts and people in the department. It will also, in due course, help more accurate estimates of manpower costs. A core system

was implemented in early 1984 and a fuller system will be operational by the end of 1984;

- (d) Physical Resources MIS: its purpose is to monitor the acquisition and use of accommodation and other assets. A pilot system will be implemented by mid-1984;
- (e) Departmental MIS: a pilot has been set up to support ARM. Further work will be done on bringing together information from the other MIS systems to provide analyses for senior management.

10. In addition, the DTI is developing telecommunications and software strategies to maximise the benefits of interlinking computer mainframes, microcomputers and word processors.

Training

11. The DTI's training branch has launched a training programme on the FMI/MIS covering:

- (a) staff at all levels who need a general awareness of developments;
- (b) staff who require specialised training eg line managers in RCCs who have been given new responsibility for the control and use of resources and the users of new computer systems.

12. As a result of this programme, 2,500 staff in the department will have received FMI/MIS training in the year ending September 1984.

Costs

13. The principal costs of the development plan are:

- (a) the operation of the ARM system: this is principally the costs of the ARM team (three full-time staff for part of the year) and staff in divisions concerned with completing the annual returns. The costs of the 1984-85 exercise were £86,000;
- (b) Responsibility Cost Centres: a consultant and an accountant are currently engaged in the development of RCCs. Costs of the RCC programme are rising from £94,000 in 1983-84 to £156,000 in 1984-85;
- (c) The implementation of the Management Information System: costs to date have been £1.3 million and in the next three years

(ie between 1984-85 and 1986-87) are estimated at a further £4.7 million (including hardware, software, operational costs and consultants but not DTI manpower). Of this £4.7 million £2.5 million are one-off capital costs;

- (d) Training: costs are currently estimated at £350,000 a year.

DEPARTMENT OF TRANSPORT

1. Cmnd 9058 outlined 3 main areas of development in the Department of Transport:

- (a) review by Ministers of objectives and costs of the department's activities;
- (b) financial management of administrative resource use; and
- (c) review of systems for controlling financial management of programme expenditure and adaptation of existing practice where appropriate.

2. Progress with the development work is described in the following paragraphs. The new systems will fit into a single framework for review and control. Their nature and the degree of detail involved will match the nature of different parts of the department and of its operations. The approach is therefore selective, concentrating most on areas where the principles of sound financial management can be readily applied with good prospects of securing benefits.

Top management review

3. The Secretary of State will shortly begin a systematic review of the objectives and costs of the activities of the department. The first areas to come under scrutiny are the Highways and Road Safety Directorates covering both a large programme cost and a large administrative cost element in the department's total expenditure. The review is covering activities, objectives, achievements and targets, costs and policy options in these areas. The programme of reviews will then continue so that the whole department is covered during the course of the year. This format for the reviews has been chosen so as to be as economical as possible and to fit in with existing control and review mechanisms in the department.

4. At a more detailed level, the Permanent Secretary's Resource Management Committee (RMC) has in hand a programme of reviews concentrating initially on the use and management of administrative resources. For each of the major administrative activities the RMC will consider objectives, demand forecasts, projections of workload and resource requirements. It will also review arrangements for planning,

monitoring and control, including developments in management accounting and the use of performance indicators; and plans for changes in financial management arrangements. The RMC has so far reviewed the driver and vehicle licensing and the driving test organisations and the department's Traffic Area and Regional Offices, covering together some 65 per cent of running costs. It has considered, for example, objectives for levels of service, (such as turnround times for licence applications or waiting time for driving tests) and arrangements for meeting these, taking account of the uncertainties involved in forecasting demand and making provision for staff and resource requirements with appropriate scope for flexibility. In 1984, the RMC will be extending these reviews to cover the vehicle and component approval and research areas and probably one of the marine, aviation and shipping directorates transferred to the department in June 1983.

Resource management

5. The department's systems for managing administrative costs include manpower budgeting, the computer-based MAXIS cost centre budgeting and monitoring system and eleven separate management accounting systems (MASs) based on MAXIS but tailored to the requirements of the main executive and fee-earning activities. For MAXIS, 1983-84 was a trial year and some major difficulties were encountered, particularly in relating MAXIS to the department's existing accounting and payroll systems. Development is continuing and the system will operate in a more complete form for 1984-85 and will be used as the basis for allocating and monitoring administrative expenditure and for monitoring the department's fee income and related costs.

6. Similarly, the MASs are still at an early stage of development. As more and better information becomes available through MAXIS, their structures will be individually adapted to meet more effectively the operational requirements of managers in the executive activities they cover. They will also provide improved information for memorandum trading accounts and for the revision of fees as well as a basic structure of functional costing for the department's activities.

7. In July 1983 the then Secretary of State decided that the goods and public service vehicle testing organisation should not be transferred to the private sector. As a result, the organisation and management of the

department's vehicle testing activities have been the subject of a major review to see how they could be run on more commercial lines within the department. The intention is to set up a management board responsible to a directing group within the department and with suitable delegations to allow a keener response to customer demand. This will have implications for the department's vote structure and accounting practices and these are being discussed with the Treasury.

Programme expenditure

8. Considerable attention has been given to clarifying objectives and assessing performance in relation to programme expenditure. Section 2.6 of Cmnd 9143 (The Government's Expenditure Plans 1984-85 to 1986-87) presents some initial results. For motorway and trunk road construction and renewal, objectives are set out together with output in terms of annual mileage and expenditure. Similarly for local transport, objectives are specified with information on expenditure and on outputs in terms of local bypass and relief road schemes started each year and passenger miles, fare levels and operating costs for local bus services. This work will be continued with detailed reviews of each expenditure programme. Consideration is being given to more detailed specifications of objectives and the scope for greater delegation of financial responsibility in the highways organisation.

Organisation

9. The Finance Management division established to develop and co-ordinate the development of financial management continues to perform this role but, in order to implement effectively the developments in programme expenditure, a Central Finance division has been established which will act as a focus for co-ordination of the department's PES proposals. A professional accountancy adviser has been appointed to the finance organisation at Assistant Secretary level who will be substantially concerned with developments in all aspects of financial management. The strengthening of internal audit is continuing; the consultant assignment to develop audit, particularly computer audit, at the Driver and Vehicle Licensing Centre has been completed.

Training

10. Specific training of cost centre managers and liaison officers in support of MAXIS is continuing. The broader implications of the

development of financial management are being given attention in general training at all levels and by way of specific courses provided internally or by the Civil Service College. Some internal audit staff are following professional training courses, and senior staff in the Finance Management division have attended relevant courses at the London Business School.

Costs

11. The cost of work in the Principal Finance Officer's command directed specifically to the development of financial management was around £150,000 in 1983-84 and is likely to rise to £250,000 or so in 1984-85. The Department of Transport accounts for about half the cost of MAXIS for which costs in 1983-84 were estimated at £1.4 million and for 1984-85 are expected to be £1.7 million, including some of that identified above. These figures exclude the very considerable efforts of staff throughout the department directed to implementing and operating the new arrangements in cost centres. Even though these developments replace to some extent previous efforts directed to resource management, a substantial net increase is involved.

H M TREASURY

1. The main elements of the Treasury's programme of improvements in the management of its domestic resources as set out in Cmnd 9058, are:-

- (a) a top management system to enable Ministers and senior management to consider future work and resources together more systematically;
- (b) clear responsibility for costs to rest with those best placed to control them;
- (c) full costing of operations to ensure maximum cost awareness;
- (d) a more flexible and comprehensive accounting system.

The top management system covers the whole Treasury. The detailed application of other elements will vary according to the circumstances and work of different parts of the department.

2. Many of the changes will take effect in the coming year with the first full round of work planning and resource allocation; a more comprehensive costing of different parts of the Treasury's operations; and, in the Civil Service Catering Organisation (CISCO) and the Central Computer and Telecommunications Agency (CCTA) implementation of Ministerial decisions on their roles and responsibilities. Good progress has already been made.

Top management system

3. The first step towards establishing an effective information system for top management was an experimental round of work planning last Autumn. Aims and priorities were reviewed for each command, together with the deployment of staff. The results were reviewed across the Treasury as a whole by senior officials and by Ministers. The main function of this experimental round was to establish what scale and style of information best meet the needs of top management.

4. The first full round of work planning will begin in the summer of 1984. It will be extended so as to review progress over the past year and allocate resources for the year ahead. The aim has also been to devolve control of expenditure to the line where possible. In the central Treasury, for example, Under Secretary commands on the overseas side will have budgets for foreign travel, which has hitherto been controlled centrally. The scope for devolved control is greater in CCTA, CISCO and Chessington Computer Centre (CCC). Detailed arrangements for CISCO and CCTA are to be finalised in the light of the Government's decisions about the future role and responsibilities of both organisations.

New accounting system

5. Better cost information is essential to improved financial management. The Treasury's improved accounting system came into operation on 1 April 1984, on time and within budget. It provides for the more accurate, timely and flexible production of vote and management accounts direct from payments made, including automatic comparison of actual expenditure with budgets and cash limits. Periodic reports will go to managers, and on-line enquiries can be made from all locations. Extensions for such applications as financial modelling, commitment accounting and stock control are currently being evaluated.

Central computer and telecommunications agency

6. The fundamental review of CCTA undertaken by its Director has recommended changes to the role of the Agency which will make departments responsible for identifying and meeting their own information technology (IT) requirements while the CCTA's role changes from control and monitoring to the provision of strategic advice and specialist support. CCTA will continue to provide a procurement service as agent for departments. The costs of this, as of other services provided at the request of departments, will be recovered from them according to the effort involved in each. Treasury expenditure divisions will control departmental expenditure on IT projects. The transfer

of responsibilities involved in these changes will be completed by 1 April 1985, and the new charging basis will come into operation from 1 April 1986.

7. The changes will clarify responsibility for the approval, development and management of IT projects; speed up the processing of projects to procurement and implementation; and ensure that departments integrate consideration of individual projects more closely with their information strategies and the departmental objectives which they serve.

8. The changes in the CCTA's role and objectives will be worked out by means of a formal corporate plan. It will set out the strategic direction for CCTA over the next few years; subordinate objectives for each part of the business; the resources within which CCTA will work; and the development of effective management and personnel policies. The corporate plan, revised annually, will form part of the Treasury's top management system. The first outline plan will be submitted to Treasury Ministers in the autumn of 1984. Meanwhile, the plans in Cmnd 9058 for a system of effort recording, and the budgeting and monitoring of resources, are being implemented.

Chessington computer centre

9. The major thrust of improved financial management at CCC has been the further development of performance indicators, and the further delegation of budgetary control. In April 1984 responsibility for Chessington office services was transferred to the Director (CCC), giving him day-to-day control of all CCC's resources. Within CCC, control of most expenditure has been deleted to Assistant Director (Principal) level, and some further. The new cost management structure will enable cost information to go to all who manage large numbers of staff.

10. Thirty-eight performance indicators have been identified, covering each operational and functional area. Along with budgetary information, performance trends are reviewed at

monthly meetings of the Director and his senior staff. The performance indicators will continue to be refined in the light of experience. Systematic cost comparisons are being developed with similar operations elsewhere.

Civil Service catering organisation

11. Major changes in civil service catering policy were announced in the House of Commons on 23 December 1983 (Hansard, WA cols 379-80). They included the introduction of greater competition; the conversion of CISCO to a trading fund; and a simpler subsidy arrangement which will be equally applicable both to in-house caterers and private contractors. These changes are to be made by 1 April 1985.

12. CISCO already uses indicators to assess the trading performance and operational efficiency of its restaurants. From 1 April 1984 the measurement of business volume has been improved by substituting a more comprehensive transaction account for the daily meal count.

National Economic Development Office

13. The financial position of NEDO (National Economic Development Office) has been clarified by the introduction of a grant-in-aid, with defined conditions of grant.

Training

14. The experience and training required by those with the main responsibilities for the operation of the financial management system has been identified, and where there are needs outstanding a programme to meet them is in hand. For the future these needs will be taken into account in succession planning for the posts concerned.

15. Besides the existing and planned training designed for staff on public expenditure work, which will help them to

respond to developments in financial management in departments, all staff in the central Treasury from Executive Officer to Principal are attending seminars on the principles of the Government's financial management initiative and on the particular plans to improve financial management in the Treasury. This programme will be completed this summer. At CCC those responsible for controlling expenditure have received comprehensive guidance, backed up by local seminars, and monthly briefings have kept staff generally up-to-date with developments. In CCTA, introductory presentations were given to staff down to HEO level in 1983; further presentations will be arranged in the light of the Government's decisions on the future role and responsibilities of CCTA. The training of CISCO restaurant managers is already geared to strict cost control within budgets for its trading operations. Staff in headquarters directly involved in operating the management accounting system have all received detailed training. All CISCO staff from SEO upwards have been given an appreciation of how the Government's financial management initiative affects not only CISCO's own operations but also those of its customer departments.

Costs

16. The cost of implementing these improvements in financial management was just over £500,000 in 1983-84. Of this, £145,000 represents capital expenditure, the remainder the time of staff, much of it dedicated full time to the improvement of the computer-based management accounting system (which also serves a number of other small departments). Now that the bulk of this development work is complete the numbers involved are being reduced, but there will be a continuing additional commitment in staff time to support the new management information and resource planning systems.

WELSH OFFICE

1. The last White Paper explained the many functions of the Welsh Office, and that a significant proportion of its total expenditure is accounted for by local authority services. It also set out the department's general approach to financial management, noting what had already been achieved and what it intended to do to improve matters further. Since then work has continued much as planned. The main themes have been maintained, with clarification of aims and objectives and much detailed work on an improved system of management information. Policy reviews of ancient monuments work and management of the NHS in Wales have resulted in proposals for substantial changes in organisation.

2. The following paragraphs give brief accounts of progress in various areas.

Aims, objectives, and measures of achievement

3. The framework of aims mentioned in the last White Paper has now been defined, and approved by the Secretary of State. A first series of shorter-term objectives has been formulated by line management in consultation with Finance Group and senior management. Progress in achieving them will be considered in November. This will be in conjunction with the conclusion of the 'internal survey' of the allocation of public expenditure resources to services within the Wales programme. This year, for the first time, this annual exercise will include objectives. This will be provided by an analysis of reported costs against objectives over the past six months, which will be compared with the costs forecast at the time of setting the objectives. New forecasts will be made for the ensuing six months with any adjustment of objectives considered necessary. It is intended that this process should be repeated every six months. The work done in formulating objectives has highlighted the paucity of meaningful output measures and performance indicators. The search for better measures and indicators, and work on refining the largely inadequate ones which exist, will continue. An initial set of statistical indicators has been developed and published for the health service in Wales, and discussions have begun with local authority associations about measures and indicators for local authority services. The November review is expected to provide pointers to avenues for further exploration.

Information for managers

4. From the beginning of the financial year 1984-85, improved monthly reports are being provided to managers containing details of the programme expenditure for which they are responsible, together with elements of administration expenses that are within their control. Abstracts of these reports are provided to the Business Group mentioned in the last White Paper. The reports will be developed further as subsidiary systems are produced for monitoring and allocating personnel and office costs that are centrally controlled at present. Memorandum trading accounts for operations to which fees and charges are relevant will be assembled directly from information coming out of the new system, and will be used for management control as well as for the annual setting of prices. The data in the new system will also be used to indicate costs associated with the pursuit of objectives. These developments have been carried out in close collaboration with managers, and a forward programme of video-based seminars is to be provided to managers at all levels, setting out financial management principles as applicable in the circumstances of the Welsh Office and giving practical training in the use of reports for control and decision making, in appraising options for deployment of resources, and in estimating and preparing budgets.

Delegation and budgeting

5. The formal delegations to officers in policy divisions in respect of programme expenditure, reported in the last White Paper, are now virtually complete. As regards budgets for running costs, the Welsh Office has had for some years a system covering travel and subsistence. It presently operates at Under Secretary level and has proved very effective in controlling this expenditure. The scope of budgets will be progressively enlarged by the inclusion of those items of administrative expenditure which are within the control of line managers. These will be set at Assistant Secretary level in the autumn of 1984 for the financial year 1985-86, taking into account figures in the new monthly reports.

Equipment

6. As an interim measure updated accounting equipment was installed in the early months of 1984. Meanwhile a study by commercial consultants of the possible installation of an in-house mini-computer facility is covering future financial management applications. The results of this study will form a firm base for the phased introduction of computerised facilities for financial management throughout the department.

Management reviews

7. Following a review of ancient monuments work it has been decided to establish a new unit, jointly staffed with the Wales Tourist Board, to carry out the Secretary of State's responsibilities for the preservation of ancient monuments and historic buildings in Wales. The unit (to be called CADW: Welsh Historic Monuments) will be headed by a director recruited by open competition. He will report to a steering committee including members from inside and outside the civil service and chaired by the Secretary of State. It is intended that the new unit should pay greater attention to the effective presentation of monuments to the public and related commercial activities than had previously been the case. Sound financial management will be essential to the success of the new arrangements.

8. Improved management arrangements for the health service in Wales are to be introduced following the Griffiths report on NHS management in England. The NHS management function within the Welsh Office will be separated into a new Directorate, headed by a Director recruited by open competition. The Director will be a member of a new Health Policy Board, chaired by the Secretary of State and including some members from outside the civil service. He will chair an Executive Committee of the Board which will assist him in his management role. He will also be the Accounting Officer for the NHS in Wales.

Outside bodies

9. Following considerable changes initiated by the Welsh Office and being carried through by the newly appointed Board, the Welsh Water Authority is achieving notable increases in efficiency. The Authority is required to meet a specific financial target and a performance aim based on its total operating costs. Financial targets have also been set for

the Welsh Development Agency in respect of its investment and site development/factory building functions. Work is continuing within the Consultative Council framework to devise appropriate output measures for local authority services, though this is clearly a long-term exercise. Discussions are also continuing on the best method for determining capital allocations.

Costs

10. The total resource costs for the Welsh Office's financial management activities up to the end of 1982-83 were about £130,000. In 1983-84 the costs were £200,000, taking account of the time spent by managers and the costs for staff dedicated to development work, studies, reviews and training as well as operation. Future annual costs for further development and for operation of Welsh office financial management systems are likely to be of the same order as those in 1983-84. In 1986 there will be additional capital cost, which cannot at present be estimated, in acquiring sophisticated computer facilities to be used throughout the department to operate financial management systems.

EFFICIENCY UNIT - PROGRAMME OF WORK FOR 1984-85

During the current year the Efficiency Unit will be working with departments in a number of scrutinies, selected from their programmes of reviews and studies. This work will cover the following main areas:

Foreign and Commonwealth Office	Development divisions of the Overseas Development Administration.
Home Office	Police National Computer Unit.
Inland Revenue	Repayment procedures. Inland Revenue archives.
Customs & Excise	Service to the public.
Department of Education & Science	Efficiency study of the Universities. Open University.
Northern Ireland Office	Arrangements for RUC buildings.
Ministry of Defence	Manpower control. Marine services.
Department of the Environment	Urban programme.
Department of Health & Social Security	Liability relative procedures.
Office of Population Censuses & Surveys	Registration of births, marriages and deaths.
Department of Employment	Arrangements for dealing with European Social Fund claims. Relationship of Jobcentres and the Careers Service on recruitment to the Youth Training Scheme.
Ministry of Agriculture, Fisheries and Food	Veterinary Investigation Service.
Attorney General	Litigation by the Treasury Solicitor's Department
Cabinet Office (MPO)	Identification of internal talent in the civil service. Management procedures in departments for managing accommodation (multi-department Review).

Note: further scrutinies and reviews may be added during the remainder of the year.

BUDGETARY CONTROL: PROJECTS IN DEPARTMENTS

The table below shows the main features of projects in the departments covered by the Financial Management Unit's report on implementing budgetary control.

DEPARTMENT

PROJECT AREA

DESCRIPTION

REPORTING SYSTEM

COMMENTS

Agriculture,
Fisheries and
Food

Throughout
Ministry.

From 1 April 1984 existing delegations for casual and over-time merged to permit switching; and existing delegation arrangements for travel, subsistence and removal expenditures improved.

Management Accounting Information System (MAIS) being developed to operate from 1 April 1985 as a replacement bookkeeping system and to provide budget/cost centre analysis.

Eastern Region
(5 budget
centres headed
at Grade 5/6
level with 1,700
total staff)

Pilot from spring 1984 to cover manpower (including casuals and over-time), travel and subsistence, office equipment and some other costs.

Ad hoc reporting systems until MAIS available.

Norwich Division
(6 of the cost
centres within
Eastern Region)

Pilot running since 1983, co-ordinated with the regional pilot but covering all resources controlled in the Division, including internal recharging between the cost centres in the Division.

DEPARTMENT

PROJECT AREA

DESCRIPTION

REPORTING SYSTEM

COMMENTS

Cabinet
Office
(MPO)

Throughout
department.

Trial under way.
Delegation of a full
range of costs to
Responsibility Centre
Managers (usually
Grade 3) and to
lower levels where
appropriate, from
1 April 1984.

Administrative costs broken
down to the appropriate
level by the Treasury's new
computer-based management
accounting system (MAISY)
since 1 April 1984.

Budgeting system linked
into annual activity
planning procedure.

DEPARTMENT	PROJECT AREA	DESCRIPTION	REPORTING SYSTEM	COMMENTS
HM Customs and Excise	Headquarters	Responsibility for items of administrative expenditure progressively delegated to regional Collectors and HQ Heads of Office.	A management accounting system (currently being developed) which will be used for setting and operating budgets, analysing costs and attributing them to cost centres throughout the department.	Development will be co-ordinated with major operational systems for VAT, Customs, Excise and revenue accounting and the development of key output measures and performance indicators.
	Pilot Collections	Delegation of extensive range of costs to 3 pilot Collections from 1 April 1983 increased to 6 pilot Collections from 1 April 1984 including manpower on a trial basis to 2 of them and accommodation rental to 4 of them.	Financial information system currently being developed for use on microcomputers to analyse costs and attribute them to cost centres in each Collection. System will include facility for development of management information and costs by Collectors locally.	Collectors allowed some freedom to transfer expenditure across budget headings. For manpower there is also a numbers and monetary target. Budgetary trials will be co-ordinated with work in pilot areas on setting of work plans and targets and monitoring achievement.

DEPARTMENT	PROJECT AREA	DESCRIPTION	REPORTING SYSTEM	COMMENTS
Ministry of Defence	Throughout department.	Delegated responsibility for travel and subsis- tence expenditure since 1982.	Wide range of financial information and management accounting systems currently in existence and being further developed.	General development of management accounting and information systems will continue.
	i) 2 Naval Hospitals (Haslar & Stonehouse and Institute of Naval Medicine)	<u>Executive Responsibility Budgets</u> Trials (except (iv)) to become 'live' pilot schemes in 1984-85. Full scale implement- ation plan covering support area now being drawn up for phased introduction between 1985-86 and 1987-88.		Precise demarcation of responsibility between Central Finance Division and senior line management not yet fully determined.
	ii) Royal Naval Aircraft Yard, Fleetlands			
	iii) DGEME Central Workshops, Donnington			
	iv) 3 RAF basic flying training stations (Cranwell, Linton on Ouse and Church Fenton)			
	v) Royal Signals Research Establishment, Malvern			

DEPARTMENT

PROJECT AREA

DESCRIPTION

REPORTING SYSTEM

COMMENTS

Ministry of
Defence (cont)

Staff
Responsibility
Budgets

Budgets were introduced on 1 April 1984 covering some 90% of civilian staff. Responsibility for staff costs delegated to line managers subject to cash and manpower ceilings. Budgets to be based on MINIS objectives and to be progressively extended to cover military staff.

DEPARTMENT	PROJECT	DESCRIPTION	REPORTING SYSTEM	COMMENTS
Education and Science	5 HQ Branches (Under Secretary commands) covering nearly 20% of the department's staff, excluding HM Inspectorate of Schools.	On an experimental basis, budgets have been set for 1984-85 and responsibility delegated for a number of items of running costs, including salaries and wages, with freedom to switch between different items of expenditure	Budgets have been set on the basis of actual staff complements and historic expenditure levels in relation to non-staff items. A computerised financial information system (FMIS) designed by management accountants is being developed which will permit expenditure to users and generate monthly reports of expenditure against budget.	The experiment is being co-ordinated by a Central Liaison Unit which has developed criteria for evaluation.
	University Grants Committee (80 staff)	Has been operating as a self-contained cost centre with responsibility for all administrative expenditure since June 1983.	Most UGC expenditure already separately identified in DES accounting system; henceforward will be covered by new financial management information system (FMIS).	Report on benefits/disbenefits of first year's experience being considered.
	HM Inspectorate of Schools (440 + 190 support staff) Darlington Office (600 staff)	Operating as self-contained cost centres since 1 April 1984 with responsibility for all administrative expenditure.	Much HMI and Darlington expenditure already separately identified: henceforward will be covered by FMIS.	Central Liaison Unit co-ordinating and helping to evaluate operation.

DEPARTMENT

PROJECT AREA

DESCRIPTION

REPORTING SYSTEM

COMMENTS

Employment

5 HQ Branches
(Staff
Inspection,
Information,
Industrial Rel-
ations, Staff
Discipline and
Special Employ-
ment Measures).
9 Unemployment
Area Benefit
Offices (total
approx 3,000
staff).

Throughout
department.

Delegation of
responsibility for
full manpower costs
and GAE. Budgets
drawn up by pilot
budget holders.

Head Office pilots
began on 1 April
1983. UB pilots
commenced on
1 October 1983.

Planning underway
to introduce
devolved budgeting
covering manpower
costs, GAE and
recharges for material
services from 1985-86.

Work on the development
of a management account-
ing system to attribute
costs to organisational
units currently underway.
Present pilots depend on
manual extraction of
data.

Delegation currently
from central division to
budget holders but with
FMI team co-ordinating.

Budgeting system to be
linked to top management
review process.

DEPARTMENT

PROJECT AREA

DESCRIPTION

REPORTING SYSTEM

COMMENTS

Environment

Throughout
department.

For 1983-84, 200 cost centre managers were involved in the preparation of their budgets (all real costs including manpower and some internal recharges). Intention is to give them greater responsibility for controlling costs against budgets later this year.

MAXIS (Management of Administrative eXpenditure Information System) introduced in April 1983, which analyses costs by individual cost centres.

DEPARTMENT	PROJECT AREA	DESCRIPTION	REPORTING SYSTEM	COMMENTS
Foreign and Commonwealth Office	i) Overseas Establishments	Delegated budgets covering 20% of local costs introduced from 1 April 1983. System extended from 1 April 1984.		Further delegation of local costs to follow from 1 April 1985.
	ii) Home Departments	Delegated travel budgets introduced from 1 April 1983.		
	iii) General		Pilot study management information system now complete. Interim MIS to be operational in 1984 to break down all FCO costs by department or post and by function (political, consular etc). Interim system to be developed into fully computerised system by 1986.	

DEPARTMENT	PROJECT AREA	DESCRIPTION	REPORTING SYSTEM	COMMENTS
Health and Social Security	Throughout department.	Responsibility for travel and subsistence delegated to all cost centres and for postage and telecommunications to local office cost centres from 1983.	Management Accounting and Information System installed 1 April 1983. Analyses all costs by cost centre.	Manpower costs may be delegated during 1984-85.
	2 Group Managers (Grade 6) Commands in North Eastern and London North Regions (some 40 local offices) and 1 Principal Command at Newcastle Central Office.	Delegation of manpower on trial basis started in autumn 1983. From April 1984 additional budgets covering a wider range of administrative expenditure have been included and further delegation of authority given (switching), headcount removed).		Grade 3 heads of regional organisation and central office do have their own decentralised budgets for numbers and money. Further studies under way on the feasibility of delegating manpower costs to cost centres in HQ and central offices.
	Outstation of Newcastle Central Office.	Experiment in operation of full budgetary control during 1984-85.	Overseen by line manager and monitored by Management Services Branch, with quarterly reports to the Central Office Management Team.	Wherever possible budgets are to be established; where not possible expenditure data will be provided. After initial monitoring state, manager will be able to switch between all budgets except accommodation.

DEPARTMENT	PROJECT AREA	DESCRIPTION	REPORTING SYSTEM	COMMENTS
Home Office	Immigration and Nationality Department (Grade 3 level)	Separate budget from 1 April 1984, with substantial delegation of authority (grade mix, switching etc) to the head of IND and lower level experiments with budget centres.	Initially integrated with departmental FIS, but programme of work includes development of fuller activity costing information.	Scheme will be linked with development of better output information.
	Prison Department	Already considerable delegation to Prison Department HQ. Plans to develop budgets for individual prison establishments, with some delegated authority.	Computerised costing system operational since 1 April 1983.	

DEPARTMENT

PROJECT AREA

DESCRIPTION

REPORTING SYSTEM

COMMENTS

Inland
Revenue

Throughout
department.

Delegated authority
on an experimental
basis for a limited
number of adminis-
trative costs
(telephones, travel
etc) since 1982.

New financial management
and accounting system
operational from April 1984.
Meets all current budgetary
control requirements and
will be extended as
necessary.

One Group
Controller
command of 15
tax districts
(Grade 5 level).

Delegation of full
range of costs
including manpower
on trial basis from
April 1984.

Depending on the outcome
of the evaluation, the
intention is to extend
the scheme throughout
the department from
1986-87.

DEPARTMENT

PROJECT AREA

DESCRIPTION

REPORTING SYSTEM

COMMENTS

Scottish
Office

5 Grade 5
commands and one
Scientific
Services Unit
covering 450
staff and approx.
£7 million
administrative
expenditure.

Delegation within
guidelines of full
range of costs on
a trial basis from
April 1984.

A management accounting
system which began initial
running on 1 April 1984 is
currently under development.
This will form the basis by
which delegated budgets
will be operated.

Prison Service.

Pilot budgetary
control scheme at 3
penal establishments
extended to 6
establishments in
1984-85. Plans for
service-wide
extension in
1985-86.

Management accounting
operational since 1972;
providing functional
analysis since 1 April 1981.

DEPARTMENT

PROJECT AREA

DESCRIPTION

REPORTING SYSTEM

COMMENTS

Trade and
Industry

Since 1 April 1984 6,700 staff (about half the department's total) have been in Responsibility Cost Centres (RCCs). These are all discrete units: the 7 Regional Offices, the 4 Research Establishments, the Business Statistics Office, the Patent Office, the Companies Registration Office, and the Insolvency Service. The 4 Regional Development Grant Offices have also been RCCs since 1 July 1984.

All manpower and GAE costs are delegated subject to certain remaining constraints including manpower numbers targets, cash limits and staff inspection.

To date dealt with by existing reporting system but a new computerised financial information system is being developed with enhanced monitoring and forecasting abilities covering both programme spend and running costs. Intended to commence parallel running in October 1984.

As far as practicable cost centre principles are planned to be extended to HQ divisions - HQ travel and subsistence and entertainment budgets have already been delegated.

DEPARTMENT

PROJECT AREA

DESCRIPTION

REPORTING SYSTEM

COMMENTS

Transport

Throughout
department.

For 1983-84, 130 cost centre managers were involved in the preparation of their budgets (for all direct costs including manpower, and some internal recharges). In 1984-85, the arrangements will operate in a more complete form and be used as the basis for allocating and monitoring administrative expenditure and for monitoring fee income and related costs.

MAXIS (Management of Administrative Expenditure Information System) introduced April 1983 (jointly with Environment). MAXIS analyses all costs by individual cost centres. Linked with this, 11 separate management accounting systems are being developed to cover the main executive and fee-earning activities.

The number of cost centres increased to 190 in 1984-85 primarily because of the transfer of functions from Trade during 1983-84.

DEPARTMENT

PROJECT AREA

DESCRIPTION

REPORTING SYSTEM

COMMENTS

HM Treasury

Throughout
department
(mainly Grade 3
level).

Budgets to operate
from April 1985
covering manpower,
overtime and most
travel and subsis-
tence expenditure
in central Treasury.
More comprehensive
budgeting in
operational areas.

New computer system intro-
duced April 1984 to improve
timeliness and flexibility
of cost information for
managers.

Managers will be made
aware of all costs
including those (eg over-
heads in central areas)
where devolved control
not considered feasible.

NOTE (NOT FOR PUBLICATION)

The table below is intended to provide a bibliography of material relating to the development of financial management during the past year or so. A few examples have been entered to show the kinds of documents we have in mind. These include both:

- a) published reports; and
- b) documents made available to the public;

and cover:

- a) documents arising from (new) management systems;
- b) reports from departmental scrutinies, reviews, committees etc; and
- c) consultative documents.

Departments are asked to provide references for material they have made available, including in particular reports etc mentioned in their chapters in Part 2 of the White Paper.

RELATED PUBLICATIONS AND DOCUMENTS

<u>Department</u>	<u>Publication/Document</u>	<u>Available From</u>
Office of Arts and Libraries	Financial Scrutiny of the Royal Opera House, Covent Garden Ltd, February 1984, ISBN 0 11 630482 0 (£18.00)	HMSO
Cabinet Office (Management and Personnel Office)	Review of Personnel Work in the Civil Service: Report to the Prime Minister by J S Cassels CB, 1983 (ISBN 0 11 630468) (£5.40)	HMSO
	Economists and the Financial Management Initiative: Civil Service College Working Paper No 36, Civil Service College, October 1983 (£1.00)	CS College Library Sunningdale Park, Ascot Berks SL5 0QE
	Management Documents 1984-85, 1984	Central Management Library Cabinet Office Room 130D/4 Government Offices Great George Street LONDON SW1P 3AL
HM Customs and Excise	Customs and Excise - Board's Management Plan 1984-5, placed in the libraries of the House of Commons and House of Lords	FMI Project Team Room 508M King's Beam House LONDON EC3R 7HE
Ministry of Defence	MINIS and the Development of the Organisation for Defence 1984, Defence Open Government Document 84/03	Ministry of Defence Man S (Org) Northumberland House Northumberland Ave LONDON WC2N 5BP
Department of Employment	Financial Management Initiative: Implementation in the Department of Employment in 1983 (£2.00)	Department of Employment FFI Caxton House Tothill Street LONDON SW1H 9NF

<u>Department</u>	<u>Publication/Document</u>	<u>Available From</u>
Manpower Services Commission	COMIS Handbook for 1984.	Manpower Services Commission Central Planning Branch Moorfoot Sheffield S1 4PQ
Department of the Environment (Central)	MINIS 4 statements, July 1983 (11 volumes for £64.50; individual volumes from £3.25 to £9.00)	MINIS Unit Room N10/19a DOE 2 Marsham Street LONDON SW1P 3EB
	DOE Annual Report 1982-83, October 1983 (£4.00)	MINIS Unit (as above)
	Review of the Role of Finance Divisions in DOE, November 1983	FACT Room N10/06 DOE 2 Marsham Street LONDON SW1P 3EB
Department of the Environment (PSA)	Wardale Enquiry Final Report to the Secretary of State to the Environment, 1983.	PSA Library Sales Office Whitgift Centre Wellesley Road CROYDON CR9 3LY
Department of Health and Social Security	Report of the NHS Management Inquiry, 1983	DHSS Library Alexander Fleming House Elephant and Castle LONDON SE1 6BY
Home Office	Criminal Justice: A Working Paper, May 1984, ISBN 0 86 252148 3	Home Office Library 50 Queen Anne's Gate LONDON SW1H 9AT

DepartmentPublication/DocumentAvailable From

Inland Revenue

Senior Management System, April 1984 (£13.00)

Room 8, New Wing,
Somerset House,
Strand
LONDON WC2R 1LB

Scottish Office

Public Expenditure to 1986-87: A Commentary on the
Scotland programme (£5.00)Scottish Office Library
New St Andrew's House
EDINBURGH EH1 3TBDepartment of Trade
and Industry

Department of Trade and Industry Aims, January 1984

The Library
Department of Trade and
Industry
1 Victoria Street
LONDON SW1H 0ET

DepartmentPublication/DocumentAvailable From

HM Treasury

Government Accounting: A Guide on Accounting and Financial Procedures for the Use of Government Departments, 1974, ISBN 0 11 630668 8 (£6.60). Four supplements have been issued: No 1, 1976, ISBN 0 11 630669 6 (£0.85); No 2, 1977, ISBN 0 11 630670 X (£1.25); No 3, 1979, ISBN 0 11 630671 8 (£1.50); No 4, 1982, ISBN 0 11 630462 6 (£4.15).

HMSO

Government Internal Audit Manual, 1983, in three parts: ISBN 0 11 630293 3 (£3.95); ISBN 0 11 630294 1 (£3.00); ISBN 0 11 630295 X (£4.50); Binder ISBN 0 11 701117 7 (£2.50 plus VAT).

HMSO

Explanatory and Technical Notes in Part 5 of The Government's Expenditure Plans 1984-85 to 1986-87, Cmnd 9143-II, February 1984, ISBN 0 10 191431 8 (£11.50).

HMSO

Guide to the Supply Estimates in Supply Estimates 1984-85, Memorandum by the Chief Secretary to the Treasury, Cmnd 9161, March 1984, ISBN 0 10 191610 8 (£7.00).

HMSO

IT Series No 5: Strategic Study of Government Administrative Telecommunications, March 1984 ISBN 0 11 630723 4 (£6.70)

HMSO

Investment Appraisal in the Public Sector: A Technical Guide for Government Departments, 1982, ISBN 0 9502890 6 X (£1.00)

Committee Section
HM Treasury
Parliament Street
LONDON SW1P 3AG

Investment Appraisal in the Public Sector: A Management Guide for Government Departments, 1983, ISBN 0 9502890 8 6 (£1.00)

Committee Section
HM Treasury

An Introduction to Staff Inspection, June 1983 ISBN 0 947819 00 2 (£1.50).

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Examining the Need for Work, January 1984, ISBN 0 947819 01 0 (£1.50).

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Department

Publication/Document

Available From

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Financial
Management Unit

Top Management Systems, May 1984, ISBN 0 7115 0058 4 (£2.50)

Budgetary Control Systems: Implementation Report,
May 1984, ISBN 0 7115 0059 2 (£3.50)

FMI: Non-Departmental Public Bodies, July 1984,
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LONDON SW1P 3AL



10 DOWNING STREET

From the Principal Private Secretary

24 May 1984

SPECIAL APPOINTMENTS

The Prime Minister has seen your letter of 18 May attaching guidance to Departments on handling special appointments. The Prime Minister agrees that it would be helpful to issue this guidance.

I am sending a copy of this letter to Richard Hatfield (Cabinet Office).

E. E. R. BUTLER

D. R. H. Board, Esq.,
Office of the Permanent Secretary
(Sir Peter Middleton KCB),
H.M. Treasury.

NIR



De V.
Apt

Civil Service

10 DOWNING STREET

From the Private Secretary

21 May 1984

Top Management Programme

The Prime Minister considered over the weekend Lord Gowrie's minute of 17 May about the Open Structure Course.

The Prime Minister feels that the note which was attached to Lord Gowrie's minute is rather thin, and relates more to aspirations than to objectives. She takes the view, therefore, that it would be better not to give the note any publicity.

I am sending a copy of this letter to Richard Hatfield (Cabinet Office).

(David Barclay)

Miss Sonia Phippard,
Management and Personnel Office.

NK

010

Prime Minister

1



H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-233 3000
Direct Dialling 01-233 3620

You need not read through the attached guidance in detail.

I am sure that it is useful to have guidance of this sort so that people making appointments know how to set about it and what points need to be covered.

Sir Peter Middleton KCB
Permanent Secretary

Robin Butler Esq
10 Downing Street
LONDON
SW1

Agree that it should be issued?

18 May 1984

Dear Robin

PERB
22.5.
Yes mb

SPECIAL APPOINTMENTS

The Prime Minister recently commented on delays in making appointments from outside the Civil Service to senior posts in Government departments and bodies. The Treasury had already been considering giving guidance to departments, ... on the lines attached, on handling such appointments. The aim is to help departments to deal with all the necessary issues in an orderly way and in good time, so that when a suitable candidate is identified the terms of appointment can be settled as quickly as possible.

The Chancellor agrees that it would be helpful to issue this guidance; so does Sir Robert Armstrong. We would be grateful to know if the Prime Minister would be content.

I am copying this to Richard Hatfield.

Yours sincerely
Douglas Board

D R H BOARD
Private Secretary

DRAFT LETTER FROM: Sir Peter Middleton

TO: Heads of Departments

SPECIAL APPOINTMENTS

From time to time individual jobs will arise in Government which require (usually for a limited period) a combination of experience and expertise which cannot be found within the public service. In such cases it may be necessary to pay more than the normal Civil Service rate for the job in order to attract a suitable candidate from outside. These cases are becoming more frequent. They need to be handled carefully: we must be able to defend such special rates as being no greater than the market requires us to pay for the satisfactory performance of the necessary job. But speed is also important if good candidates are not to be lost. The Prime Minister has recently said that when a suitable individual has been identified the aim should be to reach agreement on terms and conditions of employment within three weeks.

For this to be achieved each appointment must be approached from the start in a comprehensive way so that when decisions have to be taken about a particular candidate the issues to be resolved are clear and all the relevant facts are known. The attached notes, which have been drawn up jointly by the Cabinet Office (MPO) and the Treasury (and which will be incorporated in due course in the EOG) cover the main points, each one of which Departments should consider for each appointment. They are directed at Civil Service posts, but some aspects are also relevant to appointments of independent Crown Office holders and appointments to public bodies (see paragraphs 21-23).

The central departments should always be consulted at the earliest possible moment. The contact point in the Treasury should be the appropriate expenditure division. In the Cabinet Office (MPO) contact should be with the Head of the Secretariat, Civil Service Commission or the Head of Senior Staff and Europe Division as appropriate.

I am copying this to all Heads of Departments.

SPECIAL APPOINTMENTS

NOTES OF POINTS FOR CONSIDERATION

Need for the post

Before starting the recruitment procedure it is necessary to draw up a clear job description, explaining the need for the post and showing how the new appointment and its tasks will relate to the existing structure. The nature of the post should be clear, eg whether it is a Civil Service post or that of an office holder under the Crown. The grading of the post should be judged informally, and if, as will be probable, it is above delegated authority, approval for its creation should be sought from the Treasury.

2. The possibility of filling the post satisfactorily with an internal candidate should be carefully considered. SSE Division of the Cabinet Office (MPO) may be able to help in identifying internal candidates with special skills or experience.

Testing the market

3. If it is considered necessary to seek outside candidates a proper effort must be made to test the market. It is not sufficient to identify a few individuals known to the department and find out what would be enough to persuade them to come. For most jobs, a number of suitable candidates should be available. The aim should be to pitch the salary (or salary range) at such a level as is likely to attract a field from which a fully satisfactory candidate - though not necessarily the very best available - will emerge.

4. It should not be assumed from the outset that candidates will expect the same level of reward as is available in the private sector

or will not come for less than their current salary. Some people are willing, from a sense of public spirit, to do a spell of service in Government on normal public service terms. Others may regard the experience as an investment with potential benefits for their future career. For those with mobile career patterns a period appointment in Government may be a convenient step in their progression.

5. If the post is filled by a secondment, the seconding company will often be willing to top up the normal Civil Service salary to its own rate. However, difficulties can arise with secondments as noted in paragraphs 19 and 20.

Recruitment procedure

6. Under the Civil Service Order in Council 1982, recruitment to the Civil Service is required to be conducted on the basis of open competition on merit. This requirement applies as much to these appointments as to any other. The Civil Service Commission should therefore be consulted on the most appropriate recruitment procedures to be followed in each particular case. Where a permanent appointment is envisaged, or where there is a possibility of a period appointment being extended beyond 5 years, the Commission will need to be directly involved. The relevant provisions are set out in Part 3 of the Establishment Officers Guide.

7. The Civil Service Commission will be issuing guidance on the selection procedures to be followed when headhunters are used. Headhunters should only be employed where unusual combinations of experience and skills are required which could only be discovered by this means

rather than simple advertisement. And if it is agreed that headhunters should be employed, advertisements should be used as one of their methods of search. General guidance about the use of headhunters is also contained in the Guide on Public Appointments Procedures (paragraphs 93-96). The Public Appointments Unit can offer advice about particular firms.

Pay and grading

8. If a special salary needs to be paid, it will be necessary in the first place to establish a range for negotiation. This should be based on the best evidence or advice that can be found on the salary likely to be required (bearing in mind paragraph 3 above), and on the Civil Service rate for the particular grade of post, as informally established. In referring to possible salaries precision is important; phrases such as "based on the Under Secretary rate" can lead to misunderstanding.

9. An advertisement should contain an adequate statement about pay, so that anyone eligible can reasonably decide whether it is appropriate for him to apply. The salary offer in an advertisement needs to be framed so that the advertisement will serve as a test of the market to see if suitable candidates are available on normal public service terms, and if not, to confirm the salary which needs to be paid. The advertisement should be worded so as not to exclude an application from an existing public servant who claims to offer the expertise the post demands. It is not acceptable to offer a candidate terms and conditions which are significantly better than those mentioned in the advertisement because if the improved terms had been known from the

outset a different field of candidates might have applied. Careful consideration therefore needs to be given to the question of salary before an advertisement is prepared in order to reconcile proper recruitment procedures with the need to ensure that salaries are, and are shown to be, no higher than the market requires. The text of the advertisement should be cleared with the Treasury and the Civil Service Commission.

10. If the successful candidate is from outside the Civil Service and a salary above the Civil Service rate is to be paid a formal grading should preferably not be adopted. The position of the post in its hierarchy can usually be shown in an organisation chart without indicating or implying a precise grading.

Superannuation

11. Period appointments to the Civil Service are automatically covered by the PCSPS unless specific arrangements are made to exclude them. This can involve significant extra costs if the salary is substantially above the Civil Service rate. The alternatives are to make the post non-pensionable or to arrange for the individual concerned to continue membership of an existing superannuation scheme. In the former case the appointee is likely to want to take out a personal retirement annuity contract (to which he can contribute up to $17\frac{1}{2}$ per cent of his salary tax free) and this may influence his salary expectations. In the latter the employing department will be expected to pay the employer's share of contributions to the pension scheme. The Treasury will advise on whether the contribution is reasonable.

12. If the candidate is in receipt of a pension from a public service scheme it may be subject to abatement. The candidate should be made aware of this.

Other special conditions

13. The assumption is that a special appointee will serve on normal Civil Service conditions unless otherwise specified and will on recruitment be subject to all the normal procedures such as the appropriate security and health checks. The Treasury and the Cabinet Office (MPO) as appropriate should invariably be consulted about any requests from individuals for special arrangements, eg for superannuation or other conditions of service. Departments should be alert to considerations of propriety (such as, for example, shareholdings or directorships) and should in particular ensure that applicants are aware that they will be subject to the Business Appointment rules when the appointment ends.

14. If a salary is enhanced because of special conditions (eg because it covers full superannuation costs) this fact should be brought out in any public announcement of the figure.

15. If the appointment is part-time (eg 4 days a week) this should be explicitly recognised and agreed at the outset and reflected in the pay package.

Other income

16. If present income is a factor in arriving at a negotiated salary,

all regular sources of earned income should be looked at to see whether any of these will continue during the appointment.

Pay review

17. Before terms of service are finally settled clear arrangements should be established for reviewing salary. It is usually best for the salary to move in proportion to and in time with the salary for some appropriate Civil Service grade.

Termination

18. The premature retirement terms of Section 10 of the PCSPS will not normally apply to period or fixed term appointments. Before an appointment is settled clear termination arrangements should be agreed, including the position of both parties in relation to possible early termination. The Treasury will advise on this. It may also be necessary to think about an extension clause. Departments are reminded of the need to include in all formal letters of appointment for periods of 2 years or more a clause requiring the appointee to forego his right of appeal against alleged unfair dismissal (see section 142 of the Employment Protection (Consolidation) Act 1978).

Secondments

19. Special secondments from established companies may be appropriate if there is no conflict of interests. Care should be taken to identify the amount (if any) by which the cost of a reimbursement package exceeds the normal public service rate, and the means by which the level of reimbursement will be reviewed.

20. Artificial arrangements designed to avoid tax, for example where a candidate uses a company formed in order to second himself, are not acceptable. Moreover the creation of a service company is not in itself an automatic means of avoiding tax. Where it appears at the time, or it subsequently emerges, that in reality the relationship is that of employer/employee the relevant income tax will be sought.

Staff of non-departmental public bodies

21. Broadly similar principles apply to appointments to non-departmental public bodies whose pay and conditions are subject to Government control. In particular the Treasury should be consulted on all proposals to go outside the scope of the body's existing pay model (whether or not it is a Civil Service model) and steps taken to see that the market is properly tested. All quantifiable elements in the remuneration package must be taken into account in any salary bargaining. Detailed guidance on such appointments is given in the Cabinet Office Guide to NDPBs.

Chairman and Board members of public bodies and other individual public appointments (eg office holders)

22. Guidance on appointment procedures is given in the Cabinet Office (MPO) Guide on Public Appointments Procedures.

23. In the non-commercial sector the existing salary ranges are constrained, broadly, by the same principles as apply to those covered by the Top Salaries Review Body. It follows that if any exceptional rates are proposed then evidence will be required that attempts to

recruit within the existing normal salary range have been unsuccessful and that the rate proposed is the minimum necessary to secure an acceptable candidate. Separate considerations are applied to commercial public bodies including the nationalised industries. Guidance is available to sponsor Departments from the Treasury.

Ministers' Special Advisers

24. The notes do not apply to the appointment of Ministers' Special Advisers, for which separate rules exist.



MINISTER OF STATE, PRIVY COUNCIL OFFICE

PRIME MINISTER

TOP MANAGEMENT PROGRAMME

Prime Minister

Content for Lord Gowrie
to proceed on this basis?

DMB

In April you agreed that the Open Structure Course should go ahead.

... The attached note sets out the objectives of the Course and its overall structure. It will be the basis for discussions outside government about detailed design of the Course. The title of the Course has been changed to make it more marketable with the private sector.

I propose to make the note public early next week by sending it for information to the Chairman of the Treasury and Civil Service Committee and placing it in the Library of the House.

Greg

LORD GOWRIE
17 May 1984

They are not
obstacles but merely a
few procedural aspects
I remain very pessimistic
that this course will do anything
of its ^{ability} ^{to} improve management. In view
of its ^{limited} ^{value} I am loath to publicise it - not

TOP MANAGEMENT PROGRAMME

The Programme So Far

In January this year the Government appointed a Director of a new programme of training for civil servants at the point at which they are promoted to the Senior Open Structure (i.e. to Under Secretary or Grade 3 level). Since then, as part of initial planning and programme design he has consulted widely within the Universities, Business Schools, private and public companies, government and other institutions and among experienced and knowledgeable people in and outside the Civil Service. He will continue to do so.

2. At this level - broadly equivalent to Board level in the private sector - managers must exercise a broader range of skills than at lower levels, giving their organisations a sense of direction and purpose, corporate strategies to initiate and manage change, leadership which cuts across normal organisational and disciplinary boundaries and positive management to achieve desired ends.

Objectives

3. To meet the needs of such managers the objectives of the programme will be to improve the ability of participants:

- to understand the nature, extent and significance of the fundamental changes taking place in the economic, industrial, technological, physical, social and international environments;
- to formulate strategies for their organisations to meet the challenge of these changes, given scarce resources;

- to seek increased value for money and year-on-year improvements in productivity and efficiency by setting clear objectives and managing their organisations and resources positively so as to achieve the objectives;
- to lead and motivate people to carry out tasks efficiently, imaginatively and with commitment.

The Programme structure at Annex is designed to meet these objectives.

Mixing the public and private sectors

4. These objectives are just as much the concern of the private as of the public sectors, especially at the top level. It therefore makes little sense to train top civil servants separately from top managers in:

- local government, the Diplomatic Service, the Northern Ireland Civil Service and other public sector organisations such as the National Health Service, the BBC and the Atomic Energy Authority;
- the nationalised industries;
- the private sector of industry and commerce, and in small as well as large organisations;
- the Trades Unions
- other non public bodies.

Regrettably few opportunities exist for joint training of top managers. The programme will seek to remedy this deficiency with the help of Universities, Business Schools, public and private companies, local government institutes and the Civil Service College.

Timetable

5. We shall begin in January 1985 a series of programmes, each catering for some 12 of the best top managers from the private sector and the nationalised industries, and an equal number from

the public sector; and lasting four weeks. There will be four courses in a full year, though three in the first year to give time for modifications after the experience gained from the first course. The three programmes in 1985 will take place at Elvetham Hall (4 February-1 March), The Node (8 July-2 August) and Nuneham Park (21 October-15 November).

Participation by industry and commerce

6. It is difficult for private companies and the nationalised industries to send their very best people to a course lasting four weeks. It is no easier to release civil servants for an even longer period. But if those destined for the highest posts are to be successful in managing change positively and confidently, they need adequate preparation. This programme aims to provide education of the highest quality by attracting outstanding speakers from every major sector of the economy and society and by an emphasis on work and mutual learning by the participants through study of major issues and real life problems. The time allowed is less rather than more than is necessary for the purpose.

The Civil Service phase

7. The civil servants attending the programme will carry out an extra 2 weeks of training at the Civil Service College at Sunningdale geared to their particular needs; and for them the six week programme will (with very few exceptions) be mandatory and undertaken between appointments and at the point of promotion to Under Secretary (Grade 3) or earlier. The majority of the civil servants will be between the ages of 40 and 50 and about half will be specialists - economists, statisticians, scientists, engineers, lawyers and doctors.

8. The reason that civil servants will attend for an extra two weeks is that they are expected to be knowledgeable and in many cases expert over a wide range of subject matter and skills. Yet their mid-career job experience and training has been patchy and

has lagged relatively behind the best practice in other parts of the public sector and in the private sector. The Programme will provide an immediate, economical and practical means of remedying some of these deficiencies. But it cannot and will not stand alone. Many other complementary improvements, especially in mid-career development and training, are in hand as part of the Government's measures to improve the professionalism and standards of management of the Civil Service.

TOP MANAGEMENT PROGRAMME

PROGRAMME STRUCTURE

Each programme will be divided into two phases: four weeks for the mixed group of managers from both the public and private sectors and an additional two weeks for the participants from the civil service.

THE MIXED PHASE

2. This will be divided into three parts:

- a. the environment: examination, necessarily selective, of the most important changes taking place in the economic, industrial and technological, social, physical and international environments within which organisations, including governments, have to operate; of different conceptual approaches to the changes; of the different ways in which organisations have reacted to or sought to manage change; of the relationships between the major institutions and groups of people concerned, public and private; and of some of the most important issues for debate and resolution (some 6 equivalent days).
- b. management systems: examination of the best practices and techniques in the systematic and positive management of resources and people (some 6 equivalent days).
- c. the challenge of management at the top: examination of the skills and attitudes required for success at the top management level, especially in times of radical change and scarcity of resources, drawing on the practical experience of top managers from a wide variety of organisations (some 6 equivalent days).

These three parts will overlap in time, running more or less concurrently throughout the mixed phase.

3. The methods of learning will be varied; we shall:-

- invite top calibre thinkers and performers in each of the areas to be studied to focus on matters of outstanding importance and to provoke wide ranging and positive discussion of the issues by the participants;
- give the participants the opportunity to educate one another, drawing out the expertise and knowledge which each possesses so that the others can learn from it;
- encourage those from one sector to understand and appreciate how those from others think, act and tackle their problems;
- through the use of syndicate work examine major issues and problems in depth and report back and debate in plenary sessions with experts;
- use case studies and models (especially a computer model of the economy) to illuminate issues and increase awareness and skills;
- ask each organisation sending a participant to suggest a real, practical problem which the organisation is facing and has been unable to solve; select those problems which multi-disciplinary teams can study with advantage and persuade the organisations to supply in advance all the information and data necessary to solve them; seek practical solutions to the problems through syndicate

work; and present the solutions to the organisations concerned at the highest level. This activity may take 5 equivalent days in addition to those in paragraph 2;

- above all encourage the participants to take positive management action when they return to their organisations.

THE CIVIL SERVICE PHASE

4. This two week phase will take place at Sunningdale either immediately before, or in single weeks at each end of the four week phase. It will broadly follow the same pattern and methods of the mixed phase but will concentrate on those aspects of change, management problems, skills, relationships and issues that are of less interest to the private and the rest of the public sectors. It may well be more fragmented than the mixed phase to cater specifically for gaps in the participants' preparation for top management, because of insufficient job experience and training.

140 MAY 1982



cc B1
NO

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1 mi - =
on Tuesday?
mt

Prime Minister (2)

To note the likelihood of industrial disruption of the payment of pensions and child benefit from next week.
DUB
11/5

PRIME MINISTER

INDUSTRIAL ACTION: DHSS COMPUTER STAFF

You and colleagues should be aware that strike action is likely to take place from the beginning of next week at my Department's Central Offices in Newcastle. The strike action will affect the computer operations at Newcastle and Washington which deal with the payment of pensions and child benefit respectively.

The background to the dispute is that we are seeking to change shift-working patterns and times for computer staff in order to avoid unnecessary use of manpower and to improve the efficiency of the operation. Negotiations have been under way for some months accompanied by some limited disruption. These negotiations have now broken down and the call for industrial action has been confirmed at national level by the unions concerned.

I intend to stand firm on this issue although the strike action will rapidly begin to have an impact on the normal arrangements under which recipients of national insurance pensions and child benefit are issued with order books for encashment at Post Offices. We have made contingency arrangements to ensure that there is a minimum of disruption to the payment of benefits. Post Offices have already been advised that payments can be made to pensioners on production of their old books once they run out, if no new book is issued. The banks will continue to credit the accounts of those who have arranged to have their pensions or child benefit paid direct into their account. Local Offices of my Department will also be able to make payments not covered by these arrangements and to deal with other problems which may arise.

It is clearly important that we should let those who might be affected know what is happening, that they will still receive their payments,

E. R.

and what they should do. We will therefore be placing advertisements in all national newspapers to appear early next week. I attach a copy of the advertisement which explains the procedure.

When asked about this dispute, I propose to take the line that the changes we are seeking to make are aimed at reducing the wasteful use of manpower and improving the efficiency of the service which is provided from Newcastle; that we have offered staff affected by the changes generous transitional arrangements on the introduction of the new shift-working scheme; that we are willing to continue negotiations although we remain determined to achieve our objectives; and that we have taken all necessary steps to ensure that beneficiaries continue to receive the payments to which they are entitled.

I will, of course, keep you advised of developments.

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

10 May 1984


~~N F~~

IMPORTANT INFORMATION ABOUT RETIREMENT PENSION AND WIDOW'S BENEFIT

Because of industrial action at DHSS computer centres, there will be changes in the way these benefits are paid.

But if you get retirement pension combined with supplementary pension, payment arrangements will not be affected and you can ignore this information.

- **If you have a current order book** continue to cash it at the post office in the usual way.
-

- **If your order book runs out** you can still be paid on it at the post office. Go there at your usual payment time every week. Take your old order book with you — and your second book if you have one.

But you can no longer be paid in this way if:

either your book was for Widow's Allowance (contact your local social security office);

or you have applied to change to payment by credit transfer (see below).

- **If you are already paid by credit transfer** payments will normally continue to be made to your account at the rate payable when the last payment was made. If no payment is made, contact your local social security office.

- **If you have applied for payment by credit transfer but no payment has yet been made into your account**, contact your local social security office — take your old order book with you if you have one.
-

- **If you are normally paid 4-weekly or quarterly by payable order** and you wish to obtain payment, contact your local social security office — take the tear-off portion of the last payable order received, if you have it.
-

Remember, if your circumstances change you must still tell your local social security office. Do **not** write, or send your order book, to the issuing authority shown in the book.

Issued by the Department of Health and Social Security



10 DOWNING STREET

From the Private Secretary

8 May 1984

Future of the Royal Dockyards

BF 1
This letter is to confirm that, following a conversation between them, the Prime Minister is content that your Secretary of State should develop the Levene proposals for the Royal Dockyards, consulting industry as necessary. She looks forward to seeing a paper for Ministerial discussion in due course.

I am copying this letter to Callum McCarthy (Department of Trade and Industry), David Normington (Department of Employment), John Graham (Scottish Office), John Gieve (Chief Secretary's Office), Henry Steel (Law Officers' Department) and Richard Hatfield (Cabinet Office).

Andrew Turnbull

Nick Evans, Esq.,
Ministry of Defence.

CONFIDENTIAL

SH

Tuesday 8 May 1984

(Answered by the Prime Minister on Tuesday, 8 May 1984)

UNSTARRED
NO. 284

Sir Bernard Braine : To ask the Prime Minister, what was the size of the Civil Service at 1 April 1984 and how this compares with the plans she announced on 13 May 1980.

On 1 April 1984 there were 623,972 staff-in-post in central government departments. This reflects a reduction in the size of the Civil Service of more than 108,000 or 14.8 per cent since the beginning of the last Parliament. This is a considerable achievement. We have done even better than planned. A key pledge has been fulfilled; and the Civil Service gross pay bill is over £ $\frac{3}{4}$ billion lower as a result.

As the House will recall, when I announced the 1 April 1984 target of 630,000 in May 1980, it was called "a statement of pious hope" by the Opposition. Others foresaw a decline in efficiency and the near collapse of essential services.

I pay tribute to the Civil Service for loyally carrying our policy through. Savings have been made by improvements in efficiency, greater use of new technology, by cutting out unnecessary work and by privatisation and contracting out. Productivity gains have been made, sometimes hand in hand with improvements in levels of service. For

/example,

example, since 1979 staff numbers in the Department of Health and Social Security have been reduced by over 7,000, but unit costs for delivering benefits have been reduced by about 20 per cent. And in transport, the waiting time for driving tests has been reduced, despite fewer staff.

These very substantial reductions in manpower have, moreover, been achieved against a background of an increasing workload in some areas of the Civil Service - for example, in the employment and social security groups, because of the rise in benefit payments in the Land Registry, due in part to the large numbers of sales of council houses; in the prison service; and, of course, in youth training.

Plans for a further reduction of 6 per cent over the next four years were announced by my Rt. Hon. Friend, the Chief Secretary, on 17 November 1983. The Civil Service will then have been slimmed down by nearly one-fifth; and we shall be looking for further improvements. Our policy is to retain within the Civil Service only work which must be done there, or which can be done more efficiently and effectively there. Value for money for the taxpayer is a key objective. I am determined that these policies will continue to be vigorously pursued.



10 DOWNING STREET

From the Private Secretary

Prime Minister ①

I understand Mr Heseltine spoke to you about this. Can I confirm that you were content that he should develop the Levene proposals, consulting industry (ie potential contractors) as necessary, leading to a paper for Ministerial discussion?

AT
4/5

Yes
no

310

cc B1

cc NO 1

FROM: CHIEF SECRETARY
DATE: 1 May 1984



PRIME MINISTER

Prime Minister:

Yes mb

Agree this announcement should be made by written answer as in the draft attached?

JF 2/5

CIVIL SERVICE NUMBERS

You will be pleased to know that the latest Civil Service manpower figures show that the 630,000 target has been achieved on schedule; indeed, with the 1 April total standing at fractionally below 624,000 it has been bettered by some 6,000. This is a substantial achievement; and a key pledge has been fulfilled.

For the record, the size of the Civil Service has fallen by 108,300 (14.8 per cent) since the beginning of the last Parliament. The reduction in numbers produces a full year's gross saving in pay costs of about £845 million at current rates. This is partially offset by the costs of services contracted out to the private sector or hived off to other public sector bodies; these cannot be separately identified.

As you know, a further reduction in Civil Service numbers of 6 per cent over the next 4 years is planned and the Civil Service will then have been slimmed down by about 19 per cent; and during this year's Public Expenditure Survey we shall be seeking to get these figures down further.

The following table shows how the numbers of non-industrials and industrials changed during the period April 1979 to April 1984:

	<u>Non-industrials</u>	<u>Industrials</u>	<u>Total</u>
1 April 1979	565,815	166,460	732,275
1 April 1984	504,246	119,726	623,972
Net reduction over the period	61,569	46,734	108,303

There has, thus, been a 10.9 per cent reduction in non-industrials and 28.1 per cent in industrial staff. The higher percentage reduction for industrials reflects the greater scope for contracting-out work in this area, the rationalisation of the Royal Dockyards and changes in the production requirements of the Royal Ordnance Factories.

I think it would be appropriate for you to announce the achievement of the target personally: I suggest by way of a Written Parliamentary Answer. I attach a draft for your consideration. If you are content, I will arrange for a press notice to be put out, to supplement and complement the Answer.



PETER REES

CIVIL SERVICE MANPOWER: DRAFT PQ

Tuesday 8 May 1984

DRAFT QUESTION:

To ask the Prime Minister, what was the size of the Civil Service at 1 April 1984 and how this compares with the plans she announced on 13 May 1980.

DRAFT ANSWER:

On 1 April 1984 there were 623,972 staff-in-post in central government departments. This reflects a reduction in the size of the Civil Service of more than 108,000 or 14.8 per cent since the beginning of the last Parliament. This is a considerable achievement. We have done even better than planned. A key pledge has been fulfilled; and the Civil Service gross pay bill is over £ $\frac{3}{4}$ billion lower as a result.

As the House will recall, when I announced the 1 April 1984 target of 630,000 in May 1980, it was called "a statement of pious hope" by the Opposition. Others foresaw a decline in efficiency and the near collapse of essential services.

I pay tribute to the Civil Service for loyally carrying our policy through. Savings have been made by improvements in efficiency, greater use of new technology, ^{by} ~~but~~ cutting out unnecessary work and by privatisation and contracting out. Productivity gains have been made, sometimes hand in hand with improvements in levels of service. For example, since 1979 staff numbers in the Department of Health and Social ^{Security} ~~Services~~ have been reduced by over 7,000, but unit costs for delivering benefits have been reduced by about 20 per cent.*

These very substantial reductions in manpower have, moreover, been achieved against a background of an increasing workload in some areas of the Civil Service ^{for example} ~~eg.~~ in the employment & Social Security groups, because of the rise in benefit payments; in the Land Registry, due in part to the large numbers of sales of council houses; in the prison service; and, of course, in youth training.

Plans for a further reduction of 6 per cent over the next four years were announced by my Rt Hon Friend, the Chief Secretary, on 17 November 1983. The Civil Service will then have been slimmed down by nearly one-fifth; and we shall be looking for further improvements. Our policy is to retain within the Civil Service only work which must be done there, or which can be done more efficiently and effectively there. Value for money for the taxpayer is a key objective. I am determined that these policies will continue to be vigorously pursued.

← CDP

MM

Prime Minister ⁽²⁾
To note and await
an approval from the Heseltine
MR TURNBULL AT 27/4 CONFIDENTIAL

27 April 1984

FUTURE OF THE ROYAL DOCKYARDS

We support Peter Levene's proposals which are an imaginative and determined attempt to bring commercial reality into the Royal Dockyards.

We have followed Peter's investigations with great interest and have discussed his conclusions with him.

His proposals for contractor management are designed to enable the Dockyards to meet the operational needs of the Fleet better and at less cost. In particular they will establish a degree of competitive and commercial discipline and introduce a customer-supplier relationship between the Fleet and the Dockyards.

However, we do have two concerns with the contractor management concept.

Firstly, we would wish the contractor to have an appropriate degree of commercial responsibilities for the assets which would remain in Government hands. We suggest that the contractor should lease the assets at commercially negotiated rates and have a significant voice in capital investment and strategic planning.

Secondly, we are unclear whether these proposals would optimise the use of available capacity for ship refits in both the dockyards and the warship yards. It will be important to maximise that part of the Navy's programme which would be open to competition from the contractor managed dockyards and the private sector.

The problems in the Dockyards require a radical solution. Although these proposals will not be easy to implement, they are greatly to be preferred to the alternative option of a Trading Fund. This would retain the Dockyards in the Civil Service and reduce the prospects of effective commercial pressures.

Nevertheless, there is a more radical approach to the problem. A complete transfer to the private sector would be the logical outcome of a desire to introduce commercial and market disciplines.

Privatisation would be complex but not much more so than the present proposals. The question of the sale of "strategic" assets can be exaggerated as our policy on the Royal Ordnance Factories has shown. We also do not consider that the question of unplanned work of high naval priority is an insurmountable difficulty, particularly as it accounts for only 6% of the normal programme.

CONFIDENTIAL

- 2 -

Conclusion

Peter Levene should be given every encouragement to develop his concept in more detail. However, we recommend that the option of privatisation should also be considered further.

DLP

DAVID PASCALL

MINADH



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1

Telephone 01-~~938X02X~~ 218 2111/3

MO 10/2

26th April 1984

Dear John,

FUTURE OF THE ROYAL DOCKYARDS

Mr Heseltine has been considering the future of the Royal Dockyards in light of a report which has been produced by Mr Peter Levene, his Personal Adviser. I attach a self-explanatory minute which he has written to the Chief Secretary to the Treasury which sets out the current state of play. Mr Heseltine would like to have the Prime Minister's initial reaction to these proposals on an informal basis. I should therefore be grateful if you could show this letter to the Prime Minister and let her know that Mr Heseltine would like to have a quick word with her about it, possibly in the margins of one of the meetings next week.

Yours ever

Mich Evans

(N H R EVANS)

A J Coles Esq



MO 10/2

CHIEF SECRETARY TO THE TREASURY

FUTURE OF THE ROYAL DOCKYARDS

I was grateful to you for your agreement, in your letter of 1st February, to put the refits of two warships out to contract as a first step towards opening up more of the work to the private sector. I have delayed writing to you about my further plans for the future of the Royal Dockyards until Peter Levene had produced his report and I had had time to consider it. You and your officials will, however, already be aware informally of Peter's ideas. I have now had an opportunity to consider the way ahead.

2. Peter's proposals envisage contractor management of the dockyards, whereby companies would tender for a multi-year (probably 4-year) contract for a major proportion of the repair/refit programme. The contractor would engage his own personnel mainly from the existing dockyard workforce, and the fixed assets, the plant, machinery and real estate, though operated by the contractor, would remain in government hands. The remainder of the programme would be left for open competition between the dockyard contractor and others in the private sector.

3. The scheme would involve complex contractual arrangements with whoever took over the dockyards. They would need to cover all eventualities including unplanned work of high priority, historically 6% of the total programme, which the Navy will need to know can be accommodated, and uncompleted work which might need to be transferred from an outgoing contractor to his successor. The contractor's performance would be monitored regularly. By opting for a fixed term contract, which could be renewed if the contractor's performance were satisfactory, but which could be put out to wider competition



if it were not, and by aiming to maximise the proportion of the contract which would be on a fixed price basis, Peter argues that the competitive pressures will provide much better value for money for our dockyard expenditure.

4. There are some points in Peter's report about which I need further advice. But subject to their financial and political practicability, I favour the general thrust of his proposals. They offer several fundamental advantages which earlier studies have not been able to combine. They would effectively separate the operation of the Dockyards from the MOD and establish the clear customer/supplier relationship we have all been groping for. They would give the managers of the Dockyards real freedom to manage. They would enable commercial management skills to be brought in. And they would introduce an element of competition into the warship refitting business. An arrangement of this sort, if the difficulties of moving towards it can be resolved, would in my view be greatly preferable to a Trading Fund, which would keep the organisation within the Civil Service, with all the rigidities which this entails. Peter Levene believes that gains of at least 20% in efficiency should be realisable in the longer term; though obviously they are not precisely quantifiable in advance.

5. The difficulties which I have mentioned lie chiefly with the workforce. I am advised that we do not have the legal power to make the workforce redundant in order to give an incoming contractor the freedom to re-engage them on new terms and conditions. In any case, redundancy on this scale would be very expensive and is, I believe, politically unacceptable. We would need to think in terms of transferring the majority of the labour force on their existing conditions (including a new pension scheme) and removing their entitlement to redundancy compensation on leaving the Civil Service by means of legislation (the ROFs may provide a precedent).. The pension liability for previous service would need to be addressed, as would compensation for detriment, if any, in the incoming contractor's pension arrangements, compared with the Civil Service scheme. In the case of the ROFs, this could involve a front-end technical payment of up to £250M, but my intention



would be to avoid such a payment in the present case. Instead I would wish to have the liability carried within the public sector on a running basis, to be redeemed when the employees concerned left dockyard service. The efficiency gains will depend to a considerable extent on changing the working practices, if not the conditions, of the workforce and the new contractor would have to negotiate these away at whatever price he could secure. Of course we would hope to secure efficiency gains between now and when the agency arrangements took effect and it has to be recognised that the incoming contractor would be likely to be unwilling to take on a workforce of the present size. Some reduction of the workforce would therefore be necessary in the period before the contractor took over but it has to be recognised that this would be necessary any way, with or without the Levene proposals. Finally, to guarantee the continuance of the Dockyards in the event of a contractor failing, it would be necessary for the Government to accept a contingent liability to cover the interregnum until a successor could be found.

6. These are real problems which would have to be discussed with potential contractors and with the Trade Unions (on whose co-operation we would have to rely to keep the work programme going during the change over) but only after we have an agreed political view on the way ahead. I do not believe that they are by any means insoluble; and Peter Levene's preliminary soundings indicate that there will be a good deal of interest on the part of industry. I would therefore now like to make rapid progress towards having public discussions about introducing arrangements on the lines of those which Peter Levene has sketched out, and which are entirely consistent with our general philosophy. As a next step, I would like to propose that our officials and those of other Departments concerned should get together to prepare a paper for a collective Ministerial discussion. Financial, personnel and legislative implications are clearly critical. We also need to have a clear idea of the timetable which may have to spread out over several years.

7. I am sending a copy of this minute to the Secretaries of State for Trade and Industry, Employment, Scotland, to the Attorney General and to Sir Robert Armstrong.

Ministry of Defence

289

File



10 DOWNING STREET

From the Private Secretary

MR. HATFIELD

CABINET OFFICE

OPEN STRUCTURE COURSE

The Prime Minister was grateful for Sir Robert Armstrong's further minute of 30 March about the Open Structure Course.

The Prime Minister is prepared to agree that the Open Structure Course should go ahead, although she remains less than totally convinced of its merits.

I am sending a copy of this minute to David Peretz (HM Treasury).

MR. D. BARCLAY

4 April 1984

MINISTER OF STATE
PRIVY COUNCIL OFFICE
30 MAR 1984
REF. A084/1018
FILING INSTRUCTIONS
FILE NO.

1. LORD GOWRIE
2. PRIME MINISTER

*Yes - but I have
great doubts
about it
not*

Prime Minister (1)

*Agree that the proposed
Open Structure Course should
go ahead on this basis?*

Open Structure Course

*DMS
2/4*

In his minute of 26 March Mr Barclay records the Prime Minister's view that we need to provide better management training for able people in their thirties as a foundation for the Open Structure Course at the later stage. We agree. Training and career development have to be seen as a continuous process, and our planning has been based on the need for action both at the point of entry to Grade 3 (Under Secretaries) and earlier.

2. The work which the Director of the Open Structure Course has done confirms the Prime Minister's view that the new Open Structure Course can be fully effective only if full recognition is given to training and development needs at any earlier stage. At the same time we cannot afford to wait until those who are currently in their early to mid-thirties have been better developed and trained - which will necessarily take time - before seeking improvements to the training of the older group. Consequently the priority is to get the new Open Structure Course up and running (our target is next January for the first course) while devoting adequate resources also to making rapid progress with the management, development and training of the younger group.

3. There are already a wide variety of courses in the Civil Service College suitable for mid-career training for those officers who may reach the Open Structure; in particular, the financial modules are compulsory for those who are to become Principal Finance Officers and courses are being developed for those destined for personnel and establishment work. The Cabinet Office has already begun work on drawing up a programme of courses which, in the absence of on-the-job experience, will help to prepare people who may eventually go on the Open Structure Course. What we now seek to do is to give this work high priority. To this end we aim to produce by the end of June outline proposals for tackling



this problem in a practical way, at least for those who are considered likely to reach Grade 3 and above. The aim should be to put these proposals positively into action early in 1985, broadly in parallel with the Open Structure Course.

4. On this basis I hope that the Prime Minister can approve the outline proposals for the Open Structure Course, so that the impetus of action on the Course can be maintained.

5. I am sending a copy of this minute to the Chancellor of the Exchequer.

REA

ROBERT ARMSTRONG

30 March 1984

conqueror

Civil Service: by turn Pt 15



F2 APR 84



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10 DOWNING STREET

From the Private Secretary

MR. HATFIELD
Cabinet Office

Open Structure Course

The Prime Minister considered over the weekend Sir Robert Armstrong's minute of 21 March about the Open Structure Course.

The Prime Minister takes the view that the Course is unlikely to succeed unless something can also be done to provide training for a few able people earlier in their careers. She considers that the age of 40 is too late to start senior management training, and that there is a need also for, say, a three week course for people in their thirties. This would provide a foundation on which the later Open Structure Course could build.

BSY
The Prime Minister would be grateful for Sir Robert's and Lord Gowrie's views on this suggestion, before she given further consideration to the Open Structure Course.

I am sending a copy of this letter to Margaret O'Mara (H.M. Treasury) and to Paul Cann (Lord Gowrie's Office).

DAVID BARCLAY

26 March, 1984



OFFICE OF ARTS AND LIBRARIES

Great George Street
London SW1P 3AL
Telephone 01-233 8610

From the Minister for the Arts

23 March 1984

David Barclay Esq
Private Secretary
10 Downing Street

Pa
Jms
23/3

Dear David,

OPEN STRUCTURE COURSE

- ... Lord Gowrie has approved the attached submission from Sir Robert Armstrong, subject to one point. He takes the view that some reporting during the Course might be helpful not only to the participants themselves, but also to departments in assessing their suitability for their next postings. Lord Gowrie would not wish this comment to hold up practical preparations for the Course, but he would be glad to take part in any further discussions about reporting arrangements.

Yours sincerely,
Mary

MRS M E BROWN
Private Secretary

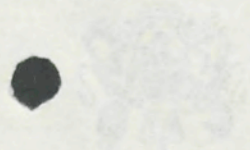
PS A copy of this letter and attachments goes to Margaret O'Mara, Chancellor's Office.

23 MAR 1984



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**SENIOR MANAGEMENT PROGRAMME
OUTLINE PROPOSALS
TO THE PRIME MINISTER**

March 1984

SENIOR MANAGEMENT PROGRAMME

OUTLINE PROPOSALS

SUMMARY

I PROPOSE

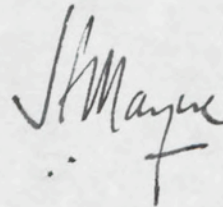
- A 6 WEEK PROGRAMME
- MANDATORY ON ENTRY TO GRADE 3, OR EARLIER
- WITH UP TO HALF NON-CIVIL SERVANTS FOR 3-4 OF THE
6 WEEKS
- REPEATED AT LEAST 4 TIMES A YEAR
- WITHIN AN ESTIMATED ANNUAL COST OF £550-600,000

THE AIM

- TO IMPROVE THE EFFICIENCY, SKILLS AND PROFESSIONALISM
OF THE TOP MANAGEMENT OF THE CIVIL SERVICE AND ITS
ABILITY TO INITIATE AND MANAGE CHANGE

I ASK FOR APPROVAL

- TO PROCEED WITH DETAILED PLANNING
- TO BEGIN COMMITTING FUNDS WITHIN THE ESTIMATED COST



JOHN MAYNE

SENIOR MANAGEMENT PROGRAMME

THE PROBLEM

I was appointed on 3 January to plan, introduce and run a course for those entering the Senior Open Structure (Grade 3) and above) starting in January 1985. The Lord Privy Seal mentioned the course in a letter to the Prime Minister and the Chancellor of the Exchequer in March 1983, noting that the announcement of the appointment of a course director would signal the seriousness of the Government's commitment to greater professionalism and higher standards of management, starting at the top. I was encouraged to start with a blank sheet of paper and not to be too conditioned in my thinking by what had gone before.

2. I am most grateful to the large number of people - in private sector companies, public corporations, academic and professional institutions, consultancies and the public services themselves, or as private individuals - whom I have consulted about the programme over the past 2 months. I owe much of what follows to their helpful advice.

FACTS

NUMBERS (1.4.83)

GRADE 1 (PERMANENT SECRETARIES)	36
GRADE 2 (DEPUTY SECRETARIES)	141
GRADE 3 (UNDER SECRETARIES)	531
	<hr/>
	708
	<hr/>
GRADES 4 & 5	3,883
	<hr/>

PROMOTIONS TO GRADE 3 c 40 PER YEAR

AGE AT PROMOTION 40-50 YEARS

COMPOSITION OF THOSE PROMOTED

GENERALISTS	50%
SPECIALISTS:	
SCIENTISTS	14%
LAWYERS	11%
PROFESSIONAL AND TECHNICAL	9%
ECONOMISTS)	
STATISTICIANS)	4-5% each
DOCTORS, DENTISTS, NURSES)	

OBJECTIVE

3. At the outset we should be clear about what any course at this stage in a civil servant's career should try to do. I propose:-

"to improve the efficiency, skills and professionalism of the top management of the Civil Service, in its tasks of:

- helping Ministers to formulate their policies and to take policy decisions;
- implementing those policies efficiently and effectively;
- managing large organisations;
- managing people;
- initiating and managing radical change".

THE NEED

4. The top civil servant must be knowledgeable and in many cases expert in the substance of government policies and their implementation. He should be effective in:

- a. creatively defining and analysing the policies necessary to secure Ministers' objectives;
- b. positively meeting rather than reacting to the challenge of change, however radical;
- c. sensitive oral as well as written presentation of policy issues to Ministers;
- d. helping Ministers to take good policy decisions;
- e. public presentation of issues to Parliament, the media, pressure groups and the public;
- f. relations with people and organisations outside Westminster and Whitehall;
- g. leading and motivating people to carry out tasks efficiently and with commitment;
- h. getting value for money by setting objectives, measuring and comparing performance against cost and seeking year-on-year improvements in efficiency;
- j. managing large and complex organisations;
- k. putting information technology to productive use;

and should have:-

- l. 100% commitment to the implementation of policy once policy decisions are taken;
- m. a positive style of management
- n. well-founded self-confidence

MEETING THE NEED

5. Not all those promoted to Grade 3 will have or need all these capabilities in full. But we fall short of a good overall standard:-

- while a few individuals have achieved the desirable breadth and depth of experience and expertise, the great majority have not. It will be some time before current improvements in career planning bear full fruit;
- progress with training to deepen expertise and to complement job experience is patchy; there are plenty of good training opportunities available but insufficient use is made of them;
- as people are left in post longer to build up expertise, training becomes more important as a means of filling the ever-widening gaps in job experience;
- the 'fliers' need mid-career training just as much as the non-fliers - indeed, more so since they reach the higher ranks quicker and therefore with less job experience; but after an initial burst soon after entry they tend to get less;
- the average of a quarter of a day's management training a year at present undertaken by Grade 6s and above is inadequate;
- mid-career secondments to outside organisations are increasing but are still sporadic.

OTHER ORGANISATIONS

6. By contrast - though too close comparisons are misleading - at this point in his career:

- the typical Serviceman will have done, quite apart from technical and professional training, between 1½ and 3 years of command and staff training, culminating in the one year Royal College of Defence Studies course; and
- a Policeman will have done 2¼ years of command and staff training.

7. Training practice in the private sector varies widely (many managers have little or no training) but most large and successful corporations take management development seriously and their 'fliers' will have completed a number of modules of management training either in-house or at a Business School or similar institution.

Examples are:

Shell International: 10 weeks spread over mid-career, increasing in intensity as the individual rises up the management hierarchy and his professional and technical training is reduced.

BP: 10 weeks, spread over 3-5 years.

IBM(UK): at least 1 week a year for all managers - say, 20-25 weeks in total over a management career, plus a positive secondment policy.

Marks and Spencer: an average 1½ weeks a year of off-the-job management training of an elite corps of high fliers.

8. Extensive training of this sort helps to induce self-confidence based on expert knowledge of subject matter and professional mastery of the means of achieving desired ends. This is more difficult to achieve in central government than in almost any other sphere. All this points to a need for more and better career development and training, not less.

WHEN TO DO IT

9. Given the choice, no one would concentrate management education at the 40-50 age range if they had the option of doing it earlier, say, in the more receptive mid-30s. Ideally by the time people reach Grade 3 rank they should already have had:-

- a. a combination of job experience and training in mid-career that would make further extensive training unnecessary. On the basis of best practice elsewhere this would entail training in mid-career in excess of one week a year and a major mid-career development course;
- b. job experience in more than one Department;
- c. at least one secondment of six months or more (up to a full tour of, say, 2 years) in a different organisation - a private sector company or organisation, a nationalised industry, local government or, in special cases, an academic institution.

But it will be a long time before this standard of preparation for the top posts is achieved, however vigorously mid-career development and training are pursued.

10. Meanwhile a management programme for those few who are positively identified for promotion to Grade 3 provides a rapid, economical and practical means of improving the professionalism and standards of management of the top of the Civil Service.

LEARNING ON ENTRY TO GRADE 3

11. The move from Grades 4 and 5 to Grade 3 is a crucial point in a Civil Servant's career. Grades 1-3 - the old Open Structure - represent the "top management" of the Civil Service. Below that level it is generally true that people are submitting expert advice upwards; at the higher grade that advice is received and assessed as a basis for discussion with Ministers. The people in these higher grades can no longer rely on their own expertise because their span of control is too large; they must acquire the skills of judgement, perception and delegation which are crucial to good top management; they need, to a much greater extent than in lower grades, to see the work for which they are responsible as a whole: as part of the overall strategy of the Government and of its implementation. And they need to have developed to a marked extent the abilities set out in paragraph 4 above.

12. Much of this can be acquired by job experience but by this means both good and bad habits can be learned. Training off the job is necessary at this hinge point in the Civil Servant's career to enable him to compare his own performance and culture with the best that exists elsewhere, to consolidate and build on the best of his experience and learning, to remedy any deficiencies in his professional skills and to take what is probably the last real opportunity in his career to re-educate himself and learn from others.

THE BUSINESS SCHOOL APPROACH

13. We could send all our people to business schools. They would learn the best theory and some of the best practice of the private sector and with people from outside the Civil Service. We would be saved the bother of inventing and setting up a programme of our own. All these undoubted advantages are more than offset by disadvantages:-

- a. Business schools have a menu of subjects which they teach at this or any other level (and less well at this than at lower levels). While most of them are prepared to be flexible at the margin and to develop - at a price - special modules for a customer, this would not meet the rather special needs of public sector top managers. Courses that are less than fully relevant are not good value for money.
- b. Most large companies which take the training of their managers seriously run their own management development training schemes, with or without help from consultants. They use Business School courses as an occasional supplement in particular cases - as we do.
- c. Senior Management courses at Business Schools are quite long - up to 9 weeks at Oxford, are pitched at a lower level and even in this country are not cheap: for example, a 6 week Senior Executive Programme at the London Business School would cost about £11,000 including the civil servant's salary costs.

I conclude that we should run our own programme to our own overall design, using outside experts to help us with the design, construction and running of the programme.

TREAT GENERALISTS AND SPECIALISTS DIFFERENTLY?

14. An option exists in principle to concentrate the learning process onto either:

- the "generalists" who tend to have had plenty of experience of policy formulation and to a less extent of finance, but little of managing more than a handful of staff; or onto
- the "specialists" some of whom will have had significant line management experience, e.g. in the Royal Dockyards and the PSA, but little of policy formulation and working with Ministers.

I believe that this option should be rejected: all who enter Grade 3 ought to have an understanding, in most cases in depth, of a full range of the subject matter of government activity and the professional skills to deal at least competently with policy issues and their presentation, the management of resources and the management of people. For the most part, those with policy, but without significant management, experience can learn from those with a contrary bias; and vice versa. Some "streaming" of parts of the course may however be necessary to help those with particular blank spots in their experience and training.

CIVIL SERVANTS ONLY OR A MIXTURE?

15. It would be educationally simpler to devise a learning programme exclusively for civil servants. But one of the main objectives of the programme must be to break down the culture barrier between the public and private sectors and induce civil servants to look outwards to the wider implications of what they do; and vice versa. To this end we should seek to add to those entering Grade 3 of the Home Civil Service (40) plus a few from the Diplomatic Service and the Northern Ireland Civil Service, up to an equal number from private sector companies, including the City, nationalised industries, local government officers and digital numbers from the Armed Forces, the Police, other public sector bodies such as the BBC and the NHS and possibly other countries, e.g. the EEC and the Commonwealth. Junior Ministers might profit from attending at least some parts of the programme. The Trades Unions might not wish to send participants, if only because of the cost but should be invited.

16. We should accordingly plan to cater for about 100-120 people a year of whom some 55-65 would have to be paid for from central government funds. Numbers of this order would call for the programme to be repeated about 4 times a year.

17. It will not be easy to devise a programme that will both achieve the objective for the Civil Service and make it worthwhile for firms from the private sector to pay to send their best people on it. But we should not shrink from the difficulties. The Prime Minister's active support for the programme would be a necessary condition for complete success.

A PHASED COURSE

18. The educational challenge posed might best be met by dividing the programme into two phases:-

- a. a mixed phase, based in part on the successful experience of the 2-week Summer Node Course; (which would continue). But it would be harder driven and with more structure since the quality of the participants will not be as high and the objective and need (paragraphs 3 and 4) will be much harder to meet than the comparatively narrow objective of the Summer Node Course. Participants would not only discuss issues together but be required to work together on real, current problems some of which they themselves would produce from their own organisations. Some 3-4 weeks should be allowed for this phase, at a management centre or business school.

- b. a phase with Civil Servants only concentrating on the particular skills, e.g. of relations with Ministers, oral presentation, styles of management and leadership and information technology, that civil servants must learn. It will probably be necessary to vary the programme to suit individual needs. Up to 2 weeks should be allowed for this phase, probably at Sunningdale.

The programme would therefore last up to 6 weeks for the civil servants and 3-4 weeks for the outsiders. Both phases would be very hard-driven throughout a 13-14 hour day including some weekends.

DURING OR BETWEEN JOBS?

19. It would be difficult to release people at this level from their desks for so long a period. And the participants themselves would fret if they knew that their work in their current jobs was piling up in their absence. The obvious solution to this problem is to release those about to be promoted to Grade 3 for the period of the programme before they take up their new post and after they have finished in their last post in the lower grade. This is the practice adopted with great facility by the Armed Forces and the Police and on occasions by the Civil Service. It has to be planned for and managed but if it were accepted that there had to be the break, postings and promotions could with few exceptions be timed accordingly.

20. There would be significant advantages if people attended the programme well before promotion to Grade 3 though this would be an explicit recognition of future promotion. In some few cases it might prove impossible to release someone at the point of promotion. He would have to attend an early subsequent programme. But this should be the exception. The programme should be mandatory for all entering Grade 3.

21. If the programme were mandatory there might not be quite the same objections to the two phases being divided from one another in time, one being undertaken at the point of promotion and the other separately within, say, a year to 18 months later. But it would be much more effective to carry out both phases together as a single and sequential whole thereby sustaining the dynamic of the programme as a whole. This I recommend.

A SHORTER PROGRAMME

22. I would not be justified at this stage in arguing that a worthwhile learning programme could not be crammed into a shorter period than 6 weeks. But my judgement is that, in relation to the enormous field of learning that needs to be covered and the high priority that should be attached to improving the efficiency and professionalism of the top of the Civil Service, a shorter period than 6 weeks would be paltry and be seen to be so.

COSTS

23. It is impossible at this stage of planning to provide a detailed estimate of the costs of such a programme. But on reasonable assumptions the setting up costs should not exceed £250,000 (which would have to be the subject of a Supplementary Estimate) and the net additional cost to the Exchequer in 1985 would be between £550 and £600,000 including the salary costs of the civil servants.

REPORTING

24. It needs to be decided whether participants would have to "pass" in some way before they could be said to have completed the programme successfully. Arguments in favour of this were advanced by the Expenditure Committee in 1976/77. The main argument against is that participants might expend undue effort in trying to impress those running the programme rather than in educating themselves. I believe on balance that this argument should prevail. But the Programme Director should reserve the right to return to his Department (or Company) anyone who disrupted the programme or did not take it seriously; and to comment selectively to the participant himself and to his Department if the programme revealed any particular needs which could be remedied by further job experience or training.

FOLLOW-UP

25. The effectiveness of the programme should be carefully monitored by detailed assessments by the participants and by a peer review once it has been running for a time.

26. Equally important would be the need to bring the participants together, say, a year later, for them to assess the extent to which they had changed their approach and methods of work as a result of the programme and to reinforce the benefits which they gained from it. In addition the participants should be encouraged, if they need encouragement, to keep in touch with one another after the programme has finished.

PRESS INTEREST

27. There is some press interest in the programme at this stage. I propose, subject to the decisions taken on my proposals, to brief the press on the outcome.

TOP MANAGEMENT BACKING

28. The programme will fail if it is not backed by top management. I propose, once my plans are clearer, to give oral briefings to top managers on the purpose and methods of the programme and hope thereby at least to dispel any ignorance about it.

29. Above all, I invite the Prime Minister to commit herself to this attempt at fundamental improvement in the efficiency and quality of the top of the Civil Service.

JOHN MAYNE

MINISTER OF STATE
PRIVY COUNCIL OFFICE

Prime Minister⁽¹⁾

I don't see how this
can succeed unless we
start how to give
say a 3-week
course for
people in their
30's. You
must already
have put
something in to
build on that

Lord Gowrie has approved this,
except that he would like to see a
some reporting on the participants
(para 24 of the booklet).

Ref. A084/886

- 1. LORD GOWRIE
- 2. PRIME MINISTER

Agree to support these proposals?

Agree with Lord Gowrie about
reporting?

Open Structure Course

DMG
28/3

The Government's decision to introduce a new course for those promoted to the Open Structure to equip them for their role as top managers was announced last July. You approved the appointment of the first Director* of the Course at the beginning of January. He has now produced some outline proposals a summary of which I attach. I should be very grateful for early approval for these proposals, since if we are to start the first course next January we need to start booking space for it immediately.

2. The proposals have been considered by Permanent Secretaries who have endorsed the main elements, as follows:

(a) It is generally agreed that a course as long as six weeks is necessary, though more work needs to be done in defining the ways in which the objectives can be best achieved, especially if non-civil servants of the highest calibre are to be attracted to attend it (on repayment) for the three or four week "mixed" phase. We are all sure that we need to mix civil servants with people from outside the Civil Service for part of the course, though we do not underestimate the difficulties of achieving this.

(b) The course should be mandatory for all - generalists and specialists. While there may be one or two valid exceptions to the general rule, these would be very much at the margin.

(c) We should try to send people on it before they reach the point of promotion to Grade 3 (though obviously not until it is clear that they are likely to be strong candidates for promotion within the reasonably near future); or, failing this, at the point of promotion rather than afterwards.

(d) The course must be led and directed from the centre, though precise funding details will need to be worked out.

* Mr John Mayne



(e) We should plan for the course to evolve over time, especially as mid-career development and training in the Civil Service improves.

3. In commending the proposals to you I should like to emphasise the need for top level commitment. Not only must the Civil Service itself back them to the hilt - and you can rest assured on this point - but it will be a necessary condition for their success that you should be known to support them. In particular, evidence of your commitment will be of crucial importance in persuading the Chairmen of companies in the private sector to send their best people to the course, particularly during the first year when it will be setting out to prove its worth. I hope you will give your active support to the venture.
4. I am sending a copy of this minute and the summary to the Chancellor of the Exchequer.

RTA

ROBERT ARMSTRONG

21 March 1984

OPEN STRUCTURE COURSE

OUTLINE PROPOSALS TO THE PRIME MINISTER

MARCH 1984

A SUMMARY

The Government is committed to the introduction of a new course for those promoted to the Open Structure to equip them for their role as top managers. A Director of the Course was appointed in January.

2. Some 40 home civil servants enter the Open Structure each year, aged between 40 and 50 years. About a half are specialists. The objective of a learning process at this stage in their careers must be to improve their effectiveness and skills in helping Ministers to formulate, present and implement their policies, in leading and motivating people, in managing organisations positively, in seeking to obtain maximum value for money through year-on-year improvements in efficiency, and in initiating and managing change.

3. We expect a wide range of skills and high standards of performance from our top civil servants. They cannot all be acquired on the job: management training is needed, especially in mid career, both to deepen expertise acquired on the job and to fill gaps in job experience. But training in mid career has been patchy, especially in the case of "fliers" who tend to get less training than others, though their job experience is often less if only because they reach the higher ranks more quickly. People at this level need to acquire a new range of management skills, to exercise judgment against a broader horizon, to play a fuller part in the corporate management of their Departments, to lead and motivate staff and to set standards of management and the pursuit of value for money that others will follow.

4. The management training of the top of the Civil Service compares unfavourably with best practice in the private sector - a quarter of a day a year compared with some 20-30 times that amount in firms like IBM(UK) and Marks and Spencer; and even more in eg Shell and BP. Within the public sector the Armed Forces and the Police invest some 1½ to 3 years in the command and staff training of their people of comparable rank. Training on this scale induces self confidence based on expert knowledge of subject matter and professional mastery of the means of achieving desired ends. It is small wonder that the Civil Service compares unfavourably with others in these respects.

5. Ideally we would not start with an education programme for 40-year olds. But we cannot wait for improvements in mid career development and training to effect the changes we need. A course of learning at the point of promotion to Grade 3 provides an immediate, economical and practical means of improving the professionalism and standards of management of the top of the Civil Service.

6. One of the main aims must be to make civil servants more aware of people, organisations and needs outside Westminster and Whitehall. The learning process should therefore take place with outsiders, not between civil servants alone. Business school courses do not cover the range of subjects we require. So we need to design and run our own programme as other large organisations do.

7. Both generalists and specialists need training at this stage, though their needs may differ; neither must be left out and they can learn much from one another.

8. The course should be devised to cater for the 40 home civil servants and a few diplomats and Northern Ireland civil servants, plus up to an equal number from private sector companies, nationalised industries, local government, other public sector bodies and possibly from other countries. Junior Ministers would be welcome. Trade union participants could be included, though past experience does not encourage me to expect that trade unions outside the Civil Service will take much interest in it. This means that the course should be run some 4 times a year for some 20-25 participants at a time.

9. It will not be easy to devise a programme that will appeal to good private sector participants as well as achieving the aim for civil servants. The course should therefore be divided into two phases: a mixed phase of some 3-4 weeks based on the successful experience of the Summer courses at "The Node", but harder driven, and with more problem-solving work; and a phase for civil servants only, of up to 2 weeks, concentrating on the particular skills that civil servants need to acquire, and probably varied to suit individual needs.

10. To be successful the course should preferably be undertaken between jobs (as the Armed Forces manage to do). In principle the course should be mandatory, not optional, in the sense that no-one should be promoted to Grade 3 (Under Secretary) unless he or she has been on the course or his Department is committed to sending him on the course on or as soon as possible after promotion. Participants would not be formally reported on at the end of the course but the Director would comment selectively to the participant and to his Department if the programme revealed special needs that could be remedied by further job experience or training. The participants would be brought together a year after the programme for them to assess the extent of the changes in their approach and methods induced by the programme.

11. The course is provisionally estimated to cost some £550-600,000 a year including £1/4 million for the salary costs of the civil servants.

12. There is some press interest in the programme and we shall need to brief the press on the decisions reached on the outline proposals.

13. The course will fail without top management backing. Most importantly the backing of the Prime Minister will be crucial especially in securing participation by companies and organisations outside the Civil Service.

CONFIDENTIAL



file

hw

10 DOWNING STREET

From the Private Secretary

27 February, 1984

NORTHERN IRELAND CIVIL SERVICE MANPOWER

AFTER 1984

The Prime Minister was grateful for your Secretary of State's minute of 15 February about Northern Ireland Civil Service Manpower. She was also grateful to the Chief Secretary for his minute of 23 February.

The Prime Minister is content with the manpower targets set out in paragraph 3 of your Secretary of State's minute, and agrees that he should announce them by way of an arranged Parliamentary Question.

I am sending a copy of this letter to John Gieve (Chief Secretary's Office), Paul Cann (Lord Gowrie's Office) and to Richard Hatfield (Cabinet Office).

(David Barclay)

J. Lyon, Esq.,
Northern Ireland Office

CONFIDENTIAL

16

PRIME MINISTER

Attached is a minute from the Northern Ireland Secretary setting out manpower targets for the Northern Ireland Civil Service. These targets follow much the same lines as those for the comparable GB Departments. Also attached however is a minute from the Chief Secretary which presses for more stringent targets on the grounds that the ratio of civil servants to population is twice as high in Northern Ireland as in the rest of the country. He doubts whether it would be right to maintain civil service manning levels in Northern Ireland at twice the GB level until 1988.

Do you wish either:

- (i) to accept the Northern Ireland Secretary's manpower targets? or *Yes. ml*
- (ii) to press him along the lines of the Chief Secretary's note to seek more ambitious targets?
- DF*

24 February 1984

B

FROM: CHIEF SECRETARY
DATE: 23 February 1984



PRIME MINISTER

NORTHERN IRELAND: CIVIL SERVICE MANPOWER AFTER 1984

I have seen the Secretary of State for Northern Ireland's minute of 15 February in which he proposes manpower targets for the Northern Ireland Civil Service. I have no formal responsibility for manpower control in the Northern Ireland Departments but I would like to make a couple of points.

2. While the targets would match the proposed reduction in comparable GB Departments, I think there is a case for going rather further than that. Leaving aside the civil servants performing functions in Northern Ireland which are performed by local authorities in GB, there will be $11\frac{1}{2}$ civil servants per thousand population in Northern Ireland on 1 April. In GB the comparable figures is 5 civil servants per thousand. I should add that these figures do not include civil servants involved in maintaining law and order, which is the responsibility of the separate Northern Ireland Office.

3. Northern Ireland certainly faces special political and economic problems and no doubt that justifies a higher ratio. However there has been a slow but progressive decline of terrorism and even though unemployment remains a serious problem the differential between GB and Northern Ireland has narrowed. Against that background, I doubt whether it is right to plan to maintain civil service manning levels in Northern Ireland at more than twice the level in GB until 1988.

CONFIDENTIAL

4. I am sending a copy of this to Jim Prior.

Isl. Greie

f.. PETER REES

[Approved by the Chief Secret.y]

CONFIDENTIAL

Civil Service Pt 15

Long Term Management

23 JAN 1984



Long Term Management

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CONFIDENTIAL

A

Await Chief Secretary

Prime Minister

NORTHERN IRELAND CIVIL SERVICE MANPOWER AFTER 1984

1. This minute is to seek your agreement to announcing the results of the work which I set in hand on manpower levels within Northern Ireland Departments, in parallel with that undertaken in Whitehall, of which the outcome was announced on 17 November 1983.
2. In common with GB Departments we have adopted a bottom-up approach based on the situation of the 6 individual Departments. Our assessment has included examination of the scope for a further extension of contracting out and privatisation and has also taken account of possible changes which might exceptionally call for increases in staff.
3. Completion of the work had to await the outcome of the exercise in Great Britain since in some cases the parity effects of decisions taken by GB Departments have implications for Northern Ireland and are therefore reflected in the new targets. Overall the reduction in the Northern Ireland Civil Service which we will be able to achieve between 1984 and 1988 matches that which is to be achieved in comparable GB Departments. The targets are as follows:

<u>April 1984</u>	<u>April 1985</u>	<u>April 1986</u>	<u>April 1987</u>	<u>April 1988</u>
25,400	25,350	25,200	24,900	24,700

4. Given the differences of scale and the pressures which we face, for example in Social Security and Labour Market services, I consider that this is a satisfactory outcome. I will, of course, be keeping targets under review in the context of _____

CONFIDENTIAL

CONFIDENTIAL



each annual Public Expenditure round.

5. If you are content I propose to announce the targets by way of an arranged Parliamentary Question.
6. I am copying this minute to Cabinet colleagues; Lord Gowrie and Sir Robert Armstrong.

A handwritten signature in black ink, appearing to be the initials 'J.P.'.

J.P.

15 February 1984

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15 FEB 1964

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CONFIDENTIAL



MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

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

*nbpm
Dmb
10/2*

MO 20/22

9th February 1984

De Robin

Thank you for your letter of 26th January about the efficiency programme.

I am glad that you are getting an encouraging response from departments. For my own part, I shall certainly be seeking to apply the sort of management principles you describe, in the particular circumstances of the Ministry of Defence. As regards specific studies, I know that my officials have already had a helpful exchange with your people on manpower control; and they will be in touch on other studies in due course. I shall be grateful for the help that you and your staff are able to give.

I am sending a copy of this letter to the Prime Minister, the Chancellor of the Exchequer, Sir Robert Armstrong and to Peter Levene here.

For Mr
[Signature]

Michael Heseltine

Sir Robin Ibbs

Civ serv long term PHS

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SECRETARY OF STATE
THAMES HOUSE SOUTH
MILLBANK LONDON SW 1P 4QJ

01 211 6402

abpm
Dms
15/2

The Earl of Gowrie
Minister of State
Cabinet Office
Great George Street
London
SW1P 3AL

8 February 1984

R. Brown

REPORT OF THE JOINT REVIEW GROUP (JRG) ON EMPLOYMENT OPPORTUNITIES FOR WOMEN IN THE CIVIL SERVICE: PROGRAMME OF ACTION IN RESPONSE TO ITS RECOMMENDATIONS

I refer to your letter of 26 January to Leon Brittan concerning the publication of the Programme of Action and Policy Statement on Equal Opportunities for Women in the Civil Service.

I will certainly ensure that everything practicable is done in this Department on the implementation of the Programme, within the constraints on resources and taking account of the need to maximise managerial efficiency. That said, I think that we may fairly claim to have a good record here in providing equal opportunities for women. We enjoy the distinct advantage of the concentration of our small staff here in Thames House South with the exception of two small offices carrying in all only some 150 staff.

We already act in accordance with the key recommendations and I see no major problems in maintaining this. The possibility of extending opportunities for part-time working is to be considered. An Equal Opportunities Officer is about to be appointed. We are setting up an Equal Opportunities Group, in consultation with our Trade Union Side, to monitor progress.

I am copying this letter to the recipients of yours.

Peter Walker

PETER WALKER

Civ STM Long term
ALS

NO FEB 1984

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



CABINET OFFICE

nbpm
(Draft Answer submitted
separately) JMS
8/2

From the Minister of State

Lord Gowrie

MANAGEMENT AND PERSONNEL OFFICE

Great George Street
London SW1P 3AL
Telephone 01-233 8610

The Rt Hon Leon Brittan QC MP
Secretary of State for the
Home Department
Home Office
50 Queen Anne's Gate
London SW1H 9AT

8 February 1984

Dear Secretary of State,

EQUAL OPPORTUNITIES FOR WOMEN IN THE CIVIL SERVICE

Thank you for your letter of 7 February. I am glad of your support in taking the recommendations of the Action Programme forward.

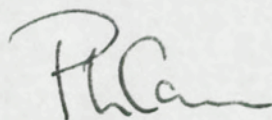
I accept the two points that you made in your letter, though with some minor reservations about the items appearing in the press release. You will recall that, in the context of the recent report on personnel procedures with regard to race relations in the Civil Service, we had doubts about the need for excessive formal machinery in relation to the designation of Equal Opportunity Officers. I would therefore prefer not to place excessive emphasis on this point in our programme and our publicity about that programme. I also have some doubts about the reference to maternity leave, which you suggest should be included. This is a contentious area. The Council of Civil Service Unions would like us to go much further than we considered could be justified. For this to be highlighted as a separate item would no doubt provoke an unhelpful reaction from them. I do, however, see the difficulties you outline in your letter, and I suggest that the addition of three additional items might meet that concern. I attach a copy of a revised draft for my response in the Lords.

You may also be aware that Mr Greville Janner has tabled a question to the Prime Minister, asking her if she will require all departments to keep formal analyses of staff by sex and grade. The Prime Minister has agreed to use her reply to this question as the peg upon which to hang the answer announcing the publication of the Action Programme.

.. I therefore attach a revised Written Answer for me to take in the Lords: a revised Written Answer, including an Answer to Mr Janner, for the Prime Minister to take in the Commons: and a consequentially revised press release.

I am copying this letter to the Prime Minister, members of the Cabinet, Barney Hayhoe, John Wakeham and Sir Robert Armstrong.

Yours faithfully,



LORD GOWRIE

(approved by the Minister of State and signed in his absence)

WRITTEN ANSWER, HOUSE OF LORDS

Baroness Seear to ask Her Majesty's Government what steps have been taken in response to the recommendations made in the report of the Joint Review Group on Employment Opportunities for Women in the Civil Service.

The Earl of Gowrie:

I am pleased to tell my noble Friend that a Programme of Action in response to the Joint Review Group's recommendations has been agreed with the Council of Civil Service Unions. Copies of the document have been placed in the Library. Some of the main items of the programme are:

- (i) the adoption of the policy statement;
- (ii) an encouragement to departments to expand part-time working opportunities where that is feasible;
- (iii) encouragement to departments to ensure that the provisions for maternity leave, part-time work and special leave are brought to the attention of staff as necessary;
- (iv) review of existing guidance on child care;
- (v) selective research on the relative progress of women;
- (vi) consultation between management and unions to review and stimulate progress, taking account of resource limitations.

WRITTEN ANSWER, 9 FEBRUARY

Mr Greville Janner: To ask the Prime Minister if she will require all Government departments to keep such formal analyses of their staff, by sex and grade, as will enable them to ensure that there is fair and open competition without discrimination on grounds of sex in each section and unit of each department.

The Prime Minister:

I am pleased to tell the hon Member that a Programme of Action, in response to the recommendations of the report by the Joint Review Group on Employment Opportunities for Women in the Civil Service, has been agreed with the Council of Civil Service Unions. Copies of the document have been placed in the Library.

Some of the main items of the programme are:

- (i) the adoption of the policy statement;
- (ii) an encouragement to departments to expand part-time working opportunities where that is feasible;
- (iii) encouragement to departments to ensure that the provisions for maternity leave, part-time work and special leave are brought to the attention of staff as necessary;
- (iv) review of existing guidance on child care;
- (v) selective research on the relative progress of women;
- (vi) consultation between management and unions to review and stimulate progress, taking account of resource limitations.

Under the programme of action, data provided annually in such areas as promotion by sex and grade, attendance on training courses (where available), posts restricted to one sex and equal opportunity complaints will be examined jointly by management and trade unions at national level, to ensure that there is fair and open competition without discrimination on grounds of sex. Similarly, joint management and trade union Whitley machinery will be used at departmental and, if appropriate, local levels.

Lord Gowrie, Minister in day-to-day charge of personnel management and equal opportunities in the Civil Service, today announced a programme of action to follow up the report 'Equal Opportunities for Women in the Civil Service'.

In a written answer in the House of Lords, Lord Gowrie said:

I am pleased to tell my noble Friend that a Programme of Action in response to the Joint Review Group's recommendations has been agreed with the Council of Civil Service Unions. Copies of the document have been placed in the Library. Some of the main items of the programme are:

- (i) the adoption of the policy statement;
- (ii) an encouragement to departments to expand part-time working opportunities where that is feasible;
- (iii) encouragement to departments to ensure that the provisions for maternity leave, part-time work and special leave are brought to the attention of staff as necessary;

- (iv) review of existing guidance on child care;
- (v) selective research on the relative progress of women;
- (vi) consultation between management and unions to review and stimulate progress, taking account of resource limitations.

Civil Service

Long Term Pt. 15





QUEEN ANNE'S GATE LONDON SW1H 9AT

7 February 1984

R. Gowrie

*nbpm
DWB
8/2*

EQUAL OPPORTUNITIES FOR WOMEN IN THE CIVIL SERVICE
Report of the Joint Working Review

Thank you for your letter of 26 January.

I am content with your proposal that the Programme of Action and Policy Statement should be published on 9 February and my Department will do all it can to carry the recommendations forward in a constructive spirit within the constraints of our existing resources, as it is clearly important that the Civil Service should maintain its good record in this field.

I am, however, concerned about two points. You propose that the Press Notice and the Written Answer should give particular prominence to the proposal that Departments expand part-time working opportunities wherever possible. As your Department is aware, we have recently lost a case at an Industrial Tribunal where an Executive Officer claimed unfair discrimination because we would not allow her to work part-time in an area where there were no part-time jobs at her grade level. The implication of this seems to be that a full-time employee may have a right to require an employer to make part-time work available and Treasury Counsel is considering an appeal. In these circumstances, it could be unwise to draw special attention to the question of part-time work. I would suggest replacing 'a request to Departments' by 'an encouragement to Departments' at the beginning of point (i) of the Written Answer and Press Notice, as this would more accurately reflect the wording of the Action Programme. It would also be helpful to put forward a fuller precis of the Programme's proposals, perhaps in the order in which they appear in the Programme, and to mention resource limitations so that at a later date we have greater scope both to point to what has been achieved in implementing some of the recommendations and to explain apparently slow progress on others. I attach a draft Written Answer revised on these lines. If this is acceptable to you, the Press Notice might also be amended similarly.

I also have some reservations about your proposal to review progress in about 6 months' time. I can see the presentational value of this but it could be counter-productive. We have been able to make progress in implementing many of the Action Programme's recommendations. Some, however, would have significant resource implications if they were to be taken forward with any speed. This is the case for instance with part-time work. I accept that this could have benefits for Departments in retaining experienced staff. But it will also have resource costs in increasing the demands on personnel management and accommodation services, and in requiring provision to be made to ensure full cover for jobs previously done by staff who became part-time, resulting in recruitment and new training costs.

/Without extra

Lord Gowrie

Without extra resources, there is a limit to the speed of change and I fear a review in 6 months could raise expectations of a pace of change which we could not meet. As a result it could lead to disillusionment and criticism. I think that a review in a year's time, as had already been envisaged in the Action Programme, would be preferable.

Copies go to recipients of your letter.

Law,
Law

MANAGEMENT IN CONFIDENCE

DRAFT

HOUSE OF LORDS

WRITTEN ANSWER

9 February 1984

To ask Her Majesty's Government:

What steps have been taken in response to the recommendations made in the report of the Joint Review Group of employment opportunities for women in the Civil Service.

The EARL of GOWRIE

I am pleased to tell my noble friend that a programme of action in response to the Joint Review Group's recommendations has been agreed with the Council of Civil Service Unions. Copies of the document have been placed in the Library.

Some of the main items of the programme are:

- i) the adoption of an equal opportunities policy statement;
- ii) the designation of equal opportunities officers, whose responsibilities will also include race relations in the civil service;
- iii) an increase in the total amount of paid and unpaid maternity leave from 44 to 52 weeks;
- iv) an encouragement to departments to expand part-time working opportunities where that is feasible;

MANAGEMENT IN CONFIDENCE

- v) an encouragement to departments to run women-only management courses;
- vi) consultations between management and unions to review progress, taking account of resource limitations.

CIVIL SERVICE : Long term policy : Pt 15.

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Civil Serv.
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TF to write

Prime Minister ③

AT 6/2



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

3 February 1984

Andrew Turnbull Esq
10 Downing Street
LONDON SW1

Dear Andrew,

CIVIL SERVICE NUMBERS

The Prime Minister may like to know the latest Civil Service manpower figures.

We now have Departments' staff-in-post figures for 1 January 1984. The total stands at 632,600 - a reduction of 3,700 on the last quarter. The size of the Civil Service has fallen by 99,700 (13.6 per cent) since the beginning of the last Parliament. The reduction in numbers produces a full year's gross saving in pay costs of about £778 million at current rates. This is partially offset by the costs of services contracted out to the private sector or hived off to other public sector bodies which we cannot separately identify.

13.6
£778m

The rate of rundown is slowing down as we approach the 630,000 target. The reduction in each of the previous two quarters was over 6,000 but it is under 4,000 in this quarter. Nevertheless we expect there to be fewer than 630,000 civil servants at 1 April this year. A further reduction of at least 2,600 is needed but many Departments will continue to reduce their numbers and the Heritage Act bodies (with about 2,600 staff) are due to leave the Civil Service on 1 April. Nearer the time we shall be considering how the achievement of the 630,000 target might best be publicised.

/The reduction



The reduction of 3,700 in the last quarter is made up of 1,900 non-industrials and 1,800 industrials. Gross savings totalled about 4,200. The most significant reductions were in the Ministry of Defence (1,480, mainly due to the continuing rundown of Chatham Dockyard), Inland Revenue (925, mainly as a result of efficiency measures), PSA (excluding Supplies Division) (330, mainly due to contracting out building maintenance and design work), and Department of Employment (310, mainly due to savings achieved through efficiency exercises). There were offsetting increases of about 500, of which about 125 were in the Home Office, where extra staff have been recruited in the Prison Department, and about 120 in DHSS, bringing their manpower level towards complement.

The January figures will be announced in a Written Answer within the next day or so.

Yours sincerely,

Margaret O'Mara

MISS M O'MARA
Private Secretary



cc: P. Cann, Lord Gowrie's Office

10 DOWNING STREET

From the Private Secretary

3 February, 1984

TERMS OF RETIREMENT OF CIVIL SERVANTS

The Prime Minister was grateful for your Minister's recent minute about the terms of retirement of civil servants, with particular reference to a case in his Department. Although the Prime Minister has considerable sympathy with the points which your Minister makes, she doubts whether it would be possible in practice to distinguish between those who have to leave through no fault of their own and those who should leave because of limited efficiency. She has, however, noted that different terms do apply in the case of retirement on inefficiency grounds. (Lord Gowrie's minute of 1 February refers).

(David Barclay)

I. Llewelyn, Esq.,
Ministry of Agriculture, Fisheries
and Food



CC 152

MINISTER OF STATE, PRIVY COUNCIL OFFICE

Prime Minister ⁽²⁾: To note.

MS

Your view was that it might be difficult to define "limited efficiency". But inefficiency is clearly a different matter.
with DB/PM?

PRIME MINISTER

TERMS OF RETIREMENT OF CIVIL SERVANTS

I have seen a copy of Michael Jopling's minute to you about this, in the light of a recent case in his department.

DMS
1/6

Our present rules do indeed offer the same retirement terms to those whose efficiency is limited as to those awarded to the entirely blameless. I am looking at the whole question of early retirement and this will be one aspect under review. But I would add that quite different and much less generous terms apply to cases of 'inefficiency', as distinct from 'limited efficiency'. And we are constrained in dealing with the less drastic shortcomings of 'limited efficiency' cases by the requirement to convince an Industrial Tribunal that our treatment had been fair and reasonable.

On the specific case in Michael's department, I understand my officials were doubtful that premature retirement on public interest terms was justified, but that action is now in hand which may lead to compulsory retirement on inefficiency grounds or other appropriate management sanctions.

eg.

LORD GOWRIE

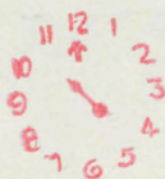
1 February 1984

Civil Service: Eddy Robert Pt 5



MINISTER OF STATE PRY KOUNCIL OF FIN

1 FEB 1984



COOPERATIVE

010

CF Await minute from Lord Gowrie

I do not think it will be possible to distinguish in practice
it would be difficult to draft for 'limited efficiency' not

Prime Minister (1)
Await comments from Lord Gowrie before responding?
DWS
27/11

PRIME MINISTER
TERMS OF RETIREMENT OF CIVIL SERVANTS

I have recently been involved in a case in my own Department where it was suggested that a member of the Senior Open Structure should be encouraged to leave the Service voluntarily under flexible premature retirement terms. The terms are generous: in this case the gross payment in terms of lump sum, annual compensation payment and enhanced pension could have been in excess of £100,000.

However, the point that really concerned me was to discover that precisely the same terms are available to people who have to leave through no fault of their own and people who need to be got rid of because of their limited efficiency. It seems to be quite wrong that the rules should have been drawn up in such a way as to produce that result. There may be a case for generous terms when people have to leave the service because they have been adversely affected by structural changes or because their departure would free a promotion blockage. I can also understand why people forced to retire on medical grounds should be treated well. But it seems to me quite wrong that someone who departs on grounds of limited efficiency and because the Service will be better off without them, should be able to obtain the same terms.

I know that others have been uneasy about this and I am glad to hear that the Cabinet Office (MPO) are, together with the Treasury, reviewing the voluntary retirement terms to build in more flexibility and use the available funds more effectively. In the case I referred to I am

/sure that, if my ...



sure that, if my Permanent Secretary had been able to offer the officer concerned terms which were somewhere between those which currently apply to voluntary retirement and the generous terms of the flexible premature retirement scheme, it would still have been possible to achieve early retirement.

I am sending a copy of this minute to Grey Gowrie.

A handwritten signature in blue ink, appearing to be 'MJ' with a large flourish.

MICHAEL JOPLING



27 JAN 1984





The National Archives

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10 DOWNING STREET

From the Private Secretary

30 January, 1984

Employment Opportunities for Women in the Civil Service

The Prime Minister has seen a copy of Lord Gowrie's letter of 26 January to the Home Secretary about the Report of the Joint Review Group on Equal Opportunities for Women in the Civil Service.

The Prime Minister is content for your Minister of State to announce publication of the Programme and policy statement on 9 February, assuming that CCSU agreement is forthcoming before then. She has no comments on the draft answer, or on the draft Press Notice.

I am sending copies of this letter only to Mike Corcoran (Mr. Hayhoe's Office, H.M. Treasury), Murdo Maclean (Chief Whip's Office) and Richard Hatfield (Cabinet Office).

DAVID BARCLAY

Paul Cann, Esq.,
Lord Gowrie's Office

MANAGEMENT IN CONFIDENCE

J.P.



10 DOWNING STREET

From the Private Secretary

30 January, 1984

Promotion Blockages in the Civil Service

The Prime Minister was grateful to Lord Gowrie for his further minute of 24 January about promotion blockages in the Civil Service, and also to Sir Robert Armstrong for his minute of 25 January.

In the light of this further advice, the Prime Minister agrees that the special early retirement scheme for senior staff should go ahead on the basis originally proposed in Lord Gowrie's minute of 6 January - that is to say, until the end of 1984, at a cost not exceeding £6 million. The Prime Minister hopes that the results of the scheme will be carefully evaluated.

BF |

The Prime Minister has noted that Sir Robert Armstrong will be reporting within the next few months on the wider review of promotion prospects and related policy issues, including merit pay. She looks forward with interest to seeing this report.

I am sending copies of this letter to John Kerr (Treasury), Richard Hatfield (Sir Robert Armstrong's Office) and Sir Robin Ibbs.

DAVID BARCLAY

Paul Cann, Esq.,
Office of the Minister for the Arts

(1)
PRIME MINISTER

PROMOTION BLOCKAGES IN THE CIVIL SERVICE

You asked for further advice before deciding whether an early retirement scheme for senior staff should go ahead. Sir Robin Ibbs had queried the value for money offered by the proposed scheme; and the Polity Unit had doubts about the assumed link between reduced promotion prospects and Civil Service performance.

Attached are further notes from the Policy Unit (Flag A), from Lord Gowrie (Flag B), and from Sir Robert Armstrong (Flag C). Both Lord Gowrie and Sir Robert see the proposed scheme as a modest and necessary response to a real problem. The Policy Unit, on the other hand, favour deferring the scheme at least until it can be considered with Sir Robert's promised wider proposals on merit pay and related issues. They suggest that if necessary special measures could be introduced to deal with one of the most pressing problems - the current exodus of Treasury Principals.

Agree that the scheme should go ahead on the basis originally proposed - ie one year only, at a cost not exceeding £6m? Or would you prefer to take the Policy Unit line, and thus increase the pressure for rapid progress with the wider proposals?

DMB

Yes not

27 January 1984

PROMOTION BLOCKAGES IN THE CIVIL SERVICE


You asked Grey Gowrie whether the proposed early retirement scheme would represent good value for money, and specifically, whether the two problems it addressed - low morale and the risk of diminished Civil Service efficiency - were real ones. In his reply, Grey Gowrie places no great weight on the morale question, I think rightly: civil servants have been able, in the main, to adjust their expectations about promotion prospects to the new realities. He is more concerned about the possibility that the best people will leave as the economy continues to recover. This is a risk, and it would intensify an imbalance which already exists in the Civil Service: a (possibly excessively) well-qualified Executive Officer grade, half of whom are now graduates, and on the other hand, a shortage of able Principals needed to carry out the key policy jobs. Attempts which have been made to recruit the latter from the former grade have yielded very few candidates.

The options seem to be:

(i) to operate the scheme (a successor to a previous scheme) immediately on a time limited basis;

(ii) to await the report promised on merit pay, various forms of early retirement, and promotions in-post, to see whether they offer more effective solutions to the problem.

We favour the second option. It seems a little odd to dust off an old scheme so soon before the arrival of a review of a wider range of schemes, which may include the one which is under discussion now. The possibility of losing the ablest people is a real one but, except in grades which require or generate marketable skills (eg parts of the Treasury), there is not at present a substantial exodus of fast-stream Principals (one a month in 1982 and first half of 1983). Half of these were from the Treasury. It may be better to solve the Treasury's problem by regrading the posts concerned, or through merit pay, than by extending a general early retirement scheme.


NICHOLAS OWEN



CABINET OFFICE

From the Minister of State

Lord Gowrie

MANAGEMENT AND PERSONNEL OFFICE

Great George Street

London SW1P 3AL

Telephone 01-233 8610

The Rt Hon Leon Brittan QC MP
 Secretary of State for the
 Home Department
 Home Office
 50 Queen Anne's Gate
 LONDON SW1H 9AT

26 January 1984

Prime Minister (2)

Lord Gowrie hopes to announce an agreed programme of action on equal opportunities for women in the civil service. The main points are at X and Y overleaf.
 Content?

Yes no

Gen Leon,

DWS 27/1

REPORT OF THE JOINT REVIEW GROUP (JRG) ON EMPLOYMENT OPPORTUNITIES FOR WOMEN IN THE CIVIL SERVICE: PROGRAMME OF ACTION IN RESPONSE TO ITS RECOMMENDATIONS

see part 12.

Janet Young wrote to Willie Whitelaw on 14 December 1982 (copied to the Prime Minister and other Cabinet colleagues) enclosing a copy of the Joint Review Group's report entitled "Equal Opportunities for Women in the Civil Service".

Since that time the report's recommendations have been considered by officials and the Council of Civil Service Unions (CCSU). Trade union representatives met me recently to express their concern that the general tenor of the programme of follow-up action diluted many of the JRG recommendations. The report attracted a fair amount of publicity when it was launched, and the unions felt that staff would be greatly disappointed by the programme of action. They sought the establishment of a Civil Service Nursery Council and improvements in the maternity leave arrangements. I turned these down because I did not see them as justified. But I did write later to the CCSU recognising the need to ensure that management and staff are aware of the possibilities and pitfalls of child-care schemes, and confirming that the Treasury are prepared to consider giving some guidance about the circumstances in which fathers and adopted parents may be granted special leave. I am reasonably sure that the CCSU will agree the Programme and policy statement by early February. If they do so I propose to announce their publication on 9 February by means of a Parliamentary Question and Answer, copies of which are enclosed together with a draft Press Notice.

...

MANAGEMENT IN CONFIDENCE

As the Press Notice says, some of the main items in the Programme are:

- i) A request to Departments to expand part-time working opportunities where that is feasible;
- ii) The use of joint management/union machinery to review progress;
- iii) The adoption of an equal opportunity policy statement.

For some of the items the initiative will rest with my Department or HM Treasury; but the main effort lies with individual Departments as set out in items 26-70.

The introduction to the programme recognises the constraints on resources, and stresses that further opportunities for women must be seen against the background of our determination to reduce public spending and to maximise managerial efficiency. Nevertheless, as Janet Young said in her letter of 14 December 1982, this is an area where substantial gains can be made without excessive costs, especially if, as I hope, managerial systems are as imaginative and flexible as possible both in meeting the aims of the Joint Review Group report and making the best use of our female staff. I am particularly interested in expanding the opportunities for part-time working to help both men and women to combine a career with domestic responsibilities. Item 26 of the Programme of Action points out that this can benefit management by helping to retain experienced staff, thus reducing recruitment and training costs.

The Civil Service has been a pioneer in the field of equal opportunities for women: I hope that you and all our colleagues will support this realistic Programme of Action. I commend it to you, and should be glad if you could take a close interest in the follow-up to it within your Department. The CCSU expressed scepticism about the extent of the Government's real commitment to a policy of equal opportunity: it would therefore be very helpful to know in about six months' time just how much progress is being made.

I am copying this letter to the Prime Minister, members of the Cabinet, Barney Hayhoe, John Wakeham (as regards timings) and Sir Robert Armstrong.

LORD GOWRIE

*Yours,
T/My*

CIVIL SERVICE POLICY STATEMENT - EQUAL OPPORTUNITIES FOR MEN AND WOMEN

1. General

1.1 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.¹ There must be no direct sex discrimination against any eligible person whether in recruitment, training, promotion or in any other way. Similarly there must be no indirect sex discrimination. This occurs where a requirement or condition is applied equally to men and women but is unfavourable to either sex because a considerably smaller proportion of them can comply with it: unless the requirement or condition can be shown to be justifiable irrespective of the sex of the person to whom it is applied. To claim indirect discrimination a person must show that the requirement or condition is detrimental because she/he cannot comply with it.² Under the Sex Discrimination Act 1975 and the Sex Discrimination (N Ireland) Order 1976, it is unlawful to discriminate against men and women on grounds of sex and in the employment field against married persons.

1.2 This policy pursues and builds on the statutory position both in Great Britain and N Ireland. The intention is to comply as much with the spirit as with the letter of the legislation and to establish and pursue an effective policy of promoting equal opportunity. It aims to reduce job segregation (that is where people of one sex are concentrated in particular areas of work) to make best use of the potential of all employees, men and women.

1.3 It is essential that this policy should be clearly communicated to all management and staff and should therefore be published in, for example, office notices, circulars, information on promotion and departmental staff handbooks. It should also be made known to potential applicants, through recruitment and careers literature and job advertisements, that the Civil Service is an Equal Opportunities Employer.

¹ Unless the post is restricted to one sex within the exceptions permitted by the Sex Discrimination Act 1975.

² Sex Discrimination Act 1975 Section 1(1) a person discriminates against a woman in any circumstances relevant for the purposes of any provision of this Act if:

a. on the ground of her sex he treats her less favourably than he treats or would treat a man, or

b. he applies to her a requirement or condition which he applies or would apply equally to a man but:

i. which is such that the proportion of women who can comply with it is considerably smaller than the proportion of men who can comply with it, and

ii. which he cannot show to be justifiable irrespective of the sex of the person to whom it is applied, and

iii. which is to her detriment because she cannot comply with it.

2 Departmental Responsibility

2.1 Although the Cabinet Office (MPO) is responsible for developing, formulating and promulgating the policy for the Service as a whole, operational responsibility lies with the Principal Establishment Officer of each department under the direction of the head of that department. Personnel Divisions and line managers are responsible to Principal Establishment Officers for ensuring that all staff for whom they have responsibility are aware of this policy of equal opportunity and that there is no unlawful discrimination of any kind. For an equal opportunity policy to be effective it must be adopted at all levels of management and supervision.

2.2 An officer should be designated within each department to be responsible for co-ordinating the equal opportunity policy and to act as an inter-departmental liaison officer with the Cabinet Office (MPO). In larger departments it would often be appropriate for officers to be designated with this responsibility at regional and/or local levels.

2.3 Existing joint management/union machinery should be used at departmental and, if appropriate, local levels to plan and oversee the implementation of the policy on a continuing basis. It is desirable that women should be included on both sides in this joint machinery. As part of the joint machinery management and unions should agree on monitoring procedures, including the collection of statistics, for example, in such areas as recruitment, promotion, extent of participation in training and part-time working.

2.4 Similar joint machinery at national level should be responsible for securing the information necessary to monitor equal opportunities on a Service-wide basis.

3 Recruitment and Development of Careers

3.1 Recruitment and careers literature should describe the whole range of jobs available in the Civil Service without sex bias. Officers engaged on recruitment should undergo training in interviewing techniques. That training should include guidance on the avoidance of discrimination and on the impropriety of asking women questions about domestic commitments, which would not be asked of a man applying for the same job. The same considerations on training and questioning of applicants apply equally to promotion boards.

3.2 Placements on initial assignment and later career moves should be made in such a manner that women and men alike have opportunities to undertake a variety of tasks including, wherever possible, the most demanding duties of the grade.

3.3 When reporting on staff, officers should base their assessments solely on an individual's capabilities, performance and inherent potential. Reports should not reflect any assumptions about mobility or length of future service.

3.4 Selection and promotion board decisions and reasons for such decisions should be recorded at each stage of the selection and promotion process. Where recording the criteria used at each stage of the process is sufficient to explain the decisions of selection and promotion boards, this will be an adequate record.

3.5 Wherever possible selection and promotion boards should include women members.

4 Combining Work and Domestic Responsibilities

4.1 It is in the interests of the Civil Service as a whole that it retains trained staff. Consistent with the justifiable needs of the work and of staff generally efforts should be made to enable civil servants to reconcile departmental work with their domestic responsibilities and to make them fully aware of the provisions for such matters as maternity leave, reinstatement, part-time work and special leave.

5. Training

5.1 Training and information can play a major part in the promotion of equal opportunity. It is essential that departments should make every effort to ensure that all those with managerial and supervisory responsibilities perform these duties with full regard to all the implications of the equal opportunities legislation. The policy described in this statement should be explained wherever possible in management courses and in literature and circulars as referred to in paragraph 1.3 above.

5.2 Where during the preceding year the number of women undertaking a particular kind of work was comparatively small, the Sex Discrimination Act (Section 48) permits special training for women to take advantage of opportunities in that work. Departments should be aware of this provision and should take advantage of it wherever practicable.

6. Individual Responsibility

6.1 The existence of a law cannot of itself ensure that any policy of non-discrimination will work effectively. This will be achieved only if staff at all levels examine critically their attitudes to people and ensure that no trace of discrimination is allowed to affect their judgement. In this connection staff should be aware of the forms which unfair discrimination can take, guard against them and avoid any action which might influence others to discriminate unfairly.

7. Complaints of Discrimination

7.1 All civil servants should be made aware of the grievance procedures which are available to them, including the right to request a formal written explanation of treatment they believe to be discriminatory. A written explanation should also be given to those job applicants to the Civil Service who claim that a refusal to offer employment was discriminatory.

7.2 Employees who think they have been discriminated against and who consider they have failed to secure adequate redress have a legal right to take their case to an Industrial Tribunal. In these circumstances complaints can be brought against managers as well as the employing department.

8. Agreement

8.1 This policy has been jointly agreed by the Official and Trade Union Sides of the National Whitley Council. All parties affirm their full support for the principle of equality of opportunity and are concerned that there should be a practical and generally accepted programme of action. They are determined that everything possible is done to ensure its full and effective implementation.

EQUAL OPPORTUNITIES FOR WOMEN IN THE CIVIL SERVICE

In December 1982 the Joint Review Group on Employment Opportunities for Women in the Civil Service published its report. The Group was set up in 1980 by the Joint Personnel Management Committee of the Civil Service National Whitley Council to review the development of employment opportunities for women in the non-industrial Civil Service since the Kemp-Jones Report of 1971 and to make recommendations. The Group's report, entitled 'Equal Opportunities for Women in the Civil Service' made 73 recommendations. These, which are attached at Appendix I, have now been considered by Civil Service management and trade unions. In implementing the Programme of Action below, which has been prepared in response to the recommendations, departments will have to take account of resource implications and the justifiable needs both of the department and of staff generally. The number of the recommendation in the Joint Review Group's report upon which the particular item in the Programme of Action is based is shown in brackets. The Programme which follows has been agreed with the Council of Civil Service Unions.

PROGRAMME OF ACTION

Policy Statement and Equal Opportunity Officer

1. An Equal Opportunity Policy Statement (at Appendix II) has been agreed with departments and the Council of Civil Service Unions (CCSU) and will be issued in the near future. Departments should inform individual civil servants and managers at every level about the policy and their responsibilities under it by means of, for example, office notices, articles in departmental journals, and inclusion in departmental handbooks and induction and management training courses. [70]

2. An officer or officers should be designated in each department to be responsible for the full scope of equal opportunity matters as they concern race as well as sex discrimination. They will act as inter-departmental liaison officers with the Cabinet Office (MPO). Details of the role of Equal Opportunity Officers are shown at Appendix III. [72]

Joint Management/Union Machinery to Review Progress

3. Existing joint management and trade union Whitley machinery should be used at departmental and, if appropriate, local levels to review and stimulate progress in the achievement of equal opportunity. Management and trade union representation for this purpose should include women wherever possible. At national level progress will be reviewed by the Joint Personnel Management Committee (JPMC). Data initially in the following areas will be provided to the JPMC on an annual basis to assist in the reviews:

- the incidence of part-time working, including job-sharing where possible
- posts restricted to one sex
- reinstatements
- equal opportunity complaints
- promotion by sex and grade

attendance on training courses (where available)

[72, 73]

Changes to Rules relating to Conditions of Service

4. The Joint Superannuation Committee will give particular attention to changes which may need to be made to the Principal Civil Service Pension Scheme to ensure that women are accorded equal treatment with men. [64]
5. The following changes will be made in the provisions for maternity leave:
 - i. The total amount of maternity leave allowed, paid and unpaid, will be increased from 44 to 52 weeks
 - ii. Periods of effective service either side of a break in service may be aggregated for qualifying purposes, 'effective' meaning actually in receipt of pay. [59]
6. Departments may allow staff to take special leave to care for sick children, whether or not they have exhausted their annual leave. [15]
7. Where an individual accepts re-employment in a lower grade because of the absence of a vacancy in the grade formerly held, the individual should retain for three years the right to apply for reappointment* in the former grade. [10]

Further Action to be Taken or Initiated by Cabinet Office (MPO) or HM Treasury

In addition to the action mentioned above, the Cabinet Office (MPO) or Treasury (as appropriate) will undertake or initiate the following.

8. The Cabinet Office (MPO) will draw up in consultation with CCSU general guidance to departments on the employment of part-time staff (by Spring 1984), and give advice to departments as required on general practice and overcoming obstacles. [1 to 8]
9. An explanatory leaflet on reinstatement will be drafted by the Cabinet Office (MPO) in consultation with CCSU for departments to hand to all staff who resign for domestic reasons. The leaflet will draw attention to the opportunities for reinstatement and the provision for such things as maternity leave, part-time work and special leave. The leaflet will be purely factual and will make clear the basis on which reinstatement may be granted. (Timescale - early 1984). Departments will be responsible for putting the Cabinet Office (MPO) material into a form suitable for distribution to their staff and for the printing of the leaflet. [12]
10. When special leave has been granted during prolonged domestic difficulties to enable staff to maintain the continuity of a career, the Cabinet Office (MPO), in cases approved by them, will henceforth seek to secure an alternative post in another department where a post is not available in the previous department at the expiry of the period of leave. [18 part]

* In this context the word 'reappointment' means a person regaining his or her former grade after being accepted back in the Civil Service in a lower grade than held originally. 'Reinstatement' on the other hand refers to a person regaining his or her former grade directly on being accepted back in the Civil Service. There is no other meaning or distinction to be drawn between these two words.

1. The Cabinet Office (MPO) will consult with CCSU and then discuss with departments about the 'Guide to Flexible Working Hours' (FWH) to see if some relaxation can be made of the guidance on the number of credit hours which could be carried over. [20]

12. The Cabinet Office (MPO) will seek to identify schemes which the Engineering Industry Training Board (EITB) or a similar body could be asked to back whereby places could be reserved for women, and will liaise with departments about the possibility of developing such schemes (paragraph 46 also refers). [24]

13. The Cabinet Office (MPO) will write to the Department of Education and Science (DES) and the Manpower Services Commission (MSC) drawing to their attention the recommendation to encourage schools and careers advisory services to point more women in the direction of careers in engineering and associated disciplines. [26 part] (Time scale - early 1984)

14. Recruitment literature and publicity material will be reviewed to see if there is any way in which more emphasis can be placed on the opportunities for women in technological jobs in the Service. [27] (Time scale - Spring 1984)

15. Existing guidance for selection boards for recruitment will be revised to give more detailed guidance on the avoidance of discrimination. [29] (Time scale - Spring 1984)

16. A study of comparative annual report markings between men and women will be carried out. Further research will be undertaken to investigate why women are promoted at lower rates than men. [31, 39] (Time scale - Spring 1984)

17. In following up the report of the Reporting System Working Party, the Cabinet Office (MPO) in consultation with CCSU should ensure that terms used in report forms and guidance avoid stereotyped assumptions about men and women. [33]

18. Existing central guidance on promotion board and other interviewing will be re-examined by the Cabinet Office (MPO) to ensure that interviewers are aware of biases which can occur and can guard against them influencing their decisions. [36] (Time scale - Spring 1984)

19. In consultation with the trade unions Cabinet Office (MPO) will look into procedures whereby staff are allocated to duties taking into account work done on discrimination for the Review of Policy and Procedures in regard to race; further guidance in this area will then be considered. [40] (Time scale - 1984)

20. The Cabinet Office (MPO) will review the existing guidance and policy statements on child care, taking into account recent experience with day care schemes in the Civil Service, will reissue revised guidance and will continue to monitor departments' schemes and give them appropriate publicity. [55] (Time scale - Summer 1984)

21. There will be an initiative from the Cabinet Office (MPO) to ensure that avenues of complaint in regard to harassment or offensive behaviour of a sexual character are known to all staff and that management are aware that instances of such conduct, like other forms of harassment or offensiveness (such as racial, religious or purely personal) should be dealt with under the normal management, and where appropriate, disciplinary procedures. Management will be reminded of the need to give full consideration to complaints of conduct which is either deliberately, or reasonably likely to be taken as, harassing or offensive. [66] (Time scale - early 1984)

22. The Medical Advisory Service is already considering a number of detailed proposals in respect of the extension of health education in the Civil Service, both in respect of general health topics and those specific to women. They will undertake a small survey of women's workplace screening in various locations in order to determine its value and will be prepared to advise departments in the light of the results of the survey. [67]

23. When the 'Handbook for the New Civil Servant' is next reprinted, its revision will eliminate 'male only' references and it will incorporate the Equal Opportunity Policy Statement. [68]

24. The MPO will take responsibility for the production of information leaflets in consultation with CCSU on subjects of key interest to staff with domestic responsibilities. [69] (Time scale - 1984)

25. The promulgation of the Equal Opportunity Policy Statement, the publication of the Programme of Action and the designation of Equal Opportunity Officers will create the publicity necessary to begin to influence attitudes. The JPMC in its monitoring of progress, will be able to highlight areas where greater awareness of the issues surrounding equal opportunities is most needed. [71]

THE FOLLOWING ACTION PROGRAMME ITEMS SHOULD BE PURSUED AT DEPARTMENTAL LEVEL

Part-time Work

26. Part-time work can benefit both management, by the retention of experienced staff and a consequential reduction in recruitment and training costs, and individual members of staff, who if they wish are thereby helped to combine a career with domestic responsibilities. Departments are therefore encouraged to expand opportunities for part-time work where that is feasible, reviewing their organisational arrangements in consultation with trade unions and, wherever the needs of the work allow, and a demand for part-time work exists, to restructure the work and jobs accordingly. [1]

27. Management should give sympathetic consideration to requests from staff for part-time posts in consultation with Trade Union Sides as appropriate. [2]

28. Departments should, where appropriate, publicise opportunities for part-time work and nominate points for approach by staff wishing to seek part-time posts. This could be done by means of an Office Notice and inclusion in staff manuals. Departments should consider maintaining records of staff who express an interest in part-time working. [3]

29. Departments should have particular regard to part-time work to assist women (and men) to maintain or resume the continuity of a working career. [4]

30. Part-time staff should not be debarred from promotion and departments should consider the possibility of providing part-time posts for promotees. [5]

31. Departments should inform the Cabinet Office (MPO) annually of any changes in the arrangements for expanding part-time working. [6]

Job Sharing

32. Departments should discuss with Trade Union Sides undertaking experiments to establish whether or not job-sharing schemes could be introduced. Such experiments should not be confined to the basic levels or restricted to areas where the majority of staff are women. [7]

33. Departments should let the Cabinet Office (MPO) know annually what arrangements, if any, are being made to make job sharing available and any subsequent changes to those arrangements so that their experience can be used to the general advantage of the Service. [8]

Reinstatement

34. Departments should give sympathetic consideration to requests for reinstatement from former civil servants who resign for domestic reasons. [9]

35. Departments should discuss with their Trade Union Sides how best to draw opportunities for reinstatement to the attention of those who resign for domestic reasons. Where appropriate, the provisions for maternity leave, part-time work and special leave should also be mentioned. [11]

36. Departments should, where appropriate, consider the possibilities of short-term employment or part-time employment for staff who have left for domestic reasons and who express an interest in returning. [13]

Special leave

37. Departments should consider giving more publicity to the current provisions for special leave eg in a separate leaflet and give sympathetic consideration to all requests for special leave. [14]

38. Departments should consider looking at their practice in regard to special leave in case there is scope for further flexibility. [16]

39. Departments should continue, wherever possible, to allow staff periods of unpaid leave during school holiday periods, and to care for elderly or infirm dependants or relatives. [17]

40. Departments should consider making wider use of a period of unpaid special leave during prolonged domestic difficulties to enable staff to maintain the continuity of a career. [18 part]

Flexible Working Hours

41. In consultation with trade unions, departments should, where appropriate, consider the possibility of reducing core-time bearing in mind that the six hours' core-time suggested in the 'Guide to Flexible Working Hours' is only a suggestion and does not preclude shorter core-time being introduced. [19]

42. Departments should review FWH schemes to ensure that staff are not unnecessarily excluded. [21]

43. Departments which do not operate FWH schemes should review their working arrangements to see if it would be possible to introduce schemes. [22]

44. Where FWH schemes cannot be introduced, because of the needs of the work, departments should use to the full their delegated authority to arrange working hours to meet the needs of staff. [23]

Recruitment

45. Departments should consider the possibility of developing Engineering Industry Training Board (EITB) backed and similar schemes whereby several places are reserved for women on one or two of the existing departmental training schemes (paragraph 12 also refers). [24]

46. With a view to increasing the number of women employed in technological jobs, civil service research establishments should be encouraged to forge closer links with schools by means of visits and career talks. [26 part]

47. Wherever possible selection boards should include women members. [28]

48. Criteria for the various stages of the recruitment process should be recorded as should the reasons for selection board decisions on individual candidates. [30]

Promotion

49. Equal Opportunities aspects should be covered in training for reporting and countersigning officers, and should also be included in guidance on staff reporting. [32]

50. Departmental promotion agreements should reflect the current policy that, especially when women are to be considered by promotion boards, every endeavour should be made to include one or more female members. Where it is not possible for women to be adequately represented on boards, departments should consider alternative ways of meeting the spirit of the policy eg discussions with personnel staff before the boards are held. [34]

51. Where sifts are undertaken clear criteria should be laid down to reduce, as far as possible, any possibility of discrimination. [35]

52. Existing guidance on promotion board interviewing should be reviewed to ensure that interviewers are aware of biases which can occur and can guard against them influencing their decisions; similar guidance should be issued to all other staff involved in interviewing. [36]

53. All members of promotion boards should normally receive relevant training in selection, including training in the equal opportunities aspects of selection. [37]

54. Departments should consider how best the reasons for promotion board decisions should be recorded. [38]

Training

55. Departments should encourage women to attend courses (particularly developmental courses) and make the maximum use of the training opportunities available. [41]

56. Additionally, departments should consider whether courses, such as those currently being run by the Civil Service College for women only, could be introduced into their own training programmes. [42]

57. Departments should consider collecting statistics by sex and grade on those attending some training courses, for example courses organised centrally within a department and developmental courses, for the purpose of monitoring relative proportions of women attending. [43]

58. For staff who have domestic difficulties which prevent them from attending residential courses, departments should consider providing alternative arrangements where they do not already, and make such arrangements known. [44]

59. Equal Opportunities training should be built into the following courses:

- i. Induction
- ii. Selection and Promotion Interviewing
- iii. Staff Reporting and Job Appraisal/Review Interviewing
- iv. General Management.

[45]

Mobility

60. Departments should give careful consideration to personal circumstances, before enforcing the mobility obligation. [46]

61. Departments should make known to all staff, particularly those being offered a mobile appointment for the first time, what the mobility obligation means both in theory and in practice. This could be done by a leaflet. [47]

62. When staff are downgraded on transfer to accompany spouses and suitable vacancies then arise within six months in their previous grade, departments should consider them for those vacancies before filling them by other means. [48]

63. Departments should give consideration to the use of temporary or short-term transfers with staff returning at a future date to their permanent station. [50]

64. Departments should give due regard to the individual circumstances of staff when arranging transfers. In particular, consideration should be given to the availability of public transport and the possible extra cost and time involved in travel between home and the new location. [53]

Child Care

65. Departments should make sure that all concerned are aware of policy and guidance (which Cabinet Office (MPO) will revise) on provision of day care for the children of civil servants, and should continue to make known to staff examples of successful schemes in consultation with Cabinet Office (MPO). [55 to 57]

66. Departments should consider sympathetically all proposals which come forward for day care schemes, and in particular should encourage the organisation of holiday play schemes, giving help where possible, for example with the provision of accommodation, publicity and facilities for the organisers. [55, 56]

67. Departments should be ready to consider the prospects of local co-operation on day care schemes with other departments and with other employers in the area. [57]

Maternity Leave

68. Maternity leave provisions should be brought to the attention of all interested staff in a clear and understandable form. [61]

Sexual Harassment

- 69.
- i. All civil servants should be made aware that sexual harassment at work will not be tolerated and, if appropriate, will be dealt with as a disciplinary matter.
 - ii. Managers should be made aware of their responsibility to deal promptly and fairly with complaints of sexual harassment.
 - iii. Staff should be made aware of the procedures for making formal complaints and should also be assured that they will be given a fair and sympathetic hearing and that they may proceed without fear of subsequent victimisation.
 - iv. Staff should be advised that in the case of a complaint of sexual harassment, the nature of the complaint will be made clear to the alleged offender.
 - v. In pursuing a complaint of sexual harassment staff may have the assistance from a union representative, friends, colleagues or welfare officers to help them present their case. [66]

Influencing Attitudes

70. The promulgation of the Equal Opportunity Policy Statement, the publication of the programme of action and the designation of Equal Opportunity Officers will create the publicity necessary to begin to influence attitudes. Existing joint management and trade union Whitley machinery, in its monitoring of progress, will be able to highlight areas where greater awareness of the issues surrounding equal opportunities is most needed. [71]

Civil Service: long-term PSL pt. 14

26 JAN 1984

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to ask Her Majesty's Government:

What steps have been taken in response to the recommendations made in the report of the Joint Review Group on Employment Opportunities for Women in the Civil Service.

The EARL of GOWRIE:

I am pleased to tell my Noble Friend that a Programme of Action in response to the Joint Review Group's recommendations has been agreed with the Council of Civil Service Unions. Copies of the document have been placed in the Library. Some of the main items of the Programme are:

- i) a request to departments to expand part-time working opportunities where that is feasible;
- ii) adoption of the policy statement;
- iii) consultations between management and unions to review progress.

DRAFT PRESS RELEASE

EQUAL OPPORTUNITIES FOR WOMEN IN THE CIVIL SERVICE

Lord Gowrie, Minister in day-to-day charge of personnel management and equal opportunities in the Civil Service, today announced a programme of action to follow up the report 'Equal Opportunities for Women in the Civil Service'.

Lord Gowrie, in a Written Answer in the House of Lords said:-

I am pleased to tell my Noble Friend that a Programme of Action in response to the Joint Review Group's recommendations has been agreed with the Council of Civil Service Unions. Copies of the document have been placed in the Library. Some of the main items of the Programme are:

- i) a request to departments to expand part-time working opportunities where that is feasible;
- ii) adoption of the policy statement;
- iii) consultation between management and unions to review progress.

NOTES FOR EDITORS

1. It is the policy of the Civil Service that all eligible persons shall have equal opportunity for employment and advancement in the Service on the basis of their ability, qualifications and fitness for the work.¹ The Government is and will remain committed to a policy of equal opportunity in the Civil Service.

2. A committee was set up in 1970 (under the chairmanship of Mrs Kemp-Jones) to examine the position of women in the Civil Service and the Committee's recommendations provided the basis for a number of reforms which encouraged fuller use of the abilities of women staff both by helping those with domestic responsibilities to continue their careers, and making it easier for women to return to the Service after having children. All their recommendations were accepted in principle in December 1971.

3. A Joint Review Group was established in 1980 to review the position since the Kemp-Jones report. The Group's report published in December 1982 recommended reform in three main areas:

- a. modification of traditional working patterns so as enable more women with domestic responsibilities to maintain a continuity of a working career, if they wished to do so, by:
 - i. increasing opportunities for part-time working and job sharing;
 - ii. a more flexible approach to the design of the working day;
- b. ways of enabling women to progress to senior levels:
 - i. review of promotion and training procedures;
 - ii. provision of courses designed to prepare women for management;

¹Unless the post is restricted to one sex within the exceptions permitted by the Sex Discrimination Act 1975.

- c. the adoption of a formal policy of equal opportunities in the Civil Service, with joint management/trade union monitoring of progress.

4. During the past year the report's 73 recommendations have been under careful consideration by both Civil Service management and trade unions. The Programme of Action which has now been agreed is divided into five sections:

- a. an equal opportunity policy statement;
- b. the use of existing joint management/union machinery to review progress at national and departmental level;
- c. changes to rules relating to conditions of service;
- d. other action to be taken or initiated by Cabinet Office (the Management and Personnel Office) or HM Treasury; and
- e. action programme items to be pursued at departmental level.

5. A copy of the policy statement issued with the report is attached.



EFFICIENCY UNIT

70 WHITEHALL, LONDON SW1A 2AS

Enquiries : 01-233 8412

Direct line : 01-233 7359

bbp
BH for meeting on
1 Feb.

Dusk
27/1

The Rt Hon Michael Heseltine MP
Secretary of State for Defence

26 January 1984

Dear Michael,

File with DB

MW

Thank you for your letter of 22 December describing your plans and targets for management and efficiency improvement in the Ministry of Defence. I have also had a useful discussion with Peter Levene.

2. I think that you personally may be interested to know about the overall response to my letter. The pattern of replies is encouraging, and it strongly suggests that a very substantial increase in value for money is within the Government's grasp if Ministers are prepared to push hard enough - even when choices are difficult. This is not least because the necessary tools for top management that you have pioneered are starting to be adopted more widely. Nevertheless there is still a pressing need to:

- (1) Identify the 'businesses' (in the FMI sense of specific groups of objectives and responsibilities to achieve them).
- (2) Be aware of who the customer is, and to seek better services for him at lower cost.
- (3) Set precise targets that act as clear yardsticks of success or failure.
- (4) Set targets as real improvements to be achieved in a given time - medium term targets need to be broken down into annual components.
- (5) Be selective; Ministers need to concentrate on the most important targets, even at the expense of lesser activities; they should expect appropriate lower level goals to be set by senior line managers when dividing up their own budgets.
- (6) Establish sound performance criteria to judge the extent to which performance has improved and to set tighter targets in the future.

Above all we need a sense of urgency, without which the results will be too little and too late. I shall be suggesting to the Prime Minister that my own programme of assistance should reflect these themes.

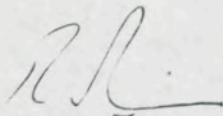
3. I would say that your approach in MOD is absolutely in the right direction. The sense of urgency and the concrete targets in some of the key areas are exemplary, especially for such a large and complex organisation. With specific observable objectives in each area you will be in a position to drive the department to achieve the improvement you seek.

4. With this in mind I would like to offer my help and that of the Efficiency Unit as follows:

- (1) We would be glad to take a particular interest in the review of Service and civilian manpower control as you suggest. This review is important not only to establish a framework consistent with the development of budgets but also to get the message across that extra numbers will be very hard to find from now on.
- (2) You drew my attention to the special audit of Marine Services and, on the assumption that this is intended to look at what needs to be done and at the service provided to the Navy, we would be glad to take an interest in that too.
- (3) I note that there is a wide range of work underway within the Services. Subject to your views I think I only need to be in a position to be able to tell the Prime Minister that I am being kept informed of the major reviews and their results.
- (4) We would be glad to consider helping further with any additional major studies you commission, particularly any concerned with the wider themes I have elaborated.

5. I am sending a copy of this letter to the Prime Minister, the Chancellor of the Exchequer, Sir Robert Armstrong and to Peter Levene.

Yours truly,



Robin Ibbs

Civil Service: Long-Term Policy pt. 14

27 JAN 1984





CC No.

MINISTER OF STATE, PRIVY COUNCIL OFFICE

PRIME MINISTER

Your Private Secretary wrote to mine on 16 January conveying your agreement to the proposed new interdepartmental scrutiny of the means used to identify and bring on talented youngsters in the Civil Service. I am most grateful. We will press ahead with a view to a central report before the summer recess.

As to the wider issues you raised, Sir Robert Armstrong has already commented on the points made by Sir Robin Ibbs and I endorse his conclusions. You also however specifically asked for my views on two points: the reality of the morale argument: and the reality of the link between reduced career prospects and Civil Service efficiency.

Arguments about morale are notoriously difficult to pin down and I would not place a great deal of weight on them. My concern is more pragmatic. A run-down of staff numbers in any organisation is most readily and cheaply achieved by a combination of natural wastage and reduced recruitment. This is the classic route which we, and other employers, have followed in recent years. We have of course had to do this against a background of recession which has greatly reduced the number of staff who leave us voluntarily below retiring age. The combined effect of these factors has been:-

(a) a slow down in the rate of promotion: in 1978 one in twenty four EOs were promoted; in 1982 the proportion had fallen to one in thirty.

(b) a rise in the number of staff on flat rates of pay (mainly because they have reached the maximum point on their incremental scale). In October 1981 55% of staff (representing 62% of the pay bill) were in this position. By October 1982 the figures had risen to 61% of staff and 68% of the pay bill. The figures for October 1983, due next month, are expected to show a continuation of this trend.

(c) an underlying tendency, ie discounting the effect of retirements of staff over 60, for the average age of non-industrial civil servants to rise e.g. in 1978 one-third of EOs were aged 27 or less. The corresponding age now is 30 and rising.

(d) a substantial rise in the qualifications of our new recruits with over half of our new externally recruited EOs now graduates.

If these trends continue the danger is not so much that "morale" will suffer (though an ageing, and over qualified staff, with much reduced prospects of earning more money is unlikely to

MANAGEMENT IN CONFIDENCE

be particularly malleable) but that, as the economy continues to recover, we could face a significant outflow of our best people seeking greener pastures. The consequences of this on efficiency (as those who know their job leave and are replaced by the inexperienced) and on pay (as we react to market forces) could be painful.

As Robert Armstrong says the problems are not immediately acute. Developments of this kind take time to mature and there can be no certainties. But I think the situation I have outlined is sufficiently important - and potentially sufficiently damaging - to justify prudent and modest corrective measures now as we develop our longer term policies.

I am copying this minute to the Chancellor of the Exchequer, Sir Robert Armstrong and Sir Robin Ibbs.

B.g.

LORD GOWRIE
24 January 1984

MANAGEMENT IN CONFIDENCE

CIVIL SERVICE
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P 14

26 JAN 1994

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CONFIDENTIAL



PART PE 14 ends:-

S/S MOD to FCS 24/1.

PART 15. begins:-

Lord Governor to PM 24/1.

