

Part 19.

MT.

33/33

Confidential Filing

Long term management and
manpower policy. Financial
Management. Slimming down of
Local Authority staff performance related
pay.

CIVIL SERVICE

PT.1: March 1979

PT.19: May 1986

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PART 20 begins:-

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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

30 September 1986

PERFORMANCE BONUS EXPERIMENT IN THE CIVIL SERVICE

The Prime Minister has seen Mr. Luce's minute of 12 September about performance bonuses in the Civil Service, and the comments from the Chancellor of the Exchequer and Sir Robin Ibbs.

The Prime Minister was disappointed that the experiment does not seem to be working. She agrees that officials should be asked to consider the options, including the possibility of extending discretionary pay to grades 4 - 7, and to report as soon as possible.

The Prime Minister believes that every effort must be made to secure the commitment of line managers and employees to making any new scheme work. That is the key to success, and it is the responsibility of Permanent Secretaries to try to generate that commitment. That is their task as managers.

In the meanwhile the Prime Minister notes that consideration of range pay for grades 4 - 7 need not delay the introduction of range pay for grades 2 and 3. The decision taken in May was that range pay for those grades should be introduced if possible during the current financial year. The Prime Minister hopes that preparations for this are well advanced so that a decision can be taken very soon.

I am copying this letter to Tony Kuczys (H M Treasury), Sir Robin Ibbs and Michael Stark (Cabinet Office).

DAVID NORGROVE

Paul Thomas, Esq.,
Minister of State's Office, Privy Council Office

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PRIME MINISTER

PERFORMANCE BONUS EXPERIMENT IN THE CIVIL SERVICE

The present experiment with performance bonuses has not proved a success either with management or staff. A survey showed that 68 per cent disliked the scheme. There is also little evidence of a worthwhile direct effect on management performance. Mr. Luce, Sir Robin Ibbs and the Chancellor all agree that the present position is unsatisfactory.

Mr. Luce and Sir Robin Ibbs agree that it would be worth considering an alternative scheme for relating pay to performance. The Chancellor is willing to consider the options. George Guise of the Policy Unit (minute below) is not entirely convinced and argues that if some formal scheme is to be continued, it needs to be much more carefully thought out and to have the commitment of managers and employees.

The alternative scheme would be to extend to grades 4 - 7 (Assistant Secretaries and Principals) the range pay or discretionary increments proposal which was agreed for grades 2 and 3 (Deputy Secretaries and Under-Secretaries) as part of this year's TSRB award. He would like this to be explored in time for such an arrangement to be introduced from 1 April next year. Sir Robin Ibbs agrees and suggests that range pay would probably be the most effective method of relating pay to performance. The Chancellor is willing that the work should be done but does not mention the possible starting date.

Agree:

- (i) the performance bonus experiment does not seem a success but should not be abandoned with nothing in its place;
- (ii) officials from Treasury and MPO should be invited to make proposals for extending range pay to grades 4 to 7 in good time so that they could be introduced from April next year?

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*if it is
not a
success - abandon it
forthwith*

*G.V. range pay compared
with bonus pay?*

I have heard that Permanent Secretaries are being difficult about the introduction of range pay for grades 2 and 3. I prompted Sir Robert Armstrong about this after your conversation with Lord Plowden at dinner on Monday this week. But it might be worth including a reminder here. You might say that a consideration of range pay for grades 4 to 7 need not delay the introduction of range pay for grades 2 and 3. The decision taken in May this year was that range pay should be introduced if possible during the current financial year; you hope that preparation of a paper on this is well advanced so that a decision can be taken very soon on its early introduction.

Agree?

DN

(DAVID NORGROVE)
26 September 1986

I think the real problem is the attitudes of those concerned.

I think the same attitudes will extend to range pay & we need first to see whether that works for grades 2 or 3 before we consider whether to extend it

no



DN

CCBG

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

PRIME MINISTER

PERFORMANCE BONUS EXPERIMENT IN THE CIVIL SERVICE

I have seen Richard Luce's minute of 12^{at trap} September about the future of this experiment, and I have also seen Sir Robin Ibbs comment of 15 September.

It is encouraging that 78 per cent of those whose opinion was surveyed by HAY/MSL support the idea of relating pay to performance. But we must go about it in the right way. There are two avenues we are currently exploring; the performance bonus experiment which covers Grade 3 to 7, and the introduction of discretionary pay at Grades 2 and 3, which was announced when TSRB decisions were announced earlier this year. Like Richard Luce and Sir Robin Ibbs I too see attractions in seeing whether we could look at these together so as to produce a single scheme which commends itself to management and staff (which the existing experimental scheme, as currently administered, does not) while giving value for money. Officials in the Treasury and MPO have already been investigating what options are available, and I agree it will be worthwhile for these to be taken further, with a view to making specific proposals to us as soon as possible.

This development in the Civil Service pay structure, must be seen alongside the various other flexibilities which we are introducing or considering, in an attempt to get better value for money. Above all, performance-related pay, like these other flexibilities, must be an integral part of the pay bill, so we are not adding to it but instead seeking to direct it rather better.



If you agree I will ask my officials to proceed accordingly.

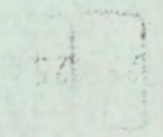
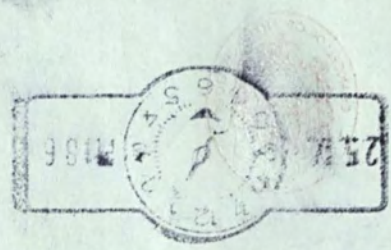
I am copying this to Richard Luce, Sir Robin Ibbs and Sir Robert Armstrong.

M.

N.L.

25 September 1986

CIVIL SERVICE Long Term PT19



CF TO KEEP.
BONUS PAY.



CC GRIFFIN BOX
September 23/56

House of Lords · Westminster

Dear Prime Minister

Thank you for a most interesting and pleasant dinner last night. I am glad you continue to find these occasions useful. As you suggested we are finding a suitable date around May of next year.

Once again thank you for agreeing to discretionary range pay for Under and Deputy Secretaries. I realise that there are natural inhibitions to be overcome - in fitting such a scheme into the civil service.

Nonetheless I know that such



a scheme will be a most valuable
tool in managing the Service.

In addition, it will also save
money, because if one rewards the
brightest and most efficient in this
way there will be no need to set the
pay of the whole rank at a level
which hopefully will keep and
indicate the brightest and most
efficient, but quite likely will not
be high enough to do so.

Yours sincerely

John Rowden.

file
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SM.



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

SIR ROBERT ARMSTRONG

RANGE PAY

BSF
Lord Plowden at a dinner last night welcomed the Government's decision to introduce range pay for Grades 2 and 3 and urged that it should be brought in at an early date. There would be pressures to backslide and the Prime Minister would need to resist these. The Prime Minister assured him that the proposal had her full support.

The Prime Minister would be glad to be assured that good progress is being made towards the early introduction of range pay.

You will remember that the decision was that range pay should be introduced if possible during the current financial year.

(David Norgrove)
23 September 1986

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SS



file
BM2AVB

10 DOWNING STREET
LONDON SW1A 2AA

22 September 1986

From the Private Secretary

PERFORMANCE BONUSES

Thank you for sending me a copy of your paper. I shall certainly protect the confidence.

I welcome your proposal for range pay for grades 4 - 7. I have only one comment, and that is to wonder whether it is right at this stage to try to introduce hopping and stopping for the "normal" increments for those grades whilst not doing so for grades 2 - 3. Would a distinction of that kind be defensible?

It was the Prime Minister who argued that the normal increments should remain automatic for grades 2 and 3 on the grounds that first, range pay could itself be controversial and these things were best taken a step at a time, and second, that it was designed to raise morale and to make the normal increments discretionary could weaken the effect both for the staff directly concerned and for more junior staff in the Civil Service who might feel their own increments were about to be attacked.

Nevertheless, I would myself be in favour of hopping and stopping. A good number of the people who have left the Treasury have not been at the top of their scales and part of their problem may have been the feeling of predictability, of knowing that their salaries would rise inexorably for a period of years, no faster and no slower. I do think it might help if there was a possibility of extra bunce (or stick) which might arrive unexpectedly.

It would help too if the discretionary increments were not awarded all at the same time of the year but instead if there could be an element of bonus about it so that someone who had worked in a sustained and admirable way for a period could be granted an unexpected discretionary increment to keep them driving.

I hear by the way that some of the Permanent Secretaries are even wanting to slide out of range pay for grades 2 and 3. The Prime Minister would certainly not agree to that.

(DAVID NORGROVE)

E.P. Kemp, Esq.,
HM Treasury

BM

BF

Now awaiting comment from Tsy.
I gave P.U. on copy copies of the Hay MSL report
and covering summary. Be made sure we get them back.

attached

PRIME MINISTER

16 September 1986

ANOM

MINUTE AT FLAP

CIVIL SERVICE BONUS EXPERIMENT - HAY MSL REPORT

If I ran a company with such a scheme and received a report like this I should abandon the scheme forthwith. The purpose of an experiment is to see whether something works and the balance of evidence in the Hay MSL report is overwhelmingly that this experiment doesn't. Over half the questionnaire respondents believe that the scheme actually reduces morale and, most significantly, 38 per cent of bonus recipients believe this. The taxpayer may therefore be paying £4m a year to reduce employee morale!

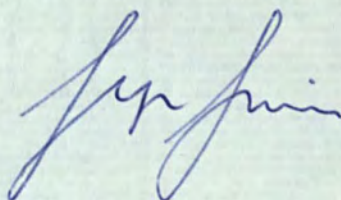
The fact that 78 per cent favour some positive relationship between pay and performance is unsurprising. Indeed it is hard to see why that view is not held unanimously: it should be the first canon of any employing organisation. In the case of the Civil Service people of high ability who carry this through to high achievement are presumably recognised through the promotional hierarchy. If there are promotional blockages, the underlying frustration will not be alleviated by giving certain individuals a three or low four figure sum in certain years.

Recommendation

First, the fundamental issue of whether cash incentive schemes are good in principle needs some thought. In the industrial world successful companies exist with and without schemes. I know of one American steel distribution company where the only salary employees got was the commission on their individual steel sales and the level of commission had no limit. On the other hand a very tough hiring/firing US chief executive once stated that the only incentive he gave an employee who did a good job was the chance to do it again tomorrow! Both businesses were extremely successful.

Second, the evident failure of this experiment raises the question of whether any cash bonus scheme can work in the upper echelons of a system whose basic output is not measured in profit terms. I would not go so far as to deny that something can be achieved and indeed I do not accept the argument that if this experimental scheme is terminated then it will be more difficult to introduce one that works later.

However, if some form of scheme is to be continued, it will have to be much more carefully thought out than this one with committed line managers setting out objectives annually in co-operation with committed employees. If this were done there would exist proper yardsticks against which to measure individual achievements.

A handwritten signature in blue ink, appearing to read 'George Guise', written in a cursive style.

GEORGE GUISE

CIVIL SERVICE: Long Term Management P119.



n bpm yet cc BGA

B | Ministry comments
don't know

PRIME MINISTER

PERFORMANCE BONUS EXPERIMENT IN THE CIVIL SERVICE

I have seen Richard Luce's minute of 12th September 1986.

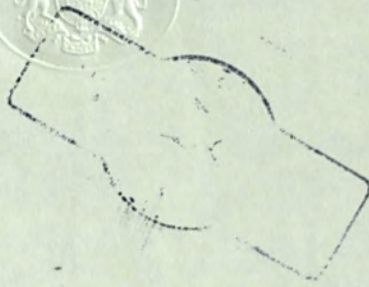
2. I agree with Richard that it would be quite wrong to abandon the existing performance bonus scheme without putting anything in its place. Quite apart from any direct incentive effect, performance related pay can be an important force in improving the quality of management in the civil service because it demands greater clarity in setting objectives and in regular monitoring of performance. When done properly it imposes a need for good face to face line management.

3. I was interested in the suggestion in the penultimate paragraph of Richard's minute that discretionary pay arrangements should be extended from grades 2 and 3 down to grade 7. I believe this would probably be the most effective method of relating pay to performance. I recommend you invite Nigel Lawson and Richard Luce to work up a scheme as a matter of urgency so that the suggested target date of April 1987 can be achieved.

4. I am sending a copy of this minute to Nigel Lawson, Richard Luce and Robert Armstrong.

ROBIN IBBS
15th September 1986

CIVIL SERVICE : Long Term : Pt 19



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CC84
 B / award committee from
 the salary

MINISTER OF STATE, PRIVY COUNCIL OFFICE

PRIME MINISTER

12/9

PERFORMANCE BONUS EXPERIMENT IN THE CIVIL SERVICE

My minute of 29 November reported to you on the first stages of introduction of this experiment for paying performance related bonuses, averaging £800 before tax, to about 1 in 5 staff at senior levels (Grade 3 to Grade 7) in the Civil Service. I am now in a position to report further on the first year's operation of the scheme, which we announced as a 3 year experiment.

OVERALL FINDINGS

The verdict so far, on the basis of the report to me below by officials, and the draft report from the management consultants (Hay/MSL) also attached, must be the Scottish one of "not proven". There are some positive signs of progress: 78% of those whose opinion was surveyed support the idea of relating pay to performance in the Civil Service, and there is less worry now that performance pay disrupts relationships between staff. The most senior managers, who may have had more frank and searching reviews of the performance of their staff than hitherto, are more positive than other eligible staff. But the overall response is still negative. 68% of those surveyed dislike the present scheme. There is little evidence so far of a sufficiently worthwhile direct impact on management performance.

MANAGEMENT CONSULTANTS' FINDINGS

The consultants draw out clearly in the conclusions of their report (page 20 onwards) that there are a number of reasons why it is not easy to introduce performance pay into the Civil Service and why it has been something of an achievement simply to get the scheme up and running. But they also point to some areas where design and management changes are desirable if the scheme is to secure better value for money.

OFFICIALS' VIEW

The report from officials accepts this analysis and endorses changes (paragraph 7 of their submission) which would give departments greater flexibility in designing the scheme to suit their own circumstances, but which will require them to do more to explain the criteria for awards and to manage the scheme actively, communicating its purposes and results more explicitly to staff. The scheme also needs to be linked more clearly with other management systems in use in departments.

In addition, responding directly to a point raised by you at the time of the last report, officials have looked at the

question of eligibility for bonuses of Private Office staff at Grade 7 level and above. A few departments had excluded them because they felt it was too difficult to secure a fair line management report and because such staff already receive Private Office allowances. But most departments saw no grounds of general policy for such exclusion, and operated schemes in practice which made them eligible. Officials believe this is right, and departments will be asked to ensure that Private Office staff at these senior levels are considered within their schemes in future.

CONCLUSION

I believe that we must keep this experiment under critical review. The investment of £4 million each year (plus administrative opportunity costs of nearly another £1 million) which we planned to make over the three year period is not yet bringing sufficient return. We need to do what we can to improve the value-for-money of what is being spent.

Sir Robin Ibbs, who has been consulted in the course of the evaluation, agrees and believes that the changes proposed by officials, particularly those concerned with better communication, would improve the chances of a more successful outcome to the experiment. He has also pointed to the desirability of developing benchmarks to assess the effectiveness of the bonus scheme.

It may be argued in the light of the report that we should reverse engines at once and abandon the scheme without putting anything in its place. In my view this would be quite wrong. It would simply be interpreted as an admission of failure and would make it much more difficult to return to this subject at some later date. We are trying to improve the management of staff whose salary bill is around £400 million per annum, a process which is bound to take time; and we need to learn as many lessons as we can about the best way of using performance pay to reinforce our other management reforms, rather than give up hope at the first sign of difficulty.

There are of course other alternatives. For my part, I would see attractions in extending the discretionary pay arrangements which we have recently agreed to introduce for Grades 2 and 3, down to Grade 7. If it were practicable to do so, the £4 million set aside for the third year of the performance bonus experiment could instead be used to finance a new arrangement on these lines from 1 April 1987. Time is short, however, and a good deal of detailed exploratory work would need to be set in hand at once.

I am copying this minute to the Chancellor of the Exchequer, whose officials have been closely involved in the development of the scheme, and to Sir Robin Ibbs.

Richard Luce

RICHARD LUCE
12 September 1986

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Sent to me in a
personal letter by
Peter Kemp, 12/19/87

PERFORMANCE BONUSES/DISCRETIONARY INCREMENTS/ETC - THE WAY FORWARD

There are a number of proposals currently on the table for decision in the general area of the linking of pay with performance which are worth considering together.

2. The main strands for consideration are the continuation or otherwise of the performance bonus experiment and the introduction of discretionary pay at Grades 2 and 3. But there are others.

Options

3. These various elements are discussed below, in paragraphs 5 to 14. It seems worthwhile at this stage in this paper setting out the options before Ministers, thus :-

- a. Seek to stand down the performance bonus scheme as at 31 March 1987, without putting anything in its place.
- b. Simply let the performance bonus scheme proceed for its allotted span (to 31 March 1988) without any fundamental change, meanwhile considering what might succeed it, but introducing discretionary pay at Grades 2 and 3 from 1987-88 as planned.
- c. Proceed as from next year with the far-reaching proposal discussed in paragraphs 14 to 18 below - essentially stand down the performance bonus scheme as from 31 March 1987 and introduce the discretionary pay scheme from same date in 1987-88 not just for Grades 2 and 3, to which we are committed, but for all grades down to Grade 7, coupled with a number of further changes aimed at tightening the link between pay and performance.
- d. As (c), but not immediately; leave the performance bonus scheme to run its full allotted course and then proceed with

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something on the lines of (c); it would be for decision whether or not some explicit or implicit statement was now made that this was the way that the Government would proceed.

The simplest of these, at least in the short-term, is Option (b). Option (a) is attractive to the Treasury, but would probably be very difficult to achieve. The Pay side of the Treasury think that Option (c) is most worth further effort. Option (d) is a form of halfway house, but has its awkwardnesses.

4. Whatever happens the question of money arises. The performance bonus experiment costs around £4 million per annum, which is just under 1 per cent of the pay bill of the grades in question or about 0.1 per cent of the whole Civil Service pay bill. If it is stood down, whether immediately or later, and nothing is put in its place, this amount would be saved on running costs. If something more elaborate is put in its place (ie Option (c) or (d) above) the aim would be to spend no more than had the performance bonus scheme continued. But we would have to note the upward pressures. Moreover there is a school of thought which says that any of these options including indeed the performance bonus scheme, is wasted money if no more sums of this order can be provided; either the Government as employer should do nothing at all in this area or should spend sums of money on a larger scale, if value is to be obtained.

5. The various elements entering into the picture are set out below.

Performance Bonuses

6. This scheme was embarked on by way of a three year experiment; we have had one full year and we are now in the middle of the second.

7. There are mixed views about the value of the scheme. A few think it has something. But generally there are serious doubts about whether it is giving value for money, shared by most Establishment Officers and the Consultants who have been engaged to monitor it. Moreover it got

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off on a very bad footing with staff generally (not just the unions but individuals) and this has inevitably lessened its value. Wearing its public expenditure hat and indeed pay bill hat the Treasury would not see any merit for letting the experiment run to its proposed end, and we would vote for standing the scheme down at the earliest possible moment which would be March 1987, at the end of the second year of operation.

8. But there are problems in the way of simply standing the scheme down. To start with, though we would have to look into this, there is just the possibility that we may be under some kind of implied legal obligation to let it run. Secondly, simply standing it down without putting anything in its place is going to look not just like a confession of failure (even though it was expressly an experiment) but also like an abandonment of the whole notion of linking pay with performance, which Ministers collectively are unlikely to agree to. And thirdly, to abandon the performance bonus scheme just at the time as we were introducing discretionary pay for Grades 2 and 3 would simply look like tilting the scales in favour of top dogs and would itself be very difficult.

Discretionary Pay at Grades 2 and 3

9. This is another thing the Treasury has never been very keen on. But Cabinet decided it should proceed and the Prime Minister has announced it. The debate now is about relatively detailed (though still not uncontentious) matters, and this goes on amongst Permanent Secretaries. But there seems no doubt that some kind of scheme will have to proceed.

10. One element of the original scheme which Cabinet turned down, but which we ought to try to resurrect, is the idea that "normal" progression up the present incremental scales (three steps for Grade 3 and two steps for Grade 2) should cease to be entirely automatic. What had been proposed was that while the presumption should be that these increases should be given to those who perform satisfactorily, a positive decision to this effect would have to be taken. The legal position means that this would be for new entrants to the grade only. Cabinet threw this

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refinement out, effectively on a side wind. But the proposal ought to be brought back.

Personal Promotions

10. The MPO for some time have been writing up a scheme in this area, originally designed to mitigate "promotion blockages". It is a bit of a make weight. There are already provisions in our arrangements for what are known as personal promotions, whereby people who have been recognised consistently as deserving promotion but who are facing a substantial delay in achieving that promotion because of the shortage of opportunities, are given the rank and pay of the next grade on a personal basis albeit remaining in the job at the lower grade until they were offered ordinary substantive promotion. The idea is that this should be given a push with a bit more delegation to Departments, with particular reference to promotions from Grade 7 (formerly Principal and equivalent) and HEO.

12. We have gone along with this idea largely because it merely gives a shove to something which exists already. But nevertheless we are not particularly keen on it; it could be described as no more than organised grade drift and is in effect a very long way round to do what we essentially want to do; namely give good people more money. Our impression is that Departments generally (including the domestic Treasury), and even perhaps MPO, are keen on this scheme only for want of anything better.

Incremental progression - stopping, hopping and long service.

13. On the table there are proposals as yet unworked though which go further than the notion of holding up increments simply at Grades 2 and 3 (see paragraph 9 above) but which would relate to the whole of the Civil Service. These would involve the possibility of withholding increments, accelerating increments (giving increments either out of time or two year's worth at one time, for instance) or a kind of long service "loyalty" increment whereby somebody who has reached the top of his normal scale and has served there for, say, 5 years might get a further increment at that point, perhaps conditional on satisfactory performance.

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Losses of able people

14. Finally, there is the increasing rate of loss of able people particularly at Grade 7, but also Grade 5. The scale of this problem can be exaggerated, but there is something here which may have to be looked at sooner or later. We cannot match the sort of pay increases some people are, it is said, leaving for, but some modest move could be appropriate and effective. The FDA are bringing increasing pressure - so far resisted - on this point, but it is not confined to administration grades.

The way forward

15. The possible ways forward are summarised in paragraph 3 above. The paragraphs below set out Option (c) in detail.

16. This option is as follows :-

a. The performance bonus scheme would be stood down as from 1 April 1987.

b. Discretionary pay points above the maximum of the scale for the grade (described here as the "normally attainable maximum" or NAM) would be introduced as from, say, 1 October 1987 not just for Grades 2 and 3, but for all grades down to and including Grade 7. As with Grades 2 and 3, these discretionary increases would be explicitly withdrawable if performance fell off; this withdrawability would be real and would happen, and would not just be theoretical. Only staff on NAM would be eligible. The pay points themselves, and the number of discretionary awards which could be given, would be calculated so as not to spend more than the performance bonus scheme would have called for had it continued. A lot of detailed work is needed on the precise points but preliminary indications are that if 3 discretionary increments of £1,000 each at Grades 5 and 7 and 2 at Grade 6 were introduced about 2-3000 staff (about 10 - 15 per cent of the total in the grade but a bigger percentage of those who had

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reached their NAM could be in receipt of increments at any one time, for the same cost as the performance bonus scheme (assuming these points remain non-pensionable). Fewer points would allow bigger increments, and vice versa, for the same money.

c. For all these grades (Grade 2 to Grade 7) progression up the normal incremental scales to the NAM would no longer be entirely automatic and while the presumption would remain that these increments would be given they would require a positive decision each time. Following the exchanges we had with Treasury Solicitor earlier in the year this change would only be made for people who had been promoted into the relevant grades after the date of announcement of the new measures.

d. Personal promotions would continue, but the proposed specific new initiative would not proceed.

e. Increment stopping or delaying is dealt with at sub-paragraph (c) above. Increment hopping would be introduced under rules to be devised, not just to offset the "loss" to the group as a whole from increment stopping or delaying, but also so as to enable incentive to be given to people who had not yet reached their NAM (discretionary pay only being given once people have reached the top of their normal scales). Initially, these changes would apply only to Grades 2 to 7 but it would be made clear that they could be extended down the line in due course.

f. The idea of long service increments would as a general proposition be postponed sine die, though they might still have their place in certain limited areas (for instance it was not widely noticed that a long service increment for certain Civil Service cleaners - the lowest of the low - was introduced in the 1985 pay negotiations).

An example of what the resulting scales might look like is attached.

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17. This would be a fairly dramatic move. It has its disadvantages, thus :-

a. The many opponents of the performance bonus scheme (including staff interests) could try to make embarrassment out of a change now, even though the scheme was an experiment and known to be one.

b. A scheme for discretionary pay on these lines would be more difficult to drop than a performance bonus scheme, once introduced, it could in practice only be stopped by consolidation into the main scale.

c. As compared with performance bonuses, for Grades 3 through to 7 pressures to increase the value and cost of the scheme may be stronger and more continuous. (The figures mentioned in paragraph 16(b) may immediately be criticised as too small, especially in relation to the retention of people tempted into other jobs.) In addition even if the formal rules are not relaxed the risk of drift into automaticity would be high unless very rigorous criteria were devised and enforced. And for any particular individual the discretionary increases, even if withdrawable, are obviously more durable than one off bonuses when performance falls off.

d. The change over from the performance bonus scheme to this scheme could be an additional burden on Departments at a time of much other change.

e. Some of the defects found in the performance bonus scheme apparently stem not from the nature of the scheme itself but from Departments' slowness in learning to manage the cultural and other problems involved in operating a performance related pay scheme. Some of these may carry over into any such scheme.

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f. It may be less easy to resist pensionability if the scheme for discretionary pay is extended in this way. Pensionability would add substantially to the cost of the scheme, and to the benefit accruing to individuals in their last year, and must be resisted.

18. Against that there are advantages, thus :-

a. It seems unlikely that the performance bonus scheme would be renewed if the three year experiment were allowed to run. But something would almost certainly have to be put in its place and the sort of scheme I outline above is what we might see. Thus we would only be advancing things by one year. If Departments are going to have all the trouble of introducing discretionary pay points for Grades 3 (it looks as though Grade 2 will be dealt with centrally) they might as well simultaneously introduce something which goes down the line.

b. Running the rump of the performance bonus scheme in tandem with discretionary pay at Grades 2 and 3 is going to look odd generally: and specifically is awkward at Grade 3 level.

c. There are some problems of retention of people at Grade 7 and Grade 5 - the Treasury is not alone in Departments in finding this. Performance bonuses have not worked; discretionary increments might.

d. Nobody is particularly keen on the new personal promotion initiative, which is on the whole a bit of a gimmick, and better dropped.

e. An initiative like this gives us a chance to get flexibility into the incremental system, by way of increment stopping and increment hopping; and coupled with the discretionary points it would be a useful step towards a long-term system of

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progression up pay scales by merit. It would be impossible to do this save in the context of some total package.

f. A move now would sit well with our initiative on geographical pay and other flexibilities.

19. There would have to be consultation with staff interests. It is possible that this might be easier in a total context which includes standing down performance bonuses, and there are indications that some unions are keener on discretionary pay than bonuses. On the other hand there are unattractive elements in this package such as increment stopping or delaying, the "quota" system for discretionary increments and non-pensionability. On the whole we think we would get this package through though there would certainly be pressures for concessions en route.

Conclusion

20. The essential question for the Treasury is what is likely to give best value for money. Any scheme for linking pay with performance is largely an act of faith and we have been consistently sceptical. Thus all other things being equal we would probably want to go for Option (a) in paragraph 3 above - stand down the performance bonus scheme as from March 1987 with nothing in its place. But assuming that for various reasons this is not possible, we are left with the other options

- simply letting the performance bonus scheme run without anything very active being done for the time being except discretionary pay for Grades 2 and 3 as planned (Option b)

- something radical on the lines above as from April 1987 (Option (c))

- something on these lines but deferred until April 1988 (Option (d)).

21. A certain amount depends on Ministers feelings for their handling of the Civil Service and their wish to rock, or not rock, the boat at

CONFIDENTIAL

this stage. The Pay side of the Treasury would vote for Option (c), not because it is in any sense perfect, but because it points in the right general direction and seems better than the alternatives, including Option (d).

Pay 1 Division

11 September 1986

CONFIDENTIAL

EXAMPLE OF A GRADE WITH DISCRETIONARY PAY: GRADE 7

The attached diagram gives an illustration of the scale for Grade 7 resulting from the discretionary pay proposals.

The existing scale points are shown as thick horizontal bars. The dotted horizontal bars above the existing maximum of the scale are examples of the type of discretionary points being proposed.

The diagram also shows the relative pay points of three individuals after five years, assuming for the sake of this example that they all joined on the minimum. With the existing automatic annual incremental progression, these individuals would all be on the same pay point but in this illustration of increased discretionary use of normal increments within the existing scale, the three individuals are on different pay points reflecting their performance in each of the five years they have spent in the grade.

EXAMPLE OF A GRADE WITH DISCRETIONARY PAY

GRADE 7

SALARY £000s

22
21
20
19
18
17
16
15
14

0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10

LENGTH OF SERVICE IN GRADE (Completed years)

£22,465

DISCRETIONARY SCALE
Not normally attainable. No normal progression up to or down this scale. Increments reduced, awarded on discretionary basis and withdrawn

£21,465

£20,465

NORMALLY ATTAINABLE MAXIMUM

£19,465

EXISTING SCALE

Progression not automatic but usual.

Some stopping and jumping up the scale.

No withdrawal of increments

Pensionable - unlike discretionary scale above

pay point of individual after 5 years with 2 years outstanding performance



pay point of individual after 5 years satisfactory performance



pay point of individual after 5 years with 2 years unacceptable performance



£14,318

£14,825

£15,434

£16,107

£16,747

£17,388

£18,197

Note For ease of illustration this example assumes that staff enter on the minimum. This is not necessarily the case



CPB
 Prime Minister (4) papers on
 for information

Treasury Chambers, Parliament Street, SW1P 3AG

David Norgrove Esq
 Private Secretary
 10 Downing Street
 London
 SW1

mb
 5 September 1986

Dear David,

CIVIL SERVICE NUMBERS

You may like to let the Prime Minister know that at 1 July 1986 there were 596,961 civil servants in post. This represents an overall reduction of approximately 135,000 (18.5%) since 1 April 1979 and compares with 136,000 (18.6%) this time last year.

The new total is 2,596 more than at 1 April; but still 3,478 below the 1 April 1987 manpower target. It reflects increases in the last quarter in the Manpower Services Commission (1474); the DHSS (1376) and the Department of the Director of Public Prosecutions (888 for the new Crown Prosecution Service). The largest reduction took place in MOD (711). The overall net increase was not unexpected given the announced increases for the Employment Group (Budget measures) and for DHSS.

In the April-June quarter an increase in non-industrials of 3,607 was partially offset by a reduction in industrials of 1,011.

We propose to publish the figures next week by means of a Treasury Press Notice.

Yours,

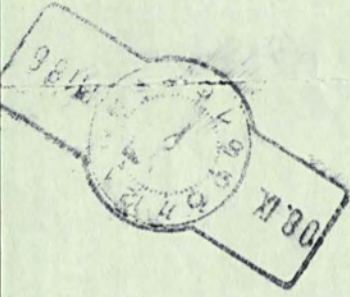
Jill

JILL RUTTER
 Private Secretary

CIVIL SERVICE : Long term mgt policy. Pt 19.



UNITED STATES GOVERNMENT



CONFIDENTIAL

F

FROM: J G PEET

DATE: 25 JULY 1986

MR BOOTE)
 MISS EVANS)
 MS GOODMAN)
 MR HALLIGAN)
 MR PICKERING)
 MR WILLETTS (NO 10))

copy to each

Mr Wicks cc Mr Norgrove

You may be interested in this which reflects John Peet's conversations with myself & others. In general I agree with it though:

(i) I think pay is overstated & promotion understated. We don't ^{just} want to increase our pay on ^{an} ~~merit~~ ^{merit} job, but to increase

I have mentioned to all of you my note for EOG on why Principals are resigning. I attach a copy of the final version, as sent to Brian Fox. Ms Goodman may care to show it also to Huw Evans, as FDA branch Chairman.

it by promotion or merit not
 suggestion

(ii) The civil service, like other large organisations is going through a process of 'contracting out' functions ^{which should be recognised} and encouraged.

David Willetts
 29/7/86

J G PEET

WHY ARE PRINCIPALS LEAVING THE TREASURY?

A Personal View

There has been a large number of resignations at Principal (Grade 7) level in recent years. The table attached to Huw Evans' letter of 16 May to Sir Peter Middleton showed 26 resignations in the period 1981-85. This year's picture is worse still. Moreover, it is commonly believed that those resigning come disproportionately from among the "high-fliers": the effect of the resignations thus goes beyond the direct losses and is reflected in a fall in overall average quality of staff at Grade 7 level in the Treasury.

2. A random roll-call of some who have left seems to bear out this view. They include Deryck Maughan, Andrew Winckler, Reg Hinkley, Kevan Watts, Chris Baker, Howard Davies, Chris Smallwood, Stephen Locke, Nick Sallnow-Smith, Richard Broadbent, John Williams and Adrian Ellis. David Willetts is also to leave shortly. In my view, the Department cannot afford to lose people of this quality over such a short period without running the risk of a major fall-off in the quality of its service to Ministers.

3. I believe that there are five major reasons for the outflow, in descending order of importance:

- i. Pay;
- ii. Promotion prospects and career structure;
- iii. Outside perceptions of the civil service;
- iv. Interest of the job; and
- v. Prospects for the civil service in the long run.

Pay

4. No-one should be under any illusion that pay may not be a major factor. I consider it to be far and away the most important reason for the large numbers of resignations. I am not impressed by Sir Peter Middleton's claim, in his letter of 4 June to Huw Evans, that "less than half those who leave profess to do so for pay reasons": even Treasury officials are averse to appearing too mercenary, and many like to think they are leaving for higher motives than mere money. Pay is a motivating factor even where the initial salary change is small or even negative: it is the better prospects in the private sector which matter.

5. I will not attempt to rehearse in detail the various figures which exist on relative pay movements; they are anyway always heavily dependent on choice of base year. It does seem clear that there has been a very long term trend of pay in the civil service losing ground to pay outside. Figures produced by Geoffrey Fry suggested that Principals' pay in the period 1956-1980 had risen 657 % (incidentally, much more than pay of higher civil servants), while the average wages index had risen by 730 %. It has long been accepted, too, that a career in the civil service cannot hope to yield the same sort of financial rewards as the City or even most other professions, and this has not deterred good quality graduates from joining and remaining in the civil service generally and the Treasury in particular.

6. There are, however, two new points about civil service pay which have emerged under the present Government:

i. the abolition of Pay research in 1980 and the overt abandonment of the principle of comparability;

ii. the speed with which a downward relative pay adjustment has been made.

7. Coming as it did in the wake of a general feeling that Ministers (and particularly the Prime Minister) were hostile to the civil service, the decision to abolish pay research had a profound psychological impact. Ever since the Priestley Royal Commission of 1955, and indeed before that, it had been accepted that, as a matter of principle, and because it was inherently impossible to look to market forces, civil servants should be paid at a rate comparable to similar work outside. In practice, of course, Governments had frequently refused to implement full comparability: one of the most notable examples of this was just before the abolition of PRU, in the period 1976-79 under a Labour incomes policy which very sharply reduced relative civil service pay. But it was always much easier to accept a temporary squeeze, eg as a result of an incomes policy, if a long run commitment to comparability remained; for it implied a prospect of "catching up" (as indeed happened in 1980). Since 1980, notwithstanding the Megaw Committee report and the abortive efforts to find a long-term pay agreement, there has not been any such "safety-net".

8. The psychological impact of PRU abolition has been very much reinforced by what has actually happened to civil service pay since 1980. We have had six successive pay rounds in which the civil service settlement has been below outside levels, and there is every prospect of a seventh next year. From April 1981 to April 1986, civil service settlements amounted to 38.8 % compared with 50.7 % for non-manual workers generally. In 1980, the minimum Principal salary was 1.44 times average non-manual earnings (having been 1.6 times it in 1975); by 1986, the multiple was down to 1.12. Sir Geoffrey Howe's statement to the Megaw Inquiry that the Government did not intend year after year to pitch civil service settlements below market rates in the private sector sounds pretty hollow in the light of subsequent experience.

9. The comparison of relativities is much worse if one looks at how bright graduates have fared in the London job market than if one talks of the overall civil service. Even after the recent run of low settlements, there is evidence to suggest that civil service pay generally may be above local market rates in the North, in Wales and in Northern Ireland. In London (and not just in the City, either), the market for good graduates has been booming in the last 5-6 years. Consultancy, accountancy, financial services and the law now offer starting salaries and prospects that are immeasurably better than the Treasury: indeed, one hears of cases where starting salaries are above those earned by Principals in the Treasury with ten years' service. The civil service has completely failed to understand what has happened to the graduate job market: able graduates are now courted by potential employers well before their finals, "golden hellos" are sometimes paid and increasing emphasis is placed on the "perks" element of remuneration. There is a general appreciation in the marketplace of the premium value which a good graduate can command. The relative loss of attractiveness which the civil service has suffered has been rapid and may be irreversible: one effect has been a fall in the quality of new ATs, but a loss of good Principals is another.

10. I should add three further reflections before leaving the subject of pay, on London weighting, the TSRB and performance bonuses. On the first, I entirely endorse the view that London weighting should be seen not as compensation for the higher cost

of living but as part of the necessities of recruitment and retention. But on this latter basis, it should be higher than on the former; and on either basis, it is far too low. Property prices in London are now so high that a new AT has little chance of even getting a toe-hold in the market; many of his contemporaries benefit not just from higher pay but also from cheap mortgages. A substantial increase in inner London weighting is long overdue.

11. Regular overriding of TSRB recommendations - in 1979, 1980, 1981 and 1986 - has also worsened prospects at the top. Other public sector groups with Review Bodies have not been treated in the same way: to say nothing of MPs. It is hard to avoid the feeling that civil servants now come at the bottom of the public sector heap - and the public sector itself comes beneath the private sector.

12. The recently introduced performance bonus scheme has done nothing to improve the situation: indeed, I believe it has made it worse. Bonuses have created resentment among those who did not get them, and a worry that this may mean the Department no longer values their work; they have been awarded arbitrarily and in a covert way - so that no-one can explain what criteria have been used; they have been artificially limited to a fixed proportion of total staff regardless of workload or effort; and they have manifestly not gone to those whom the Department is in danger of losing - indeed, some have gone to people on the verge of retirement or as a sop to those not likely to be promoted. Anyone who labours under the illusion that the present performance bonus scheme can do anything other than worsen the problem should be invited to talk to those on the receiving end.

Promotion prospects and career structure

13. This is the second major problem in the Treasury. The shortage of good recent graduates has meant that promotion to Principal at 26 (or even 25) has become the norm not the exception. The officials concerned are then expected to spend the next ten years at the same grade. Recently, a Principal with nine years seniority was told at the age of 34 that he was "too young" to be promoted this year. A number of recent promotees have had

to wait until they are 37. The dead weight of the seniority list and the unspoken age bar hovers over many bright 30-year old Principals who, in outside organisations, would be approaching the point at which their contribution to the firm and their remuneration could be expected to be growing very rapidly. It is no surprise to me that most Grade 7 resignations come after those concerned have acquired about 5 years seniority.

14. There are three common responses to complaints on these lines:

i. the position is not much different now to what it has always been. Indeed, the Treasury has managed to do better than other Departments (ironically, this is largely because of the number of resignations!);

ii. it is difficult to maintain a good flow of early promotions in an organisation which is shrinking in size. The promotion prospects above Grade 5 level are in practice worse than those for Grade 7 to Grade 5;

iii. one cannot in an organisation like the Treasury disregard the claims of seniority. Those in their early thirties can afford to wait without impairing their longer term prospects. Those in their late thirties cannot. To promote people in the first group early would be to waste the potential of those in the second group, even if objectively they may have less talent, and not such good long term prospects.

15. These points have force. But they are really arguments about the difficulty of change, not defences of the status quo. And they can be answered. Thus, the situation has certainly worsened compared with the mid-70s, when there were a number of promotions at 33 or even 32 compared with the present 35 and 36. As for the promotion blockage higher up, this too needs sorting out. A way has to be found of accommodating staff reductions without lengthening the general wait for promotion: otherwise, the problem of retaining good quality staff can only get worse. Outside organisations commonly look to youth when picking senior men; experience suggests that younger people frequently have more

energy and imagination than their seniors. Of course it is difficult - and it may cost money - to apply the same principle to a hierarchical organisation like the civil service; but it will have to happen one day, and it may well be associated with another trend, of people being willing to leave the service before retirement. Meanwhile, it does not help matters if the rare grade 3 and 5 vacancies which do occur are filled by inward secondments.

16. As for the difficulties which "leap-frogging" could create, these too have to be addressed, as they already are for promotions to senior grades. One possibility might be to treat Grades 4 and 6 as interim promotions which can be justified on grounds of age and seniority. Another could be to promote some staff "à titre personnel" without having to wait for a Grade 5 vacancy. Maintaining a system in which everyone knows that, however well they may perform and however highly they may be regarded, they cannot be promoted until they are 35 is no longer tenable in the modern jobs market; it breeds disillusion and (sometimes) a tendency to slacken off the efforts in (say) one's second posting; it also leads more people to feel that they would lose nothing by resigning at 29 or 30, since they could return at 33 or 34 without affecting their promotion prospects. And I can certainly cite instances of people who feel they have wasted time by joining the Treasury at 21 or 22 rather than 25 or 26 since promotion seems to be so heavily influenced by age.

Perceptions of the Service

17. It is much more difficult to see a way of dealing with the third problem, outside perceptions of the civil service, including those of people's peer groups. There is little doubt that respect for the service in general and the Treasury in particular as a worthy career has fallen significantly. Young graduates think much less highly of the service as a potential employer; people one meets express surprise that men of ability should still be "mouldering away" in the Treasury (one answer to which is that they will not be doing so for much longer!).

18. The real problem, though, lies with Ministers and the Prime Minister in particular. Seven years of spreading a consistent message that the public sector is parasitical, unproductive,

overstaffed and overpaid has its effect both inside and outside the service, notwithstanding the consideration that Ministers are transient beings. And the general impression is that Ministers positively welcome the recent spate of resignations as releasing to more productive employment in the private sector resources which have hitherto been wastefully employed in the public sector.

19. There is also a major knock-on effect from mass resignations on the morale of those remaining. In part, this is because of a feeling that the quality of staff in the Treasury may be falling (something I discuss below), making it a less attractive place to work. But the falling respect in which the Department is held, allied with the numbers leaving, engenders a strong feeling along the lines of "I must be useless if I choose to remain". This can be exaggerated: Treasury civil servants are not that weak-minded. But it is a contributory factor to falling morale and to a disposition to look for other jobs. In addition, the ease with which many Treasury Principals have made the transition to higher-paying careers elsewhere has encouraged those remaining to believe they can do the same thing.

Interest of the Job

20. The saving grace of the Treasury in all earlier difficulties about pay, promotion, morale, status etc etc has always been the great interest of the job. Officials are operating at the very heart of Government policy, influencing its formation and implementation, affecting the outside world in countless unappreciated ways. It still is a fascinating and stimulating place to work. Colleagues are of a high standard; the issues discussed are of great importance; one has access to senior officials and Ministers at a remarkably early age; one can, indeed, feel that one is making a valuable contribution to policy-making. But I am not alone in believing that some of the edge has gone in recent years. There are an increasing number of high policy issues which appear to be "off-limits" for officials. Ministers seem less interested in debating policy options or new ideas with officials - or indeed with anyone. They are more inclined to listen to what they want to hear, and to dismiss alternative views as inconsistent with their political approach.

22. This may be the effect simply of a Government which has particularly entrenched views on the working of the economy and the best way to devise Government economic policy: something which could change in the near future. But there is certainly a worry among young Treasury Principals that they will not in future be called upon or expected to offer policy advice on what used to be called the "Budget Judgment"; or on how best to restrain private sector wages; or on the effects of monetary policy; because all of these things are seen to have entered the political arena much more than previously. Instead, officials could be reduced to advising and briefing on implementation of a previously decided macro-economic strategy which may owe as much to political prejudice as to a coherent knowledge of economics. This is something of a caricature, and I realise that it is not for officials to raise questions over the essence of a Government's policy. But it all helps, in my view, to create a climate in which Treasury Principals feel more foot-loose than they once did. A further factor has been the merger with CSD in 1982, which has increased the number of potentially "boring" jobs one might be given (as well as worsening the seniority list!).

23. There are also some frustrations about life as a Principal here which may have been getting worse. There are still too many layers in the hierarchy: if each layer is actively involved in particular issues, Principals can be cut out, eg of meetings or even of circulation lists. Allied with this, there has been some tendency for important work to start drifting up the line again, after a period when it was increasingly being delegated. And it should not be forgotten that frustrations over lack of typing and other support staff can diminish considerably the pleasure one can take in a job.

24. It is worth finally noting that the resignation of an appreciable number of good Principals itself has an impact on job interest. A major part of the satisfaction of working in the Treasury has, as suggested above, been the quality of colleagues and the consequent scope for interesting and thoughtful exchanges on policy issues. If people begin to feel that their best colleagues may be leaving, the general level of job satisfaction will inexorably decline. There is here a vicious circle which it may prove very difficult to break.

Longer-term Prospects for the Service

24. Many of us are increasingly worried about the longer-term prospects for the career civil service. A number of outside commentators and politicians are questioning whether top positions in the service should automatically be filled by career officials. More political advisers are being appointed, and they may be playing a more significant role than previously. Some recent appointments to senior positions may have been politically motivated. It is not too fanciful to foresee a move to more American-style Government, with a change of administration being accompanied by wholesale importation of senior officials. The development in the late 70s and early 80s of much more confrontational politics and the "politicisation" of much economic policy have made the prospect even more likely: Ministers will in future be less ready to put up with the possibility of official "interference" with their programme and policies. A related phenomenon has been the growing tendency to commission outside consultants to examine and report on specific policy issues.

25. These are probably inevitable long-term trends which may not have been much accentuated by recent developments. But the fact of significant resignations at Principal level also affects the prospect. If Ministers and others conclude that the quality of advice available in the Treasury is falling off, this will make them more likely to wish to look outside for advisers. Another vicious circle could be in the making.

Conclusion: and some solutions

26. This note has ended up being longer than intended. Nor does it contain anything new. But I think it is important for senior management (and, ultimately, that means Ministers) to appreciate the situation on the ground. When two Principals meet now in the corridor or for lunch, their first topic of conversation is invariably who has recently resigned, who else is believed to be on the verge of resignation, and whether either of them has yet found a job. Morale is as low as it has ever been while I have been here. And no-one expects anything to be done about it.

27. My view is that the time is long past when, to quote Sir Peter Middleton's letter again, we need to wait to be sure we understand the nature of the problem. If any of the problems I have identified above had occurred on their own, the situation might have been containable: it is the combination that is proving so damaging. Moreover, if action is not taken to remedy matters very soon, it will be too late: the best staff will have gone. It is certainly the case that fewer people now accept it as normal to spend all their working lives with a single employer. Thus, a loss of staff may now be a more normal occupational hazard. But the Treasury is not attracting an inward flow of people. No-one of experience and ability outside can be expected to join as a Principal on some £16,000 a year; attempts to recruit direct entry Principals have been pretty unsuccessful. Nor can a Department like the Treasury survive on a diet of secondments, like the Cabinet Office: it needs staff who have imbibed the Treasury ethos which is very different from that of other Departments.

28. Urgent action is therefore necessary. It is beyond the scope of this note to discuss in detail what form it should take, although many of the problems identified above have obvious enough solutions (though they would cost money). There needs, first, to be movement on pay for London-based fast-streamers; and it must be pretty substantial movement. There must also be some measures to speed up the crucial Grade 7 to Grade 5 promotion. Improved support facilities and greater efforts (especially among Ministers) to raise morale will be necessary. Among other possibilities, I think a complete merger of the Home Civil and Diplomatic Services would help, since it would open up more opportunities for postings abroad; and an effort to attract some high quality people as direct entry Principals could also contribute.

J G PEET

July 1986

CP

Ref. A086/2146

MR FLESHER

You asked for a line to take on the report in today's Guardian by Richard Norton-Taylor, claiming that the Permanent Secretary at the Treasury "has told his officials to refuse to accept instructions which compromise their political neutrality and constitutional integrity".

2. The Treasury know of no reason why this story should have appeared at this time. Sir Peter Middleton has given no recent guidance of this kind to his officials. He recalls discussing these matters with senior staff around the time of the Westland affair (late January), with reference to Sir Robert Armstrong's Note for Guidance of 22 February 1985. What Sir Peter said then was consistent with what is reported now in the Norton-Taylor article, and indeed with the normal conventions. The Prime Minister could confirm this if it is raised in the House.

MS

M C STARK

22 July 1986

MCSABB

Mr Luce will
be answering
a question



Prime Ministers'
Agree we can have
the Question attached revised

MINISTER OF STATE, PRIVY COUNCIL OFFICE

and answer it as in the
draft?

PRIME MINISTER

Date: 22 July 1986

at 11am

Yes

N.L.V
22-7

On 4 July, I consulted you about the draft Government response to the Seventh Report from the Treasury and Civil Service Committee, on 'Civil Servants and Ministers: Duties and Responsibilities'. I subsequently, with your agreement, circulated the draft response to colleagues, and showed you the final version incorporating their comments.

- ... 2. I now attach the Confidential Final Revise of the White Paper, which is to be presented to Parliament by you, as Prime Minister and Minister for the Civil Service, on Thursday, 24 July. Publication will be at 11.00am to coincide with publication of
- ... the Westland Report by the Defence Committee. I also attach the draft Written Parliamentary Question and answer announcing the publication. This too can be timed to coincide with publication of the report.
- 3. I am copying this minute to members of the Cabinet, the Attorney-General, the Chief Whip, Ministers in charge of Departments and to Sir Robert Armstrong.

Richard Luce

RICHARD LUCE

DRAFT

Written Question

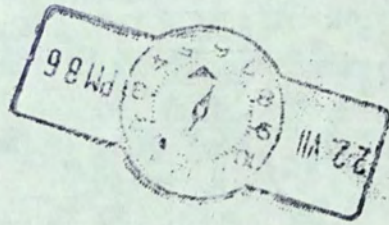
To ask the Prime Minister when the Government expects to reply to the Seventh Report of the Treasury and Civil Service Committee on Civil Servants and Ministers: Duties and Responsibilities.

Answer

The Government's response to the Treasury and Civil Service Committee's report is published today as a Command Paper (Cmd.9841). Copies of the response have been placed in the Library.

mm

CIVIL SERVICE Long Term PT19



Published Papers

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

Cmnd. 9841: Civil Servants and Ministers: Duties and Responsibilities

Government Response to the Seventh Report from the Treasury and Civil Service Committee, Session 1985-86, HC 92

[ISBN 0 10 198410 3]

Signed AWayland Date 30 September 2014

PREM Records Team

CAJAGZ



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

18 July 1986

Thank you for your letter of 17 July, about the possibility of the Prime Minister referring to the current Civil Service reforms at Cabinet.

I should have thought it would be better to timetable this for a Cabinet shortly after the end of the Recess, rather than at the beginning. Unless I hear from you to the contrary, I will therefore bring this forward at the appropriate time, and check with you at that stage that the speaking notes do not need amending.

I am copying this letter to Kate Jenkins (Efficiency Unit), Jill Rutter (Chief Secretary's Office), Murdo Maclean (Chief Whip's Office), Joan MacNaughton (Lord President's Office) and to Michael Stark (Cabinet Office).

MARK ADDISON

Paul Thomas, Esq.,
Management and Personnel Office

hs



Cabinet Office

MANAGEMENT AND PERSONNEL OFFICE

From the Minister of State
Privy Council Office
The Rt. Hon. Richard Luce MP

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

Mark Addison Esq
Private Secretary
10 Downing Street
LONDON SW1

NEA

Surely the first
 Cabinet after the
 recess, not the best
 one before is the time
 to raise this

NL 1
18.7

17 July 1986

Dear Mark,

We spoke recently about your letter to me of 5 June concerning the possibility of the Prime Minister referring to the current Civil Service reforms at Cabinet. I mentioned to you that after discussing the matter further with Treasury we were having serious doubts about the original idea that Cabinet's PES meeting might provide a suitable opportunity for this.

My Minister suggests instead that the Prime Minister should raise the matter (though not as an agenda item) at a subsequent Cabinet meeting. I have spoken to Michael Stark about this and he suggested that the meeting on 31 July might provide a suitable opportunity. To this end I enclose a speaking note which the Prime Minister might use.

I am copying this letter and attachment to Kate Jenkins (Efficiency Unit). Jill Rutter (Chief Secretary's Office), Murdo Maclean (Chief Whip's Office), Joan MacNaughton (Lord President's Office) and to Michael Stark (Cabinet Office).

Yours,
Paul

PAUL THOMAS
Private Secretary

cc: BA

1. My Nicks - free.
2. We still need 15 cards
ready to go.

11 2 CF by 28/7

cut-off

CIVIL SERVICE REFORMS

SPEAKING NOTE FOR THE PRIME MINISTER

1. We have now spent 7 years working for a better Civil Service. Experience has taught me that without constant encouragement and positive suggestions people use all the right words but achieve too little.

2. Much of this has to be done by leadership within the Civil Service. Senior officials in your departments are committed to making the Civil Service an even better organisation, and a better place to work. But they need your and your junior Ministers' direction and backing.

Five suggestions for you and your junior Ministers:

i. Let everyone know you are determined to push forwards the long-term reforms in the way both money and people are managed. What you say and do counts. It will make a real difference to what your officials do. For example, the recent MDR of budgeting: satisfy yourself that your department is tackling the follow-up positively, not just going through the motions;

ii. insist that any proposals put forward by your department say what will be achieved, when, and how you will be able to measure the results. It is not easy. But managers will find targets and measures of output for your programmes and running costs if you show they are important.

iii. challenge any claims that we have made all the improvements we can and cannot do more. Of course we have achieved much. Our record speaks for itself. But scrutinies and reviews of purchasing, contracting-out, construction projects and so on keep finding ways to do even better.

iv. Remember that resources for your new policies cannot be conjured up overnight. You will need to give a clear steer on the reappraisal of priorities and action to reduce effort on less essential work; and you should give as much advance notice as possible.

v. Let people know when they have done well. Tell them, if they are getting more money or manpower, to do more good work. And why they have less if your priorities are elsewhere.

3. I have had informal seminars with some of you to discuss these changes. I shall be having more in the future. But our management responsibility for the Civil Service is not something we can just turn to every few months. It has to run from our discussions about the big policy issues right through to local office managers. I look to you, together with your junior Ministers, to keep up the momentum.



MINISTERS - PM's meetings with
Junior Ministers - June '79
(to be X'd)

lite
SM



10 DOWNING STREET

From the Principal Private Secretary

MR. PAUL THOMAS

MANAGEMENT AND PERSONNEL OFFICE

**TCSC: GOVERNMENT RESPONSE TO SEVENTH
REPORT**

I have shown the Prime Minister the revised draft of the Government's response to the TCSC Report. She is content with the revisions and for the Response to be published in this form.

I am copying this minute to Michael Stark (Cabinet Office).

N L WICKS

14 July 1986

MANAGEMENT IN CONFIDENCE

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Cabinet Office

MANAGEMENT AND PERSONNEL OFFICE

From the Minister of State
Privy Council Office
The Rt. Hon. Richard Luce MP

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

Nigel Wicks Esq
Principal Private Secretary
10 Downing Street

Prime Minister

These amendments 11 July 1986
look fine!
Content? Yes Mr.

N.L.W
11.7

Dear Nigel,

TREASURY AND CIVIL SERVICE COMMITTEE: GOVERNMENT RESPONSE TO SEVENTH REPORT

We have now received comments in response to my Minister's letter of 7 July about the Government's proposed response to the Seventh Report from the Treasury and Civil Service Committee, on "Civil Servants and Ministers: Duties and Responsibilities." I attach a proof copy of the response, with amendments in manuscript together with a note of the originator of each amendment.

Taking the amendments in turn:

- para 2: suggested by the Prime Minister
- para 3: a factual change
- para 12: sentence deleted as agreed with you
- para 14: all these changes have been requested by the Lord Privy Seal or his office, and are mainly drafting points
- para 15: suggested by the Prime Minister
- para 28: a factual change
- para 33: agreed between the Prime Minister and Mr Luce
- para 34: amended to allow for the fact that five Departments do have more than one Special Adviser

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para 46: amendment requested by the Lord Advocate

para 48: amendment requested by the Home Secretary

My Minister would be glad to know if the Prime Minister is content with this final draft, so that it can be sent to the printers on Monday. I should be grateful if you would contact me as soon as possible on Monday morning.

I am copying this letter and enclosure to Michael Stark.

Yours
Paul Thomas

PAUL THOMAS
Private Secretary

MANAGEMENT IN CONFIDENCE

Proof 1—10.7.86



**CIVIL SERVANTS AND MINISTERS:
DUTIES AND RESPONSIBILITIES**

**Government Response
to the Seventh Report from the Treasury and
Civil Service Committee,
Session 1985–86, HC 92**

*Presented to Parliament by the Prime Minister and Minister for the Civil Service
by Command of Her Majesty
July 1986*

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MANAGEMENT IN CONFIDENCE

- **CIVIL SERVANTS AND MINISTERS: DUTIES AND RESPONSIBILITIES**

- **GOVERNMENT RESPONSE TO THE SEVENTH REPORT FROM THE TREASURY AND CIVIL SERVICE COMMITTEE**

- **SESSION 1985-86, HC 92**

Introduction

1. The Government welcomes the Committee's Seventh Report, together with the memoranda and minutes of evidence taken by their Sub-Committee for the purpose of preparing the Report, as a contribution to the public discussion of a number of important and sensitive issues which lie at the heart of the exercise of government in a parliamentary democracy and in a complex industrialised society.

2. This response is intended to be seen in the same light: as a contribution to a continuing discussion, not as the last word in an argument. For these issues are concerned not just with institutions, and relationships between institutions; they are very much concerned with relationships between people working together in a framework of political and administrative institutions, which themselves progress and develop, and in widely varying political contexts. They are not therefore issues on which there is likely to be ~~general~~ agreement, or even finality: political circumstances change—indeed governments change—and solutions which may seem appropriate in one context may be inadequate or inappropriate in others. The need is to discern and identify the principles which ought to guide the people concerned as they exercise their judgements in dealing with particular situations and problems, rather than to try to generalise from particular situations and problems that have occurred and to prescribe detailed solutions for dealing with them in future.

h complete
[Prime Minister]

Duties and responsibilities

The Civil Service

3. There is one other general point to be made at the outset. The Committee's report is relevant mainly to civil servants working at the centre of government, advising Ministers on the formulation and execution of policy, and much of this response follows the Committee's Report in that respect. But the Civil Service as a whole is a much larger body of public servants—nearly 600,000 in all—engaged in an extremely wide variety of functions. In thinking about the ~~one half of~~ one per cent of civil servants with whom the Report is primarily concerned, it is important not to lose sight of the diverse functions of other members of the Civil Service.

[FACTUAL]

4. The Government has noted, and warmly endorses, the appreciation expressed by many of those who gave evidence to the Committee of the loyalty, devotion and professionalism with which civil servants carry out the duties placed upon them.

5. The Government recognises the particular pressures which have been created by its commitments to:

- (1) reducing the role of the state and the extent of its intervention in the affairs of the citizens;
- (2) making sure that the activities that continue to be carried out within government are managed with the greatest possible efficiency and effectiveness;
- (3) as a counterpart and consequence of these processes, reducing the size of the Civil Service.

6. The Committee's report does not touch on the programme of management reform which has been going forward in the public service since 1979. Manpower has been reduced by nearly 20 per cent. There have been changes to ensure greater personal responsibility for financial management on the part of individual line managers in the Civil Service, fuller initial assessment of the objectives and costs of services and policies and more reviews of their effectiveness. The changes in management have required substantial changes in the attitude of civil servants to their work. It is a great credit to the Service, not just that the necessity for these changes has been accepted, but that the process itself has been positively espoused and is bearing fruit.

7. The Government notes with satisfaction that the Committee "have received no convincing evidence that the British Civil Service is being or has been politicised". This is entirely in line with the Government's conviction that the Civil Service has not been, is not being, and should not be allowed to become politicised. It reaffirms its belief in the importance, in the British system of parliamentary democracy, of maintaining a non-political professional Civil Service, offering those who join it a career with the opportunity of rising to the highest levels. Only so, in the Government's view, will it be possible to maintain the standards of integrity, intelligence and skill which have characterised the British Civil Service and benefited the country for more than a hundred years.

8. The Committee have noted that they would find it helpful to have a clear definition of the Civil Service. As the report notes, the Expenditure Committee made the same request in 1978 (Session 1976-77, HC 531-1). The Government's response (Cmnd 7117, paragraph 107) was as follows:

"There is in law no universally applicable definition of 'civil servant' or 'Civil Service'. The most important distinguishing characteristic is service on behalf of the Crown. The employees of bodies which do not in law have crown status (eg local authorities, nationalised industries) are not civil servants. Political, judicial and other Crown office holders whose terms and conditions of service are separately provided for are distinguished from civil servants, as are the Armed Forces and the Royal Household."

The Government cannot improve upon this definition, which (it will be noted) includes the Diplomatic Service and the Northern Ireland Civil Service, though these are separate from the Home Civil Service. It does not include employees of National Health Authorities, who are Crown servants but not civil servants.

[FACTUAL]

9. The Government does not propose in this response to the Committee's Report to embark upon an elaborate disquisition on the constitutional significance of "the Crown". What Sir Robert Armstrong wrote in his note of guidance of 25 February 1985 ("the Armstrong memorandum"), the issue of which gave rise to the Committee's inquiry, was the subject of careful consideration, and the Government believes that it provides the right foundation on which to base the discussion of working relationships and their implications:

"Civil servants are servants of the Crown. For all practical purposes the Crown in this context means and is represented by the Government of the day . . . The Civil Service as such has no constitutional personality or responsibility separate from the duly elected Government of the day."

Ministers

10. Ministers are also servants of the Crown: with the difference, as the Committee recognises, that it is they who bear political responsibility and accountability. The Government agrees with the view that good government depends as much upon the integrity of Ministers and their accountability to Parliament, as upon the integrity of civil servants and their accountability to Ministers.

11. The Government believes that Ministers are well aware of the principles that should govern their duties and responsibilities in relation to Parliament and in relation to civil servants. It goes without saying that these include the obligations of integrity. They include the duty to give Parliament and the public as full information as possible about the policies, decisions and actions of the Government, and not to deceive or mislead Parliament or the public. In relation to civil servants, they include the duty to give fair consideration and due weight to informed and impartial advice from civil servants, as well as to other considerations and advice, in reaching policy decisions; the duty to refrain from asking or instructing civil servants to do things which they should not do; the duty to ensure that influence over appointments is not abused for partisan purposes; and the duty to observe the obligations of a good employer with regard to terms and conditions of service and the treatment of those who serve them.

12. The Government does not believe that it is necessary to go further than this in defining the duties and responsibilities of Ministers—or indeed possible to do so without adding so many caveats, provisos and saving clauses as greatly to limit the value of the exercise as a detailed guide to conduct. ~~Steps are, however, being taken to familiarise newly-appointed Ministers with the workings of Government departments, to help them to contribute to the achievement of greater efficiency and better value for money, and to equip them to make the best use of the Civil Service resources available to support them.~~

[LUCF]

Accountability

13. The Government endorses the Committee's two basic propositions on accountability: that Ministers and not officials are responsible and accountable for policy; and that officials' advice to Ministers is and should remain confidential. Constitutionally Ministers are responsible and accountable for all actions

carried out by civil servants of their departments in pursuit of Government policies or in the discharge of responsibilities laid upon them by Parliament. The delegation of authority to managers at all levels, which is an important part of the Government's drive for more efficient and economic use of resources in the Civil Service, involves internal accountability within departments and does not conflict in any way with the external accountability of the Minister to Parliament. Any attempt to make civil servants directly accountable to Parliament, other than the strictly defined case of the Accounting Officer's responsibility, would be difficult to reconcile with Ministers' responsibility for their departments and civil servants' duty to their Ministers.

[BIFFEN - all para 14]

generally and the Departmental Select Committees in particular. These

14. This has implications for the position of civil servants in relation to Select Committees. ~~Select~~ Committees were established to examine the expenditure, administration and policy of departments, ~~The relevant powers of the Committees~~ and the conventions ~~that are~~ accepted as applying ~~are~~ set out comprehensively in the First Report from the House of Commons Select Committee on Procedure (Session 1977-78 HC 588) and the memorandum ~~by the Clerk of the House~~ ^{to that Committee}. The Report and the memorandum recognised that civil servants who give evidence to Select Committees do so on behalf of their Ministers; that there are certain matters on which they cannot answer questions (notably, as the Committee's own report states, on policy matters ~~which are for Ministers~~ and on advice given to Ministers); ~~and~~ that, as the ~~Report~~ ^{Procedure Committee's} Report stated:

to the exercise of their powers

(normally a Cabinet Minister)

^{however,} "it would not be appropriate for the House to seek directly or through its Committees to enforce its rights to secure information from the Executive at a level below that of the ministerial Head of Department concerned, since such a practice would tend to undermine rather than strengthen the accountability of Ministers to the House";

and as the memorandum ^{to the Procedure Committee} by the Clerk of the House stated:

"it would certainly appear more in accordance with ministerial accountability to the House that Ministers should accept responsibility for the conduct of their ~~offices~~ ^{affairs} and that the House should proceed against Ministers".

generally in accordance with

It is not in accordance with the Government's view, of those conventions, or with the underlying principles of ministerial accountability, that Select Committees should criticise individual civil servants who are, for the reasons already explained, unable to speak freely in their own defence.

15. It is impossible, and would be unwise, to try to lay down detailed guidelines about the implications of ministerial accountability for individual conduct in particular situations: the variety of situations that can arise is infinite, and there must be room for the exercise of discretion and judgement having regard to particular circumstances. It has never been the case that a Minister was required or expected to resign in respect of any and every mistake made by his or her department, though he or she is clearly responsible to Parliament for ensuring that action is taken to put matters right and prevent a recurrence. The principle is clear: the Minister is accountable to Parliament for the policies and actions of his or her department. The implications of applying that principle ^{can only be a} are a matter of judgement in each case, including the political judgement whether the Minister retains the confidence of his/her ministerial and parliamentary colleagues.

[PRIME MINISTER]

Questions of Procedure

The Armstrong memorandum

16. As to the duties and responsibilities of civil servants in relation to Ministers, the Government reaffirms the principles set out in the Armstrong memorandum; indeed the Committee themselves accept the validity of those principles. The question that remains is whether, in the matter of procedures, the memorandum goes far enough and whether it is possible to define more specifically some of the situations that may arise and to prescribe for them.

17. The Government does not believe that the cases referred to by the Committee demonstrate that the procedures set out in the Armstrong memorandum are inadequate. In particular, in Mr Ponting's case, it is not just that the Armstrong memorandum had not been issued at the relevant time: the fact is that Mr Ponting did not follow those procedures and did not take his specific problem either to his Permanent Secretary or to the Head of the Home Civil Service. When questioned on this matter by the Committee, Mr Ponting indicated that he had decided that there was no point in approaching his Permanent Secretary formally because, he assumed, the Permanent Secretary was already aware of his views through previous discussions. Mr Ponting would have been better placed to reach a conclusion if he had approached his Permanent Secretary formally with his specific problem. Instead he chose to ventilate his grievances by means of anonymous letters while he continued to occupy a position of high trust.

18. The Government is not convinced that it is desirable or indeed practicable to specify situations and prescribe procedures in more detail than the Armstrong memorandum already does. Sir Robert Armstrong has however agreed, following a request from the Council of Civil Service Unions, to enter into discussions on this matter. Those discussions have been awaiting the Committee's Report.

An appeals mechanism

19. The Government agrees with the Committee in the view that an external appeals mechanism would not be desirable. In particular it is the view of the Government that the institution of a Parliamentary Commissioner or Inspector General for the Civil Service, of the kind suggested by the FDA or Sir Douglas Wass, could adversely affect the relationships between Ministers and civil servants. But the Government accepts in principle the Committee's recommendation that the Head of the Home Civil Service should be prepared personally to consider appeals from officials who have followed his procedures but whose crises of conscience remain unresolved. This right of appeal would be intended primarily to deal with "crisis of conscience" cases—where (for instance) a civil servant is asked or instructed to do something which for him or her raises a fundamental issue of conscience; it would not be intended to be available in disciplinary cases and other personnel management matters where the Permanent Secretary of the department concerned will remain the final authority. There would also need to be some safeguard against the risk of merely frivolous or vexatious appeals to the Head of the Home Civil Service. The arrangements and procedures for this right of appeal will be one of the subjects for discussion in the course of Sir Robert Armstrong's consultations with the representatives of the Civil Service unions.

20. It will be for separate consideration whether there should be similar rights of appeal for members of the Diplomatic Service and for members of the Northern Ireland Civil Service to the respective Heads of their Services.

Ministers and the Civil Service

Senior appointments

21. The Committee make a number of points in the section of their report headed "Ministers and the Civil Service". The first is that "Ministers should be able to play an active role in selecting the key officials who are going to work with them in planning and implementing their policies".

22. The Committee's words here leave room, perhaps intentionally, for a good deal of flexibility of interpretation. The Government believes that the Committee do not contemplate, any more than the Government would, a wholesale change of staff in the higher levels of the Civil Service upon a change of government or Minister. Nonetheless, the Government believes that the wording of this recommendation carries a significant risk of increasing politicisation, which (like the Committee) the Government wishes to avoid. It therefore takes a somewhat different position.

23. The Government considers that the maintenance of the Civil Service as a career service is in the public interest. With a career service, the assumption must be that civil servants give unstinting and loyal service to the government of the day and that an incoming Minister accepts and works with those whom he finds in the established Civil Service posts (special advisers and policy units are discussed later in this response). Any other assumption would inject an unacceptable degree of uncertainty into appointments in the higher Civil Service. In the rare event that a Minister finds that he cannot work reasonably with a particular official in a key position, it is open to him or her to propose to the Permanent Secretary (or to the Prime Minister or the Head of the Home Civil Service, if the official concerned is the Permanent Secretary) that the official should be moved from that position. The subsequent discussion takes account of the various considerations involved, and it is usually possible to resolve the situation satisfactorily, given a degree of good will on all sides. The Government does not believe that it is possible to go further than this to provide in advance for a situation which arises only very seldom.

24. When a vacancy occurs in the ordinary course of business, as a result of a retirement or a posting, in a Grade 1 or Grade 2 post, the Minister in charge of the department is always consulted and can expect to be able to have an active influence on the choice of the successor, though the appointment is ultimately made with the approval of the Prime Minister. Appointments at Grade 3 do not require the Prime Minister's approval, but the Permanent Secretary will consult the Minister concerned in the normal course of business before appointments are made to posts in this grade whose incumbents are regularly in contact with Ministers and to other key posts in this or other grades.

25. The Government believes that these arrangements enable departmental Ministers to play an appropriately active role in the selection and appointment of senior officials.

Appointments from outside

26. The Committee's second point in this section is that "there should be regular infusions, temporary and permanent, of highly motivated people of proven ability into the higher Civil Service". The Committee commends the "more structured and yet more flexible arrangements for movement in and out of the public service" which they understand to be a feature of the French system.

27. The arrangements in the French system are (as the Committee implicitly recognise) part and parcel of a different administrative system and a different set of relationships between the public service and the private sector from those which exist in this country; and it would be difficult to adopt one feature of the French system without others, for example in relation to business appointments for those leaving the public service. The Government notes in passing that some of the Committee's recommendations in its earlier report on business appointments would make for less rather than more flexibility in these matters.

28. The Government believes that the objective should be that the Civil Service should be capable of furnishing people with all the qualifications and expertise likely to be required in the public service, and that recruitment to and training in the Civil Service should be so organised as to achieve this objective. This objective is also served by the policy of encouraging increased interchange between the public and private sectors, which helps to increase experience and improve understanding between the two sectors and promote the development of outward-looking attitudes in the public service. An important element in this policy is an expanding programme of secondments in both directions between the Civil Service and industry, commerce and other outside bodies, amounting to a total of 900 secondments in and out in 1985, in addition to joint training arrangements, unpaid non-executive directorships and other arrangements for exchanging experience. The Government fully supports this programme as a further means of expanding the experience of the permanent Civil Service, and would like to see the number of such exchanges increase. But there will continue to be, as there have been in the past, cases where the Civil Service cannot meet a particular requirement at a particular time, and in such cases it is necessary and appropriate to bring somebody in from outside the Civil Service. Between 1979 and 1985, some 80 appointments were made from outside the Civil Service at Grade 3 and above. The arrangements for such appointments should be, and are designed to be, such as to ensure that they are made not on political considerations but strictly on the requirements of the appointment and the qualifications and expertise of the person to be appointed. The objective must be to make the best possible appointment in the circumstances, without regard to political considerations, in accordance with the Civil Service Commissioners' requirements.

[FACTUAL]

Press and information officers

29. Dealing with press and information officers, the Committee propose that "Ministers who require their Press Officers to do more than present and describe their policies should make political appointments". In practice it is very difficult to draw a sharp line between "presenting and describing" and "justifying and defending" policies. The Government's view is that the correct

distinction is between the policy of the Government as such and the party political dimensions of that policy; and that a Civil Service departmental press officer is in exactly the same position as any other civil servant: he may properly be called upon to present and describe the policies of the Minister, and to put forward the Minister's justification and defence of these. He may not properly be called upon to justify or defend those policies in party political terms, or expressly to advocate policies as those of a particular political party. Ministers who wish to present their policies in a party political dimension have other means and channels available to them for doing so. A Civil Service departmental press officer who is asked or instructed by his/her Minister to behave in a manner which oversteps this line should consult his/her Permanent Secretary.

Special advisers and "cabinets"

30. The Committee propose the institution of an expanded ministerial Private Office, which they describe as a Minister's Policy Unit, which would consist of his/her Parliamentary Private Secretary, to keep the Minister in touch with backbenchers; a group of civil servants, to keep the Minister in touch with his Department and to give advice; and a number of special advisers, to keep him/her in touch with his/her party organisation and to give policy advice.

31. Under present arrangements a Minister in charge of a department may have a Parliamentary Private Secretary, a Private Office, and one or two special advisers; the functions of the three are distinct and different, though there needs to be good co-ordination and co-operation between them. There would be no constitutional difficulty about an experiment in formalising and extending these arrangements on the lines envisaged by the Committee, provided that, as the Committee propose, numbers working in the unit were limited in the interests of efficiency and containing costs. It would also be necessary that such an arrangement should not insulate Ministers from the advice of their permanent civil servants or cut across the Permanent Secretary's overall accountability to the Minister for the effective implementation of the Minister's policies and management of the department.

32. But the Government considers that in reading across from "cabinet" systems in other countries the Committee have taken too little account of the extent to which Ministers of State and Parliamentary Secretaries play a role in the British system of government. In nearly all departments there are at least two or three—in some cases as many as six or seven—Ministers besides the Minister in charge of the department. These Ministers share the burden of parliamentary and departmental work, and are an experienced and responsible source of political advice and support for the Minister in charge of the department.

33. The policy advice role of Special Advisers covers two different functions. The first is to assist the Minister in ~~determining~~ his/her policies as a departmental Minister: in this capacity the special adviser provides a complementary source of advice to that provided by the civil servants, with special reference to the party political dimensions of the policy. The second is to provide the Minister—and particularly the Cabinet Minister—with advice on matters

developing

[PRIME MINISTER/LUCE]

which may be discussed in Cabinet or Cabinet Committee but in which his/her department has no direct concern and no obvious capacity or qualification to provide advice. The first of these functions, with its specifically party political dimension, cannot readily be undertaken by a civil servant; the second can be, and often is, though (as the Committee recognises) this should be an episode in a civil servant's career from which he subsequently returns to normal departmental work.

34. The number of Special Advisers which is appropriate depends upon the size of the department and the range of its responsibilities, as well as upon the Minister's assessment of what can be used to advantage. The Government believes that, ~~in an ordinary department~~, the number of such advisers should ~~seldom exceed one~~, and that, as a general rule, only Cabinet Ministers (and in exceptional cases other Ministers in charge of departments) should need a Special Adviser. To ensure a reasonable degree of consistency in practice, the Prime Minister's approval should continue to be required for the employment of Special Advisers. They are invariably from outside the Civil Service, and should therefore continue to be appointed for terms which expire with the end of the administration under which they are appointed, when there is a General Election, or with the departure of the Minister by whom they are appointed. They should continue to be subject in general to Civil Service conditions of service.

generally not

35. The Government has found the present arrangement satisfactory, whereby the functions of the Private Office, Special Adviser and Parliamentary Private Secretary are organisationally separate (though with an appropriate degree of co-ordination and co-operation between them and with the key civil servants in the department); and it recognises that some Ministers in charge of departments may prefer to have no Special Adviser but to rely on the other Ministers in their Department and on their Parliamentary Private Secretaries for the specifically political input into the advice available to them. The "Policy Unit" proposed by the Committee suggests another possible way in which the support directly available to a departmental Minister could be organised. The Government considers that more thought needs to be given to the functions of such a Unit and to its relationship to the rest of the system. For instance, if it is intended to have an independent input into policy formulation, its relationship, and that of the individuals comprising it, to the Permanent Secretary and the executive parts of the department will need extremely careful definition. And, if it is intended as no more than an aid to the Minister in ensuring that Departmental policies are energetically pursued and followed up, it is not clear whether there is any great advantage in what would be little more than a formalisation of arrangements which already exist in many departments. Indeed it is not clear how far its role is intended to, or should, differ from the existing structures. In fact, there may not be a substantial gap between the arrangements as they have evolved within many Ministers' offices, and the thrust of the views expressed by the Committee. The Government does not propose to take a central initiative to launch an experiment on the lines suggested, but does not rule out the possibility of further evolution of existing arrangements in the direction which the Committee may have in mind. There may be scope for the further development of existing arrangements by

interested Ministers (subject to detailed discussion with their Permanent Secretaries and as necessary with the Prime Minister).

Managing the Civil Service

36. The Committee propose that there should be a single Minister for the Civil Service, with a Department for the Civil Service, whose Permanent Secretary should be the Head of the Home Civil Service.

37. The Government does not believe that there is a uniquely and universally right way to organise the various functions that are carried out at the centre of Government—those now carried out by the Treasury and the Cabinet Office (including the Management and Personnel Office). What the organisation should be at any given time will depend on the policies and priorities of the government of the day, and on the particular personalities involved. Until 1968 the Treasury undertook the responsibilities of central management of the Civil Service, and the Permanent Secretary to the Treasury (or the Joint Permanent Secretary responsible for that side of the Treasury) was the Head of the Home Civil Service. From 1962, however, the management side of the Treasury was largely separate from the rest, and by the time of the Fulton Report in 1968 the retention of responsibility for Civil Service management in the Treasury had come to be felt to be unsatisfactory. The Civil Service Department was therefore set up in 1968. It was essentially a new department created out of the former "management" side of the Treasury: it was responsible for all aspects of central management of the Civil Service, and its Permanent Secretary was the Head of the Home Civil Service. It is this arrangement which the Committee propose should be recreated, though it was found not to be wholly satisfactory, particularly in respect of the divorce of responsibility for Civil Service pay and manpower from the Treasury's general responsibility for the central management of expenditure.

38. So a number of arrangements have been tried; and others would no doubt be possible. In the Government's view, however, the reasons which led to the creation of the present arrangements in 1981 remain valid. Moreover, these arrangements have been in existence for less than five years, and frequent institutional change is apt to produce more by way of disadvantage from the effects of disruption than by way of advantage in terms of improved policy formulation or execution.

39. The Government also continues to see a strong case for the Prime Minister, with her overall central responsibility for the co-ordination of Government policies and the management of Government, to be the Minister for the Civil Service—as successive Prime Ministers have always been, either as First Lord of the Treasury or more recently as Minister for the Civil Service—with whatever support for day-to-day ministerial involvement is appropriate. At present this support is provided by the Minister of State, Privy Council Office, who is responsible under the Prime Minister for the organisation, management and overall efficiency of the Home Civil Service and for policy on recruitment, training and other personnel management matters; and by the Minister of State, Treasury, who is responsible under the Chancellor of the Exchequer for Civil Service pay and conditions.

40. As to the position of Head of the Home Civil Service, the Government notes the Committee's view that there is "very much a full-time need for one who will make his prime concern the restoration of morale" in the Civil Service. The maintenance of morale is not, however, a matter for one civil servant; and it would in the Government's view be mistaken to set up a system which implied that it was. It is a matter for all Permanent Secretaries and indeed other senior management. It is necessary also to have regard to the fact that because of their relationship to Ministers neither the Head of the Home Civil Service nor other Permanent Secretaries can take up a public position in advocating the interests of the Civil Service, if to do so would appear to put them in conflict with the government of the day. For this reason the Prime Minister, as Minister for the Civil Service, and all Ministers in charge of departments share a responsibility for the maintenance of Civil Service morale. In short, it is a matter for the Government as a whole.

41. The current arrangement, under which the post of Head of the Home Civil Service is combined with the secretaryship of the Cabinet, has clear benefits. The Secretary of the Cabinet, although not "the Prime Minister's Permanent Secretary", is of all the Permanent Secretaries the closest to the Prime Minister. As Permanent Secretary for the Cabinet Office (including the Management and Personnel Office), he is responsible to the Minister of State, Privy Council Office, and to the Prime Minister for the matters for which she has particular responsibility as Minister for the Civil Service. He also sees many of the senior staff in action and is therefore in a good position to advise the Prime Minister, as Minister for the Civil Service, on Grade 1 and 2 appointments. As to the matter of the load of work, the Government believes that, provided that the incumbent delegates sensibly, his burden is manageable.

42. Against this background the Government sees no grounds for changing the existing organisation at the present time.

Open Government

43. In the last section of their report, the Committee make certain comments on freedom of information and on the Official Secrets Acts.

Freedom of information

44. As to freedom of information, it remains the policy of the Government to make publicly available as much information as possible, consistent with the requirements of the preservation of national security, of the protection of international relations, of financially or economically sensitive information, and of commercial and personal information entrusted to it in confidence, and with the requirements of orderly government. The establishment of Departmental Select Committees in 1979 has encouraged a climate in which far more information is being made available by government departments than ever before. The Government is not convinced that legislation giving individuals new statutory rights of access to government information is needed, or that it would make for more effective government. It agrees with the Committee that advice of civil servants to Ministers should remain confidential. Given that advice of civil servants to Ministers would be exempt from a statutory duty of access to information, the Government doubts whether freedom of informa-

tion legislation would much affect relations between Ministers and their officials one way or the other.

Official secrets

45. Section 2 of the Official Secrets Act 1911 prohibits the unauthorised disclosure by a Crown servant of information that he/she has obtained through his/her official position. A leak by a civil servant that is designed to frustrate the policies or actions of a Minister would be one form of unauthorised disclosure; and the Government agrees with the Select Committee that such a disclosure cannot be regarded as justified.

[LORD ADVOCATE]

or, in Scotland,
the Lord Advocate,
in their

46. Responsibility for deciding whether or not to institute proceedings under the Act rests with the Attorney General ~~in his capacity as a~~ Law Officer (not as a member of the Government). ~~He~~ has made clear that he will continue to exercise his discretion in this matter in accordance with the criteria applicable to all prosecutions that he has made public. The unauthorised disclosure of information is also a serious breach of the Civil Service Code of Conduct. A civil servant against whom criminal proceedings are not instituted could be subject to internal disciplinary procedures.

The Attorney
General

47. The Government introduced a Bill when it came to office in 1979 to reform Section 2 of the Official Secrets Act 1911. The Protection of Official Information Bill was broadly based on the recommendations of the Franks Committee, which reported in 1972. The Bill would have replaced Section 2 with new provisions designed to protect certain specified classes of official information from unauthorised disclosure. There was, however, insufficient agreement, mainly about precisely what categories of information should be protected by the criminal law, to enable the Government to carry the Bill through Parliament.

48. The Government has noted the views of the Treasury and Civil Service Select Committee, and will continue to listen to views expressed on this subject. But it does not believe that it is any more likely now than in 1979 that a measure could be devised defining the information which genuinely needs protection, and specifying who has the right to apply the definition to particular information which would be broadly acceptable. Accordingly, the Government has no plans at present to introduce ~~legislation on the protection of official information. Unless and until such legislation can be introduced with a sufficient degree of support, the Official Secrets Acts remain in place, as the law of the land.~~

[HARD]

hencefore

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JU872
Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY

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LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 5422

GTN 215

(Switchboard) 01-215 7877

// July 1986

The Rt Hon Richard Luce MP
Minister of State
Privy Council Office
Management and Personnel Office
Great George Street
London SW1P 3AL

NRW

Dear Minister,

Thank you for your letter of 7 July enclosing the draft of the Government's response to the Treasury and Civil Service Committee Report on Civil Servants and Ministers: Duties and Responsibilities.

I attach particular importance to the inclusion in the response of a statement about the position of civil servants in relation to Select Committees. I was pleased therefore to note paragraph 14 with which I agree. Beyond this I have no other comment on the draft response which I think covers satisfactorily the main recommendations in the Committee's report.

I am copying this letter to the recipients of yours.

Yours sincerely,

John Hogg

PAUL CHANNON

//
(approved by the Secretary of State
and signed in his absence)

17
19 **86**
BOARD OF TRADE
BICENTENARY

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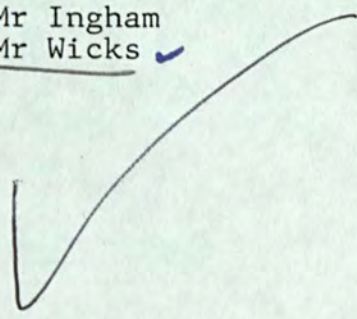
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From: Anne Mueller
8 July 1986

CABINET OFFICE AND MPO GRADE 2s AND 3s

- MR MALLABY
- MR WILLIAMSON
- MR UNWIN
- MR MAYNE
- MR TREVELYAN

cc Mr Ingham
Mr Wicks ✓



- MR GURNEY
- MR MOORE
- MR E J MORGAN
- MR G T MORGAN
- DR SEMMENCE
- MR STEVENS
- MRS STRACHAN
- MR WILSON
- MISS JENKINS
- MR HOLROYD
- MR JAGO
- MR LANGDON
- MR MORLAND
- MR WIGGINS

APPRAISAL OF PERFORMANCE AND POTENTIAL IN THE SENIOR OPEN STRUCTURE

Some of you commented earlier on our consultative paper. You may be interested to see the report on the consultative process as well as our proposals for developing the present arrangements. As before, any comments will be welcome.

asm

ANNE MUELLER



CABINET OFFICE

Second Permanent Secretary
Anne Mueller CB

MANAGEMENT AND PERSONNEL OFFICE
Great George Street
London SW1P 3AL
Telephone 01-233 5009

Sir Kenneth Stowe, GCB, CVO
Department of Health and Social Security
Alexander Fleming House
Elephant and Castle
LONDON
SE1 6BY

cc. Mr Trevelyan
Mr G T Morgan
Mr Wilson
Mrs Strachan
7 July 1986
Mr Weller
Mrs Farbans
Mrs Brock
Sir George Metcalfe
Mr Barr (DOE)

is to
consultative
report

Dear Ken

APPRAISAL OF PERFORMANCE AND POTENTIAL IN THE SENIOR OPEN STRUCTURE

As you know we have been consulting heads of department together with a sample of Grade 2 and Grade 3 staff on the basis for a new appraisal scheme for the senior open structure which would encourage more positive management and place greater emphasis on performance assessment. I now attach our report on the consultative process together with our proposals for developing the existing system of appraisal in the senior open structure. Briefly we are proposing that Grade 2 and Grade 3 staff - like staff at lower levels - should be required to set objectives in Forward Job Plans and be given feedback interviews on their performance, and that a common appraisal form should provide for comments on job weight and an overall performance marking.

2. We propose that the common form should formally be introduced in 1987 (after the draft at Annex 1B of our report has been tested in a dummy run) but Forward Job Plans should be prepared in advance as a basis for performance assessments in 1987. For 1986 we recommend that some improvements should be sought in reports, notably separation of the assessments of performance and promotability, some comments on job weight and an overall performance mark. Appropriate guidance would be provided, covering inter alia job weight and the problems of objective-setting.

3. Since colleagues will need a little time to consider these proposals and consult their PEOs and other senior staff we do not now intend to discuss them at the Permanent Secretaries' meeting

on 9 July. We are sending copies of the report on the consultative process to Grade 2 and 3 staff who participated in the survey and to the CCSU. Further copies are available if you would like them for your other senior colleagues.

4. Copies of these papers go to those on the attached list.

Yours ever

Anne

MANAGEMENT IN CONFIDENCE

CIRCULATION LIST FOR PERMANENT SECRETARIES (PS) MEETINGS

Sir Robert Armstrong GCB CVO	Cabinet Office
Sir Michael Franklin KCB CMG	MAFF
J Hibbert Esq	Cabinet Office (CSO)
Miss A E Mueller CB	" " (MPO)
Sir Angus Fraser KCB TD	Customs and Excise
Sir Clive Whitmore KCB CVO	MOD
J N H Blelloch Esq CB	"
Sir David Hancock KCB	DES
Sir Michael Quinlan KCB	Employment
P L Gregson Esq CB	Energy
T M Heiser Esq CB	DOE
A G Manzie Esq CB	" (PSA)
Sir <i>Patrick Wright</i> KCMG	FCO
Sir Kenneth Stowe GCB CVO	DHSS
C W France Esq	"
Sir Brian Cubbon GCB	Home Office
A M W Battishill Esq	Inland Revenue
Sir Derek Oulton KCB	Lord Chancellor's Dept
Sir Robert Andrew Esq KCB	NIO
K P Bloomfield Esq CB	"
Sir Crispin Tickell KCVO	ODA
Sir George Engle KCB QC	Parliamentary Counsel
Sir William Fraser GCB	Scottish Office
Sir Brian Hayes KCB	DTI
Sir Alan Bailey KCB	Transport
Sir Peter Middleton KCB	Treasury
F E R Butler Esq CVO	"
Sir Geoffrey Littler KCB	"
J B Bailey Esq CB	Treasury Solicitor
R A Lloyd-Jones Esq CB	Welsh Office

PROPOSALS FOR AN APPRAISAL SCHEME IN THE SENIOR OPEN STRUCTURE

Note by the Cabinet Office (Management and Personnel Office)

Introduction

1. In his letter to Permanent Secretaries of 27 February, Sir Robert Armstrong said that the Cabinet Office (MPO) would be drawing up proposals for more structured and formalised methods of appraising performance at Grades 2 and 3.

2. The prime purpose of the new appraisal scheme is to encourage positive management of staff in the senior Open Structure, to improve their performance, and to provide SASC with more consistent information. Now that the Government has decided to go ahead with discretionary increments for Grades 2 and 3, the system will also provide an input to decisions on their award.

Consultative process

3. All Grade 1 and Grade 2 heads of department were consulted, as well as a sample of 23 other Grade 2s and 24 Grade 3s. These were selected to cover all departments at each grade and to cover the main specialisms.

4. The interviews were carried out by a Project Team which reported to a Steering Group chaired by Miss Mueller. Sir George Moseley was a member both of the Project Team and the Steering Group, and Mr Burr was invited to join the Steering Group. All those seen were sent in advance a consultative paper and draft forms which set out the main elements of the proposed scheme. The main issues examined during the consultations were how to define objectives at senior levels and the extent to which they should be linked to departments' planning and budgeting systems; openness; self-appraisal; the treatment of job weight; the award of an overall performance mark; and whether a common form should be used. Three elements were defined as essential parts of the new scheme if it was to be effective: objective-setting by job holders; separation of performance appraisal and promotion assessment; and feedback of the appraisal of performance.

Findings and Recommendations

5. A full account of the results of the consultative process has been prepared, copies of which are enclosed. We propose to send copies also to all others who took part. Permanent Secretaries may wish to give the document a wider circulation than this: further copies are available from PM Research Branch, Cabinet Office (MPO), telephone 233 5946.

(i) Objectives

6. Whilst the majority of interviewees were in favour of a process of objective setting either because it was a natural adjunct to the department's top planning system or because it was a useful discipline in its own right, there was also concern about the problems involved. A substantial minority of the sample thought that it would be difficult to set objectives against which their work over the next year could be assessed for a variety of reasons, for example that the job was reactive or advisory or constantly changing. Some people found it difficult to distinguish between personal objectives and those of their command as defined in the context of their department's planning system, while others thought that the link should not in any case be close.

7. Although objective-setting will always be difficult to apply in most Grade 2 and 3 jobs, the evidence from a number of sources confirms that people over a wide range of grades and jobs like to be clear about what they are expected to do, and to know the criteria by which they will be judged. Appraisal systems for senior staff ought to be consistent with those for staff below them. In objective-setting there is an obligation on managers to transmit clear signals about priorities, so that staff can translate the broad aims into individual job plans. Objective-setting at senior levels is a key part of this process and there is no difficulty which applies at these levels which does not apply to some jobs lower down.

8. We recommend therefore that a Forward Job Plan, with provision for objective-setting, should be a requirement of the appraisal scheme, as part of an evolution towards a more results-based, participative style of appraisal. Even if the early attempts are rough and ready,

time and experience should help to develop the process so that it becomes a more informative and useful instrument of management. It should however be left to departments to decide the timing of the annual appraisal process, and the way in which objectives at this level should complement the departmental planning.

(ii) Self-appraisal and Openness

9. Most people regarded self-appraisal of performance in relation to the Forward Job Plan as a useful exercise, but some had doubts about formalising it as a step in the appraisal process.

10. There was general support for the principle of feedback being given on performance, particularly from Grade 3s, but differing views on how it should be done. Most people were against openness of the promotion assessment form, although they thought that a general indication should usually be given if requested.

11. Feedback is essential in a scheme designed partly to maintain and improve standards of performance. An annual interview would be regarded by some members of the senior Open Structure as too formal. However, instances were found where line managers were certain their staff knew the manager's view of their performance when in fact they did not. An annual interview would provide the right opportunity for job holders to discuss any changes in the job over the year, and to comment on their own activities, as well as to hear their manager's views. Another item on the agenda would cover any action on the career development front (whether posting, training or other action) which either party wished to set in motion. We recommend that such an interview should be mandatory. Given the variation between departments in the practice of open appraisal at lower levels, we also recommend that departments should publish their own rules on openness for Grades 2 and 3 which should, as a minimum, ensure that the contents of the performance assessment are open to the job

(iii) Job Weight

12. There was widespread acceptance that an assessment of job weight should be included, though many thought that it would be difficult

to measure in relation to the concept of an average for the grade, particularly for specialists.

13. We recommend therefore that a description of job weight should be included, specifically to throw added light on the assessment of performance, and on decisions on postings and promotion. Job weight will also, of course, be a factor in the award of discretionary pay.

(iv) Use of an Overall Performance Mark

14. The use of a five point rating scale was accepted by the majority, although a few would have preferred there to be three points only. The introduction of an overall performance mark will undoubtedly make the appraisal more pointed, and we recommend its introduction, using a five point scale.

(v) Overall Acceptability

15. In spite of some reservations, therefore, the majority of those consulted were in favour of the proposals in principle, though for differing reasons: some saw it as a useful management tool for improving individuals' performance, while others only recognised benefits for central career planning. The reservations were mainly due to concern that the MPO might produce a scheme that would be inflexible, too elaborate, too formal, and which would take up too much time. Grade 3s were generally more enthusiastic than Grade 2s.

16. In order to gain acceptance the scheme must, accordingly, allow departments flexibility in the way they carry out the objective-setting and appraisal processes subject to the basic requirements discussed above, on which careful, but simply expressed guidance will be required

(vi) A Common Form

17. The general view was that common forms provided by the MPO would be acceptable if they allowed sufficient room for adjustments at the margins, and were short and simple.

18. Revised FJP and appraisal forms are at Annex 1. We recommend that departments should, if they wish, adapt the FJP form to fit in with their own management needs, but should regard the appraisal form as the MPO's minimum requirement for central career management purposes.

Reporting Arrangements for Grade 2 and 3 Heads of Departments

19. We recommend that the management benefits of the appraisal scheme should apply pari passu to Grade 2 and 3 heads of departments. The introduction of discretionary pay provides an additional reason for including them. Annex 2 lists the posts concerned and suggests reporting lines for them. It is accepted that these can create some problems of both principle and practice, though corresponding arrangements were introduced for Grade 3 heads of departments* for the award of performance bonuses.

Reporting Arrangements for Grade 4s

20. Grade 4s are not strictly covered by the arrangements for the senior Open Structure or by those for Grade 5s and below. If they were brought into the new scheme, formal consultation with the CCSU, which has negotiating rights up to Grade 4, would be necessary. We recommend therefore that the nature of the reporting arrangements for Grade 4s should continue to be left to departments' discretion.

Test and Introduction of the New Appraisal System

21. Before introducing a revised scheme along the lines proposed, it will be important to try out the forms and to develop simple but effective guidance notes. A dummy run covering the reporting aspects of the scheme involving all departments, would put back the succession planning timetable by at least 2 months beyond the normal completion date of 1 October, and mean that the appraisal reports were being prepared at a generally less convenient time, after the end of the summer break. Limiting the dummy run to a few volunteer Grade 2s and 3s would still mean that the new instructions would not be ready before the date when most departments are beginning to get their reporting arrangements in train.

22. We recommend therefore that a more measured dummy run of the forms and associated guidance, covering Forward Job Plans, appraisals, and feedback interviews, should be conducted during the latter part of this year, reporting on a Grade 2 and a Grade 3 in each main

*with the exception of the Chief Charity Commissioner.

department, so that the new arrangements can be properly launched early next year in good time for the 1987 succession planning round. A simple review would be made of the first full year of operation.

23. In the meantime, we recommend that improved reports should be sought as part of the 1986 round, asking for a clear separation between performance and promotability, comments on job weight, and an overall performance mark, but without the need to construct, retrospectively, Forward Job Plans for the period in question, and without, at this stage, introducing formal arrangements for self-appraisal and openness.

Conclusion

24. Permanent Secretaries are invited to:

(a) agree the proposals for the appraisal scheme as set out particularly in paragraphs 8 (Forward Job Plan), 11 (feedback interview and open performance appraisal), 13 (description of job weight), 14 (overall performance mark) and 18 (a common form);

(b) agree that Grade 2 and 3 heads of departments should be covered by the scheme (paragraph 19 and Annex 2), and that the nature of the reporting arrangements for Grade 4s should continue to be left to departments' discretion (paragraph 20); and

(c) agree that there should be a dummy run of the forms and guidance in the latter part of this year, leading to full introduction in 1987, but that in the meantime improved reports should be sought as part of the 1986 succession planning round (paragraphs 22 and 23).

Cabinet Office

7 July 1986

FORWARD JOB PLAN

DEPARTMENT _____

NAME: _____ GRADE: _____

TITLE OF JOB: _____

PERIOD OF PLAN: _____

PURPOSE OF JOB:

RESOURCES MANAGED (Staff, Running Costs, Programme expenditure):

MAIN DUTIES (Specifying broad percentages):

OBJECTIVES (eg Tasks to be completed, Levels of performance sought, Personal contributions etc. Be as specific as possible without selecting artificial targets.)

DEPARTMENT: _____

A. PERSONAL PARTICULARS

Name: _____ Grade: _____

Date of Birth _____ Seniority date: _____

Post held: _____

Date of taking up present post: _____

Period of Report from: _____ to _____

B. PERFORMANCE ASSESSMENT

1. **Appraisal of Performance:** In narrative form, consider the results achieved during the reporting year with particular reference to the agreed objectives in the Forward Job Plan. Highlight aspects of performance which have contributed to these results, for example: skills in the management of human and financial resources; application of intellectual skills; oral presentation skills; drafting skills; active pursuit of objectives; and application of professional knowledge and skills.

2. Job Weight

In relation to the average for the grade, how demanding has the job been in terms of, for example, political sensitivity, the management charge, the exercise of specialist skills, and the intensity of the effort required? Have there been particularly significant obstacles to overcome?

3. Overall Assessment of Performance

This overall rating should be related to actual performance. Any mitigating circumstances should be noted below.

Outstanding	Significantly above requirements of the grade	Fully meets normal requirements of the grade	Not fully up to requirements of the grade	Unacceptable
-------------	--	---	--	--------------

1

2

3

4

5

Mitigating circumstances (eg ill health, newness to the task and circumstances outside the control of the job holder);

Signature _____ Grade _____

Name (in capitals) _____ Date _____

4. Countersigning Officer's Comments (where appropriate)

Signature _____ Grade _____

Name (in capitals) _____ Date _____

Name _____

Period of Report: from _____ to _____

C. PROMOTION ASSESSMENT

1. Appraisal of Personal Qualities and Abilities

Write a short pen picture containing an assessment of the personal and intellectual qualities of the job holder plus a view of their interpersonal, professional and managerial capabilities and a comment on physical and mental stamina. You may also choose to consider such facets as leadership, adaptability, and breadth of vision.

2. Promotability

Comment here specifically on the potential to perform duties of the next grade, drawing attention to the nature of any limitation on the type of post.

Signature _____ Grade _____
Name (in capitals) _____ Date _____

3. Countersigning Officer's Comments (where appropriate)

Indicate whether you agree with the Reporting Officer's assessment and add any comments of your own about the officer's potential.

4. Promotion Mark

Record here the promotion mark, as defined in the MPO's succession planning instructions.

Signature _____ Grade _____
Name (in capitals) _____ Date _____

SUGGESTED REPORTING LINES FOR GRADES 2 AND 3 HEADS OF DEPARTMENTS

Departments with Grade 2 Heads

Reporting
Permanent Secretaries

Crown Estate Office	MAFF
Crown Office	Scottish Office
Department of National Savings	Treasury
Export Credit Guarantee Department	DTI
Government Actuary's Department*	Treasury
Government Communications Headquarters	FCO
HMSO	Treasury
Land Registry	Lord Chancellor's Department
Lord Advocate's Department	Scottish Office
Office of Arts and Libraries	Cabinet Office
Office of Fair Trading	DTI
OPCS	DHSS
Registry of Friendly Societies	Treasury

*UIPP(H)

Departments with Grade 3 Heads

Central Office of Information*	Treasury
Charity Commission*	Home Office
Intervention Board for Agricultural Produce	MAFF
Law Officers' Department	Treasury Solicitor
Ordnance Survey	DOE
Privy Council Office	Cabinet Office
Public Records Office	Lord Chancellor's Department
Royal Mint	Treasury
Scottish Courts Administration	Scottish Office

*UIPP(L)

MANAGEMENT - IN CONFIDENCE



HOUSE OF LORDS,
SW1A 0PW

NBAM

2 pp's

10 July 1986

Dear Richard:

Government Response to the Treasury and Civil Service Committee Report
on Civil Servants and Ministers, Duties and Responsibilities

Thank you for your letter of 7th July in which you invited my comments on the response to the Treasury and Civil Service Committee Report on the Duties and Responsibilities of Civil Servants and Ministers.

I think that the draft has successfully struck a commonsense balance between the Committee's recommendations and what is sensible and practical and I have no comments on matters of detail or principle.

I am copying this letter to the recipients of your own.

yrs:

Richard Luce, Esq., MP
Minister of State
Privy Council Office
Management and Personnel Office
Great George Street
London SW1P 3AL

CIVIL SERVICE
LONG TERM

PT 19



From: THE PRIVATE SECRETARY



HOME OFFICE
QUEEN ANNE'S GATE
LONDON SW1H 9AT

10 July 1986

MSM
Dear Paul

This is to confirm that the Home Secretary has seen your Minister's letter of 7 July and is content with the terms of the proposed Government response except he thinks that it would end on a more suitable note if the final sentence of paragraph 48 were omitted.

Copies of this go to the Private Secretaries of the recipients of Mr Luce's letter.

Yours sincerely
W R Fittall

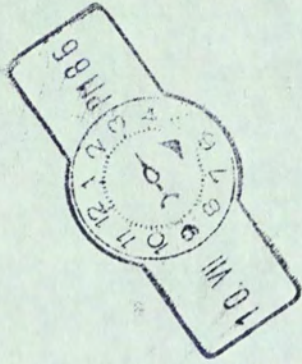
W R FITTALL

Paul Thomas, Esq

CIVIL SERVICE

LONG TERM

PT 19



MANAGEMENT IN CONFIDENCE



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10 DOWNING STREET

From the Principal Private Secretary

10 July 1986

GOVERNMENT'S RESPONSE TO SEVENTH REPORT FROM THE
TREASURY AND CIVIL SERVICE COMMITTEE: CIVIL SERVANTS AND
MINISTERS, DUTIES AND RESPONSIBILITIES.

I have shown the Prime Minister your letter of 8 July in which you comment on the amendments made in response to her comments to the draft of the Government's response to this TCSC report.

The Prime Minister is content with these amendments.

Please could you consult the Prime Minister about any changes to the draft made as a result of Ministers' comments.

N. L. WICKS

Paul Thomas, Esq.,
Office of the Minister for the Arts.

MANAGEMENT IN CONFIDENCE

K



10 DOWNING STREET

From the Principal Private Secretary

9 July 1986

*Dear Joan,***RESPONSE TO THE TCSC REPORT ON "CIVIL SERVANTS AND
MINISTERS: DUTIES AND RESPONSIBILITIES"**

Following consultation with your office, the Chief Whip and Sir Robert Armstrong this morning, I reported to the Prime Minister that the advice on the timing of the publication of the Response to the TCSC report and of the Defence Select Committee's Report on Westlands was as follows:-

any attempt to influence the timing of the publication of the Defence Committee's Report could well lead to Opposition accusations that the Government were trying to 'hide' it or otherwise frustrate the purposes of the Committee. This would create an undesirable story in itself and put the Government on the defensive. We should therefore make no attempt to influence the timing of the Defence Committee's Report. Present indications suggest that it will be published on Thursday 24 July.

Publication of the Defence Committee's Report on 24 July rendered it impracticable to publish the Government's Response to the TCSC Report thereafter since publication the day before the Recess was clearly inappropriate. There were no clear cut advantages in publishing the Report before the Defence Select Committee's Response. This suggested that the Response should be published on the same day as the Defence Committee's report, ie. Thursday 24 July.

The Prime Minister was initially somewhat reluctant for the Defence Committee's Report to be published on the same day as she is delivering her 'end of session' report to the 1922 Committee. It was unhelpful too to revive memories of the Westlands episode at the end of the session. Nevertheless, she accepted that there were risks in seeking to bring forward the publication of the Select Committee's Report. She therefore agreed that it should be published according to the Committee's own timetable. She agreed too

that the TCSC Response should be published on 24 July (though if it transpires that the Defence Committee's Report is to be published on another day we would obviously need to reconsider this).

I should be glad if Murdo Maclean in the Chief Whip's Office, to whom I am copying this letter, could keep me closely informed about the timing of the publication of the Defence Select Committee's Report.

I am sending a copy of this letter also to Michael Stark (Cabinet Office) and to Bernard Ingham.

Yours sincerely
Nigel Wicks

N L WICKS

Miss Joan MacNaughton,
Lord President's Office



Cabinet Office

MANAGEMENT AND PERSONNEL OFFICE

*Prime Minister
PM here has
taken the points you
made. NB X.*

From the Minister of State
Privy Council Office
Richard Luce MP

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

Nigel Wicks Esq
Principal Private Secretary
10 Downing Street

N. L. W

9.7

8 July 1986

Dear Nigel -

My Minister was grateful for the Prime Minister's comments, contained in your letter of 7 July, on the draft response to the TCSC Report on Civil Servants and Ministers: Duties and Responsibilities.

On the amendments which she proposed to the draft:

- Mr Luce agrees that we should substitute "complete agreement" for "general agreement" in paragraph 2.
- The Chief Whip is, we know, anxious about publicising the steps which we are taking, with Sir Robin Ibbs, to familiarise newly appointed Ministers with the workings of Government Departments. Rather than spell these steps out, Mr Luce feels that it would be better to delete the sentence entirely.
- Mr Luce has amended the last sentence of paragraph 15, to read: "The implications of applying that principle can only be a matter of judgement in each case".
- The first part of the second sentence of paragraph 33, now reads: "The first is to assist the Minister in developing his departmental policies:".

As to the Prime Minister's question on Special Advisers, there are three each in the Treasury and the Department of the Environment, and two each in the Foreign and Commonwealth Office and the Departments of the Employment and Trade and Industry.

X

Now agreed.

We will consider the date of publication further in the light of your comments.

... I attach a copy of the draft response, with these amendments incorporated.

My Minister is simultaneously circulating it to members of the Cabinet, other Ministers in charge of Departments, the Chief Whip and the Attorney General, and will submit it to the Prime Minister again with any comments which they have proposed.

Always ever,

Edwin Hood

R

PAUL THOMAS
Private Secretary

Draft of 7 July 1986

CIVIL SERVANTS AND MINISTERS

DUTIES AND RESPONSIBILITIES

Government Response to Seventh Report from the
Treasury and Civil Service Committee

Session 1985-86

INTRODUCTION

The Government welcomes the Committee's Seventh Report, together with the memoranda and minutes of evidence taken by their Sub-Committee for the purpose of preparing the Report, as a contribution to the public discussion of a number of important and sensitive issues which lie at the heart of the exercise of government in a Parliamentary democracy and in a complex industrialised society.

2. This response is intended to be seen in the same light: as a contribution to a continuing discussion, not as the last word in an argument. For these issues are concerned not just with institutions, and relationships between institutions; they are very much concerned with relationships between people working together in a framework of political and administrative institutions, which themselves progress and develop, and in widely varying political contexts. They are not therefore issues on which there is likely to be complete agreement, or even finality: political circumstances change - indeed governments change - and solutions which may seem appropriate in one context may be inadequate or inappropriate in others. The

need is to discern and identify the principles which ought to guide the people concerned as they exercise their judgments in dealing with particular situations and problems, rather than to try to generalise from particular situations and problems that have occurred and to prescribe detailed solutions for dealing with them in future.

DUTIES AND RESPONSIBILITIES

The Civil Service

3. There is one other general point to be made at the outset. The Committee's Report is relevant mainly to civil servants working at the centre of Government, advising Ministers on the formulation and execution of policy, and much of this response follows the Committee's Report in that respect. But the Civil Service as a whole is a much larger body of public servants - nearly 600,000 in all - engaged in an extremely wide variety of functions. In thinking about the one-half of one per cent of civil servants with whom the Report is primarily concerned, it is important not to lose sight of the diverse functions of other members of the Civil Service.

4. The Government has noted, and warmly endorses, the appreciation expressed by many of those who gave evidence to the Committee of the loyalty, devotion and professionalism with which civil servants carry out the duties placed upon them.

5. The Government recognises the particular pressures which have been created by its commitments to :

- (1) reducing the role of the state and the extent of its intervention in the affairs of the citizens;

(2) making sure that the activities that continue to be carried out within government are managed with the greatest possible efficiency and effectiveness;

(3) as a counterpart and consequence of these processes, reducing the size of the Civil Service.

6. The Committee's Report does not touch on the programme of management reform which has been going forward in the public service since 1979. Manpower has been reduced by nearly 20 per cent. There have been changes to ensure greater personal responsibility for financial management on the part of individual line managers in the Civil Service, fuller initial assessment of the objectives and costs of services and policies and more reviews of their effectiveness. The changes in management have required substantial changes in the attitude of civil servants to their work. It is a great credit to the Service, not just that the necessity for these changes has been accepted, but that the process itself has been positively espoused and is bearing fruit.

7. The Government notes with satisfaction that the Committee "have received no convincing evidence that the British Civil Service is being or has been politicised". This is entirely in line with the Government's conviction that the Civil Service has not been, is not being, and should not be allowed to become politicised. It reaffirms its belief in the importance, in the British system of parliamentary democracy, of maintaining a non-political professional Civil Service offering those who join it a career with the opportunity of rising to the highest levels. Only so, in the Government's view, will it be possible to maintain the standards of integrity, intelligence and skill which have characterised the British Civil Service and benefited the country for more than a hundred years.

8. The Committee have noted that they would find it helpful to have a clear definition of the Civil Service. As the Report notes, the Expenditure Committee made the same request in 1978 (HC (1976-77) 535-1). The Government's response (Cmnd 7117, paragraph 107) was as follows:

"There is in law no universally applicable definition of 'civil servant' or 'Civil Service'. The most important distinguishing characteristic is service on behalf of the Crown. The employees of bodies which do not in law have crown status (eg local authorities, nationalised industries) are not civil servants. Political, judicial and other Crown office holders whose terms and conditions of service are separately provided for are distinguished from civil servants, as are the Armed Forces and the Royal Household."

The Government cannot improve upon this definition, which (it will be noted) includes the Diplomatic Service and the Northern Ireland Civil Service, though these are separate from the Home Civil Service. It does not include employees of National Health Authorities, who are Crown servants but not civil servants.

9. The Government does not propose in this response to the Committee's Report to embark upon an elaborate disquisition on the constitutional significance of "the Crown". What Sir Robert Armstrong wrote in his note of guidance of 25 February 1985 ("the Armstrong memorandum"), the issue of which gave rise to the Committee's inquiry, was the subject of careful consideration, and the Government believes that it provides the right foundation on which to base the discussion of working relationships and their implications:

"Civil servants are servants of the Crown. For all practical purposes the Crown in this context means and is represented by the Government of the day ... The Civil

Service as such has no constitutional personality or responsibility separate from the duly elected Government of the day."

Ministers

10. Ministers are also servants of the Crown: with the difference, as the Committee recognises, that it is they who bear political responsibility and accountability. The Government agrees with the view that good government depends as much upon the integrity of Ministers and their accountability to Parliament, as upon the integrity of civil servants and their accountability to Ministers.

11. The Government believes that Ministers are well aware of the principles that should govern their duties and responsibilities in relation to Parliament and in relation to civil servants. It goes without saying that these include the obligations of integrity. They include the duty to give Parliament and the public as full information as possible about the policies, decisions and actions of the Government, and not to deceive or mislead Parliament or the public. In relation to civil servants, they include the duty to give fair consideration and due weight to informed and impartial advice from civil servants, as well as to other considerations and advice, in reaching policy decisions; the duty to refrain from asking or instructing civil servants to do things which they should not do; the duty to ensure that influence over appointments is not abused for partisan purposes; and the duty to observe the obligations of a good employer with regard to terms and conditions of service and the treatment of those who serve them.

12. The Government does not believe that it is necessary to go further than this in defining the duties and responsibilities of Ministers - or indeed possible to do so without adding so many caveats, provisos, and saving clauses as greatly to limit the value of the exercise as a detailed guide to conduct.

Accountability

13. The Government endorses the Committee's two basic propositions on accountability: that Ministers and not officials are responsible and accountable for policy; and that officials' advice to Ministers is and should remain confidential. Constitutionally a Minister is responsible and accountable for all actions carried out by civil servants of his Department in pursuit of Government policies or in the discharge of responsibilities laid upon him by Parliament. The delegation of authority to managers at all levels, which is an important part of the Government's drive for more efficient and economic use of resources in the Civil Service, involves internal accountability within Departments and does not conflict in any way with the external accountability of the Minister to Parliament. Any attempt to make civil servants directly accountable to Parliament, other than the strictly defined case of the Accounting Officer's responsibility, would be difficult to reconcile with the Minister's responsibility for his Department and the civil servant's duty to his Minister.

14. This has implications for the position of civil servants in relation to Select Committees. Select Committees were established to examine the expenditure, administration and policy of Departments. The relevant powers of the Committees and the conventions that are accepted as applying are set out comprehensively in the First Report from the House of Commons Select Committee on Procedure (session 1977/8) and the memorandum by the Clerk of the House. The Report and the memorandum recognise that civil servants who give evidence to

Select Committees do so on behalf of their Ministers, that there are certain matters on which they cannot answer questions (notably, as the Committee's own Report states, on policy matters - which are for Ministers - and on advice given to Ministers) that - as the Report stated -

"it would not be appropriate for the House to seek directly or through its Committees to enforce its rights to secure information from the Executive at a level below that of the Ministerial Head of Department concerned, since such a practice would tend to undermine rather than strengthen the accountability of Ministers to the House";

and as the memorandum by the Clerk of the House stated -

"it would certainly appear more in accordance with Ministerial accountability to the House that Ministers should accept responsibility for the conduct of their offices and that the House should proceed against Ministers".

It is not in accordance with the Government's view of those conventions or with the underlying principles of Ministerial accountability that Select Committees should criticise individual civil servants who are, for the reasons already explained, unable to speak freely in their own defence.

15. It is impossible, and would be unwise, to try to lay down detailed guidelines about the implications of Ministerial accountability for individual conduct in particular situations: the variety of situations that can arise is infinite, and there must be room for the exercise of discretion and judgment having regard to particular circumstances. It has never been the case that a Minister was required or expected to resign in respect of any and every mistake made by his Department, though he is clearly responsible to Parliament for ensuring that action is

taken to put matters right and prevent a recurrence. The principle is clear: the Minister is accountable to Parliament for the policies and actions of his Department. The implications of applying that principle can only be a matter of judgment in each case.

QUESTIONS OF PROCEDURE

The Armstrong Memorandum

16. As to the duties and responsibilities of civil servants in relation to Ministers, the Government reaffirms the principles set out in the Armstrong memorandum; indeed the Committee themselves accept the validity of those principles. The question that remains is whether, in the matter of procedures, the memorandum goes far enough and whether it is possible to define more specifically some of the situations that may arise and to prescribe for them.

17. The Government does not believe that the cases referred to by the Committee demonstrate that the procedures set out in the Armstrong memorandum are inadequate. In particular, in Mr Ponting's case, it is not just that the Armstrong memorandum had not been issued at the relevant time: the fact is that Mr Ponting did not follow those procedures and did not take his specific problem either to his Permanent Secretary or to the Head of the Home Civil Service. When questioned on this matter by the Committee, Mr Ponting indicated that he had decided that there was no point in approaching his Permanent Secretary formally because, he assumed, the Permanent Secretary was already aware of his views through previous discussions. Mr Ponting would have been better placed to reach a conclusion if he had approached his Permanent Secretary formally with his specific problem. Instead he chose to ventilate his grievances by means of anonymous letters while he continued to occupy a position of high trust.

18. The Government is not convinced that it is desirable or indeed practicable to specify situations and prescribe procedures in more detail than the Armstrong memorandum already does. Sir Robert Armstrong has however agreed, following a request from the Council of Civil Service Unions, to enter into discussions on this matter. Those discussions have been awaiting the Committee's Report.

An Appeals Mechanism

19. The Government agrees with the Committee in the view that an external appeals mechanism would not be desirable. In particular it is the view of the Government that the institution of a Parliamentary Commissioner or Inspector General for the Civil Service, of the kind suggested by the FDA or Sir Douglas Wass, could adversely affect the relationships between Ministers and civil servants. But the Government accepts in principle the Committee's recommendation that the Head of the Home Civil Service should be prepared personally to consider appeals from officials who have followed his procedures but whose crises of conscience remain unresolved. This right of appeal would be intended primarily to deal with "crisis of conscience" cases - where (for instance) a civil servant is asked or instructed to do something which for him or her raises a fundamental issue of conscience; it would not be intended to be available in disciplinary cases and other personnel management matters where the Permanent Secretary of the Department concerned will remain the final authority. There would also need to be some safeguard against the risk of merely frivolous or vexatious appeals to the Head of the Home Civil Service. The arrangements and procedures for this right of appeal will be one of the subjects for discussion in the course of Sir Robert Armstrong's consultations with the representatives of the Civil Service unions.

20. It will be for separate consideration whether there should be similar rights of appeal for members of the Diplomatic Service and for members of the Northern Ireland Civil Service to the respective Heads of their Services.

MINISTERS AND THE CIVIL SERVICE

Senior Appointments

21. The Committee make a number of points in the section of their Report headed "Ministers and the Civil Service". The first is that "Ministers should be able to play an active role in selecting the key officials who are going to work with them in planning and implementing their policies".

22. The Committee's words here leave room, perhaps intentionally, for a good deal of flexibility of interpretation. The Government believes that the Committee do not contemplate, any more than the Government would, a wholesale change of staff in the higher levels of the Civil Service upon a change of Government or Minister. Nonetheless, the Government believes that the wording of this recommendation carries a significant risk of increasing politicisation, which (like the Committee) the Government wishes to avoid. It therefore takes a somewhat different position.

23. The Government considers that the maintenance of the Civil Service as a career service is in the public interest. With a career service, the assumption must be that civil servants give unstinting and loyal service to the Government of the day and that an incoming Minister accepts and works with those whom he finds in the established Civil Service posts (special advisers and policy units are discussed later in this response). Any other assumption would inject an unacceptable degree of uncertainty into appointments in the higher Civil Service. In the rare event that a Minister finds that he cannot work

reasonably with a particular official in a key position, it is open to him to propose to the Permanent Secretary (or to the Prime Minister or the Head of the Home Civil Service, if the official concerned is the Permanent Secretary) that the official should be moved from that position. The subsequent discussion takes account of the various considerations involved, and it is usually possible to resolve the situation satisfactorily, given a degree of good will on all sides. The Government does not believe that it is possible to go further than this to provide in advance for a situation which arises only very seldom.

24. When a vacancy occurs in the ordinary course of business, as a result of a retirement or a posting, in a Grade 1 or Grade 2 post, the Minister in charge of the Department is always consulted and can expect to be able to have an active influence on the choice of the successor, though the appointment is ultimately made with the approval of the Prime Minister. Appointments at Grade 3 do not require the Prime Minister's approval, but the Permanent Secretary will consult the Minister concerned in the normal course of business before appointments are made to posts in this grade whose incumbents are regularly in contact with Ministers and to other key posts in this or other grades.

25. The Government believes that these arrangements enable departmental Ministers to play an appropriately active role in the selection and appointment of senior officials.

Appointments From Outside

26. The Committee's second point in this section is that "there should be regular infusions, temporary and permanent, of highly motivated people of proven ability into the higher Civil Service". The Committee commends the "more structured and yet

more flexible arrangements for movement in and out of the public service" which they understand to be a feature of the French system.

27. The arrangements in the French system are (as the Committee implicitly recognise) part and parcel of a different administrative system and a different set of relationships between the public service and the private sector from those which exist in this country; and it would be difficult to adopt one feature of the French system without others, for example in relation to business appointments for those leaving the public service. The Government notes in passing that some of the Committee's recommendations in its earlier Report on business appointments would make for less rather than more flexibility in these matters.

28. The Government believes that the objective should be that the Civil Service should be capable of furnishing people with all the qualifications and expertise likely to be required in the public service, and that recruitment to and training in the Civil Service should be so organised as to achieve this objective. This objective also served by the policy of encouraging increased interchange between the public and private sectors, which helps to increase experience and improve understanding between the two sectors and promote the development of outward-looking attitudes in the public service. An important element in this policy is an expanding programme of secondments in both directions between the Civil Service and industry, commerce and other outside bodies, amounting to a total of 900 secondments in and out in 1985, in addition to joint training arrangements, unpaid non-executive directorships and other arrangements for exchanging experience. The Government fully supports this programme as a further means of expanding the experience of the permanent Civil Service, and would like to see the number of such exchanges increase. But there will continue to be, as there have been in the past, cases

where the Civil Service cannot meet a particular requirement at a particular time, and in such cases it is necessary and appropriate to bring* somebody in from outside the Civil Service. Between 1979 and 1985, some 80 appointments were made from outside the Civil Service at Grade 3 and above. The arrangements for such appointments should be, and are designed to be, such as to ensure that they are made not on political considerations but strictly on the requirements of the appointment and the qualifications and expertise of the person to be appointed. The objective must be to make the best possible appointment in the circumstances, without regard to political considerations, in accordance with the Civil Service Commissioners' requirements.

Press and Information Officers

29. Dealing with press and information officers, the Committee propose that "Ministers who require their press officers to do more than present and describe their policies should make political appointments". In practice it is very difficult to draw a sharp line between "presenting and describing" and "justifying and defending" policies. The Government's view is that the correct distinction is between the policy of the Government as such and the party political dimensions of that policy; and that a Civil Service departmental press officer is in exactly the same position as any other civil servant: he may properly be called upon to present and describe the policies of the Minister, and to put forward the Minister's justification and defence of these. He may not properly be called upon to justify or defend those policies in party political terms, or expressly to advocate policies as those of a particular political party. A Minister who wishes to present his policies in a party political dimension has other means and channels available to him for doing so. A Civil Service departmental

press officer who is asked or instructed by his Minister to behave in a manner which oversteps this line should consult his Permanent Secretary.

Special Advisers and "Cabinets"

30. The Committee propose the institution of an expanded Ministerial Private Office, which they describe as a Minister's Policy Unit, which would consist of his Parliamentary Private Secretary, to keep the Minister in touch with backbenchers, a group of civil servants, to keep the Minister in touch with his Department and to give advice, and a number of Special Advisers, to keep him in touch with his party organisation and to give policy advice.

31. Under present arrangements a Minister in charge of a Department may have a Parliamentary Private Secretary, a Private Office, and one or two Special Advisers; the functions of the three are distinct and different, though there needs to be good co-ordination and co-operation between them. There would be no constitutional difficulty about an experiment in formalising and extending these arrangements on the lines envisaged by the Committee, provided that, as the Committee propose, numbers working in the unit were limited in the interests of efficiency and containing costs. It would also be necessary that such an arrangement should not insulate Ministers from the advice of their permanent civil servants or cut across the Permanent Secretary's overall accountability to the Minister for the effective implementation of the Minister's policies and management of the Department.

32. But the Government considers that in reading across from "cabinet" systems in other countries the Committee have taken too little account of the extent to which Ministers of State and Parliamentary Secretaries play a role in the British system of government. In nearly all Departments there are at least two

or three - in some cases as many as six or seven - Ministers besides the Minister in charge of the Department. These Ministers share the burden of Parliamentary and departmental work, and are an experienced and responsible source of political advice and support for the Minister in charge of the Department.

33. The policy advice role of Special Advisers covers two different functions. The first is to assist the Minister in developing his departmental policies: in this capacity the Special Adviser provides a complementary source of advice to that provided by the civil servants, with special reference to the party political dimensions of the policy. The second is to provide the Minister - and particularly the Cabinet Minister - with advice on matters which may be discussed in Cabinet or Cabinet Committee but in which his Department has no direct concern and no obvious capacity or qualification to provide advice. The first of these functions, with its specifically party political dimension, cannot readily be undertaken by a civil servant; the second can be, and often is, though (as the Committee recognises) this should be an episode in a civil servant's career from which he subsequently returns to normal departmental work.

34. The number of Special Advisers which is appropriate depends upon the size of the Department and the range of its responsibilities, as well as upon the Minister's assessment of what he can use to advantage. The Government believes that, in an ordinary Department, the number of such advisers should seldom exceed one, and that, as a general rule, only Cabinet Ministers (and in exceptional cases other Ministers in charge of Departments) should need a Special Adviser. To ensure a reasonable degree of consistency in practice, the Prime Minister's approval should continue to be required for the employment of Special Advisers. They are invariably from outside the Civil Service, and should therefore continue to be appointed for terms which expire with the end of the

administration under which they are appointed, when there is a General Election, or with the departure of the Minister by whom they are appointed. They should continue to be subject in general to Civil Service Conditions of Service.

35. The Government has found the present arrangement satisfactory, whereby the functions of the Private Office, Special Adviser and Parliamentary Private Secretary are organisationally separate (though with an appropriate degree of co-ordination and co-operation between them and with the key civil servants in the Department); and it recognises that some Ministers in charge of Departments may prefer to have no Special Adviser but to rely on the other Ministers in their Department and on their Parliamentary Private Secretaries for the specifically political input into the advice available to them. The "Policy Unit" proposed by the Committee suggests another possible way in which the support directly available to a Departmental Minister could be organised. The Government considers that more thought needs to be given to the functions of such a Unit and to its relationship to the rest of the system. For instance, if it is intended to have an independent input into policy formulation, its relationship, and that of the individuals comprising it, to the Permanent Secretary and the executive parts of the Department will need extremely careful definition. And, if it is intended as no more than an aid to the Minister in ensuring that Departmental policies are energetically pursued and followed up, it is not clear whether there is any great advantage in what would be little more than a formalisation of arrangements which already exist in many Departments. Indeed it is not clear how far its role is intended to, or should, differ from the existing structures. In fact, there may not be a substantial gap between the arrangements as they have evolved within many Ministers' offices and the thrust of the views expressed by the Committee. The Government does not propose to take a central initiative to launch an experiment on the lines suggested, but

does not rule out the possibility of further evolution of existing arrangements in the direction which the Committee may have in mind. There may be scope for the further development of existing arrangements by interested Ministers (subject to detailed discussion with their Permanent Secretaries and as necessary with the Prime Minister).

Managing the Civil Service

36. The Committee propose that there should be a single Minister for the Civil Service, with a Department for the Civil Service, whose Permanent Secretary should be the Head of the Home Civil Service.

37. The Government does not believe that that there is a uniquely and universally right way to organise the various functions that are carried out at the centre of Government - those now carried out by the Treasury and the Cabinet Office (including the Management and Personnel Office). What the organisation should be at any given time will depend on the policies and priorities of the Government of the day, and on the particular personalities involved. Until 1968 the Treasury undertook the responsibilities of central management of the Civil Service, and the Permanent Secretary to the Treasury (or the Joint Permanent Secretary responsible for that side of the Treasury) was the Head of the Home Civil Service. From 1962, however, the management side of the Treasury was largely separate from the rest, and by the time of the Fulton Report in 1968 the retention of responsibility for Civil Service management in the Treasury had come to be felt to be unsatisfactory. The Civil Service Department was therefore set up in 1968. It was essentially a new Department created out of the former Management side of the Treasury: it was responsible for all aspects of central management of the Civil Service, and its Permanent Secretary was the Head of the Home Civil Service. It is this arrangement which the Committee propose should be

recreated, though it was found not to be wholly satisfactory, particularly in respect of the divorce of responsibility for Civil Service pay and manpower from the Treasury's general responsibility for the central management of expenditure.

38. So a number of arrangements have been tried; and others would no doubt be possible. In the Government's view, however, the reasons which led to the creation of the present arrangements in 1981 remain valid. Moreover, these arrangements have been in existence for less than five years, and frequent institutional change is apt to produce more by way of disadvantage from the effects of disruption than by way of advantage in terms of improved policy formulation or execution.

39. The Government also continues to see a strong case for the Prime Minister, with her overall central responsibility for the co-ordination of Government policies and the management of Government, to be the Minister for the Civil Service - as successive Prime Ministers have always been, either as First Lord of the Treasury or more recently as Minister for the Civil Service - with whatever support for day-to-day Ministerial involvement is appropriate. At present this support is provided by the Minister of State, Privy Council Office, who is responsible under the Prime Minister for the organisation, management and overall efficiency of the Home Civil Service and for policy on recruitment, training and other personnel management matters; and by the Minister of State, Treasury, who is responsible under the Chancellor of the Exchequer for civil service pay and conditions.

40. As to the position of Head of the Home Civil Service, the Government notes the Committee's view that there is "very much a full-time need for one who will make his prime concern the restoration of morale " in the Civil Service. The maintenance of morale is not, however, a matter for one civil servant; and it would in the Government's view be mistaken to set up a system

which implied that it was. It is a matter for all Permanent Secretaries and indeed other senior management. It is necessary also to have regard to the fact that because of their relationship to Ministers neither the Head of the Home Civil Service nor other Permanent Secretaries can take up a public position in advocating the interests of the Civil Service, if to do so would appear to put them in conflict with the Government of the day. For this reason the Prime Minister, as Minister for the Civil Service, and all Ministers in charge of Departments share a responsibility for the maintenance of Civil Service morale. In short, it is a matter for the Government as a whole.

41. The current arrangement, under which the post of Head of the Home Civil Service is combined with the Secretaryship of the Cabinet, has clear benefits. The Secretary of the Cabinet, although not "the Prime Minister's Permanent Secretary", is of all the Permanent Secretaries the closest to the Prime Minister. As Permanent Secretary for the Cabinet Office (including the Management and Personnel Office), he is responsible to the Minister of State, Privy Council Office, and to the Prime Minister for the matters for which she has particular responsibility as Minister for the Civil Service. He also sees many of the senior staff in action and is therefore in a good position to advise the Prime Minister, as Minister for the Civil Service, on Grade 1 and 2 appointments. As to the matter of the load of work, the Government believes that, provided that the incumbent delegates sensibly, his burden is manageable.

42. Against this background the Government seeks no grounds for changing the existing organisation at the present time.

OPEN GOVERNMENT

43. In the last section of its report, the Committee make certain comments on freedom of information and on the Official Secrets Acts.

Freedom of Information

44. As to freedom of information, it remains the policy of the Government to make publicly available as much information as possible, consistent with the requirements of the preservation of national security, of the protection of international relations, of financially or economically sensitive information, and of commercial and personal information entrusted to it in confidence, and with the requirements of orderly Government. The establishment of Departmental Select Committees in 1979 has encouraged a climate in which far more information is being made available by Government Departments than ever before. The Government is not convinced that legislation giving individuals new statutory rights of access to Government information is needed, or that it would make for more effective Government. It agrees with the Committee that advice of civil servants to Ministers should remain confidential. Given that advice of civil servants to Ministers would be exempt from a statutory duty of access to information, the Government doubts whether freedom of information legislation would much affect relations between Ministers and their officials one way or the other.

Official Secrets

45. Section 2 of the Official Secrets Act 1911 prohibits the unauthorised disclosure by a Crown servant of information that he has obtained through his official position. A leak by a civil servant that is designed to frustrate the policies or actions of a Minister would be one form of unauthorised disclosure; and the Government agrees with the Select Committee that such a disclosure cannot be regarded as justified.

46. Responsibility for deciding whether or not to institute proceedings under the Act rests with the Attorney General in his capacity as a Law Officer (not as a member of the Government). He has made clear that he will continue to exercise his

discretion in this matter in accordance with the criteria applicable to all prosecutions that he has made public. The unauthorised disclosure of information is also a serious breach of the Civil Service Code of Conduct. A civil servant against whom criminal proceedings are not instituted could be subject to internal disciplinary procedures.

47. The Government introduced a Bill when it came to office in 1979 to reform Section 2 of the Official Secrets Act 1911. The Protection of Official Information Bill was broadly based on the recommendations of the Franks Committee, which reported in 1972. The Bill would have replaced Section 2 with new provisions designed to protect certain specified classes of official information from unauthorised disclosure. There was, however, insufficient agreement, mainly about precisely what categories of information should be protected by the criminal law, to enable the Government to carry the Bill through Parliament.

48. The Government has noted the views of the Treasury and Civil Service Select Committee, and will continue to listen to views expressed on this subject. But it does not believe that it is any more likely now than in 1979 that a measure could be devised defining the information which genuinely needs protection and specifying who has the right to apply the definition to particular information which would be broadly acceptable. Accordingly, the Government has no plans at present to introduce legislation on the protection of official information. Unless and until such legislation can be introduced with a sufficient degree of support, the Official Secrets Acts remain in place as the law of the land.

DRAFT

Written Question

To ask the Minister of State, Privy Council Office, when the Government expects to reply to the Seventh Report of the Treasury and Civil Service Committee on Civil Servants and Ministers: Duties and Responsibilities.

Answer

My rt. Hon. Friend the Prime Minister has today presented to the House the Government's response to this repor. . Copies of the response, which has been made as a Command Paper (No.), have been placed in the Library.

TREASURY AND CIVIL SERVICE COMMITTEE REPORT

CIVIL SERVANTS AND MINISTERS: DUTIES AND RESPONSIBILITIES

Main Recommendations

- (i) The Prime Minister should formulate and publish guidelines for Ministers on their duties to Parliament and responsibilities for the Civil Service (report 3.13).
- (ii) The Government should produce specific proposals on accountability (of civil servants to Ministers and of Ministers to Parliament (3.19).
- (iii) Sir Robert Armstrong should enter into discussions with the Civil Service unions with a view to producing an agreed text of a new note of guidance (4.11).
- (iv) There should not be an external appeals mechanism for civil servants faced with crises of conscience, but there should be a right to appeal to the Head of the Home Civil Service for officials whose dilemmas remain unresolved (4.16)
- (v) Ministers should be able to play an active role in selecting key officials (5.13)
- (vi) There should be regular infusions of highly motivated people of proven ability into the higher Civil Service (5.18)

Proposed Responses

The principles that should govern these matters are outlined in the response but it is not necessary or helpful to try to develop a detailed note of guidance (Paragraph 11).

Principles of accountability clearly restated; implications discussed; application in particular circumstances left for judgement at the time (13 to 15).

Sir Robert Armstrong has already agreed to enter into discussions with the unions (18).

Agreed in principle: for discussion with the unions (19).

Already adequately provided for (25)

Qualified agreement: much of this already in hand (25 and 28).

MANAGEMENT IN CONFIDENCE

Main Recommendations

(vii) Ministers who require their press officers to do more than present and describe their policies should make political appointments (5.20)

(viii) Experiments should be conducted with Ministerial Policy Units, consisting of a number of special advisers, a number of career civil servants and the Parliamentary Private Secretary, to strengthen the Minister, increasing his influence and control over his Department, and putting himself in a better position to participate in the collective decision-making of Cabinet (5.28-5.32).

(ix) There should be a single Minister for the Civil Service with his own Department responsible for the management of the Civil Service (5.38).)
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(x) The posts of Secretary of the Cabinet and Head of the Home Civil Service should not be combined. The Head of the Home Civil Service should be a full Permanent Secretary, working to the proposed Minister for the Civil Service.)
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Proposed Responses

Disagree. Government press officers can properly justify and defend (as well as describe) Government policies, in departmental but not in party political terms (29).

No central initiative; gap between Committee's thinking and actual practice practice may not be great; do not rule out further evolution of these arrangements in Committee's direction by individual Ministers who so wish (paragraph 35)

Disagreed. No change in existing arrangements at present time (paragraph 42).

Long Term Management:

CIVIL SERVICE

Pt 19.



CF

70 WHITEHALL, LONDON SW1A 2AS

01-233 8319

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

Ref. A086/1995

8 July 1986

Dear Joan,

Response to the TCSC Report on "Civil Servants and Ministers:
Duties and Responsibilities"

Nigel Wicks has sent me a copy of his letter of 7 July about the timing and publication of this response.

I understand from Sir Humphrey Atkins that the Defence Select Committee's Report on Westland will not be ready for publication until the week beginning 21 July. The Committee want to publish it before the House rises for the Recess. Monday 21 July would be inconvenient for various reasons. Wednesday 23 July would clash with the Royal Wedding. Friday 25 July would be too late. So the choice is between Tuesday 22 July and Thursday 24 July. Sir Humphrey Atkins told me that, if the Government wished privately to express a preference about the date of publication, for instance through the Chief Whip, he would do his best to arrange publication accordingly.

I am myself inclined to think that the response to the TCSC Report should not be published before the Defence Committee's Report on Westland: in that event there would be a danger that the Defence Committee's Report might be seen as in some sense a counterblast to the Government response to the TCSC Report. So I think that it is a choice between publishing the two Reports on the same day (say, 22 July) and publishing the Defence Committee's Report on 22 July and the Government response to the TCSC Report on 24 July.

One factor to be borne in mind is that, if the response to the TCSC was published on 22 July, the TCSC could well have advance copies in its hands at its last meeting before

/the

Miss Joan MacNaughton

the Recess, which is due to be held on 21 July. That could provoke members of the TCSC into unhelpful public comments on the Government's response.

On the other hand to publish the response to the TCSC on 24 July would look as if that day had been deliberately chosen because it was the last full working day for the House of Commons.

On balance I think I should favour persuading the Defence Select Committee to publish on 22 July and the Government publishing the response to the TCSC on 24 July. But I think that the choice is finely balanced; and after a few days the result might be very much the same whichever we do.

I am sending copies of this letter to Nigel Wicks and Murdo MacLean.

*Yours as
Robert*



Ref. A086/1991

NBPm

MINISTER OF STATE, PRIVY COUNCIL OFFICE

Response to the TCSC Report on "Civil Servants and Ministers:
Duties and Responsibilities"

This minute offers comments on the points in Mr Wicks's letter of 7 July to Mr Thomas.

2. The amendment to paragraph 2 of the draft response is clearly acceptable.
3. Given the Chief Whip's reservations, it would clearly be difficult to spell out the steps which are being taken to familiarise newly appointed Ministers with the workings of Government Departments. I suggest that that sentence should be deleted.
4. I suggest that the last sentence of paragraph 15 should be amended to read:

"The implications of applying that principle can only be a matter of judgment in each case."
5. I suggest that the first part of the second sentence in paragraph 33 should be amended to read: "The first is to assist the Minister in developing his departmental policies:" the words "as a departmental Minister" should then be deleted.
6. The number of Special Advisers exceeds one in five Departments. There are three each in the Treasury and the Department of the Environment, and two each in the Foreign and Commonwealth Office and the Departments of Employment and Trade and Industry.

7. As to the date of publication. I agree that it would be inadvisable to have the Government's response to the TCSC Report published on the same day as the Defence Select Committee's Report on Westland. If it is to be published after the Westland Report, but before the House rises for the Recess, it has to be published on Thursday 24 July: it can hardly be published on Wednesday 23 July because it would be entirely swamped by the Royal Wedding.

8. But there would be something to be said, if time permits, for bringing the date of publication forward to Friday 18 July. We will consider whether that is possible - I think that it may --- make the printing schedule impossibly tight. I attach a draft minute to the Prime Minister.

9. I am sending a copy of this minute to Mr Wicks.

On reflection, I think that it would be tactically preferable for his response to come out after the Defence Committee's Report on Westland; otherwise the Defence Committee's Report will be seen as "hanging" an response. So I favour 24 July. RA

ROBERT ARMSTRONG

7 July 1986

MANAGEMENT IN CONFIDENCE

DRAFT MINUTE FROM THE MINISTER OF STATE, PRIVY
COUNCIL OFFICE TO THE PRIME MINISTER

Thank you for your comments, contained in Mr Wicks's letter of 7 July, on the draft response to the TCSC Report on Civil Servants and Ministers: Duties and Responsibilities.

On the amendments which you proposed to the draft:

- I agree that we should substitute "complete agreement" for "general agreement" in paragraph 2.

- The Chief Whip is, I know, anxious about publicising the steps which we are taking, with Sir Robin Ibbs, to familiarise newly appointed Ministers with the workings of Government Departments. Rather than spell these steps out, I think that it would be better to delete the sentence entirely.

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- I propose to amend the last sentence of paragraph 15, to read: "The implications of applying that principle can only be a matter of judgment in each case".

- I propose to amend the first part of the second sentence of paragraph 33, so that it reads: "The first is to assist the Minister in developing his departmental policies:".

2. As to the Prime Minister's question on Special Advisers, there are three each in the Treasury and the Department of the Environment, and two each in the Foreign and Commonwealth Office and the Departments of the Employment and Trade and Industry.

3. We will consider the date of publication in the light of your comments. Sir Robert Armstrong and I agree that it would be better not to have the response to the TCSC Report published on the same day as the Defence Select Committee's Report on Westland. If we are to publish the Government's response to the TCSC Report before the Recess, I think that that means 24 July: not ideal, as it is

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the last full working day before the House rises, but no doubt we could live with that. The alternative is to publish it on Friday 18 July; but that would be before the Westland Report, and I am not sure that we could now compress the printing schedule in time to make that date.

--- 4. I attach a copy of the draft response, with these amendments incorporated.

5. I am simultaneously circulating it to members of the Cabinet, other Ministers in charge of Departments, the Chief Whip and the Attorney General, and I will submit it to you again with any comments which they have proposed.

Draft of 7 July 1986

CIVIL SERVANTS AND MINISTERS

DUTIES AND RESPONSIBILITIES

Government Response to Seventh Report from the
Treasury and Civil Service Committee

Session 1985-86

INTRODUCTION

The Government welcomes the Committee's Seventh Report, together with the memoranda and minutes of evidence taken by their Sub-Committee for the purpose of preparing the Report, as a contribution to the public discussion of a number of important and sensitive issues which lie at the heart of the exercise of government in a Parliamentary democracy and in a complex industrialised society.

2. This response is intended to be seen in the same light: as a contribution to a continuing discussion, not as the last word in an argument. For these issues are concerned not just with institutions, and relationships between institutions; they are very much concerned with relationships between people working together in a framework of political and administrative institutions, which themselves progress and develop, and in widely varying political contexts. They are not therefore issues on which there is likely to be complete agreement, or even finality: political circumstances change - indeed governments change - and solutions which may seem appropriate in one context may be inadequate or inappropriate in others. The

need is to discern and identify the principles which ought to guide the people concerned as they exercise their judgments in dealing with particular situations and problems, rather than to try to generalise from particular situations and problems that have occurred and to prescribe detailed solutions for dealing with them in future.

DUTIES AND RESPONSIBILITIES

The Civil Service

3. There is one other general point to be made at the outset. The Committee's Report is relevant mainly to civil servants working at the centre of Government, advising Ministers on the formulation and execution of policy, and much of this response follows the Committee's Report in that respect. But the Civil Service as a whole is a much larger body of public servants - nearly 600,000 in all - engaged in an extremely wide variety of functions. In thinking about the one-half of one per cent of civil servants with whom the Report is primarily concerned, it is important not to lose sight of the diverse functions of other members of the Civil Service.

4. The Government has noted, and warmly endorses, the appreciation expressed by many of those who gave evidence to the Committee of the loyalty, devotion and professionalism with which civil servants carry out the duties placed upon them.

5. The Government recognises the particular pressures which have been created by its commitments to :

- (1) reducing the role of the state and the extent of its intervention in the affairs of the citizens;

(2) making sure that the activities that continue to be carried out within government are managed with the greatest possible efficiency and effectiveness;

(3) as a counterpart and consequence of these processes, reducing the size of the Civil Service.

6. The Committee's Report does not touch on the programme of management reform which has been going forward in the public service since 1979. Manpower has been reduced by nearly 20 per cent. There have been changes to ensure greater personal responsibility for financial management on the part of individual line managers in the Civil Service, fuller initial assessment of the objectives and costs of services and policies and more reviews of their effectiveness. The changes in management have required substantial changes in the attitude of civil servants to their work. It is a great credit to the Service, not just that the necessity for these changes has been accepted, but that the process itself has been positively espoused and is bearing fruit.

7. The Government notes with satisfaction that the Committee "have received no convincing evidence that the British Civil Service is being or has been politicised". This is entirely in line with the Government's conviction that the Civil Service has not been, is not being, and should not be allowed to become politicised. It reaffirms its belief in the importance, in the British system of parliamentary democracy, of maintaining a non-political professional Civil Service offering those who join it a career with the opportunity of rising to the highest levels. Only so, in the Government's view, will it be possible to maintain the standards of integrity, intelligence and skill which have characterised the British Civil Service and benefited the country for more than a hundred years.

8. The Committee have noted that they would find it helpful to have a clear definition of the Civil Service. As the Report notes, the Expenditure Committee made the same request in 1978 (HC (1976-77) 535-1). The Government's response (Cmnd 7117, paragraph 107) was as follows:

"There is in law no universally applicable definition of 'civil servant' or 'Civil Service'. The most important distinguishing characteristic is service on behalf of the Crown. The employees of bodies which do not in law have crown status (eg local authorities, nationalised industries) are not civil servants. Political, judicial and other Crown office holders whose terms and conditions of service are separately provided for are distinguished from civil servants, as are the Armed Forces and the Royal Household."

The Government cannot improve upon this definition, which (it will be noted) includes the Diplomatic Service and the Northern Ireland Civil Service, though these are separate from the Home Civil Service. It does not include employees of National Health Authorities, who are Crown servants but not civil servants.

9. The Government does not propose in this response to the Committee's Report to embark upon an elaborate disquisition on the constitutional significance of "the Crown". What Sir Robert Armstrong wrote in his note of guidance of 25 February 1985 ("the Armstrong memorandum"), the issue of which gave rise to the Committee's inquiry, was the subject of careful consideration, and the Government believes that it provides the right foundation on which to base the discussion of working relationships and their implications:

"Civil servants are servants of the Crown. For all practical purposes the Crown in this context means and is represented by the Government of the day ... The Civil

Service as such has no constitutional personality or responsibility separate from the duly elected Government of the day."

Ministers

10. Ministers are also servants of the Crown: with the difference, as the Committee recognises, that it is they who bear political responsibility and accountability. The Government agrees with the view that good government depends as much upon the integrity of Ministers and their accountability to Parliament, as upon the integrity of civil servants and their accountability to Ministers.

11. The Government believes that Ministers are well aware of the principles that should govern their duties and responsibilities in relation to Parliament and in relation to civil servants. It goes without saying that these include the obligations of integrity. They include the duty to give Parliament and the public as full information as possible about the policies, decisions and actions of the Government, and not to deceive or mislead Parliament or the public. In relation to civil servants, they include the duty to give fair consideration and due weight to informed and impartial advice from civil servants, as well as to other considerations and advice, in reaching policy decisions; the duty to refrain from asking or instructing civil servants to do things which they should not do; the duty to ensure that influence over appointments is not abused for partisan purposes; and the duty to observe the obligations of a good employer with regard to terms and conditions of service and the treatment of those who serve them.

12. The Government does not believe that it is necessary to go further than this in defining the duties and responsibilities of Ministers - or indeed possible to do so without adding so many caveats, provisos, and saving clauses as greatly to limit the value of the exercise as a detailed guide to conduct.

Accountability

13. The Government endorses the Committee's two basic propositions on accountability: that Ministers and not officials are responsible and accountable for policy; and that officials' advice to Ministers is and should remain confidential. Constitutionally a Minister is responsible and accountable for all actions carried out by civil servants of his Department in pursuit of Government policies or in the discharge of responsibilities laid upon him by Parliament. The delegation of authority to managers at all levels, which is an important part of the Government's drive for more efficient and economic use of resources in the Civil Service, involves internal accountability within Departments and does not conflict in any way with the external accountability of the Minister to Parliament. Any attempt to make civil servants directly accountable to Parliament, other than the strictly defined case of the Accounting Officer's responsibility, would be difficult to reconcile with the Minister's responsibility for his Department and the civil servant's duty to his Minister.

14. This has implications for the position of civil servants in relation to Select Committees. Select Committees were established to examine the expenditure, administration and policy of Departments. The relevant powers of the Committees and the conventions that are accepted as applying are set out comprehensively in the First Report from the House of Commons Select Committee on Procedure (session 1977/8) and the memorandum by the Clerk of the House. The Report and the memorandum recognise that civil servants who give evidence to

Select Committees do so on behalf of their Ministers, that there are certain matters on which they cannot answer questions (notably, as the Committee's own Report states, on policy matters - which are for Ministers - and on advice given to Ministers) that - as the Report stated -

"it would not be appropriate for the House to seek directly or through its Committees to enforce its rights to secure information from the Executive at a level below that of the Ministerial Head of Department concerned, since such a practice would tend to undermine rather than strengthen the accountability of Ministers to the House";

and as the memorandum by the Clerk of the House stated -

"it would certainly appear more in accordance with Ministerial accountability to the House that Ministers should accept responsibility for the conduct of their offices and that the House should proceed against Ministers".

It is not in accordance with the Government's view of those conventions or with the underlying principles of Ministerial accountability that Select Committees should criticise individual civil servants who are, for the reasons already explained, unable to speak freely in their own defence.

15. It is impossible, and would be unwise, to try to lay down detailed guidelines about the implications of Ministerial accountability for individual conduct in particular situations: the variety of situations that can arise is infinite, and there must be room for the exercise of discretion and judgment having regard to particular circumstances. It has never been the case that a Minister was required or expected to resign in respect of any and every mistake made by his Department, though he is clearly responsible to Parliament for ensuring that action is

taken to put matters right and prevent a recurrence. The principle is clear: the Minister is accountable to Parliament for the policies and actions of his Department. The implications of applying that principle can only be a matter of judgment in each case.

QUESTIONS OF PROCEDURE

The Armstrong Memorandum

16. As to the duties and responsibilities of civil servants in relation to Ministers, the Government reaffirms the principles set out in the Armstrong memorandum; indeed the Committee themselves accept the validity of those principles. The question that remains is whether, in the matter of procedures, the memorandum goes far enough and whether it is possible to define more specifically some of the situations that may arise and to prescribe for them.

17. The Government does not believe that the cases referred to by the Committee demonstrate that the procedures set out in the Armstrong memorandum are inadequate. In particular, in Mr Ponting's case, it is not just that the Armstrong memorandum had not been issued at the relevant time: the fact is that Mr Ponting did not follow those procedures and did not take his specific problem either to his Permanent Secretary or to the Head of the Home Civil Service. When questioned on this matter by the Committee, Mr Ponting indicated that he had decided that there was no point in approaching his Permanent Secretary formally because, he assumed, the Permanent Secretary was already aware of his views through previous discussions. Mr Ponting would have been better placed to reach a conclusion if he had approached his Permanent Secretary formally with his specific problem. Instead he chose to ventilate his grievances by means of anonymous letters while he continued to occupy a position of high trust.

18. The Government is not convinced that it is desirable or indeed practicable to specify situations and prescribe procedures in more detail than the Armstrong memorandum already does. Sir Robert Armstrong has however agreed, following a request from the Council of Civil Service Unions, to enter into discussions on this matter. Those discussions have been awaiting the Committee's Report.

An Appeals Mechanism

19. The Government agrees with the Committee in the view that an external appeals mechanism would not be desirable. In particular it is the view of the Government that the institution of a Parliamentary Commissioner or Inspector General for the Civil Service, of the kind suggested by the FDA or Sir Douglas Wass, could adversely affect the relationships between Ministers and civil servants. But the Government accepts in principle the Committee's recommendation that the Head of the Home Civil Service should be prepared personally to consider appeals from officials who have followed his procedures but whose crises of conscience remain unresolved. This right of appeal would be intended primarily to deal with "crisis of conscience" cases - where (for instance) a civil servant is asked or instructed to do something which for him or her raises a fundamental issue of conscience; it would not be intended to be available in disciplinary cases and other personnel management matters where the Permanent Secretary of the Department concerned will remain the final authority. There would also need to be some safeguard against the risk of merely frivolous or vexatious appeals to the Head of the Home Civil Service. The arrangements and procedures for this right of appeal will be one of the subjects for discussion in the course of Sir Robert Armstrong's consultations with the representatives of the Civil Service unions.

20. It will be for separate consideration whether there should be similar rights of appeal for members of the Diplomatic Service and for members of the Northern Ireland Civil Service to the respective Heads of their Services.

MINISTERS AND THE CIVIL SERVICE

Senior Appointments

21. The Committee make a number of points in the section of their Report headed "Ministers and the Civil Service". The first is that "Ministers should be able to play an active role in selecting the key officials who are going to work with them in planning and implementing their policies".

22. The Committee's words here leave room, perhaps intentionally, for a good deal of flexibility of interpretation. The Government believes that the Committee do not contemplate, any more than the Government would, a wholesale change of staff in the higher levels of the Civil Service upon a change of Government or Minister. Nonetheless, the Government believes that the wording of this recommendation carries a significant risk of increasing politicisation, which (like the Committee) the Government wishes to avoid. It therefore takes a somewhat different position.

23. The Government considers that the maintenance of the Civil Service as a career service is in the public interest. With a career service, the assumption must be that civil servants give unstinting and loyal service to the Government of the day and that an incoming Minister accepts and works with those whom he finds in the established Civil Service posts (special advisers and policy units are discussed later in this response). Any other assumption would inject an unacceptable degree of uncertainty into appointments in the higher Civil Service. In the rare event that a Minister finds that he cannot work

reasonably with a particular official in a key position, it is open to him to propose to the Permanent Secretary (or to the Prime Minister or the Head of the Home Civil Service, if the official concerned is the Permanent Secretary) that the official should be moved from that position. The subsequent discussion takes account of the various considerations involved, and it is usually possible to resolve the situation satisfactorily, given a degree of good will on all sides. The Government does not believe that it is possible to go further than this to provide in advance for a situation which arises only very seldom.

24. When a vacancy occurs in the ordinary course of business, as a result of a retirement or a posting, in a Grade 1 or Grade 2 post, the Minister in charge of the Department is always consulted and can expect to be able to have an active influence on the choice of the successor, though the appointment is ultimately made with the approval of the Prime Minister. Appointments at Grade 3 do not require the Prime Minister's approval, but the Permanent Secretary will consult the Minister concerned in the normal course of business before appointments are made to posts in this grade whose incumbents are regularly in contact with Ministers and to other key posts in this or other grades.

25. The Government believes that these arrangements enable departmental Ministers to play an appropriately active role in the selection and appointment of senior officials.

Appointments From Outside

26. The Committee's second point in this section is that "there should be regular infusions, temporary and permanent, of highly motivated people of proven ability into the higher Civil Service". The Committee commends the "more structured and yet

more flexible arrangements for movement in and out of the public service" which they understand to be a feature of the French system.

27. The arrangements in the French system are (as the Committee implicitly recognise) part and parcel of a different administrative system and a different set of relationships between the public service and the private sector from those which exist in this country; and it would be difficult to adopt one feature of the French system without others, for example in relation to business appointments for those leaving the public service. The Government notes in passing that some of the Committee's recommendations in its earlier Report on business appointments would make for less rather than more flexibility in these matters.

28. The Government believes that the objective should be that the Civil Service should be capable of furnishing people with all the qualifications and expertise likely to be required in the public service, and that recruitment to and training in the Civil Service should be so organised as to achieve this objective. This objective also served by the policy of encouraging increased interchange between the public and private sectors, which helps to increase experience and improve understanding between the two sectors and promote the development of outward-looking attitudes in the public service. An important element in this policy is an expanding programme of secondments in both directions between the Civil Service and industry, commerce and other outside bodies, amounting to a total of 900 secondments in and out in 1985, in addition to joint training arrangements, unpaid non-executive directorships and other arrangements for exchanging experience. The Government fully supports this programme as a further means of expanding the experience of the permanent Civil Service, and would like to see the number of such exchanges increase. But there will continue to be, as there have been in the past, cases

where the Civil Service cannot meet a particular requirement at a particular time, and in such cases it is necessary and appropriate to bring somebody in from outside the Civil Service. Between 1979 and 1985, some 80 appointments were made from outside the Civil Service at Grade 3 and above. The arrangements for such appointments should be, and are designed to be, such as to ensure that they are made not on political considerations but strictly on the requirements of the appointment and the qualifications and expertise of the person to be appointed. The objective must be to make the best possible appointment in the circumstances, without regard to political considerations, in accordance with the Civil Service Commissioners' requirements.

Press and Information Officers

29. Dealing with press and information officers, the Committee propose that "Ministers who require their press officers to do more than present and describe their policies should make political appointments". In practice it is very difficult to draw a sharp line between "presenting and describing" and "justifying and defending" policies. The Government's view is that the correct distinction is between the policy of the Government as such and the party political dimensions of that policy; and that a Civil Service departmental press officer is in exactly the same position as any other civil servant: he may properly be called upon to present and describe the policies of the Minister, and to put forward the Minister's justification and defence of these. He may not properly be called upon to justify or defend those policies in party political terms, or expressly to advocate policies as those of a particular political party. A Minister who wishes to present his policies in a party political dimension has other means and channels available to him for doing so. A Civil Service departmental

press officer who is asked or instructed by his Minister to behave in a manner which oversteps this line should consult his Permanent Secretary.

Special Advisers and "Cabinets"

30. The Committee propose the institution of an expanded Ministerial Private Office, which they describe as a Minister's Policy Unit, which would consist of his Parliamentary Private Secretary, to keep the Minister in touch with backbenchers, a group of civil servants, to keep the Minister in touch with his Department and to give advice, and a number of Special Advisers, to keep him in touch with his party organisation and to give policy advice.

31. Under present arrangements a Minister in charge of a Department may have a Parliamentary Private Secretary, a Private Office, and one or two Special Advisers; the functions of the three are distinct and different, though there needs to be good co-ordination and co-operation between them. There would be no constitutional difficulty about an experiment in formalising and extending these arrangements on the lines envisaged by the Committee, provided that, as the Committee propose, numbers working in the unit were limited in the interests of efficiency and containing costs. It would also be necessary that such an arrangement should not insulate Ministers from the advice of their permanent civil servants or cut across the Permanent Secretary's overall accountability to the Minister for the effective implementation of the Minister's policies and management of the Department.

32. But the Government considers that in reading across from "cabinet" systems in other countries the Committee have taken too little account of the extent to which Ministers of State and Parliamentary Secretaries play a role in the British system of government. In nearly all Departments there are at least two

or three - in some cases as many as six or seven - Ministers besides the Minister in charge of the Department. These Ministers share the burden of Parliamentary and departmental work, and are an experienced and responsible source of political advice and support for the Minister in charge of the Department.

33. The policy advice role of Special Advisers covers two different functions. The first is to assist the Minister in developing his departmental policies: in this capacity the Special Adviser provides a complementary source of advice to that provided by the civil servants, with special reference to the party political dimensions of the policy. The second is to provide the Minister - and particularly the Cabinet Minister - with advice on matters which may be discussed in Cabinet or Cabinet Committee but in which his Department has no direct concern and no obvious capacity or qualification to provide advice. The first of these functions, with its specifically party political dimension, cannot readily be undertaken by a civil servant; the second can be, and often is, though (as the Committee recognises) this should be an episode in a civil servant's career from which he subsequently returns to normal departmental work.

34. The number of Special Advisers which is appropriate depends upon the size of the Department and the range of its responsibilities, as well as upon the Minister's assessment of what he can use to advantage. The Government believes that, in an ordinary Department, the number of such advisers should seldom exceed one, and that, as a general rule, only Cabinet Ministers (and in exceptional cases other Ministers in charge of Departments) should need a Special Adviser. To ensure a reasonable degree of consistency in practice, the Prime Minister's approval should continue to be required for the employment of Special Advisers. They are invariably from outside the Civil Service, and should therefore continue to be appointed for terms which expire with the end of the

administration under which they are appointed, when there is a General Election, or with the departure of the Minister by whom they are appointed. They should continue to be subject in general to Civil Service Conditions of Service.

35. The Government has found the present arrangement satisfactory, whereby the functions of the Private Office, Special Adviser and Parliamentary Private Secretary are organisationally separate (though with an appropriate degree of co-ordination and co-operation between them and with the key civil servants in the Department); and it recognises that some Ministers in charge of Departments may prefer to have no Special Adviser but to rely on the other Ministers in their Department and on their Parliamentary Private Secretaries for the specifically political input into the advice available to them. The "Policy Unit" proposed by the Committee suggests another possible way in which the support directly available to a Departmental Minister could be organised. The Government considers that more thought needs to be given to the functions of such a Unit and to its relationship to the rest of the system. For instance, if it is intended to have an independent input into policy formulation, its relationship, and that of the individuals comprising it, to the Permanent Secretary and the executive parts of the Department will need extremely careful definition. And, if it is intended as no more than an aid to the Minister in ensuring that Departmental policies are energetically pursued and followed up, it is not clear whether there is any great advantage in what would be little more than a formalisation of arrangements which already exist in many Departments. Indeed it is not clear how far its role is intended to, or should, differ from the existing structures. In fact, there may not be a substantial gap between the arrangements as they have evolved within many Ministers' offices and the thrust of the views expressed by the Committee. The Government does not propose to take a central initiative to launch an experiment on the lines suggested, but

does not rule out the possibility of further evolution of existing arrangements in the direction which the Committee may have in mind. There may be scope for the further development of existing arrangements by interested Ministers (subject to detailed discussion with their Permanent Secretaries and as necessary with the Prime Minister).

Managing the Civil Service

36. The Committee propose that there should be a single Minister for the Civil Service, with a Department for the Civil Service, whose Permanent Secretary should be the Head of the Home Civil Service.

37. The Government does not believe that that there is a uniquely and universally right way to organise the various functions that are carried out at the centre of Government - those now carried out by the Treasury and the Cabinet Office (including the Management and Personnel Office). What the organisation should be at any given time will depend on the policies and priorities of the Government of the day, and on the particular personalities involved. Until 1968 the Treasury undertook the responsibilities of central management of the Civil Service, and the Permanent Secretary to the Treasury (or the Joint Permanent Secretary responsible for that side of the Treasury) was the Head of the Home Civil Service. From 1962, however, the management side of the Treasury was largely separate from the rest, and by the time of the Fulton Report in 1968 the retention of responsibility for Civil Service management in the Treasury had come to be felt to be unsatisfactory. The Civil Service Department was therefore set up in 1968. It was essentially a new Department created out of the former Management side of the Treasury: it was responsible for all aspects of central management of the Civil Service, and its Permanent Secretary was the Head of the Home Civil Service. It is this arrangement which the Committee propose should be

recreated, though it was found not to be wholly satisfactory, particularly in respect of the divorce of responsibility for Civil Service pay and manpower from the Treasury's general responsibility for the central management of expenditure.

38. So a number of arrangements have been tried; and others would no doubt be possible. In the Government's view, however, the reasons which led to the creation of the present arrangements in 1981 remain valid. Moreover, these arrangements have been in existence for less than five years, and frequent institutional change is apt to produce more by way of disadvantage from the effects of disruption than by way of advantage in terms of improved policy formulation or execution.

39. The Government also continues to see a strong case for the Prime Minister, with her overall central responsibility for the co-ordination of Government policies and the management of Government, to be the Minister for the Civil Service - as successive Prime Ministers have always been, either as First Lord of the Treasury or more recently as Minister for the Civil Service - with whatever support for day-to-day Ministerial involvement is appropriate. At present this support is provided by the Minister of State, Privy Council Office, who is responsible under the Prime Minister for the organisation, management and overall efficiency of the Home Civil Service and for policy on recruitment, training and other personnel management matters; and by the Minister of State, Treasury, who is responsible under the Chancellor of the Exchequer for civil service pay and conditions.

40. As to the position of Head of the Home Civil Service, the Government notes the Committee's view that there is "very much a full-time need for one who will make his prime concern the restoration of morale " in the Civil Service. The maintenance of morale is not, however, a matter for one civil servant; and it would in the Government's view be mistaken to set up a system

which implied that it was. It is a matter for all Permanent Secretaries and indeed other senior management. It is necessary also to have regard to the fact that because of their relationship to Ministers neither the Head of the Home Civil Service nor other Permanent Secretaries can take up a public position in advocating the interests of the Civil Service, if to do so would appear to put them in conflict with the Government of the day. For this reason the Prime Minister, as Minister for the Civil Service, and all Ministers in charge of Departments share a responsibility for the maintenance of Civil Service morale. In short, it is a matter for the Government as a whole.

41. The current arrangement, under which the post of Head of the Home Civil Service is combined with the Secretaryship of the Cabinet, has clear benefits. The Secretary of the Cabinet, although not "the Prime Minister's Permanent Secretary", is of all the Permanent Secretaries the closest to the Prime Minister. As Permanent Secretary for the Cabinet Office (including the Management and Personnel Office), he is responsible to the Minister of State, Privy Council Office, and to the Prime Minister for the matters for which she has particular responsibility as Minister for the Civil Service. He also sees many of the senior staff in action and is therefore in a good position to advise the Prime Minister, as Minister for the Civil Service, on Grade 1 and 2 appointments. As to the matter of the load of work, the Government believes that, provided that the incumbent delegates sensibly, his burden is manageable.

42. Against this background the Government seeks no grounds for changing the existing organisation at the present time.

OPEN GOVERNMENT

43. In the last section of its report, the Committee make certain comments on freedom of information and on the Official Secrets Acts.

Freedom of Information

44. As to freedom of information, it remains the policy of the Government to make publicly available as much information as possible, consistent with the requirements of the preservation of national security, of the protection of international relations, of financially or economically sensitive information, and of commercial and personal information entrusted to it in confidence, and with the requirements of orderly Government. The establishment of Departmental Select Committees in 1979 has encouraged a climate in which far more information is being made available by Government Departments than ever before. The Government is not convinced that legislation giving individuals new statutory rights of access to Government information is needed, or that it would make for more effective Government. It agrees with the Committee that advice of civil servants to Ministers should remain confidential. Given that advice of civil servants to Ministers would be exempt from a statutory duty of access to information, the Government doubts whether freedom of information legislation would much affect relations between Ministers and their officials one way or the other.

Official Secrets

45. Section 2 of the Official Secrets Act 1911 prohibits the unauthorised disclosure by a Crown servant of information that he has obtained through his official position. A leak by a civil servant that is designed to frustrate the policies or actions of a Minister would be one form of unauthorised disclosure; and the Government agrees with the Select Committee that such a disclosure cannot be regarded as justified.

46. Responsibility for deciding whether or not to institute proceedings under the Act rests with the Attorney General in his capacity as a Law Officer (not as a member of the Government). He has made clear that he will continue to exercise his

discretion in this matter in accordance with the criteria applicable to all prosecutions that he has made public. The unauthorised disclosure of information is also a serious breach of the Civil Service Code of Conduct. A civil servant against whom criminal proceedings are not instituted could be subject to internal disciplinary procedures.

47. The Government introduced a Bill when it came to office in 1979 to reform Section 2 of the Official Secrets Act 1911. The Protection of Official Information Bill was broadly based on the recommendations of the Franks Committee, which reported in 1972. The Bill would have replaced Section 2 with new provisions designed to protect certain specified classes of official information from unauthorised disclosure. There was, however, insufficient agreement, mainly about precisely what categories of information should be protected by the criminal law, to enable the Government to carry the Bill through Parliament.

48. The Government has noted the views of the Treasury and Civil Service Select Committee, and will continue to listen to views expressed on this subject. But it does not believe that it is any more likely now than in 1979 that a measure could be devised defining the information which genuinely needs protection and specifying who has the right to apply the definition to particular information which would be broadly acceptable. Accordingly, the Government has no plans at present to introduce legislation on the protection of official information. Unless and until such legislation can be introduced with a sufficient degree of support, the Official Secrets Acts remain in place as the law of the land.

File
MANAGEMENT IN CONFIDENCE



10 DOWNING STREET

From the Principal Private Secretary

7 July 1986

Dear Joan,

**RESPONSE TO THE TCSC REPORT ON "CIVIL SERVANTS AND
MINISTERS: DUTIES AND RESPONSIBILITIES"**

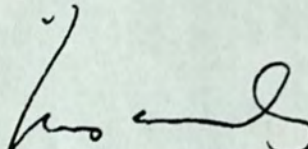
The Minister of State, Privy Council Office has recently consulted the Prime Minister about the Government's response to the Seventh Report of the Treasury and Civil Service Committee, on Civil Servants and Ministers: Duties and Responsibilities. The Minister of State will shortly be circulating Ministers generally on the substance of the Government's response, which will be published as a Command Paper, and your Minister will no doubt be letting him have any comments on substance. This letter concerns the timing of the publication of the Report.

The Minister of State is planning to publish the Government's response, in the form of a White Paper, on or about 22 July. The Prime Minister understands that that day may also see the publication of the Defence Select Committee's Report on Westlands. This Report may well cover some of the same ground as the TCSC Report and the Government's response; e.g. responsibilities of Government Press Officers, relations of Ministers to Civil Servants etc.

The Prime Minister would be glad to have the advice of the Lord President and the Chief Whip (to whose office I am copying this letter) on the advisability of publishing the response to the TCSC Report on the same day as the likely publication of the Defence Select Committee's Report. The arguments point either way. On the one hand the Defence Select Committee might feel provoked if the Government's response to the TCSC Report effectively cut the ground from under the recommendations in their Report (though we do not know whether it would in fact do that). On the other hand, it could be helpful to have on the record on 22 July a firm traditional statement of the responsibilities of Ministers and civil servants.

MANAGEMENT IN CONFIDENCE

I am sending a copy of this letter, together with a copy of the latest draft of the Government's response to the TCSC Report, to Murdo Maclean and of the letter only to Sir Robert Armstrong (for information).


Nigel Wicks

(N.L. WICKS)

Miss Joan MacNaughton,
Lord President's Office.



file 4/6
LOSTA 20

10 DOWNING STREET

From the Principal Private Secretary

7 July 1986

RESPONSE TO THE TCSC REPORT ON "CIVIL SERVANTS AND
MINISTERS: DUTIES AND RESPONSIBILITIES"

The Prime Minister has considered your Minister's minute of 4 July about the Government's response to the 7th Report of the Treasury and Civil Service Committee, on Civil Servants and Ministers: Duties and Responsibilities. The Prime Minister has the following comments on the draft attached to your Minister's draft:

Paragraph 2, 3rd sentence: for "general agreement" substitute "complete agreement";

Paragraph 12, last sentence: this sentence refers to the steps which are being taken to familiarise newly appointed Ministers with the working of Government Departments. The Prime Minister has asked what these steps are. Your Minister may like to consider spelling them out in the text;

Paragraph 15, last sentence: the Prime Minister does not understand the last part of the sentence beginning, "..... including political judgement", and she thinks it should be deleted.

Paragraph 33, second sentence: the Prime Minister is a little unhappy with the phrase "..... determining his policies" in this sentence. She wonders whether the sense might be better expressed;

Paragraph 34, second sentence: she would like to know in how many Departments the number of Special Advisers exceeds one.

Your Minister suggests that the response should be published on 22 July. The Prime Minister understands that that day may also see the publication of the Defence Select Committee's Report on Westland. This Report may well cover some of the same ground as the TCSC Report and the Government response to it. The Prime Minister would like your Minister and Sir Robert Armstrong to consider whether it is advisable to have these two documents published on the same day. She will consult the Chief Whip and the Lord President herself. At this stage her inclination is, I think, for the Government's response to the TCSC Report to be published on a different day to the Defence Select Committee's Report on Westland, some time later in July.

I suggest that the Government's draft response is now amended to reflect the Prime Minister's comment, and then circulated to Cabinet Ministers in charge of Departments, and I think all other Cabinet Ministers as well, and the Chief Whip, and the Attorney General. Could you please then arrange for the Government's draft response to be re-submitted to the Prime Minister indicating the changes made from the version which she has just seen. By then, the position on the timing of the Government's response should be clearer.

I am sending a copy of this letter to Michael Stark
(Cabinet Office).

N. L. WICKS

Paul Thomas, Esq.,
Office of the Minister for the Arts.

PRIME MINISTER

RESPONSE TO THE TCSC REPORT ON "CIVIL SERVANTS AND MINISTERS:
DUTIES AND RESPONSIBILITIES"

Mr. Luce's minute below adequately summarises the Responses proposed in the draft Command Paper to be presented to Parliament in your name as the Government's Response to this Report of the TCSC. But you will no doubt want to glance through the text of the draft Command Paper. The substance of the Responses represents a classic statement of the traditional relationship between civil servants and Ministers.

Mr. Luce proposes that the Response should be published on 22 July. 22 July may also see the publication of the Defence Select Committee's Report on Westland. This Report may well cover some of the same ground as the TCSC Report and the Government's Response; e.g. the responsibilities of Government Press Officers (paragraph 5.20 of the draft). But the coincidence of the publication of the two documents need not cause difficulty. Indeed, it could be helpful to have on the record on 22 July a firm traditional statement of the responsibilities of Ministers and civil servants. Mr. Luce and Sir Robert Armstrong should, however, consider the timing of publication further before a final decision is made to publish the Response on 22 July.

Yes and I will consult with the Chief Whip + Lord President

Are you content that the draft of the Command Paper should now be circulated to Ministers for comments with a view to publication on 22 July?

later in

N.L.W.

N. L. Wicks
4 July 1986

① It's not understood the last three lines of para 15 - I think they would be better deleted.

- See various points I have marked in the text.



MINISTER OF STATE, PRIVY COUNCIL OFFICE

PRIME MINISTER

The Seventh Report of the Treasury and Civil Service Committee, on civil servants and Ministers: duties and responsibilities, was published on 22 May.

2. The Report arose out of the Committee's decision that a Sub-Committee, under the chairmanship of Austin Mitchell MP, should conduct an inquiry into the relationship between Ministers and civil servants, with particular reference to the Note of Guidance which the Head of the Home Civil Service issued on 25 February 1985, shortly after the verdict in the Ponting case.

3. The Sub-Committee took evidence from a large number of individuals and organisations. Their conclusions were clearly much shaped by the views and advice of their two "expert advisers", Mr Andrew Likierman of the London Business School and Dr William Plowden of the Royal Institute of Public Affairs. It is evident, however, from the published proceedings of the Committee that the Committee had some difficulty in reaching a consensus on their conclusions, and this shows in the drafting of the Report, and the tentative nature of some of the conclusions.

4. I attach a draft response to the Committee's Report, which has been the subject of wide-ranging consultation with Departments. The main proposals in the Report and the responses proposed can be summarised as follows:

- i. You should, after some consultation with leaders of other political parties, formulate and publish guidelines



for Ministers, in parallel to Sir Robert Armstrong's guidance for civil servants, on their duties to Parliament and responsibilities for the Civil Service (paragraph 3.13).

→ Proposed response: The principles that should govern these matters are outlined in the response, but the Government does not believe that it is necessary or useful to go further than this and have a detailed note of guidance (paragraph 11).

ii. The Government "and other interested parties" should produce specific proposals on how the question of accountability (of civil servants to Ministers and of Ministers to Parliament) should be dealt with in future (paragraph 3.13).

→ Proposed response: Principles of accountability clearly restated; implications discussed; application in particular circumstances left for judgment at the time (paragraphs 13 to 15).

iii. Sir Robert Armstrong's note will do, so far as it goes, but should be "revised and expanded to cover a greater range of situations, and in greater detail", so as to "become, in effect, a code of ethics" and that he should enter into discussions with the Civil Service unions with a view to producing an agreed text of a new note of guidance (paragraph 4.11).

→ Proposed response: Sceptical, but agree to enter into discussions with the unions (paragraph 18).

iv. There should not (at any rate for the present) be an external appeal mechanism for civil servants faced with crises of conscience, but there should be a right of appeal



to the Head of the Home Civil Service for officials who have followed the procedures prescribed in his note of guidance but whose dilemmas remain unresolved (paragraph 4.16).

Proposed response: Agreed in principle; for discussion with the unions (paragraph 19).

v. Ministers should be able to play an active role in selecting the key officials who are going to work with them in planning and implementing their policies (paragraph 5.13).

Proposed response: Already adequately provided for 21-25 (paragraph 25).

vi. There should be regular infusions, temporary and permanent, of highly motivated people of proven ability into the higher Civil Service (paragraph 5.18).

Proposed response: Qualified agreement; much of this already in hand (paragraph 28).

vii. Ministers who require their press officers to do more than present and describe their policies should make political appointments (paragraph 5.20).

Proposed response: Disagreed; Government press officers can properly justify and defend (as well as present and describe) Government policies, in departmental but not in party political terms. (paragraph 29).

viii. Experiments should be conducted in expanding the traditional Ministerial Private Office into what the Committee calls a Ministerial Policy Unit, consisting of a number of special advisers, a number of career civil



servants and the Parliamentary Private Secretary: the purpose of establishing such a limit would be to strengthen the Minister, increasing his influence and control over his Department, and putting himself in a better position to participate in the collective decision-making of Cabinet (paragraphs 5.28 to 5.32).

Proposed response: No central initiative; gap between the Committee's thinking and actual practice may not be great; do not rule out further evolution of these arrangements in Committee's direction by individual Ministers who so wish (paragraph 35).

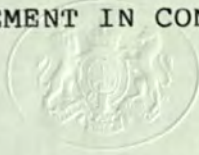
ix. There should as a matter of principle be a single Minister for the Civil Service with his own Department (the Civil Service Department) responsible for the management of the Civil Service (paragraph 5.38).

x. The posts of Secretary of the Cabinet and Head of the Home Civil Service should not be combined. The Head of the Home Civil Service should be a full Permanent Secretary, working to the proposed Minister for the Civil Service (paragraph 5.44).

Proposed responses: Disagreed. No change in existing arrangements at present time (paragraph 42)

5. There are obiter dicta on freedom of information and on the Official Secrets Acts, though the Committee acknowledge that they were not principally concerned to inquire into those subjects.

6. I should draw your attention particularly to the line I propose we should take on the Committee's "Policy Unit" proposal (item viii. above). Though I believe the Committee's proposal to have been insufficiently thought through, this is one on which much media attention has been focused and on which the



Government's response will be closely scrutinised. I think it is important that we should avoid giving too negative a response. The difference between what the Committee may have in mind and what actually happens on the ground may not be great. Moreover I am concerned that generally our response to this Report is likely to be seen as rather negative. I therefore think it important that we should not dismiss the concept out of hand, but openly recognise the possibility that, without there being any kind of central initiative, some Ministers may over time wish to move further in the Committee's direction, and that it may not cause serious harm if they do so.

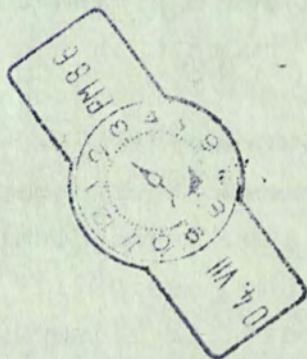
7. The Government is normally expected to respond to reports of Select Committees within two months. To meet this timetable we should aim to publish a response on or about 22 July. If you are content with the draft, I should be grateful for your authority for me to circulate it on Monday 7 July for the comments and agreement of members of the Cabinet Ministers in charge of Departments and the Attorney General. I would ask for their comments and agreement by not later than 11 July, so as to allow for publication before the House of Commons rises for the Summer Recess, in the week beginning 21 July. I propose to aim at publication on 22 July. I hope you will be content that the Command Paper should be presented to Parliament by you, as Prime Minister and Minister for the Civil Service. I also propose that publication of the Command Paper should be announced by means of a Written Question and Answer.

Paul Thomas

MP RICHARD LUCE

4 July 1986

(approved by the Minister and signed in his absence)



COMPANION

THE

WINDMILL

Draft of 4 July 1986

CIVIL SERVANTS AND MINISTERS

DUTIES AND RESPONSIBILITIES

Government Response to Seventh Report from the
Treasury and Civil Service Committee

Session 1985-86

INTRODUCTION

The Government welcomes the Committee's Seventh Report, together with the memoranda and minutes of evidence taken by their Sub-Committee for the purpose of preparing the Report, as a contribution to the public discussion of a number of important and sensitive issues which lie at the heart of the exercise of government in a Parliamentary democracy and in a complex industrialised society.

2. This response is intended to be seen in the same light: as a contribution to a continuing discussion, not as the last word in an argument. For these issues are concerned not just with institutions, and relationships between institutions; they are very much concerned with relationships between people working together in a framework of political and administrative institutions, which themselves progress and develop, and in widely varying political contexts. They are not therefore issues on which there is likely to be ^{complete} general agreement, or even finality: political circumstances change - indeed governments change - and solutions which may seem appropriate in one context may be inadequate or inappropriate in others. The need is to

discern and identify the principles which ought to guide the people concerned as they exercise their judgments in dealing with particular situations and problems, rather than to try to generalise from particular situations and problems that have occurred and to prescribe detailed solutions for dealing with them in future.

DUTIES AND RESPONSIBILITIES

The Civil Service

3. There is one other general point to be made at the outset. The Committee's Report is relevant mainly to civil servants working at the centre of Government, advising Ministers on the formulation and execution of policy, and much of this response follows the Committee's Report in that respect. But the Civil Service as a whole is a much larger body of public servants - nearly 600,000 in all - engaged in an extremely wide variety of functions. In thinking about the one-half of one per cent of civil servants with whom the Report is primarily concerned, it is important not to lose sight of the diverse functions of other members of the Civil Service.

4. The Government has noted, and warmly endorses, the appreciation expressed by many of those who gave evidence to the Committee of the loyalty, devotion and professionalism with which civil servants carry out the duties placed upon them.

5. The Government recognises the particular pressures which have been created by its commitments to :

- (1) reducing the role of the state and the extent of its intervention in the affairs of the citizens;

(2) making sure that the activities that continue to be carried out within government are managed with the greatest possible efficiency and effectiveness;

(3) as a counterpart and consequence of these processes, reducing the size of the Civil Service.

6. The Committee's Report does not touch on the programme of management reform which has been going forward in the public service since 1979. Manpower has been reduced by nearly 20 per cent. There have been changes to ensure greater personal responsibility for financial management on the part of individual line managers in the Civil Service, fuller initial assessment of the objectives and costs of services and policies and more reviews of their effectiveness. The changes in management have required substantial changes in the attitude of civil servants to their work. It is a great credit to the Service, not just that the necessity for these changes has been accepted, but that the process itself has been positively espoused and is bearing fruit.

7. The Government notes with satisfaction that the Committee "have received no convincing evidence that the British Civil Service is being or has been politicised". This is entirely in line with the Government's conviction that the Civil Service has not been, is not being, and should not be allowed to become politicised. It reaffirms its belief in the importance, in the British system of parliamentary democracy, of maintaining a non-political professional Civil Service offering those who join it a career with the opportunity of rising to the highest levels. Only so, in the Government's view, will it be possible to maintain the standards of integrity, intelligence and skill which have characterised the British Civil Service and benefited the country for more than a hundred years.

8. The Committee have noted that they would find it helpful to have a clear definition of the Civil Service. As the Report notes, the Expenditure Committee made the same request in 1978 (HC (1976-77) 535-1). The Government's response (Cmnd 7117, paragraph 107) was as follows:

"There is in law no universally applicable definition of 'civil servant' or 'Civil Service'. The most important distinguishing characteristic is service on behalf of the Crown. The employees of bodies which do not in law have crown status (eg local authorities, nationalised industries) are not civil servants. Political, judicial and other Crown office holders whose terms and conditions of service are separately provided for are distinguished from civil servants, as are the Armed Forces and the Royal Household."

The Government cannot improve upon this definition, which (it will be noted) includes the Diplomatic Service and the Northern Ireland Civil Service, though these are separate from the Home Civil Service. It does not include employees of National Health Authorities, who are Crown servants but not civil servants.

9. The Government does not propose in this response to the Committee's Report to embark upon an elaborate disquisition on the constitutional significance of "the Crown". What Sir Robert Armstrong wrote in his note of guidance of 25 February 1985 ("the Armstrong memorandum"), the issue of which gave rise to the Committee's inquiry, was the subject of careful consideration, and the Government believes that it provides the right foundation on which to base the discussion of working relationships and their implications:

"Civil servants are servants of the Crown. For all practical purposes the Crown in this context means and is represented by the Government of the day ... The Civil

Service as such has no constitutional personality or responsibility separate from the duly elected Government of the day."

Ministers

10. Ministers are also servants of the Crown: with the difference, as the Committee recognises, that it is they who bear political responsibility and accountability. The Government agrees with the view that good government depends as much upon the integrity of Ministers and their accountability to Parliament, as upon the integrity of civil servants and their accountability to Ministers.

11. The Government believes that Ministers are well aware of the principles that should govern their duties and responsibilities in relation to Parliament and in relation to civil servants. It goes without saying that these include the obligations of integrity. They include the duty to give Parliament and the public as full information as possible about the policies, decisions and actions of the Government, and not to deceive or mislead Parliament or the public. In relation to civil servants, they include the duty to give fair consideration and due weight to informed and impartial advice from civil servants, as well as to other considerations and advice, in reaching policy decisions; the duty to refrain from asking or instructing civil servants to do things which they should not do; the duty to ensure that influence over appointments is not abused for partisan purposes; and the duty to observe the obligations of a good employer with regard to terms and conditions of service and the treatment of those who serve them.

12. The Government does not believe that it is necessary to go further than this in defining the duties and responsibilities of Ministers - or indeed possible to do so without adding so many caveats, provisos, and saving clauses as greatly to limit the

value of the exercise as a detailed guide to conduct. Steps are, however, being taken to familiarise newly-appointed Ministers with the workings of Government Departments, to help them to contribute to the achievement of greater efficiency and better value for money, and to equip them to make the best use of the Civil Service resources available to support them.

Accountability

13. The Government endorses the Committee's two basic propositions on accountability: that Ministers and not officials are responsible and accountable for policy; and that officials' advice to Ministers is and should remain confidential.

Constitutionally a Minister is responsible and accountable for all actions carried out by civil servants of his Department in pursuit of Government policies or in the discharge of responsibilities laid upon him by Parliament. The delegation of authority to managers at all levels, which is an important part of the Government's drive for more efficient and economic use of resources in the Civil Service, involves internal accountability within Departments and does not conflict in any way with the external accountability of the Minister to Parliament. Any attempt to make civil servants directly accountable to Parliament, other than the strictly defined case of the Accounting Officer's responsibility, would be difficult to reconcile with the Minister's responsibility for his Department and the civil servant's duty to his Minister.

14. This has implications for the position of civil servants in relation to Select Committees. Select Committees were established to examine the expenditure, administration and policy of Departments. The relevant powers of the Committees and the conventions that are accepted as applying are set out comprehensively in the First Report from the House of Commons Select Committee on Procedure (session 1977/8) and the memorandum by the Clerk of the House. The Report and the

memorandum recognise that civil servants who give evidence to Select Committees do so on behalf of their Ministers, that there are certain matters on which they cannot answer questions (notably, as the Committee's own Report states, on policy matters - which are for Ministers - and on advice given to Ministers) that - as the Report stated -

"it would not be appropriate for the House to seek directly or through its Committees to enforce its rights to secure information from the Executive at a level below that of the Ministerial Head of Department concerned, since such a practice would tend to undermine rather than strengthen the accountability of Ministers to the House";

and as the memorandum by the Clerk of the House stated -

"it would certainly appear more in accordance with Ministerial accountability to the House that Ministers should accept responsibility for the conduct of their offices and that the House should proceed against Ministers".

It is not in accordance with the Government's view of those conventions or with the underlying principles of Ministerial accountability that Select Committees should criticise individual civil servants who are, for the reasons already explained, unable to speak freely in their own defence.

15. It is impossible, and would be unwise, to try to lay down detailed guidelines about the implications of Ministerial accountability for individual conduct in particular situations: the variety of situations that can arise is infinite, and there must be room for the exercise of discretion and judgment having regard to particular circumstances. It has never been the case that a Minister was required or expected to resign in respect of any and every mistake made by his Department, though he is

clearly responsible to Parliament for ensuring that action is taken to put matters right and prevent a recurrence. The principle is clear: the Minister is accountable to Parliament for the policies and actions of his Department. The implications of applying that principle are a matter of judgment in each case, including the political judgment whether the Minister retains the confidence of his Ministerial and Parliamentary colleagues.

QUESTIONS OF PROCEDURE

The Armstrong Memorandum

16. As to the duties and responsibilities of civil servants in relation to Ministers, the Government reaffirms the principles set out in the Armstrong memorandum; indeed the Committee themselves accept the validity of those principles. The question that remains is whether, in the matter of procedures, the memorandum goes far enough and whether it is possible to define more specifically some of the situations that may arise and to prescribe for them.

17. The Government does not believe that the cases referred to by the Committee demonstrate that the procedures set out in the Armstrong memorandum are inadequate. In particular, in Mr Ponting's case, it is not just that the Armstrong memorandum had not been issued at the relevant time: the fact is that Mr Ponting did not follow those procedures and did not take his specific problem either to his Permanent Secretary or to the Head of the Home Civil Service. When questioned on this matter by the Committee, Mr Ponting indicated that he had decided that there was no point in approaching his Permanent Secretary formally because, he assumed, the Permanent Secretary was already aware of his views through previous discussions. Mr Ponting would have been better placed to reach a conclusion if he had approached his Permanent Secretary formally with his

specific problem. Instead he chose to ventilate his grievances by means of anonymous letters while he continued to occupy a position of high trust.

18. The Government is not convinced that it is desirable or indeed practicable to specify situations and prescribe procedures in more detail than the Armstrong memorandum already does. Sir Robert Armstrong has however agreed, following a request from the Council of Civil Service Unions, to enter into discussions on this matter. Those discussions have been awaiting the Committee's Report.

An Appeals Mechanism

19. The Government agrees with the Committee in the view that an external appeals mechanism would not be desirable. In particular it is the view of the Government that the institution of a Parliamentary Commissioner or Inspector General for the Civil Service, of the kind suggested by the FDA or Sir Douglas Wass, could adversely affect the relationships between Ministers and civil servants. But the Government accepts in principle the Committee's recommendation that the Head of the Home Civil Service should be prepared personally to consider appeals from officials who have followed his procedures but whose crises of conscience remain unresolved. This right of appeal would be intended primarily to deal with "crisis of conscience" cases - where (for instance) a civil servant is asked or instructed to do something which for him or her raises a fundamental issue of conscience; it would not be intended to be available in disciplinary cases and other personnel management matters where the Permanent Secretary of the Department concerned will remain the final authority. There would also need to be some safeguard against the risk of merely frivolous or vexatious appeals to the Head of the Home Civil Service. The arrangements and procedures for this right of appeal will be one of the subjects for discussion in the course of Sir Robert Armstrong's consultations

with the representatives of the Civil Service unions.

20. It will be for separate consideration whether there should be similar rights of appeal for members of the Diplomatic Service and for members of the Northern Ireland Civil Service to the respective Heads of their Services.

MINISTERS AND THE CIVIL SERVICE

Senior Appointments

21. The Committee make a number of points in the section of their Report headed "Ministers and the Civil Service". The first is that "Ministers should be able to play an active role in selecting the key officials who are going to work with them in planning and implementing their policies".

22. The Committee's words here leave room, perhaps intentionally, for a good deal of flexibility of interpretation. The Government believes that the Committee do not contemplate, any more than the Government would, a wholesale change of staff in the higher levels of the Civil Service upon a change of Government or Minister. Nonetheless, the Government believes that the wording of this recommendation carries a significant risk of increasing politicisation, which (like the Committee) the Government wishes to avoid. It therefore takes a somewhat different position.

23. The Government considers that the maintenance of the Civil Service as a career service is in the public interest. With a career service, the assumption must be that civil servants give unstinting and loyal service to the Government of the day and that an incoming Minister accepts and works with those whom he finds in the established Civil Service posts (special advisers and policy units are discussed later in this response). Any other assumption would inject an unacceptable degree of

uncertainty into appointments in the higher Civil Service. In the rare event that a Minister finds that he cannot work reasonably with a particular official in a key position, it is open to him to propose to the Permanent Secretary (or to the Prime Minister or the Head of the Home Civil Service, if the official concerned is the Permanent Secretary) that the official should be moved from that position. The subsequent discussion takes account of the various considerations involved, and it is usually possible to resolve the situation satisfactorily, given a degree of good will on all sides. The Government does not believe that it is possible to go further than this to provide in advance for a situation which arises only very seldom.

24. When a vacancy occurs in the ordinary course of business, as a result of a retirement or a posting, in a Grade 1 or Grade 2 post, the Minister in charge of the Department is always consulted and can expect to be able to have an active influence on the choice of the successor, though the appointment is ultimately made with the approval of the Prime Minister. Appointments at Grade 3 do not require the Prime Minister's approval, but the Permanent Secretary will consult the Minister concerned in the normal course of business before appointments are made to posts in this grade whose incumbents are regularly in contact with Ministers and to other key posts in this or other grades.

25. The Government believes that these arrangements enable departmental Ministers to play an appropriately active role in the selection and appointment of senior officials.

Appointments From Outside

26. The Committee's second point in this section is that "there should be regular infusions, temporary and permanent, of highly motivated people of proven ability into the higher Civil

Service". The Committee commends the "more structured and yet more flexible arrangements for movement in and out of the public service" which they understand to be a feature of the French system.

27. The arrangements in the French system are (as the Committee implicitly recognise) part and parcel of a different administrative system and a different set of relationships between the public service and the private sector from those which exist in this country; and it would be difficult to adopt one feature of the French system without others, for example in relation to business appointments for those leaving the public service. The Government notes in passing that some of the Committee's recommendations in its earlier Report on business appointments would make for less rather than more flexibility in these matters.

28. The Government believes that the objective should be that the Civil Service should be capable of furnishing people with all the qualifications and expertise likely to be required in the public service, and that recruitment to and training in the Civil Service should be so organised as to achieve this objective. This objective also served by the policy of encouraging increased interchange between the public and private sectors, which helps to increase experience and improve understanding between the two sectors and promote the development of outward-looking attitudes in the public service. An important element in this policy is an expanding programme of secondments in both directions between the Civil Service and industry, commerce and other outside bodies, amounting to a total of 900 secondments in and out in 1985, in addition to joint training arrangements, unpaid non-executive directorships and other arrangements for exchanging experience. The Government fully supports this programme as a further means of expanding the experience of the permanent Civil Service, and would like to see the number of such exchanges increase. But

there will continue to be, as there have been in the past, cases where the Civil Service cannot meet a particular requirement at a particular time, and in such cases it is necessary and appropriate to bring somebody in from outside the Civil Service. Between 1979 and 1985, some 80 appointments were made from outside the Civil Service at Grade 3 and above. The arrangements for such appointments should be, and are designed to be, such as to ensure that they are made not on political considerations but strictly on the requirements of the appointment and the qualifications and expertise of the person to be appointed. The objective must be to make the best possible appointment in the circumstances, without regard to political considerations, in accordance with the Civil Service Commissioners' requirements.

Press and Information Officers

29. Dealing with press and information officers, the Committee propose that "Ministers who require their press officers to do more than present and describe their policies should make political appointments". In practice it is very difficult to draw a sharp line between "presenting and describing" and "justifying and defending" policies. The Government's view is that the correct distinction is between the policy of the Government as such and the party political dimensions of that policy; and that a Civil Service departmental press officer is in exactly the same position as any other civil servant: he may properly be called upon to present and describe the policies of the Minister, and to put forward the Minister's justification and defence of these. He may not properly be called upon to justify or defend those policies in party political terms, or expressly to advocate policies as those of a particular political party. A Minister who wishes to present his policies in a party political dimension has other means and channels available to him for doing so. A Civil Service departmental press officer who is asked or instructed by his Minister to

behave in a manner which oversteps this line should consult his Permanent Secretary.

Special Advisers and "Cabinets"

30. The Committee propose the institution of an expanded Ministerial Private Office, which they describe as a Minister's Policy Unit, which would consist of his Parliamentary Private Secretary, to keep the Minister in touch with backbenchers, a group of civil servants, to keep the Minister in touch with his Department and to give advice, and a number of Special Advisers, to keep him in touch with his party organisation and to give policy advice.

31. Under present arrangements a Minister in charge of a Department may have a Parliamentary Private Secretary, a Private Office, and one or two Special Advisers; the functions of the three are distinct and different, though there needs to be good co-ordination and co-operation between them. There would be no constitutional difficulty about an experiment in formalising and extending these arrangements on the lines envisaged by the Committee, provided that, as the Committee propose, numbers working in the unit were limited in the interests of efficiency and containing costs. It would also be necessary that such an arrangement should not insulate Ministers from the advice of their permanent civil servants or cut across the Permanent Secretary's overall accountability to the Minister for the effective implementation of the Minister's policies and management of the Department.

32. But the Government considers that in reading across from "cabinet" systems in other countries the Committee have taken too little account of the extent to which Ministers of State and Parliamentary Secretaries play a role in the British system of government. In nearly all Departments there are at least two or three - in some cases as many as six or seven - Ministers

besides the Minister in charge of the Department. These Ministers share the burden of Parliamentary and departmental work, and are an experienced and responsible source of political advice and support for the Minister in charge of the Department.

33. The policy advice role of Special Advisers covers two different functions. The first is to assist the Minister in determining his policies as a departmental Minister: in this capacity the Special Adviser provides a complementary source of advice to that provided by the civil servants, with special reference to the party political dimensions of the policy. The second is to provide the Minister - and particularly the Cabinet Minister - with advice on matters which may be discussed in Cabinet or Cabinet Committee but in which his Department has no direct concern and no obvious capacity or qualification to provide advice. The first of these functions, with its specifically party political dimension, cannot readily be undertaken by a civil servant; the second can be, and often is, though (as the Committee recognises) this should be an episode in a civil servant's career from which he subsequently returns to normal departmental work.

34. The number of Special Advisers which is appropriate depends upon the size of the Department and the range of its responsibilities, as well as upon the Minister's assessment of what he can use to advantage. The Government believes that, in an ordinary Department, the number of such advisers should seldom exceed one, and that, as a general rule, only Cabinet Ministers (and in exceptional cases other Ministers in charge of Departments) should need a Special Adviser. To ensure a reasonable degree of consistency in practice, the Prime Minister's approval should continue to be required for the employment of Special Advisers. They are invariably from outside the Civil Service, and should therefore continue to be appointed for terms which expire with the end of the administration under which they are appointed, when there is a

in how many departments do they exceed one

General Election, or with the departure of the Minister by whom they are appointed. They should continue to be subject in general to Civil Service Conditions of Service.

35. The Government has found the present arrangement satisfactory, whereby the functions of the Private Office, Special Adviser and Parliamentary Private Secretary are organisationally separate (though with an appropriate degree of co-ordination and co-operation between them and with the key civil servants in the Department); and it recognises that some Ministers in charge of Departments may prefer to have no Special Adviser but to rely on the other Ministers in their Department and on their Parliamentary Private Secretaries for the specifically political input into the advice available to them. The "Policy Unit" proposed by the Committee suggests another possible way in which the support directly available to a Departmental Minister could be organised. The Government considers that more thought needs to be given to the functions of such a Unit and to its relationship to the rest of the system. For instance, if it is intended to have an independent input into policy formulation, its relationship, and that of the individuals comprising it, to the Permanent Secretary and the executive parts of the Department will need extremely careful definition. And, if it is intended as no more than an aid to the Minister in ensuring that Departmental policies are energetically pursued and followed up, it is not clear whether there is any great advantage in what would be little more than a formalisation of arrangements which already exist in many Departments. Indeed it is not clear how far its role is intended to, or should, differ from the existing structures. In fact, there may not be a substantial gap between the arrangements as they have evolved within many Ministers' offices and the thrust of the views expressed by the Committee. The Government does not propose to take a central initiative to launch an experiment on the lines suggested, but does not rule out the possibility of further evolution of

existing arrangements in the direction which the Committee may have in mind. There may be scope for the further development of existing arrangements by interested Ministers (subject to detailed discussion with their Permanent Secretaries and as necessary with the Prime Minister).

Managing the Civil Service

36. The Committee propose that there should be a single Minister for the Civil Service, with a Department for the Civil Service, whose Permanent Secretary should be the Head of the Home Civil Service.

37. The Government does not believe that that there is a uniquely and universally right way to organise the various functions that are carried out at the centre of Government - those now carried out by the Treasury and the Cabinet Office (including the Management and Personnel Office). What the organisation should be at any given time will depend on the policies and priorities of the Government of the day, and on the particular personalities involved. Until 1968 the Treasury undertook the responsibilities of central management of the Civil Service, and the Permanent Secretary to the Treasury (or the Joint Permanent Secretary responsible for that side of the Treasury) was the Head of the Home Civil Service. From 1962, however, the management side of the Treasury was largely separate from the rest, and by the time of the Fulton Report in 1968 the retention of responsibility for Civil Service management in the Treasury had come to be felt to be unsatisfactory. The Civil Service Department was therefore set up in 1968. It was essentially a new Department created out of the former Management side of the Treasury: it was responsible for all aspects of central management of the Civil Service, and its Permanent Secretary was the Head of the Home Civil Service. It is this arrangement which the Committee propose should be recreated, though it was found not to be wholly satisfactory,

particularly in respect of the divorce of responsibility for Civil Service pay and manpower from the Treasury's general responsibility for the central management of expenditure.

38. So a number of arrangements have been tried; and others would no doubt be possible. In the Government's view, however, the reasons which led to the creation of the present arrangements in 1981 remain valid. Moreover, these arrangements have been in existence for less than five years, and frequent institutional change is apt to produce more by way of disadvantage from the effects of disruption than by way of advantage in terms of improved policy formulation or execution.

39. The Government also continues to see a strong case for the Prime Minister, with her overall central responsibility for the co-ordination of Government policies and the management of Government, to be the Minister for the Civil Service - as successive Prime Ministers have always been, either as First Lord of the Treasury or more recently as Minister for the Civil Service - with whatever support for day-to-day Ministerial involvement is appropriate. At present this support is provided by the Minister of State, Privy Council Office, who is responsible under the Prime Minister for the organisation, management and overall efficiency of the Home Civil Service and for policy on recruitment, training and other personnel management matters; and by the Minister of State, Treasury, who is responsible under the Chancellor of the Exchequer for civil service pay and conditions.

40. As to the position of Head of the Home Civil Service, the Government notes the Committee's view that there is "very much a full-time need for one who will make his prime concern the restoration of morale " in the Civil Service. The maintenance of morale is not, however, a matter for one civil servant; and it would in the Government's view be mistaken to set up a system which implied that it was. It is a matter for all Permanent

Secretaries and indeed other senior management. It is necessary also to have regard to the fact that because of their relationship to Ministers neither the Head of the Home Civil Service nor other Permanent Secretaries can take up a public position in advocating the interests of the Civil Service, if to do so would appear to put them in conflict with the Government of the day. For this reason the Prime Minister, as Minister for the Civil Service, and all Ministers in charge of Departments share a responsibility for the maintenance of Civil Service morale. In short, it is a matter for the Government as a whole.

41. The current arrangement, under which the post of Head of the Home Civil Service is combined with the Secretaryship of the Cabinet, has clear benefits. The Secretary of the Cabinet, although not "the Prime Minister's Permanent Secretary", is of all the Permanent Secretaries the closest to the Prime Minister. As Permanent Secretary for the Cabinet Office (including the Management and Personnel Office), he is responsible to the Minister of State, Privy Council Office, and to the Prime Minister for the matters for which she has particular responsibility as Minister for the Civil Service. He also sees many of the senior staff in action and is therefore in a good position to advise the Prime Minister, as Minister for the Civil Service, on Grade 1 and 2 appointments. As to the matter of the load of work, the Government believes that, provided that the incumbent delegates sensibly, his burden is manageable.

42. Against this background the Government seeks no grounds for changing the existing organisation at the present time.

OPEN GOVERNMENT

43. In the last section of its Report, the Committee make certain comments on freedom of information and on the Official Secrets Acts.

Freedom of Information

44. As to freedom of information, it remains the policy of the Government to make publicly available as much information as possible, consistent with the requirements of the preservation of national security, of the protection of international relations, of financially or economically sensitive information, and of commercial and personal information entrusted to it in confidence, and with the requirements of orderly Government. The establishment of Departmental Select Committees in 1979 has encouraged a climate in which far more information is being made available by Government Departments than ever before. The Government is not convinced that legislation giving individuals new statutory rights of access to Government information is needed, or that it would make for more effective Government. It agrees with the Committee that advice of civil servants to Ministers should remain confidential. Given that advice of civil servants to Ministers would be exempt from a statutory duty of access to information, the Government doubts whether freedom of information legislation would much affect relations between Ministers and their officials one way or the other.

Official Secrets

45. Section 2 of the Official Secrets Act 1911 prohibits the unauthorised disclosure by a Crown servant of information that he has obtained through his official position. A leak by a civil servant that is designed to frustrate the policies or actions of a Minister would be one form of unauthorised disclosure; and the Government agrees with the Select Committee that such a disclosure cannot be regarded as justified.

46. Responsibility for deciding whether or not to institute proceedings under the Act rests with the Attorney General in his capacity as a Law Officer (not as a member of the Government). He has made clear that he will continue to exercise his

discretion in this matter in accordance with the criteria applicable to all prosecutions that he has made public. The unauthorised disclosure of information is also a serious breach of the Civil Service Code of Conduct. A civil servant against whom criminal proceedings are not instituted could be subject to internal disciplinary procedures.

47. The Government introduced a Bill when it came to office in 1979 to reform Section 2 of the Official Secrets Act 1911. The Protection of Official Information Bill was broadly based on the recommendations of the Franks Committee, which reported in 1972. The Bill would have replaced Section 2 with new provisions designed to protect certain specified classes of official information from unauthorised disclosure. There was, however, insufficient agreement, mainly about precisely what categories of information should be protected by the criminal law, to enable the Government to carry the Bill through Parliament.

48. The Government has noted the views of the Treasury and Civil Service Select Committee, and will continue to listen to views expressed on this subject. But it does not believe that it is any more likely now than in 1979 that a measure could be devised defining the information which genuinely needs protection and specifying who has the right to apply the definition to particular information which would be broadly acceptable. Accordingly, the Government has no plans at present to introduce legislation on the protection of official information. Unless and until such legislation can be introduced with a sufficient degree of support, the Official Secrets Acts remain in place as the law of the land.

**PROPOSALS FOR AN APPRAISAL SCHEME
IN THE SENIOR OPEN STRUCTURE**

Results of the Consultative Process

June 1986

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PROPOSALS FOR AN APPRAISAL SCHEME IN THE SENIOR OPEN STRUCTURE

Results of the Consultative Process

Introduction

1. This paper presents an analysis of the consultative interviews held during April and May 1986 with members of the Senior Open Structure in many government departments.

Its aim is to present the main interview findings in a form which makes it possible to gauge the weight of opinion on the various issues raised.

2. Detailed summaries of responses to questions are given in the annexes. It should be noted in reading these that not everyone had time to answer all the questions, and also that the report was, of necessity, being written whilst records of interviews were still arriving. This is why the total number of respondents is not held constant.

3. Details of the sample are given in Annex 10 by department, grade and specialism. A total of 77 consultative interviews was held: 21 with Grade 1s, 32 with Grade 2s and 24 with Grade 3s.

SUMMARY AND CONCLUSIONS

Overall reaction to the proposals as a whole (Annex 1)

4. In spite of some reservations, the vast majority of the people we spoke to were in favour of the proposals in principle. The reservations expressed were mainly to do with the concern that MPO might produce a scheme that would be inflexible, too elaborate, too formal, and that would take up too much time. This theme recurs throughout the records of the interviews.

Objective setting as part of an appraisal scheme (Annex 2)

5. The majority of interviewees were in favour of a process of objective-setting, either because it was a natural adjunct to the department's top planning system, or because it was a useful discipline in its own right. But most were aware of the difficulties, and 15 out of 52 people, a substantial minority, expressed reservations about the general proposal or particular aspects of it.

6. The difficulties voiced so far are very real and possibly common ones. It will undoubtedly be hard for a Grade 2 or 3 providing policy advice on controversial issues to Ministers, or pursuing specialist work, to set down precise forward objectives which are suitably well-defined in terms of quantitative indicators, timescales, or whatever. Another common difficulty may be that

staff at this level are often critically dependent on the contribution of their commands, which complicates the business of setting objectives on an individual basis. Where such genuine difficulties exist we should beware of insisting that targets should be set when their practical meaning and value may be strictly limited.

Should MPO set general principles to be followed or ask for common forms to be used? (Annex 6)

7. Common forms would probably be acceptable to all if they allowed sufficient room for adjustment at the margins, and were short and simple. Whether or not this will mean that departments design their own variations on model forms has yet to be seen, and a lot will depend on the extent to which MPO manages to produce something that departments like when it redesigns the draft forms.

8. The diversity in the views we gathered may be accounted for by people's understanding of the main aim of the new appraisal scheme. If this is to maintain and develop standards of individual performance in departments, then Heads of Department may wish, for example, to provide their own 'prompts' and thereby provide a departmental flavour to the performance assessment. If, on the other hand, the main aim is concerned with central career management, then MPO's prime concern will be to set and maintain common standards of reporting across the senior open structure in all departments.

9. This matter could perhaps be resolved by requiring common forms to be used for the promotion assessment, and for MPO to specify its minimum requirements for performance information as the basis for departmental variations on a model performance appraisal form.

10. There will, in any case, be a role for MPO to perform concerned with monitoring standards of reporting. Regular feedback to departments of information concerning standards across the whole civil service will be desirable.

11. As there is some urgency over implementing the new system in departments, it may be advisable to ask for common forms to be used at least for the first year. Otherwise considerable delays are likely whilst departments carry out their own design work and test runs of their forms

How much openness should there be? (Annex 3)

12. Most people agreed with the principle of openness so far as giving feedback on performance is concerned. There is however a lack of consensus about the most appropriate process in the scheme for bringing this about. The demand for flexibility was repeated here, although a few have said that rules need to be made explicit. Most people were against openness of the promotion appraisal form, although they would be prepared to give a general indication if asked.

13. There is a trend in the responses which suggests that it is Grade 3s who are most in favour of the disclosure of the written contents of performance appraisal forms. Two things which are different about this group may help to explain this trend: firstly, they have given their reactions to the proposals as potential appraisees only; and secondly, many of them now have some experience of practising open reporting down the line.

14. The Team has on more than one occasion encountered instances where line managers have assured us that their people know what they think of their performance, where we also have information to suggest otherwise. This is, of course, a common finding in management research: people's beliefs about how they behave do not always tally with accounts of that behaviour for any number of reasons. It suggests that some rules do need to be laid down about openness, and that some means for ensuring that people conform to these rules is devised.

15. A large majority of people is in favour of holding 'feedback interviews' (Annex 5), but these on their own will not entirely satisfy this requirement for openness.

16. Openness of reports is rather different from feedback which can be toned down or fudged. Resistance to showing performance reports will only be overcome by persuasion, perhaps over a few years. The outcomes expected by a few of dilution of what is written, and of quibbling over drafting points will, on the other hand, be overcome by firm leadership from heads of department. It remains to be seen how many of them will decide to take this step.

17. Bearing in mind that there exists some variation between departments in the practice of openness in their main appraisal schemes, MPO may need to allow for departmental discretion on this point in the new system.

Should self-appraisal be included as formal part of the scheme?

(Annex 4)

18. Most people regard self-appraisal as a valuable and important aspect of an appraisal scheme at these levels, but some doubts were expressed at the prospect of formalising it. Differing views were also held about whether self-appraisal should take the form of a written or an oral report.

19. A clear view of the majority to emerge from responses to this question was, however, that jobholders should play no part in making the formal assessment of their own performance.

20. The dilemma faced by MPO in setting down a central principle on self-appraisal which will meet the approval of departments, without appearing to 'over-formalise', is one of finding some way of ensuring that people actually do make the time for self-appraisal. Perhaps departments should be invited to choose between either written or oral reports and central guidance provided to cover both options.

What links should be made with job weight? (Annex 8)

21. Whilst there was widespread acceptance of the need for an assessment of jobweight, in relation to performance appraisal the difficulties in making the assessment were regarded as great by many and insuperable by some. In spite of this, most were content for a separate 'box' on the performance form to exist along the lines of our suggested draft.

22. There was a clear demand for MPO guidance to help overcome the difficulties with making the assessment. The biggest problems were associated with comparing a post with an "average for the grade", which to some was not a useful concept given the unique nature of many senior jobs, and in particular senior specialist posts.

23. Existing confusion about what precisely is being assessed by job weight, ie: the person or the post, needs to be cleared, but this on its own will not solve the problems described. If it is intended to place any reliance on these assessments, as could be the case in making performance pay decisions, considerably more work is required in this area.

Use of an overall performance mark (Annex 7)

24. There was overall acceptance of the proposed use of a five point rating scale, although a few would prefer there to be three points only.

25. A few people found it hard to see how they could compare a particular person's performance with the "requirements of the grade". A solution suggested to this was to ask instead for a comparison with the "requirements of the post". For this device to be useful, however, the jobweight section of the form would need to be providing more reliable information than it is designed to do at present.

What briefing should be provided to support the introduction of the new scheme? (Annex 9)

26. Few department said they would require any assistance from the MPO in launching the new scheme beyond model forms and notes for guidance. A 'launching brief' will nonetheless need to be prepared summarising key issues which may be used by Permanent Secretaries.

List of Annexes

- A1 Overall views of acceptability and workability of the proposals for an appraisal scheme in the Senior Open Structure.
- A2 Objective setting as part of an appraisal system
- A3 How much openness should there be?
- A4 Should self appraisal be included as a formal part of the scheme?
- A5 Should feedback interviews be held?
- A6 Should MPO set general principles or ask for common forms to be used?
- A7 Should an overall performance mark be included?
- A8 What links should be made with job weight on the form?
- A9 What briefing should be provided to support the introduction of the new scheme?
- A10 Characteristics of the sample.

Overall views of acceptability and workability of the proposals for an appraisal scheme in the Senior Open Structure

Half of the people we consulted were definitely in favour of the proposals, eg: "the present procedures are both secret and arcane, and the pen pictures can be very scrappy, odd, and surely deficient for central career management". Another third were in favour whilst expressing some reservations. (Drawing a clear line between these two groups could not be done with absolute reliability.)

Members of the interviewing team have sensed something of a grudging acceptance on several occasions, for example: "It is difficult to resist the extension of formal appraisal arrangements up the line, so I go along with the proposals in general terms." "I'm in favour in principle, but in the Civil Service there is a danger of applying outside practices too simple-mindedly without taking into account differences between organisations."

The main fear expressed was of MPO "making too much of a meal of things" and over-formalising the scheme, eg: "it seems pointless to formalise when you're dealing with a handful of people who all know each other"; "I've known my boss and worked with him on and off since I joined the Civil Service, and I feel a certain discomfort at the prospect of formalised exchanges between us".

Nonetheless, the systematic and structured aspects of the scheme were welcomed by many, eg: "It's difficult to defend the untidy way this is handled at present"; "The present very fluid arrangements make it easy to forget what parameters are important". But the clear message to MPO was that the scheme had to be "simple, flexible and short."

Some felt that the timing was unfortunate and that the inevitable association in people's minds with discretionary pay would set up resistance to the scheme, eg: "My grade 2s are violently opposed to performance pay, and their attitudes to the scheme may be coloured by this"; "I dislike the proposals in that they are made in the context of discretionary pay, of which I am a violent opponent".

Whilst some felt that it was right and proper to cover all grades with appraisal schemes, others said that formal appraisal become increasingly difficult going up the hierarchy: "the closer jobs are to Ministers, the more difficult this becomes". There was also some fear, although not widely confirmed, that the system could cause embarrassment between people and disturb relationships within the tightly-knit management teams at the top of departments.

Overall reactions to proposals for an appraisal scheme
in the senior open structure

	Grade 1	Grade 2	Grade 3	TOTAL
IN FAVOUR	13	7	16	36
IN FAVOUR WITH RESERVATIONS	7	13	5	25
AGAINST	1	8	3	12
Total	21	28	24	73

Objective setting as part of an appraisal scheme

A number of interviewees said that objective-setting was already part of the system (especially where a close link was seen between the job holder's objectives and the department's top planning system), others that it would be a useful discipline ("I am convinced of the value of doing this"; "the overall process of defining objectives and writing them down is useful in itself"; "we all think we have a shared preception of objectives, but sometimes find we do not"). The difficulties were not, however, ignored, and particular reservations were expressed by 15 out of 52 people. They can be broadly categorised as follows:

1. "My job is too reactive to set objectives"

Several people commented that SOS jobs were often largely influenced by external pressures and demands. These frequently came out of the blue but often called for high priority treatment, and dealing with them was a key part of several SOS jobs. How, for example, could a person's handling of a major strike be reflected in the planning/objective-setting process? Requests from Ministers for briefing or advice were similarly difficult to predict yet were clearly of top priority. In another context a scientific or other specialist adviser often needed to respond swiftly to unpredictable external developments.

2. "My job is advisory...how can I set objectives for it?"

A similar number found considerable difficulty in the idea of setting objectives in areas where policy is formulated. These jobs involve synthesising complex information and providing detailed, lucid and soundly-judged advice to top management. It was difficult to see either how this process could be planned (at the outset) in any detailed or sensible way, or how a fair assessment of the quality of performance could be reached (at the end of the appraisal cycle) using the objective-setting and review approach.

3. "My job is constantly changing its priorities"

Closely related to the problem of reactiveness is the constantly changing order of priorities which affects many SOS jobs. "Milestones should not become millstones". Objectives at this level may rapidly become inappropriate to the need of departments which frequently have to review their allocation of resources and adjust to the new developments.

4. "Objective-setting gets harder the higher up you go" (though there was a contrary view to the effect that at command/Directorate/Grade 3 level objective-setting can be fairly straightforward as a result of its close connection with top planning systems).

Opinions were also divided about the desirability of separating out "personal" objectives. Some thought that these were indistinguishable from the objectives of the job-holder's command, while others saw a place for them especially where the job holder had personal responsibility for particular tasks (for example representation, a strategic review, or a major White Paper).

How much openness should there be?

Around half the people we spoke to were in favour of an open performance appraisal report with oral disclosure of promotion marks. This was most pronounced amongst grade 3s, two thirds of whom wanted to see open reporting, including five who felt that the whole system should be open. There is however, generally much less support for an open promotion report.

Those who had reservations felt that openness should be discretionary and not over-formalised. Only six people were actually against any kind of openness, everyone else was in favour of varying degrees of oral disclosure of reports' contents.

A few people were concerned about the effect of openness on relationships in the top management team, and a couple said that openness was unnecessary because they knew well where they stood.

Comments are listed overleaf to illustrate the categories that have been used for this analysis.

Summary of views about openness of reports

	Grade 1	Grade 2	Grade 3	TOTAL
IN FAVOUR OF SHOWING PERFORMANCE REPORT at least.	8	8	14	30
RESERVATIONS OVER OPENNESS RULE	6	4	3	13
AGAINST OPEN REPORTS	7	8	5	20
Total	21	20	22	63

OPENNESS: Examples of comments made

1. IN FAVOUR OF OPEN PERFORMANCE REPORTS (AT LEAST)

"The whole report should be handed over to the jobholder: it is, after all, their information. Grades 2 and 3 have a right to be told their prospects so that if they have reached a ceiling they can, if they wish, get out into industry or wherever. This is not just of personal benefit to them, it is also a more efficient use of the talent available in the country."

"We should show everything, but I don't want to see any of it myself. I've never seen my own appraisals and I never want to either."

"The degree of openness should be consistent with the line taken in the individual's department. We have open performance reports in the main system here."

"There is real value in openness from a managerial point of view...I simply do not understand why one should draw the distinction between performance and potential in this context."

"There is probably a generation gap here. Secrecy of reporting has bedevilled the Civil Service which needs proper management. One should not be coy about this. One cannot in any case tell in advance how the 'victim' will react. But this is not to say that there won't be cultural problems at first in introducing more openness."

2. MIXED FEELINGS ABOUT OPENNESS

"I'm slightly worried about too much openness, but maybe this is a cop-out. Performance appraisal should be open, and there should perhaps be oral disclosure of the promotion mark, should people want to know."

"Appraisers and the appraised should be encouraged, not obliged, to go in for openness."

"I'd prefer to read out, rather than show the performance form."

"I'm a bit concerned about the possibility of blandness. This should be very carefully tested in the pilot, but I'm basically for an open performance report although I don't think promotion should be open at all."

In favour of showing performance report, but "I'm not in favour of anyone other than the permanent secretary covering promotability at these levels, because there are too many factors and uncertainties involved. But the permanent secretary should do so on request."

Should self-appraisal be included as a formal part of the scheme?

The overall view is in favour of self appraisal. This is with the proviso that appraisees are not invited to write their own performance appraisal reports, nor to engage in discussion with their line managers with the explicit aim of reaching an agreement over the appropriate performance marking. Only a few people felt that an individual's written self appraisal should form part of the appraisal documentation. Some were concerned that this might prejudice or condition what was written, and a couple of others did not like the idea of exposing their own weaknesses on paper.

It seems that self appraisal is already regarded as a fact of life, and that it is considered to be of value both to the appraisee and the appraiser. The only divergence of views apparent from the interviews concerned the degree to which self appraisal should be formalised.

The table below summarises reactions to the proposal of formalising self appraisal as a step in the appraisal process. Comments illustrating the categories used for this analysis are given overleaf.

Summary of overall views on self appraisal as a formal part of the appraisal system

	Grade 1	Grade 2	Grade3	TOTAL
IN FAVOUR	10	10	9	29
IN FAVOUR BUT	6	3	7	16
AGAINST FORMAL- ISING S.A.	3	6	4	13
Total	19	19	20	58

SELF APPRAISAL: Examples of comments made

1. IN FAVOUR BECAUSE:

"We must have a system which allows the Permanent Secretary to treat grade 3s as responsible people and not as mere subordinates"

"It will help to disentangle individual performance from that of the unit"

"It's sensible to let appraisees give an account of how they have performed in their jobs: I do not always have a complete feel for what people are doing...particularly the best people"

"It would be a valuable tool in the system and one which people at this level are enlightened enough to use discriminatingly"

"It could be valuable in a remote chain of command"

"Some people have blind spots but others have an uncanny sense of their own shortcomings and self appraisal can make discussion of a person's performance much more useful"

2. IN FAVOUR BUT:

"I wouldn't endorse the idea of people completing their own appraisal form"

"It should happen orally but not on paper"

"Not everyone's good at this...it's not right for everyone"

3. AGAINST BECAUSE:

"I prefer to use self appraisal as a tactical ploy in the interview: don't formalise it"

"We can't have people making formal assessment of themselves"

"If it's to go on a person's file, we shall get less honesty and much less value from self appraisal"

"Evidence suggests that assessments of the self tend to be excessively harsh"

"It could be used against me if I were to put anything in writing about my own weaknesses"

Should feedback interviews be held?

A large majority is in favour of a discussion being held between the reporting officer and jobholder about the past year's performance and the tasks presented by the coming year, eg: "The interview is crucial to the process, concluding the cycle and allowing the reasons for non-achievement of objectives to be fully aired". A few grade 3s felt this should be mandatory.

Those who were not in favour preferred a more informal approach, eg: "at these levels there is a need to avoid a formal occasion which smacks unduly of a boss talking to a subordinate"; "Feedback should be happening throughout the year, and only summarised in a feedback discussion. It shouldn't really be necessary to have a formal discussion". The time that would be required was mentioned as a practical constraint by one Permanent Secretary: "The burden would be too great for me to interview all grade 3s".

Reactions to proposals for feedback interviews

	Grade 1	Grade 2	Grade 3	TOTAL
IN FAVOUR	8	6	6	20
MIXED FEELINGS	2	-	1	3
AGAINST	1	1	3	5
Total	11	7	10	28

Should there be a common form for all departments or central principles and varied forms?

The majority view is that the same forms should be adopted by all departments, provided that there is room for flexibility in their use. There was not a clear split in the answers to the question which tended to be spread along a continuum. Some Grade 2s and 3s who have been classified below as 'preferring a common form' felt that this could help to promote the concept of "a genuinely open structure", eg: "It would make members of the Senior Open Structure feel tht they were part of the whole Civil Service". Others regarded the common form as important for central career management and interdepartmental transfers.

There are other responses classified in the same box from people who made the proviso that additions and variations to the forms and procedures should be allowed, although all departments should provide the same information.

Those permanent secretaries opting for central principles only asked nonetheless for a model form and a set of guidelines to be produced by MPO. Some of them felt that the variations between departments were too wide for common forms to be appropriate. One stressed that it would up to the MPO to call a department to account if the information being provided was not up to standard.

Summary of preferences for common forms or central principles

NB: The dotted line indicates that the two categories are two ends of a continuum, and some responses lie at the margins.

	Grade 1	Grade 2	Grade 3	TOTALS
COMMON FORM PREFERRED	10	12	17	39

CENTRAL PRINCIPLES PREFERRED	6	2	-	8
Totals	16	14	17	47

Should an Overall Performance Mark be included?

Rather more than half of the people asked this question felt that an overall performance mark based on a five-point scale would be an acceptable element of the appraisal forms. For example: "I am content with the tick in the box on egalitarian grounds...if it does for them, it should do for us" ; "It will make it clearer when, for instance, premature retirement is necessary. Poor performance will be indicated as a box 4."

At the same time, under a quarter of the people who commented were against the use of such a marking, because it would be "too stylised for these grades", or because of the varying standards that would exist between departments. Another point made by a few was that: "the phrase 'requirements of the grade' doesn't mean much at these levels. A person either does a job well or not and there's a wide variation between the jobs." One person suggested that it would be preferable to refer to the "requirements of the post" instead.

A couple of people doubted that anyone's performance would be unacceptable at these levels, and three suggested that the five point scale should be reduced to a three point one.

Summary of attitudes to the use of an overall performance mark

	Grade 1	Grade 2	Grade 3	TOTAL
IN FAVOUR	7	8	8	23
MIXED FEELINGS	1	3	3	7
AGAINST	2	5	2	9
Total	10	16	13	39

What links should be made with JOB WEIGHT on the Form?

Most people were in favour of including job weight as a section on the performance appraisal form. Many of them said that wide variations existed between jobs at the same level, and also within the same job over time. But the importance was stressed of using the necessarily subjective assessments with caution: they would be limited by the assessor's experience and may only have validity within one department.

Many people felt that it would be very difficult to make these assessments. The meaning of the phrase "average for the grade" needed to be spelt out, and clear guidance would have to be provided. One person suggested that the Head of Department would need to assess the strategic value of each job before the assessment was made.

Mention was made by some of the perceived interaction between a person and a job: as standards of performance are raised, so the job weight increases. Others suggested that there was an element of "horses for courses" in the allocation of people to particular jobs, implying that the higher performers tended to be selected for the weightier jobs. It would therefore be necessary to ensure that it was the job that was assessed and not the person.

Overall reactions to job weight section of form

	Grade 1	Grade 2	Grade 3	TOTAL
INCLUDE AS PROPOSED	13	13	22	48
YES, BUT NO SEPARATE BOX	3	2	-	5
CAN'T BE ASSESSED	-	4	2	6
DON'T INCLUDE	4	-	-	4
Total	20	19	24	63

What briefing should be provided to support the introduction of the new scheme?

The majority view is that departments will and should "run their own show" led by the head of department. Only two Permanent Secretaries asked for any input from expert outsiders who had had recent experience of introducing or updating an appraisal scheme for top managers.

A couple of comments referred to the existing training booklets describing the scheme for Grade 5 and below: they suggested that the new scheme was so closely modelled on the other one that nothing further was needed. The proposal for seminars from MPO was not popular, but an MPO presence at 'launch' meetings in departments was suggested by ten people.

Many people stressed the importance of proper briefing at the outset, and a few of these regarded this as easy to achieve.

Summary of views about what briefing is required

	Grade 1	Grade 2	Grade 3	TOTAL
WRITTEN GUIDANCE ONLY (MPO)	9	9	18	36
OTHER MPO/OUTSIDE EXPERT HELP	7	3	2	12
Total	16	12	20	48

**CHARACTERISTICS OF SAMPLE: NUMBERS INTERVIEWED
BY GRADE AND SPECIALISM**

1. Departments with Grade 1 Heads

<u>Department</u>	<u>Grade 1</u>	<u>Grade 2</u>	<u>Grade 3</u>	<u>Total</u>
MAFF	1	1	1	3
Customs & Excise	1	1		2
Ministry of Defence	1	1+3(Sc)*	1(P&T)	6
DES	1		1	2
Employment	1	2	1(E)	4
Energy	1	1	1	3
Environment	1	2+1(Sc)+ 1(P&T)	2	7
Transport	1	1		2
ODA	1		1	2
DHSS	1	1+1(M)	2	5
Home Office	1	1+1(L)	1+1(L)	5
Inland Revenue	1	1+1(IT)	1	4
NIO	1			1
Scottish Office	1	1	1	3
Trade & Industry	1		1+1(Sc)	3
Treasury	1	1	1(E)+1(Sc)	4
Welsh Office	1		1	2
Lord Chancellor's Department	1		1	2
DPP	1			1
Treasury Solicitor	1			1
Cabinet Office	1 (St)	1	2+1(St)	5
TOTAL	21	23	23	67

2. Departments with Grade 2 Heads

<u>Department</u>	<u>Grade 2</u>
Land Registry	1
HMSO	1
Law Officers' Department	1 +
Lord Advocate's Department	1
Crown Office	1
ECGD	1
Government Actuary's Dept	1
GCHQ	1
Dept. of National Savings	1
OPCS	1
TOTAL	10

* Key overleaf

+ Head by a Grade 3

3. Total all Departments

<u>Grade 1</u>	<u>Grade 2</u>	<u>Grade 3</u>	<u>TOTAL</u>
21	32	24	77

Number in sample

<u>Key:</u> E	Economist	2
IT	Inspector of Taxes	1
L	Lawyer	2
M	Medical Officer	1
P&T	Professional and Technology	2
Sc	Scientist	6
St	Statistician	2

Notes

1. The interviews were carried out, often in pairs, by the following (number of interviews attended in brackets): Sir George Moseley (17), Miss Mueller (7), Mr Morgan (6), Mr Wollen (28), Mr Laughrin (4), Mrs Brock (10), Dr Walker (8), Ms Fairbairns (17), Mr Cann (12), Ms Gillie (10).
2. PEOs and other senior staff were present at 8 of the interviews with Permanent Secretaries. These people have not been included in the sample numbers.
3. Three of the 'interviews' in the sample were conducted by correspondence.





This report is confidential
and intended solely for
the client to whom
it is addressed

EVALUATION OF THE PERFORMANCE
BONUS EXPERIMENT

End of Year One Results and Conclusions

June 1986

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SUMMARY

This report presents the findings from the evaluation of the first year of the performance bonus experiment. The evaluation will run throughout the three years of the experiment, and its purpose is to enable the MPO and Departments to advise Ministers on whether and how to proceed with the bonus scheme. The evaluation has focussed on the impact of the scheme in five Departments, but we have also collected data across the Civil Service on the operation of the scheme generally.

There has been some variation between Departments in the way in which the scheme has operated, but in most cases bonuses have been awarded on the basis of judgements about relative performance made at the end of the period. Most bonuses went to staff with a box 1 or 2 marking on their annual staff report. Fast stream administrators received proportionately more bonuses than did non fast streamers or professional specialists.

The administrative cost of the scheme was about £1 million; the recurring annual cost of running the scheme £870,000. Over the course of the year managers spent on average between three and four and a half hours of their time on the scheme.

The scheme was implemented smoothly and a number of last year's fears about its impact have not been realised. Managers have been relieved to discover that they could operate such a scheme, and fears about the destructive effects on working relationships have not materialised.

In general people are still in favour of linking pay to performance, but non-recipients of bonuses (by far the majority) feel less well disposed to the scheme than they did last year. Senior managers feel more positively about the scheme than their junior colleagues. People are more unclear than they were last year about the procedures, objectives and criteria associated with the scheme. They feel the scheme to be unfair and to a great extent irrelevant to their work. There has been no perceptible effect so far on performance, and people are doubtful about the impact on motivation.

The negative feelings about the scheme have to do with lack of clarity about the criteria and the failure to link the scheme with other performance management systems. The scheme has been noticeably more acceptable where it has been used as a way of providing positive feedback to staff who have clearly performed exceptionally well.

The general climate and levels of job satisfaction have not changed significantly since the last survey. However people were more dissatisfied about pay than they had been last year (the survey was taken before the last pay offer). They feel that there is still no link between performance and pay.

X We conclude that changes need to be made to the design and management of the scheme if it is to be given a reasonable chance of success. The changes include more positive top management commitment, clarification of criteria, amendments to the limitations on the number of bonuses allowed, consideration of a larger bonus pool, improved face-to-face communications and the forging of links with other aspects of performance management.

We recommend that these changes should be considered with a view to issuing guidance in year 2 and modifications in year 3.

27 [Many of the lessons emerging from the evaluation of the bonus scheme also apply to the introduction of range pay, but the latter is a much more fundamental change. The changes which need to be made in relation to the bonus scheme could also help to pave the way for range pay, which itself would overcome some of the basic problems of the bonus scheme].

INTRODUCTION

The Purpose and Shape of the Evaluation

The purpose of the evaluation of the performance bonus experiment is to provide a sound and clear set of results to enable the MPO and Departments to advise Ministers whether bonus systems should be continued, amended or abandoned at the end of the three year period. The terms of reference for the study are:

"To study the operation of the performance bonus scheme and its relationship to the wider strategy of improving management in the Civil Service, including the clarification of objectives and the accountability of managers for them.

During the course of the experiments, to liaise with departments included in the evaluation programme, presenting them with information which will help to develop and refine their merit pay systems.

At the end of the experimental period to present findings to Sir Robert Armstrong, head of the Civil Service, in time to enable Ministers to decide in the light of accumulated experience, whether merit bonus schemes should be continued, modified or ended, in the 1988-89 financial year.

Bearing in mind the policy of enhanced management performance and effectiveness to identify those factors which influence the outcomes of performance bonus systems in Departments.

To monitor the effect of the introduction of performance bonuses on the motivation and morale of Civil Servants in the scope of the experiments".

In order to ensure objectivity, the evaluation has been carried out by a team of outside consultants who themselves took no part in the design of the scheme, but who have considerable experience of the operation of such schemes elsewhere. The evaluation programme has been designed to tackle a variety of questions about the impact and effectiveness of the bonus scheme. It addresses both questions of fact about the operation of the scheme as well as questions about attitudes and motivational effects. Clearly, it is difficult to disentangle the precise effects of the bonus scheme on performance, motivation and morale, from the effects of the wide variety of other managerial initiatives in Departments. What we have done is to monitor and review the impact of the scheme in a number of different ways, drawing on different kinds of data to produce a composite picture.

The evaluation consists of the following:-

Surveys of a 10% sample of staff in the eligible grades in five major Government Departments. We have conducted two sample surveys - one prior to the awarding of bonus payments (July 1985) and one immediately after the first year of the scheme. This year, we received questionnaires from 1,100 respondents of whom 214 had received a bonus. The surveys ask about the impact of the scheme, its general acceptability and its effect on performance, motivation and morale. We have in this way been able to compare results now with those before the bonuses were awarded. Part 2 of the Appendix to this report gives the full results from this year's survey. In Section 3 we draw conclusions from the survey and present those findings which appear to be significant.

A series of case studies were carried out in four of the five Government Departments which were covered by the survey. The case study organisations were: The Unemployment Benefit Service (Department of Employment), The Royal Aircraft Establishment, Farnborough (Ministry of Defence), The Driver and Vehicle Licensing Centre at Swansea (Department of Transport) and the VAT Directorate (H.M. Customs and Excise). The purpose of the case studies is to illuminate and illustrate the findings from the survey. The case studies were carried out by consultants who visited each of the case study sites for two or three days and interviewed a cross section of people in the eligible grades there. This process took place both last year before the bonuses were awarded and in the early part of this year following the awarding of the bonuses. The case studies have given us an extremely useful insight into the day-to-day effect of the scheme at the "grass-roots". We have supplemented our findings from the survey where appropriate by material from the case studies.

An administrative audit, designed to track the administrative cost of implementing the bonus scheme. The full results are given in part 4 of the Appendix, but in Section 2 of this report we briefly summarise the results from this part of the evaluation.

A factual review of the design and operation of the schemes across the Civil Service as a whole, including a full analysis of the patterns of distribution of bonuses.

A series of interviews and discussions with senior members of the five Departments who participated in the central evaluation, including the PEOs. These discussions have helped us to understand more fully the results which are emerging from the evaluation, and their implications. They have also enabled us to take account of Departments' own evaluation results and any lessons learnt about the management of the scheme. In addition, we have discussed the scheme with members of the Treasury, Cabinet Office and the MPO.

Key Issues at this Stage

The experiment is intended to run for three years. We would not expect the full effects of the bonus scheme to be apparent yet. In our view the key questions at the end of the first year are:-

- * Can the scheme be operated in practical terms?
- * Does everyone concerned understand it?
- * How do those who are eligible regard it?
- * What effects so far has it had on their work?
- * What effects so far have there been on management practices?

It may be helpful to note here that the final test of an established bonus scheme is not whether it is easy to operate, or whether it is popular, or whether it fits in with other initiatives. All these have a bearing. But the test is whether the money put into a bonus scheme shows a good return in terms of better individual and overall performance and more effective management, and whether that return is greater than could be obtained in other ways. The answer is difficult to get at, which is why various proxies and part-measures are needed, but that is nonetheless the question.

II

THE OPERATION OF THE SCHEME

The Scheme in Practice

We have prepared an updated version of our previous typology of schemes, which is included as Part 1 of the Appendix to this report. The typology summarises the differences and similarities between the various schemes adopted by Departments. It is based on the letters, memoranda and notices by which Departments have promulgated details of their schemes, supplemented by information from all Departments about any changes to these formal statements, and by a separate exercise which we carried out to assess how Departments communicated and monitored the bonus experiment.

The main aspects on which Departments have some freedom to act, and therefore on which there are variations are as follows:

- the criteria by which recipients should be selected;
- the method of assessment;
- the size of the awards and the number of awards to be made;
- the instance of special bonuses;
- the introduction and evaluation arrangements.

We cover the arrangements made across Departments on each of these elements in the Appendix, and summarise the main results below.

Implementation

All Departments apart from the Royal Mint and the Scottish Courts Administration implemented a performance bonus scheme in 1985/86. Most Departments set a timetable whereby nominations were submitted at the end of the calendar year for consideration early in the new year. Some Departments made payments earlier than this e.g. the Home Office and The Foreign and Commonwealth Office where payments were made in the Summer of 1985. The reason for this was the intention to synchronise the bonus cycle with the annual reporting cycle.

Two Departments chose in advance not to award special bonuses - DHSS and the Home Office.

Out of approximately 20,500 staff, some 16% received annual bonuses and a further 1% received special bonuses. The average value of the annual bonus was around £1,000, and the average value of the special bonus about £500.

Criteria and Assessment

The service-wide rules give some guidance on criteria, encouraging Departments to reward "particularly good performance", taking into account achievement of results, difficulty of their achievement and energy and application shown. Sir Robert Armstrong in his notes for guidance emphasised the competitive element and the need to base the judgements on known factors directed primarily towards the attainment of the organisation's objectives. He also recognised the need to seek to enhance motivation more generally.

Most Departments gave guidance to line managers on the criteria to be used. The criteria tended to fall into one of four categories: overall general performance, difficulties faced in doing a job, consistent effort (on the part of those who are not necessarily high flyers or do not have the opportunity to 'shine'), and the achievement of key objectives.

Most Departments in addition gave line managers some form of guidance on the method of assessment to be used in selecting nominees for bonuses. This divides into two broad types of guidance: overall judgements and objective measures. In the former case, line managers were asked to think through who might be, for example, in the top 20% of performers. In the latter case objectives were to be set in such a way that their achievement or otherwise could be assessed either by direct observation or management information. In a few cases these measures were quantifiable and in others linked to the annual staff report. Four Departments advised managers that objective measures should be used in assessing potential recipients. These were DHSS, Land Registry, ECGD and OPCS. However no Department has based the assessment wholly on such measures. In three cases where assessment was linked to predetermined goals, this was done by using the annual staff report to set objectives against which performance would be judged.

In most Departments assessments were to be made after the event by exercise of informed judgement and in accordance with the criteria laid down in the general guidance. It is clear that the actual operation of the scheme varied from the written guidance to some extent, and findings from the case studies and the survey give us a rather different picture from that painted in the departmental guidance. For example it is clear that in some cases bonuses have been given to compensate for jobs being larger or more challenging than others in the grade. The Ministry of Defence have carried out their own analysis of the citations made at the time of bonus recommendations. They have identified 13 kinds of reasons for awards ranging from "heavy workload" to "saves money" but also including "working alone" and "shortage of staff".

The Operation of the Scheme

In most cases Departments adopted a centralised approach to the process for agreeing bonus awards. In such cases nominations for bonuses were collected centrally, usually by a personnel division, and subjected to a paper sift and then considered by a panel. The panel was usually a senior management group, and in some cases an intermediate sift (e.g. by Grade 2s) was conducted before the panel met.

In other cases a decentralised approach was adopted, particularly in those Departments where the scale of the operation made this more appropriate e.g. Ministry of Defence, Inland Revenue. In these cases, the fund was allocated amongst senior officials each of whom had discretion to select bonus recipients within the restrictions of the rules. The money was distributed in direct proportion to the salary bill of eligible staff, and in some cases the centre exercised a limited moderating role.

In very small Departments the most senior officer simply made a judgement as to who should receive the bonus having consulted others as he felt necessary.

Size of Awards

The service-wide rule was that no bonus should be less than £500. Many Departments did not set rates or ranges for awards from the outset, but adopted a variety of approaches on the size of awards.

- o Flat rate for all bonuses (Home Office only);
- o Fixed rate for each grade (e.g. Inland Revenue, DHSS);
- o A range within which performance decides the size of the award (e.g. Treasury);
- o A scale of ranges with the range determined by grade but the position within range determined by performance (e.g. MOD and MAFF);
- o A scale of fixed rates to be selected according to the recipient's level of performance (eg. FCO);
- o The largest bonuses paid were £3,000 for an annual bonus and £1,500 for a special bonus. The smallest bonuses paid were £500 for an annual bonus and £100 for a special bonus.

Communications

Most people first heard formally about the scheme through an office notice of some kind. The content of these notices varied greatly. DHSS for example produced an eight page notice with annexes whereas other Departments reproduced the service-wide rules and indicated who would be accountable for nominations. In many of the large Departments those who were to run the scheme were invited to comment on a draft of the scheme before it was finalised. No Departments trained staff to run the scheme although in a few cases (e.g. MOD) presentations were made to senior officers to explain its operation.

Following the payment of the first bonuses, Departments have had to consider how to make known the results. In this all have been constrained by the prohibition placed by the service-wide rules on the publication of names of recipients. Although Departments were given discretion as to whether to publish the names of special bonus recipients, in general this has not happened. Departments have on the whole informed recipients that they were to receive an award but no more. A few Departments published a summary of the numbers of bonuses paid.

It is clear from the case studies and the survey that some senior managers have chosen to inform both recipients and non-recipients, but this is rare. We return to this issue in Section III.

Who Received Bonuses

As part of the evaluation we carried out an analysis of the recipients of bonuses across the Civil Service in this first year to see whether there were any statistically significant differences between groups of people in receiving bonuses. We have had a number of difficulties with this because of the availability of accurate data. On the basis of data collected so far from 50 Departments (based on 17,700 records out of a possible 22,000) we draw the following conclusions*:-

- o Men and women were equally likely to receive a bonus.
- o Those with less than 2 years or more than 10 years service in the grade were less likely to receive an award. There is little difference in the incidence of awards for staff with between 2 and 10 years service in the grade.
- o Total length of employment in the Civil Service does not seem to be a factor in determining whether or not people received a bonus, except for those with less than 5 years service, who were less likely to receive one.
- o Grades 4 and 5 received significantly more bonuses (20% and 19% respectively) than Grades 3 and 7 (14% in each case).
- o Fast-stream administrators received significantly more bonuses than other groups (21%).
- o Scientists and members of the P&T Group received significantly fewer bonuses than other groups (14% and 11% respectively).

* These conclusions remain provisional, until further checks are completed on the data.

- o Nearly all awards (93%) went to staff with a box 1 or 2 marking. However 55% of those with a box 1 marking and 75% of those with a box 2 marking did not receive a bonus.
- o All but one of the special bonuses went to staff at Grade 5 and below.

Part 4 of the Appendix gives a breakdown of the statistics on these factors.

The Administrative Cost

As part of the evaluation we set up a process for monitoring the administrative cost of running the scheme in the five Departments concerned with the central evaluation. These costs are on the basis of time spent by managers and central divisions in running the scheme. They are in that sense opportunity costs and do not represent additional running costs for the Civil Service.

So far the scheme has cost about £1 million in administration. This includes the non-recurring cost of setting up the scheme, the cost of evaluating the scheme within Departments, central administration within Departments and administration by line managers, including appraisal, the writing of nominations and decisions on awards. We have based this conclusion on data collected from the five Departments in the central evaluation and have extrapolated across the service as a whole. We accept that this is a crude approximation but we feel it is a useful indicator of the overall levels of administrative effort being put into the scheme. By far the greatest part of the overall cost is represented by line management costs. Managers with line management responsibility for staff involved in the scheme spent on average between 3 and 4.5 hours on it in the course of the year.

Based on these figures, we estimate that the annual administrative cost of this scheme across the Civil Service as a whole will be £870,000.

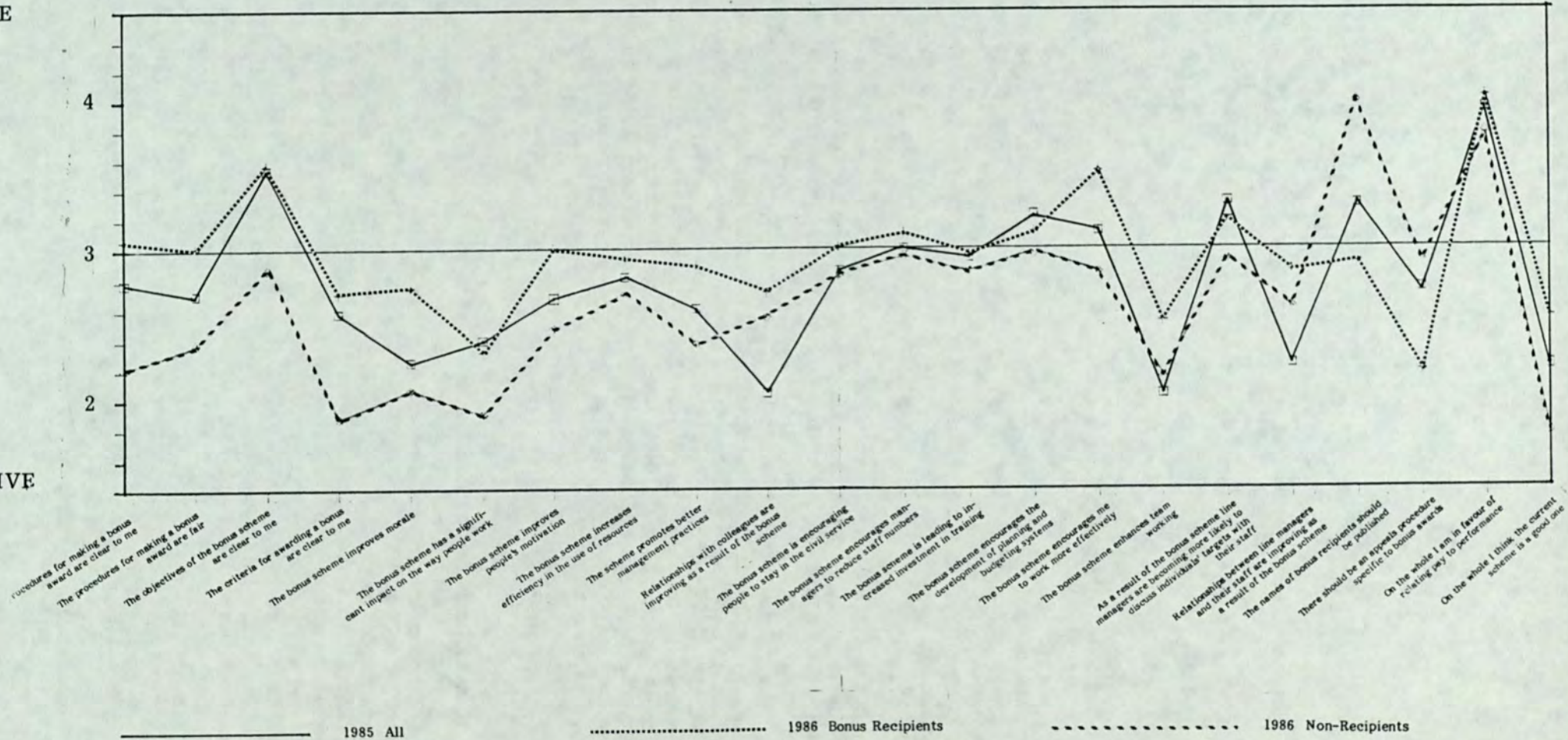
The detailed breakdown of the administrative costs of the scheme in year 1 is given in Part 3 of the Appendix. Table 2 there shows considerable variation between Departments in terms of the pattern of time spent by different levels of management. This to some extent reflects the size and scale of the Departments and the extent to which the schemes were decentralised. On average Departments devoted the equivalent of 17% of the value of the bonus allocation to the administrative effort involved.

There are two ways of looking at the work of administering the scheme. In one way it is properly regarded as an additional cost to be added to that of the bonuses themselves in putting a price on the scheme as a whole. In another way it represents the effort which managers have thought it necessary and worthwhile to devote to the scheme. To that extent it is artificial to draw a distinction between management activity aimed at improving performance through the bonus scheme and management actively aimed at improving performance by other means. Insofar as 3-4.5 hours per year really does reflect the individual manager's time spent on the bonus scheme, we would argue that it is much too small.

Figure 1
The Impact of the Bonus Scheme: Mean Scores
1985 & 1986

POSITIVE
VIEW

NEGATIVE
VIEW



III

THE IMPACT OF THE SCHEME

Attitudes Towards the Scheme in General

Administratively the scheme has been implemented fairly smoothly. Departments have not found it as difficult as they expected to identify people who merit bonuses. The internal machinery has worked well and there have been few refusals or appeals.

One of the most striking features of this year's survey however is a generally more negative view than last year, from people who did not receive a bonus who of course account for a large majority of the population (83%). Figure 1 opposite shows the pattern of responses to the question in the survey which asked about overall attitudes towards the scheme. We have, in the chart, separated out the responses of recipients and non-recipients and compared them with respondents as a whole last year.

The full results on this question are given in Part 2 of the Appendix, but the following findings are of particular interest:

- o People still are in general strongly in favour of linking pay to performance (78%). However people are not in favour of this scheme (68% of the whole sample), and this includes 47% of recipients.
- o In general those at Grade 2 and 3 feel more positively about the scheme than those at lower levels.
- o People are much less anxious about the impact of the scheme on working relationships with colleagues and on team working than they were last year, (68% said that they felt relationships would deteriorate in 1985, compared with only 28% in 1986, and 68% compared with 54% said it would damage team working).
- o Similarly people feel less negative about the effect of the scheme on relationships between line managers and their staff - 57% and 27% respectively in the two years.
- o People are less clear about procedures, objectives and criteria associated with the scheme than they were last year, but a higher proportion of those who received awards are clear than are those who did not.
- o People still feel the scheme is unfair. Again, more of those who received an award feel procedures to be fair (33%) than those who did not (8%).
- o A substantial proportion (over half) feel the scheme reduces morale. 38% of recipients feel this, compared with 59% of non-recipients.

- o Respondents at Grades 2 and 3 are clearer about procedures, criteria and objectives than those in lower grades, probably because they have been much closer to the operation of the scheme. For similar reasons they tend more to feel that procedures are fair than people at Grade 7. Only 7% of people at Grade 7 feel that the scheme is fair whereas 71% of people at Grade 2 and 43% of those at Grade 3 feel it is.

The case study material has been useful in understanding some of the issues which lie behind these attitudes. Our impression is that where the awarding of bonuses has been linked to explicit criteria and where personal feedback from senior management has been given, it has been more acceptable. For example, at one of our case study locations, DVLC, a letter from the Permanent Secretary to the bonus recipients commending the individual concerned was handed over in each case personally by the Director. This seems in itself to have enhanced the effect of the scheme on morale, although so far there is little evidence of any significant effect of the bonus scheme on the performance of DVLC overall. Similarly in the Unemployment Benefit Service a more positive attitude has developed particularly amongst the more senior managers towards the scheme. Again this is linked to the way in which bonus recipients heard about the bonus and the fact that this was communicated directly.

Amongst our case study examples, where people learned who received a bonus, and where they felt the awards had been fairly distributed, there was a distinctly more positive attitude towards the scheme than last year. By contrast, where confidentiality was extremely tightly applied, and where the awarding of bonuses was not linked directly to visible performance achievement, it was less likely to be acceptable to staff.

Impact on Performance and Motivation

The question of acceptability in general however needs to be separated at this stage from that of performance improvement. Our case study work confirms that so far there is no visible effect on performance or overall motivation. This is confirmed by the survey results.

ie. 6% down or are neutral
 Most people are uncertain about the impact of the scheme on effectiveness, but a substantial number (39%) of bonus recipients feel the scheme encourages them to work more effectively. This is in contrast with only 7% of those who did not receive an award. We asked people in the survey who were line managers of staff eligible for a bonus for their views on the impact of the scheme. Most line managers (73%) feel there is room for improvement in the performance of their staff. However fewer than last year feel that the performance of their staff is improving as a result of the scheme (8% in 1985, 1% this year) and fewer feel the bonus scheme helps them to manage performance than felt that last year (12% in 1985, and 8% this year). However, fewer managers than last year feel the scheme is damaging morale (47% in 1985, 30% in 1986).

The group as a whole are less certain of the impact of the scheme on motivation than they were last year. However about a third of those surveyed feel that the scheme has a demotivating effect. 27% of bonus recipients, but only 6% of non-recipients feel the scheme improves motivation.

Views on Morale and Motivation from the Open-Ended Questions

In the open-ended questions in the survey, many respondents, particularly senior staff, commented on how the scheme was affecting their part of the Department. The percentages of people who responded on any one issue in these questions is small, but these comments often illustrate the views expressed by others elsewhere in the questionnaire.

Eleven per cent of all participants in the survey, commented that the scheme had little or no impact on their area of work and 10% said that they felt it had been divisive. Examples of these views include:

"as presently applied, it is potentially damaging to the organisation; I am pleased to report however that it has had no perceptible impact at all" - a Grade 4 (MOD).

Many respondents commented that the scheme has the potential to be valuable but that this potential has not been realised.

Seventeen percent of bonus recipients commented on how the scheme had affected their own morale and motivation. The emphasis in the comments was on the importance of the bonus as a token of esteem rather than for financial gain. For example, one MOD Grade 7 said:

"it has been a very agreeable experience, not that the money itself is too important, but that my employer has shown his appreciation in such a way that I can only respond by endeavouring to give more in return".

Non-recipients were more likely to say that the scheme had had no effect on their motivation than to say that it had demotivated them. There were some non-recipients however who expressed deep dissatisfaction at not having received a bonus. For example:

"I have worked very many unpaid extra hours/averaging 60 hours a week or more. I am very seriously considering stopping all of this additional work and leaving the Civil Service, after many years".

It is clear that all of those involved in the scheme have real doubts about its impact on performance so far even though there is a difference between recipients and non-recipients on their view of its impact on effective working. There is however some evidence to suggest that managers are beginning to improve their skills in discriminating between people on performance assessment overall. This emerged both from our discussions with PEOs, and from the case studies.

The fact that the bonus scheme is seen as not directed towards performance improvement seems to be related to certain features of the scheme, and we have pursued this through the case studies and in our interviews with PEOs. The first feature which seems to inhibit the motivational aspects of the scheme is the lack of sufficiently well developed and visible criteria against which to assess potential bonus recipients. This combined with the extreme levels of secrecy which applied in certain cases, has meant that people feel in the dark about how the scheme is operating, and the criteria which are being applied. The majority of those in the relevant grades now feel less clear than they did last year because of the secrecy which has surrounded the whole process. It is however difficult to lift that secrecy without making the criteria explicit, and this in turn is difficult to achieve with a scheme which limits distribution of bonuses to 20% of potential recipients. We return to this question in Section IV of the report.

Impact on Management Practices and Communications

We asked a number of questions in the survey about the impact of the scheme on management practices and about the way the scheme had been managed and communicated to staff. The main findings are as follows:-

- o Most people who were asked are uncertain of the impact of the scheme on management practices in general. Of those who had a view, about a quarter of bonus recipients feel that the scheme undermines good management practices, and this rose to almost half of the non-recipients.
- o Nearly all managers (91%) agree that setting clear objectives is important in managing the performance of their staff, but even fewer than last year feel that this scheme helps them to set targets focussing on end results (4%).
- o A clear majority of the people surveyed feel that the scheme is having no impact on the basis for performance assessment. Only 3% feel the basis has changed as a result of the scheme.
- o People in general do not feel that the scheme is affecting staff wastage levels.
- o Most people do not see a clear effect on planning and budgeting systems. Of those who do, a larger number of recipients (16%), than non-recipients (9%) feel it encourages such systems.
- o Most people (68%) do not discern any impact on the extent to which line managers discuss targets with their staff.
- o Of those who did receive awards amongst our respondents, 45% first heard in writing, usually from the head of their Department. Over a third heard first in discussion, usually with their line manager. Half of those who received an award have discussed it with their line manager.

- o Amongst bonus recipients, 47% are unclear as to the criteria used for making awards in their Department and two thirds said they did not know who else received an award.
- o Those who did not receive bonuses generally heard in discussion or in writing from a source other than their line manager. A fifth had discussed awards with their line manager but over 70% said that they did not know who got awards nor what criteria were used in their Department.

Our case study work confirms the general impression that the bonus scheme has been operated separately from other performance management systems e.g. the annual appraisal cycle. People told us that it had not been linked to the setting of specific objectives against which performance would be assessed, and that the scheme was itself treated as an entirely self-contained exercise which did not seek to tackle the most pressing staff management problems, and therefore was to some extent irrelevant.

The differences between the case study organisations in terms of communications practice have been touched on already, but it is interesting to note that in the one case where confidentiality broke down and where people had a very clear view as to who had received bonuses and why, staff were in general pleasantly surprised by the knowledge of who their managers had and had not selected for bonuses. During the first round of interviews in this organisation there was an almost universally expressed fear that bonuses would be awarded only to high flyers, who would in due course get their reward through promotion anyway, and not to others who, though not expecting promotion, could turn in an excellent performance in their jobs. Because these fears were allayed by the distribution of the bonuses to both those who were perceived as high flyers and others, people were in general less critical of the scheme than they had expected to be.

A study of the effect of the scheme on staff below Grade 7 was not part of our remit for this year, but some information was available, particularly through the case studies. There was a feeling (particularly in those organisations such as the Unemployment Benefit Service and RAE, Farnborough where problems of recruitment retention and motivation are primarily at levels below Grade 7) that the scheme was aimed at the wrong level.

There was a noticeable contrast between some of the case study organisations in the way they handled the confidentiality aspects of the scheme. In the VAT Directorate of Customs & Excise the confidentiality surrounding the scheme appeared to have been maintained absolutely. We met no-one who admitted any knowledge whatsoever about who had or had not received bonuses except those who had eligible staff within their command. Such was the aura of confidentiality that some staff appeared to us to believe that they would be in breach of discipline if they told their colleagues whether or not they had received bonuses and one member of

staff refused to tell the consultant whether or not he had received one. This is in contrast to, for example, the Unemployment Benefit Service where a grapevine at the UBS headquarters had led to everybody there knowing which staff had and had not received bonuses. This was despite the fact that there had been no formal communication to non-recipients about who had and had not received bonuses. In the same way, our interviews in the Southern and Eastern Regional Offices both housed in the same building in London revealed that their grapevine had revealed to everyone who and who had not got bonuses within those offices, but there seemed to be no effective exchange between the two buildings.

In the open-ended questions within the questionnaire some people took the opportunity to comment about communications. The results are shown at Question 17 in Part 2 of the Appendix. Many people felt that they know little or nothing about the scheme. Their comments included:

"the only information I have had has come from the Times";

"I think 99% of the people have never heard of the scheme";

"there is no indication that either myself or any of my staff have ever been considered for inclusion in a bonus scheme".

Many of these comments came from people who had been promoted or transferred into a branch or small department after the scheme had been announced. Others said that they had never seen whatever was sent around or that they vaguely remembered reading something but had forgotten the details. In response to a specific question on the questionnaire, bonus recipients were divided on whether names should be published or not, but non-recipients were on the whole in favour of publishing names (68%).

Specific Aspects of the Scheme

There were a number of specific aspects of the scheme upon which people commented in the survey, either by answering direct questions, or by comments in the open-ended questions. We summarise these below

- o As we have already indicated most people, particularly non-recipients, feel that the names of recipients should be published. A higher proportion of senior managers feel names should not be published while a majority of Grades 5-7 feel they should be.
- o This is linked to views on making the criteria clear. Of those who made comments in response to the open-ended questions in the survey, many people suggested that the criteria for awarding bonuses should be made clearer and that the scheme should be made applicable to more junior staff. The following was not untypical:

"if pay is to be related to performance, then it should be more closely tied to staff reporting - which gives an accurate picture of performance - than being decided by an unknown committee using unknown criteria".

- o There is no strong view overall that there should be a special appeals procedure. Most recipients (67%) and most senior managers feel that there should not be.

Some bonus recipients said they feel the scheme should be available to all grades either because they feel their team should be rewarded as well as themselves, because they feel the scheme is pitched at the wrong level or because they would like the principle of performance related pay to be more widely practiced. Examples of comments along these lines are:

"by distributing bonuses amongst senior staff only you are getting those staff who by definition have longest service and highest pay. If they wanted to get rich or needed motivating, they would not be in their grades".

How the Money was Spent

A quarter of recipients of bonuses commented on how they had used the money. We of course have no way of knowing how far this is representative of the group as a whole. Slightly more than half of those who answered gave away all or some of the money they received. Many of those who had given it all away said that they had given it to charity. Some of those who had given some away had given it to charity. Most, however had used a portion of their bonus to reward their staff, usually by means of some social event paid for by the recipient.

Climate and Job Satisfaction

In general the survey results this year confirm the pattern of findings from last year. The things that matter to people remain the same, and levels of satisfaction with them are broadly similar to last year. There are a number of factors about which people feel either more or less positive than last year. The changes are not dramatic but they are statistically significant. In the listing below we show those items where there was a significant shift in the scores.

People feel more positive about:

- o having clearly defined objectives (43% last year and 47% this year indicated satisfaction with this).

People feel less positive about:

- o pay (57% last year and 63% this year were dissatisfied with this).
Note: 1986 survey conducted before the pay settlement announcement;
- o terms and conditions (16% last year, 21% this year).

Some other specific points which emerged on overall climate within Departments:-

- o People feel more strongly that the measures used to judge performance are unclear.
- o Most people (61%) still feel there is little relationship between performance and reward - recipients of bonuses feel this no less strongly.
- o On the question of the extent to which managers have the freedom to act to do their job, almost half (48%) of all respondents feel managers do not have this freedom - more of those at Grade 3 (63%) than Grade 7 (46%). Those who received an award and those who did not feel similarly about this.

Variations Between Departments

Overall the views of different departments this year particularly in relation to what we have called 'climate' are very similar to those in 1985. Where there are differences between last year and this we have indicated these below.

- MPO - People feel more strongly that the scheme will have no significant impact on the way people work, but less strongly about the damaging effects on relationships. People in MPO are keener than last year that the names of bonus recipients should be published.

This year, staff feel slightly less negative about communications: as many people in MPO feel communications and awareness are poor as feel they are good. Views on other aspects of climate generally remain the same.

- H M Customs - Overall similar views to last year on the impact of the scheme. Non-recipients feel more negative than recipients. Generally people feel less strongly about the damaging effects on relationships. There are fairly clear differences between bonus recipients and non-recipients.

- Ministry of Defence - Again, overall, people are less strong in their views about the damaging effects on relationships. They feel even less that the scheme is encouraging discussion of targets.

- D E Group - People in DE Group are this year more concerned about the fairness of procedures and less clear about the objectives and criteria for the scheme, than last year.

They feel more strongly that the scheme will have no significant impact on the way people work, but are less critical of the impact on work relationships.

DoE/DTP/PSA - People in these three Departments are less clear about the scheme than last year - particularly the criteria for making awards. They feel more certain that it will have no impact on the way people work. They are less critical of the impact on relationships. They feel more strongly that names of award recipients should be published.

The Views of Different Grades

As might be expected senior grades (Grades 2 and 3) are clearer about the procedures, criteria and objectives of the scheme than those in lower grades. They are also more likely to feel that the procedures are fair. 71% of Grade 2s, 42% of Grade 3s, but only 7% of Grade 7s felt that the procedures were fair.

People at different grade levels generally hold similar views on the impact of the scheme but there is a difference between grades on the extent to which they feel relations between line managers and staff are deteriorating as a result of the bonus scheme. Twenty-six percent of Grade 7s but only 14% of Grade 3s feel that relations are deteriorating in this way.

People at higher grades also tend to feel differently from people in Grades 5 and 7 about publication of the names of recipients. Most Grades 5 and 7 feel that names should be published whilst most Grade 2s and 3s feel they should not.

The Differences Between Specialists and Non-Specialists

In general people in specialist groups are less clear about the scheme than non-specialists but have similar views to non-specialists about the scheme as a whole, except in one or two cases where they feel more strongly. People in the Psychologist/Research Group (78%) and those in the Legal Group (70%) feel most strongly that the scheme reduces morale. Most of those in the Medical/NHS Group feel the scheme reduces efficiency and that relationships with colleagues are deteriorating as a result of it. They share this latter view with the majority of legal specialists and a substantial proportion of psychologist/researchers. On the whole specialists are more in favour of publication of names than their non-specialist colleagues.

IV

CONCLUSIONS

Implications of the Findings

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The results from the first year of the experiment need to be seen against the purposes of the bonus scheme and the environment in which it was introduced. The purposes of the scheme have to do with the drive towards a more managerial style in the Civil Service. This means, amongst other things, a more planned way of setting objectives for Departments, divisions and individual jobs; better means of measuring objectives and tracking progress towards them; more sharply defined accountability for resources and higher expectations in the efficiency of using them and in the effectiveness of the outcome. Other management initiatives, particularly departmental planning systems, the FMI and changes to the reporting system, are operating in parallel with the bonus scheme.

The bonus scheme was introduced in an environment in which:

- i) there has been very little experience of relating pay to job performance;
- ii) annual face-to-face discussions between managers and managed to review past performance and set job-related objectives for the coming year are still not generally established;
- iii) there are widespread concerns about whether performance can be assessed "objectively" and a misunderstanding of the part which informed judgement plays;
- iv) there is considerable dissatisfaction about pay levels in general.

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Against this background, and given the sheer size of the Civil Service and the variety of organisation types and jobs within it, it would be remarkable if the bonus scheme succeeded at once. Simply to have operated the scheme successfully in its first year is a major achievement itself. The paradox is that the very culture which the bonus scheme intends to help change is the one which makes the scheme difficult to work. We note that in those parts of the Civil Service where the bonus scheme has been handled in what can be described in shorthand terms as a managerial way, it has been better received. Changes of attitude and behaviour as fundamental as those with which the bonus scheme is concerned develop slowly - some would say over decades.

But these contextual arguments are not sufficient to account for results which show a scheme less popular now than when it was first introduced, confusion about procedures and criteria, a sense that it has so far failed to bite on management practices, and as yet no effect on performance. For these reasons, it must be unacceptable simply to pursue the scheme as it currently exists.

But to abandon the bonus scheme now would be equally unacceptable. Amongst those eligible for bonuses the view that pay should be related to performance continues to be strongly held. The experience of the scheme is providing important insights into Civil Service attitudes and management processes. Some initial fears on the part of managers and potential recipients have lessened. And the discipline of operating the scheme and making decisions about recipients is beginning to focus greater attention on the setting and communication of objectives.

In practical terms, year 2 of the scheme is already well underway and while it is possible to influence how it is handled, for example by guidance on best practice, it would be very difficult to make major changes. In considering such changes therefore, we are largely concerned with year 3.

Lessons for the Future

It is helpful to distinguish between the design of the scheme itself and the way in which it is managed. Thus it could be that the scheme is basically sound but less well managed than it should be; or that the scheme is well managed but there are design weaknesses which make it difficult to succeed; or that faults in both design and management need to be remedied. The evidence supports the last of these alternatives.

Within the design of the scheme, the following appear to be the important issues:

- i) Criteria. Given that the criteria are not firm it is not surprising that there is misunderstanding about what they are or that no link can be perceived between bonuses and performance. The criteria must be made clearer. There are essentially two choices about this, both of which present difficulties. If the criteria for a bonus are the same as those of judging overall performance in the annual report, the "quota" problem (discussed below) arises. Secondly, people delivering sound or improving performance, but not a high box marking will know that they cannot obtain a bonus. If on the other hand the criteria are different from those of the annual staff report, it is difficult to say what they should be. And in any case it seems ill-advised to introduce a further set of objectives when there is still much to be done to focus more closely on objectives within the annual staff report itself.

- ii) Quotas. The bonus scheme is competitive. It is therefore not the case that all who achieve a certain result will receive a bonus: there is a fixed ceiling on the number of recipients. This quota problem is not unique to the Civil Service scheme but arises in all performance related reward systems. With the quota in place, it is not possible to lay down specific criteria which if met will guarantee a bonus. But without the quota, there is a potentially open-ended commitment. Unless the criteria are very robust, there is therefore a danger that managers will not be discriminating and the scheme will degenerate. The fact that a high proportion of staff receive box 1 or box 2 performance markings in the annual report points to this risk. It might be met in two ways. First, the sum of money (but not the number of staff) could be fixed but spread more thinly over a larger number of heads as more were deemed to meet the requirement. Second, it could be argued that, provided the performance is actually delivered, the more bonuses paid the better - each one paid representing good value for money. This latter approach would require effort to improve and maintain performance working standards.
- iii) Bonus amounts. The average money amount paid as a bonus was about 5% of salary. After tax, it was typically worth around £650. The recognition of receiving a bonus (quite apart from the amount) has an impact on the individual, particularly the first time it happens. But such psychometric evidence on reward and motivation as is available suggests that behaviour will not be significantly changed by payments of this size. Amounts of not less than 10% and more probably in the area of 15% are required to do this.
- iv) Confidentiality. The requirement for confidentiality has very clearly contributed to dissatisfaction with the scheme, which is hugely greater amongst those who do not have a full picture of what happened than amongst those who did. We think this is a wider question than whether or not recipients' names (and citations) should be made known. It has to do with suspicions about fairness which are an understandable result of ignorance about the operation of the bonus scheme arising from lack of communication. We therefore deal with this point as a management consideration.

The main management issues appear to be as follows:-

- i) Leadership. Whatever else is done, the bonus scheme cannot succeed if those who are eligible do not perceive their managers to believe in it. It is not enough to go through the motions; it is the spirit rather than the letter which is required. If anything, the findings show that the bonus scheme is seen as an irrelevance more than as a mistake. Civil servants know whether departmental top management actually believes in the scheme or not. With the benefit of hindsight errors were made in the way the scheme was originally announced

introduced. Insufficient effort was put into taking on board the concerns of top management and seeking to secure their active commitment as opposed to their acquiescence. And the scheme was not cascaded down Departments (in addition to central written statements) by face-to-face discussion in the management line. There are strong grounds for seeing the scheme as seriously under resourced, particularly given that it is characterised as an experiment with the implication that running it is a temporary, additional and separate management task. This suggests the need for a major effort to invigorate years 2 and 3 to link it with other performance management systems and to listen and respond to the objections of top management.

- ii) Links with other aspects of performance management. Clearly the ultimate objective must be to lock together reward systems, individual appraisal systems, departmental management schemes, planning systems and financial management controls - not in the form of a procedural straitjacket but as a coherent system of management where people know what is expected of them and are recognised when they achieve it. In general these linkages are not yet present.
- iii) Face-to-face communication. The bonus scheme is in fact a form of communication; it can only work properly when managers and managed share an understanding of objectives. Face-to-face communication to set and amend objectives, to agree the performance that has been achieved, and to discuss openly not only good but also poor performance is easy to argue in principle but hard to do in practice. There are all sorts of apparently good reasons why it can be avoided. But without this, it is not possible to remove uncertainty and suspicion or to establish the linkage between bonus and performance.

These issues of bonus scheme design and management should be considered urgently with a view to guidance in year 2 and modifications in year 3.

[The Government has recently endorsed in principle range pay for Grades 2 and 3, under which there would be an incremental pay progression to a given point with further payments gained only by achieving a required performance standard. The development of a range pay scheme is now in hand. It has already been decided to exclude Grade 3 from the main bonus scheme - though not special bonuses - once range pay is introduced. (Range pay and bonuses are not mutually exclusive. In many parts of the private sector, position in the pay range reflects overall job performance over time and bonuses reward specific one-off achievements.) In considering our proposals for the way forward we have therefore taken into account the question of range pay and the links between such a system and the lessons emerging from this evaluation.

The requirements for success in a range pay scheme are basically the same as those for a bonus scheme. Managers have to believe in it; the criteria need to be clear and properly communicated; objectives have to be set and performance reviewed face-to-face; linkages to other management systems need to be in place. In that sense, working to make a bonus scheme succeed is also laying the ground for a range pay scheme and vice-versa.

But there are some fundamental differences. Range pay is a bigger intervention in the pay structure. Hence it is at the same time more difficult to introduce and manage but brings a more substantial return if it does succeed. By contrast, a bonus scheme is additional to the existing pay arrangements rather than integral. So it is easier to operate but precisely because it is not intrinsic it may have limited impact.

Range pay can overcome the dilemma of a bonus scheme referred to in para 8.i (that either the criteria are ambiguous or only a small proportion are ever likely to be in the running). In principle it permits performance by all job holders at all levels to be rewarded appropriately, rather than recognising only particularly high levels of contribution. For that reason it is a technically stronger way of relating reward to overall job performance.

At this stage it is not possible to say whether the experience of operating the current bonus scheme will lead to the evolution of a bonus scheme which is successful in raising performance; whether it will lead to the abandonment of any scheme on the grounds that it is not practical (yet) in the Civil Service to relate pay to performance; or whether it will in fact pave the way for range pay. [We think that a feasible long-term goal may be to use range pay to reflect overall job performance, carrying it further down the hierarchy as it takes root at each level; and to keep alongside range pay the provision of special bonuses paid to individuals who have made an outstanding one-off contribution.]]



APPENDIX

1. Typology of Schemes
2. Results from the Survey
3. Results from the Administrative Audit
4. Statistical Analysis of Bonus Recipients

1. Typology of Schemes

TYOLOGY OF SCHEMES: APRIL 1986

Introduction

This typology summarises the characteristics of the performance bonus schemes operated by government departments in 1985/86, the first year of the Civil Service performance bonus experiment. It supercedes the earlier editions produced in May and September 1985. It does not attempt to do more than describe how Departments have implemented performance bonuses. Our evaluation of the experiment is contained in the main report. Our analysis is presented in the form of a description and a set of tables which categorise Departments' schemes. It is hoped that this will act as a useful reference document and starting point in understanding the working of the various schemes.

The main source used in the compilation of this typology has been the letters, memoranda and notices by which Departments promulgated details of their schemes. We have written to all Departments to ensure that we have the correct information. Additionally, we have gathered data on Departments' approaches to communicating and monitoring their schemes by means of a questionnaire and letter survey respectively.

The need for this report lies in the substantial degree of independence which individual Departments have enjoyed in the design and implementation of the bonus scheme. Although the rules devised to govern the operation of performance bonuses in the Civil Service lay down a framework, they deliberately leave much to be decided by Departments. The main aspects which the latter have had to consider in making their arrangements are:

- the criteria by which bonus recipients should be selected, and whether to exclude groups or individuals from the scheme;
- the method for carrying out the assessment, and the procedure for selecting bonus recipients;
- the size of the awards and the number of awards to be made (up to the limit of 20%);
- whether to award special bonuses, and, if so, how much and how many (up to the limit of 10% of the bonus fund);
- how to manage the introduction of the scheme;
- how to monitor and evaluate the arrangements made.

Table 1

TIMING OF AWARDS (ANNUAL AWARDS)

	Details of scheme circulated	Nominations due	Decisions on awards made	Awards paid		Details of scheme circulated	Nominations due	Decisions on awards made	Awards paid
MOD	July	End Nov	Oct - March	Oct - March	Lord Adv Dept	Jan	NA ²		By end March
Inland Revenue	May	At Discretion of	line managers concerned		Royal Mint	NA ¹			
DOE/DTP/PSA	April	End Dec	Jan/Feb	March	Regs of Scot	Jun	At time of ASR		
DHSS	May	Jan	Jan/Feb	March	Law Off Dept	(see T Sol)			
DTI	April	End Nov	Jan	By end March	Reg Fr Soes	May	Jan	Feb/March	Feb/March
MAFF	Nov	Dec	Dec	By end March	Setsh Reds Off	June	At time of ASR		
FCO	May	End May	June	July	Paymaster Gen	March			
Nth Ireland CS	May	Dec	Jan	By end March	PRO	NA ²	NA ²	Oct	By end March
Home Office	March	April	April/May	July/Aug	Crown Estates	June	Jan	Early New Year	By end March
D. Emp.	June	Nov	Nov/Dec	Dec/Jan	GRO (Scotland)	May	End Nov		By end March
HSE	Oct	Nov			Privy Cl Off	NA ²			
MSC	May	Oct	Dec	Jan	NILO	NA ²	NA ²	Early new year	By end March
ACAS	Feb	Sept/Oct	Sept/Oct	Nov/Dec					
Scottish Off	May	Dec	Jan/Feb	By end March					
DES	May	Jan	Early New Year	By end March					
Customs & Ex	May	End Dec	Jan/Feb	Feb					
HM Treasury	March	Dec	Early New Year	By end March					
Welsh Office	April	Jan	Jan	By end March					
D. Energy	Apr/Nov	Dec	Feb	March					
ODA	June	Jan	Feb	March					
LCD	May	July	July	Sept/Oct					
Crown Office	Jan	Feb	March	By end March					
T Sol	May	End Dec	Early New Year	By end March					
Cabinet Office	Nov		Feb	March					
MPO	Jan	Feb	Feb/March	March					
Land Registry	April	End Jan	Feb	By end March					
ECGD	June	Dec	Jan/Feb	Feb/March					
DPP	Feb/July	Jan	Jan	March					
OPCS	July	End Dec	Jan	March					
COI	Jan	Feb	Feb	By end March					
HMSO		Dec	Early New Year	March					
DNS	May			By end March					
OFT	April	By Nov	Nov	Dec					
N. Ireland Off	June		Jan	March					
SCA	NA ³								
Charity Comm	June	Dec	Early New Year	By end March					
GAD	June	Dec	Early New Year	By end March					
IBAP	April		Nov	By end March					
Ord. Survey	April	Dec	Feb	March					
OFTEL	Dec			March					
OAL	April	NA ²	Nov	Dec					

Notes

1. Scheme not operated in 1985/86.
2. Not applicable to scheme as operated in this Department.
3. Partly covered by Scottish Office; partly excluded from scheme.

In the following pages, we examine the schemes adopted and highlight the similarities and differences between them. The tables contained in the report attempt a clear categorisation of schemes under a number of different headings. There is an element of arbitrariness in this, but we have progressively refined our categories in an effort to minimise this. In a small number of cases, Departments have not explicitly provided information on a particular aspect, and in these cases we have left a gap in the appropriate part of the table. The service-wide rules for the experiment are enclosed as an annex along with the guidance notes prepared by the Head of the Civil Service.

Implementation

Nearly all Departments implemented a performance bonus scheme in 1985/86. The only exceptions were the Royal Mint and the Scottish Courts Service (although SCA Headquarters staff on loan from the Scottish Office were included in the Scottish Office scheme).

Most Departments set a timetable whereby nominations for bonus awards were asked to be submitted by reporting officers at about the end of the calendar year, and considered early in the New Year. This allowed ample time for decisions to be reached so that payments could be made with February or March salaries. Some Departments, however, elected to make payments earlier than this. In the cases of the Home Office and the FCO, payments were made in the Summer of 1985. This was because it was felt desirable to synchronise the bonus cycle with the annual reporting cycle. Details of Departments' timetables are shown in the table opposite.

Criteria for Giving a Bonus

The service-wide rules for the performance bonus scheme (Rule 4) state:

"Those operating the schemes shall operate them so as to reward and encourage particularly good performance. Among the factors to be taken into account are:

- i) the extent to which the desired results have been achieved as a direct consequence of the individuals' actions, taking account of the difficulty of their achievement;
- ii) the energy and application shown in seeking to meet objectives and targets, including the exercise of qualities of leadership."

Elaborating on this, Sir Robert Armstrong, in his "Notes for Guidance", wrote:

"Performance bonuses are intended to contribute to improving overall effectiveness of the organisation, by encouraging and rewarding particularly good performance and, in addition, seeking to enhance motivation more generally. The criteria are intended to reflect these broad aims and to take account of the diminishing availability of promotion as an incentive to good performance. However, I must emphasise that there is an essentially competitive element in the assessments to be made. The approach requires the distribution of a limited bonus fund between staff in the eligible grades according to judgements as to the relative performance of individuals.

"It is important for both effectiveness and presentation that assessments should be based so far as possible on known factors directed primarily towards the attainment of the objectives of the organisation, taking account of the difficulties of their achievement ..."

With some differences of emphasis, all Departments have seen the scheme as a means of rewarding good performance. Not all stress achievement as a key component of this performance, however, and none sees the "attainment of objectives" as the sole, overriding criterion for meriting a bonus.

The guidance and interpretation given by Departments to those expected to make recommendations for bonuses suggest that the following types of criteria should be used:

- Overall performance. This is generally perceived to cover all aspects of a given job. Although it may be understood to include the achievement of stated objectives, this is not always the case. Bonuses are usually seen to be related to the effort put in by the job holder as well as to end results.
- The difficulties the individual faced. Many Departments stress that achievements can only merit a bonus if the objective was hard to attain. (In some cases, "excusable failure" is a possible criterion, on the grounds that the difficulties were insuperable, and the individual achieved the most that was possible.)
- Worthy effort. Some Departments lay great stress on the need to reward those who are not "flyers", or have no opportunities to "shine". In most cases this has been done in order to ensure that the scheme acts as an incentive for such staff. An additional reason for this policy is, in many cases, the need for perceived fairness.
- The achievement of key objectives. In some cases the departmental guidance refers to the achievement of objectives as a criterion to be considered. Where this is the case the guidance does not necessarily indicate that the objectives should be either pre-determined or quantitative.

There appear to be differences, however, between the criteria stated by Departments, the criteria actually used by line managers in making recommendations, and the perceptions of those criteria by eligible staff not involved in running the scheme. The question of how criteria have been applied in practice is taken up in the main report.

Variations between Departments are not only to be found in the type of criteria that must be met; the degree of excellence demanded varies also, as some have awarded bonuses to a considerably smaller proportion of their staff than the 20% maximum allowed by the service-wide rules.

Table 2 opposite shows which Departments stressed which factors in their written guidance to line managers. Columns a-d typify qualities which Departments have stressed in their guidance to line managers. A "yes" means they have explicitly stressed this criterion: a "no" means they have explicitly rejected it as a firm requirement. A blank means no guidance additional to that in the service-wide rules has been given. Column e indicated what percentage of staff it was originally intended to award bonuses to in each Department.

Table 3

METHODS OF ASSESSMENT									
	Individual objectives set in advance	Objective measures	Subjective judgements	Explicit Link to ASR		Individual objectives set in advance	Objective measures	Subjective judgements	Explicit Link to ASR
MOD			Yes		OAL			Yes	
Inland Revenue			Yes		Lord Adv Dept			Yes	
DOE/DTP/PSA			Yes		Royal Mint				
DHSS	Yes ¹	Yes	Yes	Yes ¹	Regs of Scot			Yes	
DTI			Yes		Law Off Dept				
MAFF			Yes	Yes ²	Reg Fr Socs			Yes	
FCO			Yes		Setsh Reds Off			Yes	
Nth Ireland CS			Yes		Paymaster Gen				
Home Office			Yes	Yes ²	PRO			Yes	
D. Emp.			Yes		Crown Estates			Yes	Yes ³
HSE			Yes		GRO (Scotland)			Yes	
MSC			Yes		Privy Cl Off			Yes	
ACAS			Yes		NILO			Yes	
Scottish Off			Yes						
DES			Yes						
Customs & Ex			Yes						
HM Treasury	Yes ¹		Yes	Yes ¹					
Welsh Office			Yes	Yes ²					
D. Energy			Yes						
ODA			Yes						
LCD			Yes						
Crown Office			Yes						
T Sol			Yes						
Cabinet Office			Yes	Yes ²					
MPO	Yes ¹		Yes	Yes ¹					
Land Registry	Yes	Yes	Yes						
ECGD	Yes	Yes	Yes						
DPP			Yes						
OPCS	Yes	Yes	Yes	Yes ²					
COI			Yes						
HMSO			Yes						
DNS			Yes						
OFT	Yes		Yes						
N. Ireland Off			Yes						
SCA									
Charity Comm			Yes						
GAD			Yes						
IBAP			Yes						
Ord. Survey			Yes	Yes ²					
OFTTEL			Yes						

¹ ASR used to set objectives.

² Bonus generally conditional on achieving a given performance marking.

³ Bonus nomination to form part of appraisal report.

Methods of Assessment

Most Departments, though not all, have given their line managers some form of guidance on the methods of assessment to be used in the selection of nominees for bonuses. The table opposite summarises the content of this guidance.

We have divided methods of assessment into two broad types:

- Overall subjective judgements, whereby the line manager makes a judgement as to who he thinks might deserve a bonus. One Department suggested the question "is he/she in the top 20%" as the acid test to apply.
- Objective measures, whereby criteria are set in such a way, that their achievement or otherwise can be measured, by direct observation or by reference to management information.

No Department has based assessment wholly on objective measures.

We have further distinguished those Departments that have stated that individual targets (however their achievement is assessed) should be set in advance. Two mechanisms, both the product of initiatives other than the bonus scheme, are being adapted to this end:

- forward job plans, as featured in the new annual staff appraisal;
- unit objectives, as derived from the management plans being introduced as a result of FMI (e.g. DMA's and APR's in DHSS, Land Registry's Accountable Management System).

Four Departments said that objective criteria should be used where possible to measure achievement against these targets but do not rule out the use of subjective judgements where appropriate. As an example, we quote DHSS's guidance on this subject in full, as it is the most explicit:

"It is crucial that staff have a clear idea of what is expected of them during the assessment period. Objectives, quantified wherever possible, must be consistent with the Department's management accounting systems ... and - increasingly by means of targeted job descriptions - the annual staff reporting system. It is a fundamental duty of each eligible staff member's immediate line manager to discuss and agree with the staff member the appropriate objectives covering - and in advance of - the assessment period. A copy of those agreed objectives should be retained by both parties and a copy passed to the evaluating officer."

The majority of Departments, however, have not given any guidance along such lines, but have said that assessments should be made after the event by exercise of informed judgement, and in accordance with the criteria described earlier.

The extent to which assessments for bonus purposes have been linked to the staff appraisal system is hard to gauge with any precision, as many Departments appear to have anticipated a very close link but did not say so in their written guidance. The link between the two manifests itself in several ways:

- a few Departments advised their line managers that award of a bonus should generally be conditional on achievement of a given performance marking (usually "very good"). (These are indicated on the table under "explicit link to ASR");
- some Departments arranged for their staff appraisal and bonus cycles to coincide, but most did not actually state what the link between the two should be. The effect, however, may have been to make judgements consistent between the two;
- many Departments have stated that the two cycles (whether or not they coincide) are separate but linked. The following is a typical form of words used in this context:

"There is no rule of general and automatic application between assessment for bonus awards and staff reporting and appraisal procedures. But, since both are based on the same performance by the same individual, there will be a broad consistency between the two."

Several Departments have designed standard forms for use by line managers in nominating officers for a bonus. All these are clearly designed to minimise the paperwork which the scheme produces. Some, however, go further, and serve as an assessment form to help focus the line manager's mind on the appropriate criteria and help him to assess performance more clearly.

Table 4

EXCLUDED GROUPS

	Recently promoted	Private office	Staff on non-CS Terms & Conditions		Recently promoted	Private office	Staff on non-CS Terms & Conditions
MOD	Discouraged	Excluded	Included	Regs of Scot			
Inland Revenue				Law Off Dept			
DOE/DTP/PSA				Reg Fr Soes			
DHSS			Excluded	Setsh Reds Off	Excluded		
DTI				Paymaster Gen			
MAFF	Excluded			PRO			
FCO				Crown Estates			
Nthn Ireland CS				GRO (Scotland)			
Home Office				Privy Cl Off			
D. Emp.		Excluded	Excluded	NILO			
HSE							
MSC							
ACAS							
Scottish Off	Excluded						
DES							
Customs & Ex							
HM Treasury		Excluded					
ODA							
Welsh Office							
D. Energy							
ODA							
LCD							
Crown Office							
T Sol							
Cabinet Office							
MPO							
Land Registry							
ECGD							
DPP							
OPCS							
COI							
HMSO							
DNS							
OFT							
N. Ireland Off		Excluded					
SCA							
Charity Comm							
GAD							
IBAP							
Ord. Survey							
OFTEL							
OAL							
Lord Adv Dept							
Royal Mint							

Staff Excluded from the Scheme

Table 4 opposite shows which Departments explicitly rules out the possibility of giving bonuses to particular groups of staff, and which groups were affected.

Decisions to exclude types of job were rare, and confined to private offices; reasons for this include:

- private office staff receive an allowance;
- the assessment of private office staff would not be easy, as their "line managers" are Ministers.

Some Departments excluded staff recently promoted, either because they cannot be assessed adequately or because they have already had their reward.

The question of whether to include or exclude temporarily promoted principals and staff substituting in that grade has been considered by each Department and there has been a trend towards including the former and excluding the latter. Many, said that they would decide on a case-by-case basis if any were nominated.

Those Departments employing staff who are not on Civil Service terms and conditions, but who are civil servants, had to decide whether or not to include them. We have not been able to identify all these cases, but we have indicated on the table those that we are aware of.

Most Departments stressed that the award of a bonus to an individual in one year will in no way prejudice decisions in subsequent years.

Process for Agreeing Bonus Awards

As a rule, the assessment of all staff was carried out by line managers. The line manager is either the first or second reporting officer. Having made his assessment, he then "nominated" or "recommended" officers for bonuses. The final decision, however, was taken at a higher level in all but the smallest Departments, where the line manager is in fact the Head of the Department, who assessed staff and made a decision in person.

In hardly any case was the nomination the end of the matter. In a few Departments, the first reporting officer nominated his subordinate, and the second reporting officer took the final decision. This was especially common in respect of Grade 3's, in cases where the roles of first and second reporting officers are played by a Deputy Secretary and the Permanent Secretary respectively. It was his own bonus fund to dispose of. In very many cases, however, decisions on all nominations in a Department was taken centrally.

The approaches adopted by Departments can be summarised as follows:

Model 1: Centralised

Nominations for bonuses were collected centrally, usually by a personnel division. In some cases they were subjected to a paper sift by a senior manager. They were then considered by a panel. In some Departments this was the Senior Management Group, or an equivalent body. In others, it was a Promotion Board. This panel weighed up the merits of the nominations received, decided which ones to endorse, assigned a cash value to the successful ones (if this had not been laid down in advance) and submitted a list to the Permanent Secretary for his approval. In some cases, intermediate sifts (e.g. by Grade 2s) were conducted before the central list was compiled. Sometimes, the nominating officer recommended the size of the bonus or put his nominees in order of merit.

Model 2: Decentralised

This approach was chosen by the three largest Departments. The bonus fund was shared out amongst senior officers, each of whom had complete discretion to select the bonus recipients within the restrictions of service-wide and departmental rules. The money was distributed to commands on the same basis as it was distributed to Departments, i.e. in direction proportion to the salary bill of eligible staff. Some money may have been withheld for central allocation if Grade 3s were excluded from budget holders' discretion, or to enable further flexibility. In addition, the centre exercised a limited moderating role.

Model 3: Intermediate

This sought to decentralise as far as possible, whilst retaining some decision making, (as distinct from rule-drafting) in the centre. Budget holders were nominated, and given discretion similar to that found in the decentralised model. The budgets were sometimes expressed in cash terms, sometimes as a given number of bonuses at fixed cash values. The budget holder made awards within that limit, but was able to bid to the centre if he wished to make more. The centre retained sufficient funds to be able to decide which of these bids should be met, and adopted procedures akin to those found in the centralised model to do this. It also acted as a "moderator".

Model 4: Informal

In very small Departments, the most senior officer simply made a judgement as to who should receive a bonus, having consulted others as he felt necessary.

In the two models (2 and 3) which made some form of allocations (as budgets or as numbers of awards), there were two approaches to the question of whom to make responsible for the allocated funds. One was to lump all staff except Grade 3s into commands, where the senior member of that command is the budget holder. Another was to have separate budgets for different levels; thus, typically, Grade 3s had the budgets for Principals and equivalents; Grade 2s had budgets for Grades 4 and 5; and the funds for Grade 3s were held centrally.

The various approaches adopted are summarised in Table 5 opposite.

Consistency of Standards

Sir Robert Armstrong's "Notes for Guidance" point out that:

"Departments may wish ... to establish moderating mechanisms, which, however, should not detract from the responsibilities of line managers for individual assessments."

The approaches to moderation were related to the overall procedures for making awards. In the centralised model, consistency is assured by the panel which decides which nominations to endorse: the purpose of this panel is to evaluate, compare and rank the nominations received.

In the intermediate model, too, a central moderating panel has usually been set up. The process of topping up budgets and transferring funds from one to another may act as a moderating mechanism.

In the decentralised model, moderation is largely restricted to the centre keeping an eye on line managers to satisfy itself that the rules have been applied.

In the informal model, the task of moderation falls naturally to individual discretion.

The Size of the Awards

The service-wide rules set a minimum of £500 for performance bonuses (but not special bonuses). No maximum was set. Although Departments were not permitted to award performance bonuses to more than 20% of those eligible, they were allowed to award bonuses to a smaller percentage. In other words, within the 20% ceiling each Department could decide to award a relatively greater number of relatively small bonuses, or vice versa.

Other factors upon which Departments have used discretion are:

- whether to allow line managers to set the level of bonuses, or to decide this centrally;
- whether to set fixed rates, (or at least upper and lower limits), for bonuses;
- whether the size of the bonus should reflect the level of performance of the individual recipient;
- whether the size of the bonus should reflect the grade of the recipient.

Almost every possible variation can be found. However, in no Department was there an automatic link between the size of the bonus awarded and the degree to which specified objectives are attained. (As we have seen, a few took into account measurable levels of achievement when deciding whom to award a bonus. There was not, however, an automatic link.) The reason given was, in every case, that the scheme is intended to be competitive, and that the award of bonuses cannot therefore be dependent on absolute measures.

We have identified the following approaches:

- most Departments, especially smaller ones, did not set rates or ranges for awards, but were content with restating the service-wide rule that no bonus may be less than £500. Either line managers were allowed to recommend the size of bonuses or, more usually, the centre decided when it decided whom to award them to.

However, a significant number of Departments, including all those operating decentralised systems, set more precise limits to the size of bonuses. In some cases e.g. MOD these took the form of 'recommended' sums. These can be categorised as follows:

- flat rate for all bonuses. Only one Department, the Home Office, committed itself to this policy. The amount of the flat rate, however, could not be known in advance as it was derived by dividing the number of awards made into the total fund available;
- a fixed rate for each grade. Three large Departments adopted this approach. The LCD scheme, whereby bonuses equalled one month's salary, is a variation on this theme;
- a range, within which performance alone decides the size of the award. Three Departments adopted this approach;
- a scale of ranges whereby the range is determined by grade, but the position of an award within that range is determined by performance;
- a scale of fixed rates, to be chosen between according to the recipient's level of performance.

There is a clear difference in approach between those who made performance the sole deciding criterion for bonus size, and those that gave higher bonuses to more senior grades.

Many of those Departments which did not fix rates or scales for bonuses nonetheless stated that they intended to award bonuses to a given percentage of those eligible.

Table 6 opposite shows which Departments adopted which approach, with maxima and minima where appropriate.

Special Bonuses

In general, Departments have had more freedom to act on special bonuses. This has extended as far as being able to decide not to award special bonuses at all. The size of bonuses and number of recipients was not limited by the service-wide rules. Only the cash available - up to 10% of the bonus fund (which did not have to be used specifically for this purpose) - was restricted.

The purpose of special bonuses was given in the service-wide rules as "to reward exceptional performance in particularly demanding tasks or situations at any time in the year."

Most Departments did not, on the whole, give a great deal of guidance to their line managers on the criteria, assessment and sizes of special bonuses. Some ruled them out altogether in the first year. Others, whilst referring to special bonuses, did not lay down any departmental procedures specifically to deal with them. Those that dealt more closely with the subject adopted the following features:

- they set limits on special bonuses, such as a maximum of £500;
- they stated that they were to be for exceptional performance in individual tasks or situations;
- a few said that special bonuses would be awarded to those who have some considerable achievements to their credit, but whose overall performance did not merit a full performance bonus.

Table 7

SPECIAL BONUSES

	Will the award of special bonuses be considered?	Have procedures for awarding special bonuses been set out?	Size of special bonuses where stated		Will the award of special bonuses be considered?	Have procedures for awarding special bonuses been set out?	Size of special bonuses where stated
MOD	Yes	Yes	£250 - £500	OAL	Yes	Yes	Max £250 ¹
Inland Revenue	No			Lord Adv Dept.			
DOE/DTP/PSA	Yes	Yes	max £500	Royal Mint			
DHSS	No	No		Regs of Scotland	Yes	Yes	
DTI	Yes	Yes		Law Off Dept.			
MAFF	Yes	Yes		Reg Fr Socs	Yes	Yes	
FCO	Yes	No	Max £500	Scotsh Rec Off	Yes	Yes	
Nth Ireland CS	Yes	No		Paymaster General	Yes	No	
Home Office	No			PRO	Yes	Yes	
D. Emp.	Yes	Yes		Crown Estates			
HSE	Yes			GRO (Scotland)	Yes	No	
MSC	Yes	Yes		Privy Cl Off			
ACAS	Yes	Yes		NILO		No	
Scottish Office	Yes	Yes					
DES	Yes	Yes					
Customs & Ex	Yes	Yes					
HM Treasury	Yes	No					
Welsh Office		No					
D. Energy	Yes	No					
ODA	Yes	Yes	£250-£1,000				
LCD	Yes	Yes					
Crown Office	Yes						
T Sol	No						
Cabinet Office							
MPO	Yes	Yes					
Land Registry	Yes	No					
ECGD	Yes	Yes					
DPP							
OPCS	Yes	Yes	£100 - £250				
COI	Yes	No					
HMSO	Yes	Yes					
DNS	Yes	No					
OFT	Yes	No					
N Ireland Off	Yes	Yes	min £100				
SCA							
Charity Comm		No					
GAD	Yes	Yes					
IBAP		No					
Ord. Survey	Yes	Yes					
OFTEL							

¹This sum represents 10% of the entire fund for this Dept., and is the maximum that could be paid.

Table 7 opposite summarises the position on special bonuses.

Arrangements for Introduction

After the announcement of the scheme and the notification to staff of the service-wide rules, Departments set about developing the schemes described above.

In most instances, these schemes were drafted by a personnel management unit and then discussed and agreed at senior levels. In the smallest Departments, this necessarily involved all the line managers of eligible staff, and in some cases all eligible staff in the discussion. Many larger Departments, however, made a deliberate effort to consult those affected by the scheme, usually by inviting comments on a draft. In DE, for example, Grade 2 and 3 level officers were involved in discussions about the scheme from the beginning through the Senior Committee. Regional directors (Grade 6) had an opportunity to express their views at their conference in March, whilst heads of branches (Grade 5) were invited to comment in writing in February.

In their replies to our questionnaire about arrangements for introduction, 23 Departments said that managers had been invited to comment on a draft of the scheme; however, in only 10 cases was this invitation extended to all eligible staff, although all of the 23 asked line managers, if only those at Grade 3 level and above, for their views.

Most Departments also involved their Departmental Trade Union Side in the preparation of the scheme. 26 stated in their responses to our questionnaire that they had invited their DTUS to comment on a draft of the scheme before it was finalised. Of the 26, however, only 12 said that the DTUS had, in fact, commented.

Having settled their schemes nearly all Departments promulgated them in writing. Office notices and memoranda announcing the details of the scheme were the favourite method of communication. Virtually all Departments used them, and in 16 cases they were the only means by which the scheme was formally made known. In most cases, they were sent to all eligible staff, in some to all non-industrial staff and in some to line managers, who were asked to pass the message on to those affected. The substance of these notices varied widely. The eight pages plus annexes of the DHSS notices, which went to all eligible staff and their managers in May, gave substantial details of criteria, methods of selection, sizes of bonuses and so on. On the other hand, some notices did little more than reproduce the service-wide rules and announce who would be accountable for nominations and decisions in the Department. Many Departments used a hierarchy of memos and notices, whereby the existence of the scheme was notified to all staff, eligible staff were given details of its operation and senior staff were given further guidance on how to manage the scheme at their level. DTI and the Home Office provide examples of this approach. The table on the following page illustrates these approaches by showing how staff at Principal level were informed of the arrangements in each Department.

Table 8

APPROACHES TO COMMUNICATION: HOW ELIGIBLE STAFF WERE
INFORMED OF DEPARTMENTAL ARRANGEMENTS

	Individually in writing	By office notice/ circular	Through immediate line manager	Through senior line manager		Individually in writing	By office notice/ circular	Through immediate line manager	Through senior line manager
MOD		Yes		Yes	OAL	Yes		Yes	Yes
Inland Revenue				Yes	Lord Adv Dept.				
DOE/DTp/PSA			Yes	Yes	Royal Mint				
DHSS		Yes			Regs of Scot				
DTI		Yes	Yes	Yes	Law Off Dept.	(see T Sol)			
MAFF	Yes				Reg Fr Soes	Yes			
FCO		Yes			Setsh Rec Off				
Nth Ireland CS					Paymaster Gen	Yes			
Home Office	Yes			Yes	PRO				
D. Emp		Yes		Yes	Crown Estates		Yes		
HSE		Yes			Gen Reg Office				
MSC		Yes			Privy Cl Off		Yes	Yes	
ACAS	Yes				NILO				
Scottish Office		Yes							
DES	Yes								
Customs & Ex	Yes								
HMT		Yes							
Welsh Office	Yes								
D. Energy		Yes							
ODA		Yes							
LCD				Yes					
Crown Office									
T Sol		Yes		Yes					
Cabinet Office	Yes								
MPO	Yes								
Land Registry	Yes								
ECGD		Yes							
DPP		Yes							
OPCS		Yes							
COI									
HMSO		Yes							
DNS	Yes								
OFT									
N Ireland Off	Yes			Yes					
SCA									
Charity Comm		Yes							
GAD		Yes							
IBAP	Yes								
Ord. Survey	Yes								
OFTEL		Yes							

Many Departments followed up initial promulgation of their schemes with a note to line managers calling for nominations, which went out at the appropriate time of the year.

Some Departments chose to accompany details of their schemes with letters from the Permanent Secretary, the Principal Establishment Officer (or equivalent) or an official in the Personnel Department. Such letters generally provided some background, such as the history of the scheme, and exhorted the reader to co-operate fully in its implementation. It was however a comparatively rare approach; only nine Departments distributed such letters, and in only five cases were these signed by the Permanent Secretary or someone of equivalent status.

The Inland Revenue chose to adopt a different approach to written communication. Those officers accountable for deciding who should get a bonus (the IR scheme is decentralised) were given copies of a centrally issued guidance note. They were asked to pass on the information along with their own plans to all eligible staff in respect of whom they will be taking decisions. In the Lord Chancellor's Department, too, senior line managers were used as a channel for most information.

No Departments arranged for line managers to be given formal training in the operation of the bonus scheme. Some held short presentations to line managers. MOD, for example, arranged sessions for staff at Grade 2 level. Two Departments held presentations for the managers of their regional organisation - Customs and Excise, and DHSS.

In addition to communicating in advance how the scheme would operate, Departments have had to consider the question of how to make known the results. In this, all have been constrained by the prohibition placed by the Service-wide rules on the publication of names of annual bonus recipients. Although Departments were given discretion over whether or not to publish the names of recipients of special bonuses, there is no evidence that this was done.

In general, Departments chose to do no more than to inform recipients that they had received an award. (A few did publish a summary of the number of bonuses paid.) As a result, non-recipients were only able to find out that they did not receive a bonus through unofficial channels; many never did find out, and were left to surmise that they had not received a bonus. Recipients were generally informed why they had been given a bonus, but non-recipients had no way of knowing on what basis awards had been made, or why they had not received one. This question was addressed by the survey, and is taken up in the main report.

We conclude from the above that most Departments involved senior staff in the design of the schemes and a few canvassed views more generally, but on the whole the experiment was not actively promoted by Departments.

Monitoring and Evaluation

In addition to the central MPO evaluation of the experiment, individual Departments are required under Rule 10 of the service-wide rules to "make arrangements to keep records, monitor and review the experimental schemes as a basis for assessing their effectiveness and operational efficiency".

HAY-MSL Management Consultants wrote to all Departments in March to ascertain what arrangements they had made to fulfill this remit.

The majority of Departments intend to conduct a monitoring and reviewing exercise of some kind. A few have already done so; others are in the process of gathering data; others are still considering what form the exercise might take. A minority have stated that they have no plans to monitor and review the experiment.

In a number of smaller Departments the review will be essentially informal. The small numbers of staff and the direct personal involvement of senior management in the selection of recipients renders detailed monitoring superfluous.

Where more complex monitoring has been conducted or is contemplated, a number of features recur:

- Attitude surveys. Many Departments are conducting surveys based on the HAY-MSL survey, which has been conducted in MPO, MOD, Customs, Employment Group and DOE/DTP/PSA. Where results are available, they are compatible with the HAY-MSL survey.
- Informal surveys of senior staff. Many Departments have asked senior managers to submit their impressions of the scheme in writing.
- Analysis of incidence of awards by management area. Several larger Departments have done this as a moderating or as an evaluation exercise.
- Analysis of reasons for awards. Some Departments have produced a content analysis of the nominations, recommendations, etc., produced for bonus recipients to enable the centre to judge what in practice were the criteria on which awards were made.

Details of the monitoring arrangements made by Departments are shown on Table 9 opposite.

2. Results from the Survey

This Appendix is in two parts:

- o Response rates from the five Departments and the distribution of respondents across a number of key features
- o Responses to the survey questionnaire (total figures and - where appropriate - figures for individual Departments) in Question number order

A copy of the 1986 Survey Questionnaire is at the end of the tables.

RESPONSE RATES

The survey was conducted in April and early May 1986 amongst a 10% sample of men and all women eligible for a bonus award in the five Departments. The table below shows the population, sample size (men and women), and response achieved in each Department.

Details of Sampling and Response

Dept	Population	Sample		Response	
		N	%	N	%
MPO	176	176	100	120	68
Customs & Excise	573	135	24	93	69
MoD	4089	493	12	366	74
DoE	1023	241	24	154	64
DTp	859	146	17	97	66
PSA	845	132	16	74	56
(Tot DOE/DTp/PSA)	2727	519	19	325	63
DE	250	76	30	63	83
MSC	306	68	22	36	53
HSE	671	152	23	102	67
ACAS	49	15	31	10	67
(Tot DE Gp)	1276	311	24	211	68
TOTAL	8841	1634	18	1115	68

This represents an overall 68% response rate - after one reminder - which is slightly higher than the 1985 response. The questionnaire was broadly the same as that for the first (1985) survey. The wording of some questions was changed to bring the questions 'up-to-date' with the impact the scheme is now having, as opposed to the anticipated impact last year. Additional questions included:

- o how people heard about awards and who, in the sample, received awards;
- o classification of respondents into main specialisms;
- o two opportunities for respondents to give their own comments on:
 - the process of making awards;
 - the impact of the scheme more generally.

The following tables show the distribution of our sample by type of post; current specialism; whether or not respondents received a bonus - and what kind of bonus; numbers of staff in scope for an award.

Current Departmental Post - %

	TOTAL	MPO	HM C&E	MOD	DEGp	DoE/DTP/PSA
Administration	10	19	10	5	12	14
Policy/Operations	16	23	25	13	20	15
Operations	11	13	36	7	18	11

Professional/specialist:

- Advisor/Consultant	20	25	21	18	23	20
- Line Manager	36	6	9	48	23	34
Other	6	14	-	7	3	5
Total n =	1115	120	93	366	211	325

Current Specialism %

	TOTAL	MPO	HM C&E	MOD	DEGp	DoE/DTP/PSA
ADP	3	9	4	3	4	2
Scientist	21	1	-	41	4	6
Professional & Technology	28	1	-	27	16	45
Economist	2	3	-	1	2	2
Statistician	2	2	-	*	4	3
Legal	2	-	12	*	2	1
Psychologist/Research Officer	2	4	2	1	3	*
Medical Officer/NHS related Grade	*	4	-	1	*	*
Other specialism	9	16	14	9	19	4
None/no reply	32	60	68	17	46	35
Total n =	1115	120	93	366	211	325

* Less than 1%

1985/86 Receipt of an Award - %

	TOTAL	MPO	HM C&E	MOD	DEGp	DoE/DTp/PSA
No	82	73	67	82	72	90
Yes	17	25	29	17	26	9
Total n =	1115	120	93	366	211	325
Annual	73	77	93	65	75	81
Special	22	17	5	31	16	19
Both	2	3	-	4	*	-
Total n =	214	30	28	65	55	36

Nos of staff in scope for a Bonus award % - All Respondents

	Total	Grade 3	Grade 4	Grade 5	Grade 6	Grade 7
None	71	-	-	9	22	92
Less than 5	19	34	70	60	54	5
5 or more	8	66	30	31	24	-
Total n =	1115	59	29	147	186	694

Q 10 a) How people first found out about awards

	Total	Bonus Recipients	Non Recipients
	%	%	%
<u>In writing only - TOTAL</u>	15	50	8
My line manager	1	5	*
Another senior line manager	2	8	*
Establishments/Personnel	3	14	1
Permanent Secretary/Head of my Department	4	21	*
Colleague	*	-	*
Other	5	3	6
	%	%	%
<u>In discussion only - TOTAL</u>	33	31	34
My line manager	11	17	9
Another senior line manager	3	9	1
Establishments/Personnel	*	*	*
Permanent Secretary/Head of my Department	2	5	1
Colleague	6	-	7
Other	13	-	15
	%	%	%
<u>In writing and discussion - TOTAL</u>	4	17	1

* Less than 1%

Q 10 b/c/d Knowledge about awards made in own Department

	Total %	Bonus Recipients %	Non Recipients %
Since you first heard about awards made in your Department have you discussed it with your line manager?			
Yes	24	47	19
No	68	51	72
No reply	8	2	9
Do you know who (else) received an award in your work area?			
Yes	19	27	18
No	77	72	79
No reply	3	2	3
Do you know the reasons why awards in your area were given?			
Yes	17	52	10
No	76	44	83
No reply	7	4	7

Q 10 e

HOW THE MONEY WAS SPENT - RESPONSES TO
OPEN ENDED QUESTIONS

Comment	Number of Occurrences	Occurrences as % of all responses from bonus recipients N = 222
Keep it all for family/ personal use	24	11
Kept some and gave some away	18	8
Gave all the money away	11	5
Some or all of money used to entertain staff, or otherwise distributed to staff	25	11
Some or all of money given to charity	9	4
(No of responses from bonus recipients providing infor- mation on this subject)	53	24

Q.11 Performance Bonus Experiment within the civil service was introduced on April 1st 1985. Now that it has been in operation one year please indicate your views and understanding of the scheme by circling the appropriate number below to indicate whether you agree more with the statement on the left or the statement on the right.

ALL BONUS RECIPIENTS (ALL NON-RECIPIENTS)

* % agreeing more with statement on left (ie. 1&2 on scale)
 ** % agreeing more with statement on right (ie. 3&4 on scale)

	*		**		
The procedures for making a bonus award are unclear to me	40	(66)	44	(25)	The procedures for making a bonus award are clear to me
The procedures for making a bonus award are unfair	26	(39)	33	(8)	The procedures for making a bonus award are fair
The objectives of the bonus scheme are unclear to me	22	(42)	60	(42)	The objectives of the bonus scheme are clear to me
The criteria for awarding a bonus are unclear to me	48	(74)	30	(14)	The criteria for awarding a bonus are clear to me
The bonus scheme reduces morale	38	(59)	18	(5)	The bonus scheme improves morale
The bonus scheme has no significant impact on the way people work	56	(67)	17	(10)	The bonus scheme has a significant impact on the way people work
The bonus scheme demotivates people	22	(38)	27	(6)	The bonus scheme improves people's motivation
The bonus scheme reduces efficiency in the use of resources	15	(23)	12	(6)	The bonus scheme increases efficiency in the use of resources
The scheme undermines good management practices	24	(46)	18	(9)	The scheme promotes better management practices
Relationships with colleagues are deteriorating as a result of the bonus scheme	22	(29)	3	(1)	Relationships with colleagues are improving as a result of the bonus scheme
The bonus scheme is encouraging people to leave the civil service	7	(15)	12	(5)	The bonus scheme is encouraging people to stay in the civil service
The bonus scheme encourages managers to increase staff numbers	3	(7)	11	(5)	The bonus scheme encourages managers to reduce staff numbers
The bonus scheme is leading to a reduced investment in training	5	(10)	3	(1)	The bonus scheme is leading to increased investment in training
The bonus scheme discourages the development of planning and budgeting systems	4	(8)	16	(9)	The bonus scheme encourages the development of planning and budgeting systems
The bonus scheme discourages me from working more effectively	1	(14)	39	(7)	The bonus scheme encourages me to work more effectively
The bonus scheme damages team working	46	(56)	6	(2)	The bonus scheme enhances team working
As a result of the bonus scheme line managers are becoming less likely to discuss individuals' targets with their staff	4	(14)	21	(11)	As a result of the bonus scheme line managers are becoming more likely to discuss individuals' targets with their staff
Relationships between line managers and their staff are deteriorating as a result of the bonus scheme	20	(29)	8	(2)	Relationships between line managers and their staff are improving as a result of the bonus scheme
The names of bonus recipients should not be published	45	(17)	45	(68)	The names of bonus recipients should be published
There should not be an appeals procedure specific to bonus awards	67	(37)	20	(33)	There should be an appeals procedure specific to bonus awards
On the whole I am against relating pay to performance	17	(18)	79	(67)	On the whole I am in favour of relating pay to performance
On the whole I think the current scheme is a bad one	47	(73)	28	(7)	On the whole I think the current scheme is a good one

Weighted

Q.11 The Performance Bonus Experiment within the civil service was introduced on April 1st 1985. Now that it has been in operation for one year please indicate your views and understanding of the scheme by circling the appropriate number below to indicate whether you agree more with the statement on the left or the statement on the right.

BONUS RECIPIENTS - MPO (NON-RECIPIENTS)

* % agreeing more with statement on left (ie. 1&2 on scale)
 ** % agreeing more with statement on right (ie. 3&4 on scale)

	*		**		
The procedures for making a bonus award are unclear to me	40	(47)	50	(43)	The procedures for making a bonus award are clear to me
The procedures for making a bonus award are unfair	31	(44)	39	(18)	The procedures for making a bonus award are fair
The objectives of the bonus scheme are unclear to me	36	(31)	53	(59)	The objectives of the bonus scheme are clear to me
The criteria for awarding a bonus are unclear to me	53	(62)	26	(23)	The criteria for awarding a bonus are clear to me
The bonus scheme reduces morale	54	(70)	3	(4)	The bonus scheme improves morale
The bonus scheme has no significant impact on the way people work	71	(73)	16	(17)	The bonus scheme has a significant impact on the way people work
The bonus scheme demotivates people	34	(51)	13	(8)	The bonus scheme improves people's motivation
The bonus scheme reduces efficiency in the use of resources	13	(35)	7	(2)	The bonus scheme increases efficiency in the use of resources
The scheme undermines good management practices	34	(55)	23	(8)	The scheme promotes better management practices
Relationships with colleagues are deteriorating as a result of the bonus scheme	40	(33)	-	(1)	Relationships with colleagues are improving as a result of the bonus scheme
The bonus scheme is encouraging people to leave the civil service	20	(17)	7	(2)	The bonus scheme is encouraging people to stay in the civil service
The bonus scheme encourages managers to increase staff numbers	-	(8)	10	(3)	The bonus scheme encourages managers to reduce staff numbers
The bonus scheme is leading to a reduced investment in training	14	(12)	3	(3)	The bonus scheme is leading to increased investment in training
The bonus scheme discourages the development of planning and budgeting systems	7	(8)	23	(15)	The bonus scheme encourages the development of planning and budgeting systems
The bonus scheme discourages me from working more effectively	14	(19)	33	(9)	The bonus scheme encourages me to work more effectively
The bonus scheme damages team working	56	(70)	3	(1)	The bonus scheme enhances team working
As a result of the bonus scheme line managers are becoming less likely to discuss individuals' targets with their staff	3	(9)	46	(18)	As a result of the bonus scheme line managers are becoming more likely to discuss individuals' targets with their staff
Relationships between line managers and their staff are deteriorating as a result of the bonus scheme	34	(35)	3	(1)	Relationships between line managers and their staff are improving as a result of the bonus scheme
The names of bonus recipients should not be published	14	(18)	73	(73)	The names of bonus recipients should be published
There should not be an appeals procedure specific to bonus awards	52	(55)	33	(26)	There should be an appeals procedure specific to bonus awards
On the whole I am against relating pay to performance	10	(12)	83	(73)	On the whole I am in favour of relating pay to performance
On the whole I think the current scheme is a bad one	77	(82)	9	(11)	On the whole I think the current scheme is a good one

Weighted

Q.11 The Performance Bonus Experiment within the civil service was introduced on April 1st 1985. Now that it has been in operation one year please indicate your views and understanding of the scheme by circling the appropriate number below to indicate whether you agree more with the statement on the left or the statement on the right.

BONUS RECIPIENTS - H M CUSTOMS & EXCISE - (NON-RECIPIENTS)

* % agreeing more with statement on left (ie. 1&2 on scale)
 ** % agreeing more with statement on right (ie. 3&4 on scale)

	*		**		
The procedures for making a bonus award are unclear to me	29	(60)	58	(29)	The procedures for making a bonus award are clear to me
The procedures for making a bonus award are unfair	9	(49)	55	(6)	The procedures for making a bonus award are fair
The objectives of the bonus scheme are unclear to me	15	(32)	71	(54)	The objectives of the bonus scheme are clear to me
The criteria for awarding a bonus are unclear to me	23	(58)	47	(29)	The criteria for awarding a bonus are clear to me
The bonus scheme reduces morale	32	(66)	15	(1)	The bonus scheme improves morale
The bonus scheme has no significant impact on the way people work	45	(73)	23	(5)	The bonus scheme has a significant impact on the way people work
The bonus scheme demotivates people	12	(45)	25	(12)	The bonus scheme improves people's motivation
The bonus scheme reduces efficiency in the use of resources	8	(20)	24	(4)	The bonus scheme increases efficiency in the use of resources
The scheme undermines good management practices	13	(44)	25	(7)	The scheme promotes better management practices
Relationships with colleagues are deteriorating as a result of the bonus scheme	21	(44)	-	(1)	Relationships with colleagues are improving as a result of the bonus scheme
The bonus scheme is encouraging people to leave the civil service	7	(13)	13	(4)	The bonus scheme is encouraging people to stay in the civil service
The bonus scheme encourages managers to increase staff numbers	2	(12)	18	(4)	The bonus scheme encourages managers to reduce staff numbers
The bonus scheme is leading to a reduced investment in training	9	(14)	13	(3)	The bonus scheme is leading to increased investment in training
The bonus scheme discourages the development of planning and budgeting systems	-	(9)	36	(16)	The bonus scheme encourages the development of planning and budgeting systems
The bonus scheme discourages me from working more effectively	-	(20)	50	(7)	The bonus scheme encourages me to work more effectively
The bonus scheme damages team working	56	(53)	15	(4)	The bonus scheme enhances team working
As a result of the bonus scheme line managers are becoming less likely to discuss individuals' targets with their staff	2	(21)	22	(16)	As a result of the bonus scheme line managers are becoming more likely to discuss individuals' targets with their staff
Relationships between line managers and their staff are deteriorating as a result of the bonus scheme	18	(42)	6	(1)	Relationships between line managers and their staff are improving as a result of the bonus scheme
The names of bonus recipients should not be published	58	(17)	35	(67)	The names of bonus recipients should be published
There should not be an appeals procedure specific to bonus awards	77	(50)	20	(32)	There should be an appeals procedure specific to bonus awards
On the whole I am against relating pay to performance	5	(18)	78	(73)	On the whole I am in favour of relating pay to performance
On the whole I think the current scheme is a bad one	48	(80)	20	(11)	On the whole I think the current scheme is a good one

Weighted

Q.11 The Performance Bonus Experiment within the civil service was introduced on April 1st 1985. Now that it has been in operation for one year please indicate your views and understanding of the scheme by circling the appropriate number below to indicate whether you agree more with the statement on the left or the statement on the right.

BONUS RECIPIENTS - MOD - (NON-RECIPIENTS)

* % agreeing more with statement on left (ie. 1&2 on scale)
 ** % agreeing more with statement on right (ie. 3&4 on scale)

	*	**			
The procedures for making a bonus award are unclear to me	44	(70)	45	(25)	The procedures for making a bonus award are clear to me
The procedures for making a bonus award are unfair	14	(34)	35	(8)	The procedures for making a bonus award are fair
The objectives of the bonus scheme are unclear to me	12	(41)	69	(45)	The objectives of the bonus scheme are clear to me
The criteria for awarding a bonus are unclear to me	37	(76)	37	(16)	The criteria for awarding a bonus are clear to me
The bonus scheme reduces morale	27	(52)	25	(6)	The bonus scheme improves morale
The bonus scheme has no significant impact on the way people work	43	(63)	19	(9)	The bonus scheme has a significant impact on the way people work
The bonus scheme demotivates people	16	(34)	36	(7)	The bonus scheme improves people's motivation
The bonus scheme reduces efficiency in the use of resources	14	(19)	10	(7)	The bonus scheme increases efficiency in the use of resources
The scheme undermines good management practices	17	(43)	22	(10)	The scheme promotes better management practices
Relationships with colleagues are deteriorating as a result of the bonus scheme	23	(30)	4	(-)	Relationships with colleagues are improving as a result of the bonus scheme
The bonus scheme is encouraging people to leave the civil service	8	(15)	11	(5)	The bonus scheme is encouraging people to stay in the civil service
The bonus scheme encourages managers to increase staff numbers	3	(7)	8	(6)	The bonus scheme encourages managers to reduce staff numbers
The bonus scheme is leading to a reduced investment in training	3	(8)	-	(1)	The bonus scheme is leading to increased investment in training
The bonus scheme discourages the development of planning and budgeting systems	5	(7)	13	(9)	The bonus scheme encourages the development of planning and budgeting systems
The bonus scheme discourages me from working more effectively	1	(14)	48	(7)	The bonus scheme encourages me to work more effectively
The bonus scheme damages team working	31	(57)	7	(2)	The bonus scheme enhances team working
As a result of the bonus scheme line managers are becoming less likely to discuss individuals' targets with their staff	1	(16)	14	(11)	As a result of the bonus scheme line managers are becoming more likely to discuss individuals' targets with their staff
Relationships between line managers and their staff are deteriorating as a result of the bonus scheme	15	(27)	10	(1)	Relationships between line managers and their staff are improving as a result of the bonus scheme
The names of bonus recipients should not be published	41	(19)	47	(69)	The names of bonus recipients should be published
There should not be an appeals procedure specific to bonus awards	71	(35)	13	(35)	There should be an appeals procedure specific to bonus awards
On the whole I am against relating pay to performance	13	(16)	82	(68)	On the whole I am in favour of relating pay to performance
On the whole I think the current scheme is a bad one	34	(70)	43	(8)	On the whole I think the current scheme is a good one

Weighted

Q.11 The Performance Bonus Experiment within the civil service was introduced on April 1st 1985. Now that it has been in operation for one year please indicate your views and understanding of the scheme by circling the appropriate number below to indicate whether you agree more with the statement on the left or the statement on the right.

BONUS RECIPIENTS - DE GROUP (NON-RECIPIENTS)

* % agreeing more with statement on left (ie. 1&2 on scale)
 ** % agreeing more with statement on right (ie. 3&4 on scale)

	*	()	**	()	
The procedures for making a bonus award are unclear to me	44	(70)	40	(20)	The procedures for making a bonus award are clear to me
The procedures for making a bonus award are unfair	51	(55)	13	(7)	The procedures for making a bonus award are fair
The objectives of the bonus scheme are unclear to me	40	(55)	51	(31)	The objectives of the bonus scheme are clear to me
The criteria for awarding a bonus are unclear to me	68	(81)	22	(11)	The criteria for awarding a bonus are clear to me
The bonus scheme reduces morale	61	(73)	11	(3)	The bonus scheme improves morale
The bonus scheme has no significant impact on the way people work	73	(76)	8	(5)	The bonus scheme has a significant impact on the way people work
The bonus scheme demotivates people	41	(46)	14	(6)	The bonus scheme improves people's motivation
The bonus scheme reduces efficiency in the use of resources	25	(27)	7	(4)	The bonus scheme increases efficiency in the use of resources
The scheme undermines good management practices	39	(50)	7	(7)	The scheme promotes better management practices
Relationships with colleagues are deteriorating as a result of the bonus scheme	24	(34)	-	(-)	Relationships with colleagues are improving as a result of the bonus scheme
The bonus scheme is encouraging people to leave the civil service	5	(12)	3	(5)	The bonus scheme is encouraging people to stay in the civil service
The bonus scheme encourages managers to increase staff numbers	4	(5)	13	(1)	The bonus scheme encourages managers to reduce staff numbers
The bonus scheme is leading to a reduced investment in training	7	(7)	3	(1)	The bonus scheme is leading to increased investment in training
The bonus scheme discourages the development of planning and budgeting systems	7	(5)	17	(6)	The bonus scheme encourages the development of planning and budgeting systems
The bonus scheme discourages me from working more effectively	-	(16)	25	(10)	The bonus scheme encourages me to work more effectively
The bonus scheme damages team working	54	(65)	1	(-)	The bonus scheme enhances team working
As a result of the bonus scheme line managers are becoming less likely to discuss individuals' targets with their staff	7	(19)	29	(8)	As a result of the bonus scheme line managers are becoming more likely to discuss individuals' targets with their staff
Relationships between line managers and their staff are deteriorating as a result of the bonus scheme	31	(40)	1	(2)	Relationships between line managers and their staff are improving as a result of the bonus scheme
The names of bonus recipients should not be published	48	(16)	47	(66)	The names of bonus recipients should be published
There should not be an appeals procedure specific to bonus awards	57	(29)	25	(32)	There should be an appeals procedure specific to bonus awards
On the whole I am against relating pay to performance	19	(22)	78	(60)	On the whole I am in favour of relating pay to performance
On the whole I think the current scheme is a bad one	68	(82)	21	(6)	On the whole I think the current scheme is a good one

Q.1 The Performance Bonus Experiment within the civil service was introduced on April 1st 1985. Now that it has been in operation for one year please indicate your views and understanding of the scheme by circling the appropriate number below to indicate whether you agree more with the statement on the left or the statement on the right.

BONUS RECIPIENTS - DOE/DTP/PSA (NON-RECIPIENTS)

* % agreeing more with statement on left (ie. 1&2 on scale)
 ** % agreeing more with statement on right (ie. 3&4 on scale)

	*		**		
The procedures for making a bonus award are unclear to me	32	(61)	39	(26)	The procedures for making a bonus award are clear to me
The procedures for making a bonus award are unfair	29	(39)	37	(9)	The procedures for making a bonus award are fair
The objectives of the bonus scheme are unclear to me	25	(39)	40	(41)	The objectives of the bonus scheme are clear to me
The criteria for awarding a bonus are unclear to me	62	(71)	15	(12)	The criteria for awarding a bonus are clear to me
The bonus scheme reduces morale	34	(61)	14	(4)	The bonus scheme improves morale
The bonus scheme has no significant impact on the way people work	67	(68)	23	(13)	The bonus scheme has a significant impact on the way people work
The bonus scheme demotivates people	19	(37)	29	(6)	The bonus scheme improves people's motivation
The bonus scheme reduces efficiency in the use of resources	10	(27)	16	(6)	The bonus scheme increases efficiency in the use of resources
The scheme undermines good management practices	29	(46)	16	(8)	The scheme promotes better management practices
Relationships with colleagues are deteriorating as a result of the bonus scheme	14	(24)	7	(2)	Relationships with colleagues are improving as a result of the bonus scheme
The bonus scheme is encouraging people to leave the civil service	6	(14)	26	(6)	The bonus scheme is encouraging people to stay in the civil service
The bonus scheme encourages managers to increase staff numbers	-	(7)	14	(6)	The bonus scheme encourages managers to reduce staff numbers
The bonus scheme is leading to a reduced investment in training	8	(9)	7	(2)	The bonus scheme is leading to increased investment in training
The bonus scheme discourages the development of planning and budgeting systems	1	(9)	13	(8)	The bonus scheme encourages the development of planning and budgeting systems
The bonus scheme discourages me from working more effectively	1	(13)	32	(5)	The bonus scheme encourages me to work more effectively
The bonus scheme damages team working	64	(50)	7	(3)	The bonus scheme enhances team working
As a result of the bonus scheme line managers are becoming less likely to discuss individuals' targets with their staff	6	(9)	24	(13)	As a result of the bonus scheme line managers are becoming more likely to discuss individuals' targets with their staff
Relationships between line managers and their staff are deteriorating as a result of the bonus scheme	19	(23)	14	(4)	Relationships between line managers and their staff are improving as a result of the bonus scheme
The names of bonus recipients should not be published	50	(17)	35	(67)	The names of bonus recipients should be published
There should not be an appeals procedure specific to bonus awards	63	(39)	31	(31)	There should be an appeals procedure specific to bonus awards
On the whole I am against relating pay to performance	29	(19)	71	(68)	On the whole I am in favour of relating pay to performance
On the whole I think the current scheme is a bad one	50	(70)	8	(7)	On the whole I think the current scheme is a good one

Weighted

Summary Grade Analysis

Q.11 The Performance Bonus Experiment within the civil service was introduced on April 1st 1985. Now that it has been in operation one year please indicate your views and understanding of the scheme by circling the appropriate number below to indicate whether you agree more with the statement on the left or the statement on the right.

* % agreeing with statement on the left
 ** % agreeing with statement on the right

	* Grade 3	* Grade 7	** Grade 3	** Grade 7	
The procedures for making a bonus award are clear to me	89	19	12	72	The procedures for making a bonus award are unclear to me
The procedures for making a bonus award are fair	43	7	23	38	The procedures for making a bonus award are unfair
The objectives of the bonus scheme are clear to me	58	42	29	41	The objectives of the bonus scheme are unclear to me
The criteria for awarding a bonus are clear to me	54	12	31	77	The criteria for awarding a bonus are unclear to me
The bonus scheme improves morale	12	7	46	57	The bonus scheme reduces morale
The bonus scheme has a significant impact on the way people work	6	11	68	64	The bonus scheme has no significant impact on the way people work
The bonus scheme improves people's motivation	9	11	27	33	The bonus scheme demotivates people
The bonus scheme increases efficiency in the use of resources	-	7	9	21	The bonus scheme reduces efficiency in the use of resources
The scheme promotes better management practices	7	10	42	42	The scheme undermines good management practices
Relationships with colleagues are improving as a result of the bonus scheme	2	1	24	26	Relationships with colleagues are deteriorating as a result of the bonus scheme
The bonus scheme is encouraging people to stay in the civil service	11	6	8	13	The bonus scheme is encouraging people to leave the civil service
The bonus scheme encourages managers to reduce staff numbers	5	6	2	7	The bonus scheme encourages managers to increase staff numbers
The bonus scheme is leading to increased investment in training	3	2	3	9	The bonus scheme is leading to a reduced investment in training
The bonus scheme encourages the development of planning and budgeting systems	7	10	1	7	The bonus scheme discourages the development of planning and budgeting systems
The bonus scheme encourages me to work more effectively	13	12	4	12	The bonus scheme discourages me from working more effectively
The bonus scheme enhances team working	-	2	60	53	The bonus scheme damages team working
As a result of the bonus scheme line managers are becoming more likely to discuss individuals' targets with their staff	21	12	2	14	As a result of the bonus scheme line managers are becoming less likely to discuss individuals' targets with their staff
Relationships between line managers and their staff are improving as a result of the bonus scheme	7	3	14	26	Relationships between line managers and their staff are deteriorating as a result of the bonus scheme
The names of bonus recipients should be published	33	68	56	18	The names of bonus recipients should not be published
There should be an appeals procedure specific to bonus awards	9	35	73	34	There should not be an appeals procedure specific to bonus awards
On the whole I am in favour of relating pay to performance	78	67	13	18	On the whole I am against relating pay to performance
On the whole I think the current scheme is a good one	21	10	74	67	On the whole I think the current scheme is a bad one

IMPORTANCE AND JOB SATISFACTION

Questions 12 and 13:

Relative importance of various aspects to you in your work; and level of satisfaction with each aspect.

Importance

Mean Scores - All Respondents*

	1985	1986	
	All	Recipients	Non-Recipients
Doing a worthwhile job	4.58	4.50	4.54
Good working relationships	4.38	4.36	4.34
Extent of freedom to act	4.40	4.32	4.35
Level of overall responsibility	4.24	4.27	4.17
Intellectual challenge	4.20	4.24	4.18
Co-operation of subordinates	4.20	4.09	4.04
Opportunity to develop skills and ability	4.11	4.09	4.09
Senior management support	4.06	3.98	3.99
Clearly defined objectives	3.76	3.45	3.69
Amount of pay	3.78	3.86	3.88
Opportunities for promotion	3.58	3.76	3.68
Regular and objective feedback	3.53	3.42	3.51
Amount of job security	3.37	3.39	3.37
Terms and conditions	3.54	3.39	3.51
Contact with superiors	3.47	3.59	3.47
Responsibility for managing people	3.51	3.34	3.27
Geographical location	3.28	3.27	3.22
Opp to develop my prof specialism	3.37	2.99	3.39
Standard of accommodation	2.73	2.55	2.80
Working in the public service	2.50	2.31	2.43

* Weighted results

Satisfaction

Mean Scores - All Respondents*

	1985 All	1986 Recipients	Non-Recipients
Doing a worthwhile job	3.91	4.01	3.82
Good working relationships	4.23	4.31	4.16
Extent of freedom to act	3.45	3.70	3.52
Level of overall responsibility	3.72	3.83	3.58
Intellectual challenge	3.89	4.11	3.92
Co-operation of subordinates	4.15	4.28	4.09
Opportunity to develop my skills and ability	3.67	3.82	3.64
Senior management support	3.43	3.80	3.33
Clearly defined objectives	3.30	3.48	3.34
Amount of pay	2.33	2.16	2.18
Opportunities for promotion	2.56	2.67	2.60
Regular and objective feedback	3.20	3.54	3.06
Amount of job security	4.00	3.95	3.96
Terms and conditions	3.44	3.31	3.29
Contact with superiors	3.63	3.83	3.52
Responsibility for managing people	3.81	3.85	3.59
Geographical location	3.91	3.85	3.89
Opp to develop my prof specialism	3.42	3.45	3.35
Standard of accommodation	3.36	3.29	3.23
Working in the public service	3.26	3.20	3.15

* Weighted results

THE CLIMATE IN DEPARTMENTS

Q.14 In order to gain an understanding of the organisational context in which the Performance Bonus Experiment is being introduced, we would like your views on a number of aspects of organisational life. Please answer with respect to that part of the organisation with which you are most familiar.

ALL RESPONDENTS

% Agreeing (ie. - nos. 4 & 5 on Scale)*

a) In this organisation:	TOTAL 1985 (n=1068)	TOTAL 1986 (n=1115)	Bonus Recipients (n=214)	Bonus Non-Recipients (n=888)
There are few opportunities for promotion	58	58	52	59
Communications from senior managers are good	39	35	36	35
The best use is made of available talent	31	27	26	26
Individuals are poorly trained	25	27	27	26
There are adequate opportunities for individual development	45	39	45	38
Communications between all levels are effective	25	21	21	21
There is little relationship between an individual's performance and their level of reward	61	61	59	61
The measures used to judge an individual's performance are unclear	43	52	46	53
Different parts of the organisation understand each others objectives	25	23	25	23
Different parts of the organisation co-operate with one another	39	36	35	36
The systems for planning and setting objectives for each management unit are not effective	39	36	39	35
The current structure of the organisation facilitates achievement of its objectives	32	26	29	26
Decision making tends to be autocratic	34	34	31	35
b) In general, managers in this organisation:				
Are not held personally accountable for the results of their work	32	36	32	37
Are free to take whatever action is necessary to do their jobs	30	34	39	33
Have clear objectives	45	41	40	41
Have demanding objectives	66	63	66	62
Are not encouraged to take initiatives to improve overall effectiveness	32	35	32	36
Are not encouraged to take risks to improve overall effectiveness	58	61	55	62
Have clearly defined limits to their authority	57	56	53	56
Are provided with all the information they need to carry out their work effectively	30	27	28	27
Are not sufficiently aware of things happening in other areas which might have an effect on their work	42	45	48	44
Are slow to respond to change situations	32	36	35	37
Are expected to operate at high levels of performance	74	72	78	71

* Weighted

Q.14 In order to gain an understanding of the organisational context in which the Performance Bonus Experiment is being introduced, we would like your views on a number of aspects of organisational life. Please answer with respect to that part of the organisation with which you are most familiar.

a) In this organisation:	MPO	
	% Agreeing (ie. - nos. 4 & 5 on Scale)*	
	Bonus Recipients	Bonus Non-Recipients
There are few opportunities for promotion	64	64
Communications from senior managers are good	44	47
The best use is made of available talent	37	32
Individuals are poorly trained	29	23
There are adequate opportunities for individual development	56	58
Communications between all levels are effective	26	18
There is little relationship between an individual's performance and their level of reward	59	62
The measures used to judge an individual's performance are unclear	50	57
Different parts of the organisation understand each others objectives	28	17
Different parts of the organisation co-operate with one another	44	35
The systems for planning and setting objectives for each management unit are not effective	27	37
The current structure of the organisation facilitates achievement of its objectives	31	35
Decision making tends to be autocratic	13	26
b) In general, managers in this organisation:		
Are not held personally accountable for the results of their work	23	27
Are free to take whatever action is necessary to do their jobs	54	43
Have clear objectives	44	44
Have demanding objectives	54	40
Are not encouraged to take initiatives to improve overall effectiveness	27	28
Are not encouraged to take risks to improve overall effectiveness	56	50
Have clearly defined limits to their authority	60	52
Are provided with all the information they need to carry out their work effectively	33	33
Are not sufficiently aware of things happening in other areas which might have an effect on their work	46	46
Are slow to respond to change situations	37	36
Are expected to operate at high levels of performance	73	61

* Weighted

Q.1 In order to gain an understanding of the organisational context in which the Performance Bonus Experiment is being introduced, we would like your views on a number of aspects of organisational life. Please answer with respect to that part of the organisation with which you are most familiar.

H M CUSTOMS & EXCISE

% Agreeing (ie. - nos. 4 & 5 on Scale)*

a) In this organisation:	Bonus Recipients	Bonus Non-Recipients
There are few opportunities for promotion	64	80
Communications from senior managers are good	37	26
The best use is made of available talent	18	21
Individuals are poorly trained	20	29
There are adequate opportunities for individual development	26	28
Communications between all levels are effective	9	21
There is little relationship between an individual's performance and their level of reward	65	69
The measures used to judge an individual's performance are unclear	34	71
Different parts of the organisation understand each others objectives	30	26
Different parts of the organisation co-operate with one another	38	37
The systems for planning and setting objectives for each management unit are not effective	17	35
The current structure of the organisation facilitates achievement of its objectives	27	30
Decision making tends to be autocratic	55	41
b) In general, managers in this organisation:		
Are not held personally accountable for the results of their work	31	33
Are free to take whatever action is necessary to do their jobs	38	17
Have clear objectives	57	55
Have demanding objectives	72	55
Are not encouraged to take initiatives to improve overall effectiveness	27	43
Are not encouraged to take risks to improve overall effectiveness	30	66
Have clearly defined limits to their authority	75	73
Are provided with all the information they need to carry out their work effectively	29	33
Are not sufficiently aware of things happening in other areas which might have an effect on their work	49	40
Are slow to respond to change situations	52	49
Are expected to operate at high levels of performance	82	69

* Weighted

Q.14 In order to gain an understanding of the organisational context in which the Performance Bonus Experiment is being introduced, we would like your views on a number of aspects of organisational life. Please answer with respect to that part of the organisation with which you are most familiar.

MOD

% Agreeing (ie. - nos. 4 & 5 on Scale)*

a) In this organisation:	Bonus Recipients	Bonus Non-Recipients
There are few opportunities for promotion	58	61
Communications from senior managers are good	38	38
The best use is made of available talent	33	28
Individuals are poorly trained	22	24
There are adequate opportunities for individual development	51	44
Communications between all levels are effective	26	19
There is little relationship between an individual's performance and their level of reward	62	58
The measures used to judge an individual's performance are unclear	32	46
Different parts of the organisation understand each others objectives	26	24
Different parts of the organisation co-operate with one another	35	38
The systems for planning and setting objectives for each management unit are not effective	40	36
The current structure of the organisation facilitates achievement of its objectives	28	30
Decision making tends to be autocratic	28	35
b) In general, managers in this organisation:		
Are not held personally accountable for the results of their work	42	38
Are free to take whatever action is necessary to do their jobs	38	34
Have clear objectives	43	41
Have demanding objectives	72	65
Are not encouraged to take initiatives to improve overall effectiveness	37	30
Are not encouraged to take risks to improve overall effectiveness	63	57
Have clearly defined limits to their authority	57	54
Are provided with all the information they need to carry out their work effectively	27	26
Are not sufficiently aware of things happening in other areas which might have an effect on their work	45	44
Are slow to respond to change situations	31	36
Are expected to operate at high levels of performance	77	67

* Weighted

Q.14 In order to gain an understanding of the organisational context in which the Performance Bonus Experiment is being introduced, we would like your views on a number of aspects of organisational life. Please answer with respect to that part of the organisation with which you are most familiar.

DE GROUP

% Agreeing (ie. - nos. 4 & 5 on Scale)*

a) In this organisation:	Bonus Recipients	Bonus Non-Recipients
There are few opportunities for promotion	37	49
Communications from senior managers are good	23	34
The best use is made of available talent	23	21
Individuals are poorly trained	34	28
There are adequate opportunities for individual development	49	36
Communications between all levels are effective	10	20
There is little relationship between an individual's performance and their level of reward	44	65
The measures used to judge an individual's performance are unclear	54	68
Different parts of the organisation understand each others objectives	24	19
Different parts of the organisation co-operate with one another	28	31
The systems for planning and setting objectives for each management unit are not effective	39	33
The current structure of the organisation facilitates achievement of its objectives	36	20
Decision making tends to be autocratic	33	37
b) In general, managers in this organisation:		
Are not held personally accountable for the results of their work	19	35
Are free to take whatever action is necessary to do their jobs	55	43
Have clear objectives	33	41
Have demanding objectives	56	57
Are not encouraged to take initiatives to improve overall effectiveness	22	27
Are not encouraged to take risks to improve overall effectiveness	46	56
Have clearly defined limits to their authority	42	57
Are provided with all the information they need to carry out their work effectively	33	29
Are not sufficiently aware of things happening in other areas which might have an effect on their work	49	42
Are slow to respond to change situations	20	28
Are expected to operate at high levels of performance	80	72

* Weighted

Q.14 In order to gain an understanding of the organisational context in which the Performance Bonus Experiment is being introduced, we would like your views on a number of aspects of organisational life. Please answer with respect to that part of the organisation with which you are most familiar.

DoE/DTP/PSA

% Agreeing (ie. - nos. 4 & 5 on Scale)*

a) In this organisation:	Bonus Recipients	Bonus Non-Recipients
There are few opportunities for promotion	43	58
Communications from senior managers are good	50	35
The best use is made of available talent	11	27
Individuals are poorly trained	31	26
There are adequate opportunities for individual development	31	34
Communications between all levels are effective	25	23
There is little relationship between an individual's performance and their level of reward	67	63
The measures used to judge an individual's performance are unclear	75	54
Different parts of the organisation understand each others objectives	17	23
Different parts of the organisation co-operate with one another	43	34
The systems for planning and setting objectives for each management unit are not effective	54	37
The current structure of the organisation facilitates achievement of its objectives	22	24
Decision making tends to be autocratic	24	35
b) In general, managers in this organisation:		
Are not held personally accountable for the results of their work	21	38
Are free to take whatever action is necessary to do their jobs	26	31
Have clear objectives	30	42
Have demanding objectives	65	62
Are not encouraged to take initiatives to improve overall effectiveness	32	44
Are not encouraged to take risks to improve overall effectiveness	64	70
Have clearly defined limits to their authority	42	58
Are provided with all the information they need to carry out their work effectively	24	26
Are not sufficiently aware of things happening in other areas which might have an effect on their work	54	43
Are slow to respond to change situations	46	39
Are expected to operate at high levels of performance	82	73

* Weighted

63

Q 15 b) Has the basis for assessment of your performance changed as a result of the bonus scheme?

	Total %	Bonus Recipients %	Non Recipients %
Yes	3	4	2
No	89	93	88
No reply	9	3	10
Total n =	1115	214	888

Q 15 d) Do you think that the change in the way you are assessed is

	%	%	%
Better	31	62	16
Worse	37	1	52
Neither	5	10	3
Don't know	20	26	20
No reply	6	-	9
Total n =	37	11	25

ATTITUDES AND PERCEPTIONS OF THE SCHEME

Q.16 As a line manager you may have a different perspective on the impact of the scheme. Please indicate your level of agreement with the following statements by circling the appropriate number alongside each.

	ALL LINE MANAGERS			
	% Agreeing *			
	1985 All	1986 All	1986 Bonus Recipients	Non-Recipients
The bonus scheme encourages staff to try to move into posts where they feel they are more likely to receive a bonus	46	8	3	9
The bonus scheme helps me to manage the performance of my staff	12	8	11	6
There is room for improvement in the performance of my staff	66	73	72	74
Raising morale is an important part of the line manager's job	96	97	98	97
The bonus experiment encourages competition between my subordinates	22	6	6	6
Setting clear objectives is important in managing the performance of my staff	87	91	96	90
Competition between my subordinates is a good thing	30	31	28	31
Performance is improving amongst my staff as a result of the bonus scheme	8	1	2	1
The bonus scheme helps me to set individual objectives focussing on end results	17	4	5	4
The bonus scheme is damaging morale amongst my staff	47	30	27	31

* Weighted

Q 17

OPEN ENDED COMMENTS - RESPONSE RATES

Dept	No of Questionnaires Returned	No of Questionnaires with responses to one or both open-ended Questions	% of Questionnaires with responses to one or both open-ended Questions
MPO	126	97	77%
Customs & Excise	97	75	77%
MOD	376	295	78%
DoE/DTP/PSA	341	265	78%
DE Group	221	167	76%
Not stated	1	0	-
TOTAL	1,162	899	77%
Bonus Recipients	222 (19%)	144 (16%)	65%
Non-recipients	901 (81%)	755 (84%)	84%
Not stated whether bonus recipient or not	14 (1%)	7 (1%)	50%
TOTAL	1,162	899	81%

Q 17

MOST FREQUENTLY MADE ISSUES IN RESPONSES TO
OPEN ENDED QUESTIONS

<u>Comment</u>	<u>Number of Occurrences</u>	<u>Occurrences as % of all Responses</u>
I did not know that my Department/work area had already made its awards	144	13
The scheme has not had any significant impact on my Department/work area	118	11
The scheme is divisive/ damages teamwork	108	10
I don't understand the criteria for making awards/ the criteria are too vague	94	8
I don't know anything about the scheme/I know only vaguely about the scheme	89	8
The scheme should include grades lower than Grade 7	83	7
The names of recipients should be made public	80	7
The scheme damages morale	80	7

Q 17

**PERSONAL MORALE AND MOTIVATION - RESPONSES
TO OPEN ENDED QUESTIONS**

	Number of Occurrences (Occurrences as % of all response from recipients/non recipients)	
	Recipients N = 222	Non-recipients N = 926
The scheme has motivated me/ I am pleased with the outcome	21 (9)	5 (*)
The scheme has demotivated me/ I am disappointed with the outcome	1 (*)	30 (3)
The scheme has had no effect on my motivation/I am indifferent to the outcome	16 (7)	41 (4)

Q 17

COMMENTS ON CRITERIA FOR MAKING AWARDS -
RESPONSES TO OPEN ENDED QUESTIONS

<u>Comment</u>	<u>Number of Occurrences</u> (Occurrences as % of all Responses from recipients/ non recipients)	
	<u>Recipients</u> N = 222	<u>Non-recipients</u> N = 926
The right people got awards	9 (4)	19 (2)
The wrong people got awards	2 (1)	19 (2)
Awards went to the most visible/ those who will be promoted anyway	3 (1)	31 (3)
Awards seem to be arbitrary	12 (5)	42 (5)
Awards went to those who won't be promoted	1 (*)	1 (*)

* Too few to be meaningful.

3. Results from the Administrative Audit

RESULTS FROM ADMINISTRATIVE AUDIT

The visible cost of the performance bonus scheme is £4m per year, i.e. the amount allocated by Ministers to the experiment. However, a scheme of this nature is bound to involve large "hidden" costs in terms of the effort devoted by staff to its administration. The "hidden" costs of the performance bonus experiment are assessed in this part of the Appendix.

For practical purposes, the costs of running the scheme are opportunity costs. Little or no new expenditure has been incurred other than the bonuses themselves and consultancy fees. The opportunity costs are, however, not inconsiderable. We estimate that they have totalled over £1m so far, or 25% of the cost of the bonuses themselves. However, this would not be a constant amount were the scheme to continue in its present form. Subtraction of the initial costs of "setting up" the administrative aspects of the scheme and of the costs of evaluating the scheme in the context of its current experimental status suggests a ceiling of £738 thousand (i.e. 19% of the bonuses paid) per annum after the scheme has "settled down".

The administrative costs of the scheme are summarised in Table 1. The components of the analysis are as follows:

- o The non-recurring cost of setting up the scheme. Should the scheme be re-designed, these will, however, be incurred again to some extent.
- o The costs of evaluating the scheme. This is an amalgam of time devoted to the present exercise and individual Departments' "internal" evaluation of the scheme.
- o Central administration (departmental). This represents the costs involved in managing the awarding of bonuses from the centre. It includes actual "decisions" on awards (where this has not been delegated down the line) and "moderation".
- o Administration by line management. This covers the appraisal of staff, the writing of nominations and, where this is not done centrally, decisions on awards. It also covers "communications" - learning about the scheme and explaining it to staff, informing staff of the outcomes, etc.

All of these costs have been estimated from the five Departments involved in the central evaluation exercise. These have been pro rated (with the exception of the MPO's central - as opposed to internal Departmental - costs) in proportion to the bonus fund to give an estimate of costs in the Service as a whole. We accept that this is a crude approximation, but the means to measure the number of hours worked by each grade across the Civil Service do not exist. Within the five Departments (or rather nine, as we have treated PSA, MSC, HSE and ACAS as separate entities), we asked Departmental contacts to estimate the hours spent by all staff involved in central administration and to collect similar data on administration by line managers from a sample (215) of those involved. Time spent was "cashed up" using rates from the Treasury's "Ready Reckoner of Staff Costs". We used column 4 of the Ready Reckoner - Basic Staff Costs plus common services. We also endeavoured to establish the operational cost

of actually paying bonuses. Only one Department - MOD - provided this information, and it has been excluded from Table 1. The operational cost in MOD was not significant - £792.93, divided about equally between the computerised personnel records system and the non-industrial pay system. Costs such as stationery are included in the "Ready Reckoner" capitation rates.

By far the greatest part of the overall cost is represented by line management costs. Overall, people with line management responsibility for staff involved in the scheme spent on average between 3 and 4.5 hours administering the scheme in 1985/86 in most Departments (see Tables 2 and 3). Significantly more time was spent at levels where managers were required to sift, rank and judge nominations (typically 6-12 hours) than at levels where only assessment and the writing of nominations was involved. The main "activities" line managers were asked to account for were:

- o Learning about the scheme.
- o Discussing the scheme's working with colleagues and staff.
- o Assessing staff and preparing nominations.
- o Follow-up action arising from nominations.
- o Communicating the outcome of awards to staff.

The second and third of these items took most time. Although MPO was unusual in having a policy that line managers should inform recipients personally of their good fortune (many line managers in other Departments, however, did this on their own initiative), this activity added only half an hour to the average. It was the extent to which the process of deciding to whom bonuses should be awarded involved direct consultation of line managers - at Grades 5 and 6, rather than a central evaluation of their nominations (e.g. Customs and Excise) or consultation at a higher line management level (e.g. HSE) - that determined how much total effort line management devoted to the scheme. Learning about the scheme took a roughly constant one hour per manager.

The question of what is the appropriate level of effort required for a new scheme of this kind is of course not addressed here. The issue of how the scheme was managed is addressed in the main report.

TABLE 1

ADMINISTRATIVE COST OF BONUS SCHEME

	<u>£K (A)</u>	<u>£K (B)</u>	<u>%</u>
Costs of setting up administrative arrangements, etc (non-recurring)	16	34	4
Costs of evaluation (internal & external) (Recurring during experimental period only)	58	135	15
Central Administration (Recurring)	51	136	15
Administration by line management (Recurring)	226	602	66
<u>Total Cost 1985/86</u>	<u>351</u>	<u>907</u>	<u>100</u>
<u>Add: Costs of setting up scheme before 1st April, 1985</u>	44	117	
<u>Total Cost to 31st March, 1986</u>	<u>395</u>	<u>1,024</u>	
<u>FORECAST ANNUAL COST 1986/87 & 1987/88</u>	<u>335</u>	<u>873</u>	
<u>FORECAST ANNUAL COST OF CONTINUING SCHEME AFTER 1987/88</u>	<u>277</u>	<u>738</u>	

Notes: £A - Cost in Departments covered by audit
 £B - Estimated Cost in all Departments

TABLE 2

ADMINISTRATIVE COST OF SCHEME BY DEPARTMENT 1985/86

<u>Department</u>	<u>Bonus Fund</u> £K	<u>Administrative</u> <u>Costs</u> ¹ £K	<u>Average Line</u> <u>Mgt time</u> ² Hours	<u>Admin Costs/</u> <u>Bonus Fund</u> %
MPO*	31	11	8.2	35
Customs & Excise	99	15	3.7	15
MoD	725	142	4.0	20
DoE/DTP	246	54	3.4	22
PSA	130	23	3.3	18
DE	38	17	4.3	45
MSC	49	7	3.7	14
HSE	143	7	1.0	5
ACAS	7	1	3.2	17
<u>TOTAL/AVERAGE</u>	<u>1,465</u>	<u>277</u>	<u>3.8</u>	<u>19</u>

* Excludes PM Div Costs in service-wide evaluation and design of £16K.

¹ Excluding evaluation and setting up costs

² Excludes central Depts, except in respect of their own internal awards

TABLE 3

ANALYSIS OF AVERAGE LINE MANAGEMENT HOURS BY DEPARTMENT AND GRADE

	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6*</u>	<u>(% of Gd 6 with staff in scheme)</u>
MPO	11.5	11.6	2.0	9.0	3.7	87
Customs & Excise	3.0	4.0		4.5	2.9	69
MoD	6.0	10.2	10.0	3.8	2.9	82
DoE/DTP	9.8	4.9	3.5	4.5	1.5	74
PSA		7.0	8.1	4.3	2.2	89
DE	8.7	7.8	15.0	3.5	2.3	94
MSC	10.0	7.8	6.5	4.0	1.0	60
HSE	1.0	6.5	2.4	0.8	0.5	61
ACAS			0.5	1.5	4.0	92

* Average of those staff at Grade 6 who have subordinate staff at Grade 7 level, based on responses to attitude survey (Q.5).

TO'L/vb
13.6.86/6348P

4. Statistical Analysis of Bonus
Recipients/Non-Recipients

STATISTICAL ANALYSIS OF BONUS RECIPIENTS/NON-RECIPIENTS

Purpose and Scope of the Statistical Review

The purpose of this strand of the evaluation programme has been to gather information from all participating departments about the characteristics of the whole of the eligible population. The data base that we now have covers both recipients and non-recipients of awards, which allows broad comparisons between these two groups to be made. The data items requested from departments are listed at annex 1. The tables which form the basis for the conclusions in the main body of the report are at annex 2.

The information has been supplied to us either manually, on magnetic tape, on computer print-out, or, most commonly in a mixture of these forms. Most of the data items were already held in departmental computer records, either in pay-roll systems or in personnel systems (eg DSR, PRISM etc.) The Chessington Computer Centre (CCC) and the Scottish Office Computer Service (SOCS) have supplied much of the information required on behalf of departments.

This data collection has been restricted in the main to information that departments have to collect in the normal course of events. The one exception has been the overall performance mark from annual staff reports. This data item has been expensive to collect, usually requiring a manual search of personal files to be undertaken. Performance marks are included on some 7,700 records, which represents 44% of the records that have been analysed for this exercise.

The Data

The availability of statistical analyses at this early stage has only been made possible by the co-operation of departments, CCC and SOCS. It has been a fast and widely-based exercise and inevitably errors have arisen. Where possible in the time available these have been corrected but some errors still remain and some data (around 20% of records) have had to be excluded from the analyses.

We are, however, sufficiently confident in the broad trends revealed to present early findings in the main body of the report. (See "Who received bonuses", page 9.) Nonetheless, the conclusions should be regarded as provisional and subject to amendment.

ANNEX 1

DATA ITEMS REQUESTED FROM ALL DEPARTMENTS DESCRIBING THE WHOLE
POPULATION ELIGIBLE FOR PERFORMANCE BONUSES
(Both recipients of awards and non-recipients)

1. Identifier (not name, but code to enable matching of data items from different sources, eg: pay reference number)
2. Amount of annual bonus (if any)
3. Amount of special bonus (if any)
4. Whether any bonus paid in previous year (either annual or special)
5. Whether person on maximum of salary scale or not
6. Department
7. Whether person on loan to department
8. Grade at which person is paid
9. Date of birth
10. Sex
11. Date of entry to Civil Service
12. Grade prior to unified grading
13. Date of entry to grade
14. Previous grade
15. Grade on entry to Civil Service
16. Whether person is on temporary promotion
17. Overall performance mark from annual report
18. Whether 5 or 6-point scale used on annual report (ie new reporting system or old one)

Statistical Tables

Percentages of eligible staff receiving bonuses:

1. by sex
2. by performance marking
3. by grade level
4. by professional group or class prior to unified grading
5. by age
6. by length of service in civil service (current engagement)
7. by length of service in current grade

TABLE 1:

PERCENTAGES OF ELIGIBLE STAFF RECEIVING BONUSES BY SEX

	Staff in Eligible Grades	No of Annual Bonuses Awarded	Staff Receiving Annual Bonuses %	No of Special Bonuses Awarded	Staff Receiving Special Bonuses %
MALES	16144.	2535.	16.	116.	1.
FEMALES	1609.	246.	15.	13.	1.
TOTALS	17753.	2781.	16.	129.	1.

TABLE 2:

PERCENTAGES OF ELIGIBLE STAFF WHO RECEIVED A BONUS BY
PERFORMANCE MARKING

ASR Box markings*	Staff in Eligible Grades	No of Annual Bonuses Awarded	Staff Receiving Annual Bonuses %	No of Special Bonuses Awarded	Staff Receiving Special Bonuses %
Box 1	680.	304.	45.	3.	0.
Box 2	4244.	1080.	25.	20.	0.
Box 3	2501.	110.	4.	8.	0.
Box 4	302.	0.	0.	1.	0.
Box 5 or below	25.	0.	0.	0.	0.
TOTALS	7752	1494	19	32	0

* Data drawn from both new and old report forms, which have 5- and 6-point scales respectively. Scales merged for analysis by merging boxes 5 and 6 of old report form into one point, and equated to box 5 of new form.

TABLE 3:

PERCENTAGES OF ELIGIBLE STAFF RECEIVING BONUSES BY GRADE LEVEL

Grade	Staff in Eligible Grades	No of Annual Bonuses Awarded	Staff Receiving Annual Bonuses %	No of Special Bonuses Awarded	Staff Receiving Special Bonuses %
Grade 3	597.	82.	14.	0.	0.
Grade 4	219.	44.	20.	1.	0.
Grade 5	2603.	499.	19.	28.	1.
Grade 6	3873.	685.	18.	27.	1.
Principal and Equivalent Grds.	10461.	1471.	14.	73.	1.
TOTALS	17753.	2781.	16.	129.	1.

TABLE 4:

PERCENTAGES OF ELIGIBLE STAFF RECEIVING BONUSES BY PROFESSIONAL GROUP OR CLASS PRIOR TO UNIFIED GRADING *₁

Group/Class	Staff in Eligible Grades	No of Annual Bonuses Awarded	Staff Receiving Annual Bonuses %	No of Special Bonuses Awarded	Staff Receiving Special Bonuses %
Administrators:					
Mainstream	4794.	805.	17.	49.	1.
Faststream * ₂	1365.	283.	21.	27.	2.
Total	6159.	1088.	18.	76.	1.
Economist Class:	222.	35.	16.	8.	4.
Information Offs:	101.	11.	11.	0.	0.
Legal Group	505.	94.	19.	4.	1.
P&T Group	1046.	115.	11.	3.	0.
Scientific class	1087.	147.	14.	5.	0.
Statisticians	272.	48.	18.	4.	1.
Other Groups	8361.	1243.	15.	29.	0.
TOTALS	17753.	2781.	16.	129.	1.

*₁ Some doubt exists about reliability of data item used to identify people with specialist backgrounds, ie: 'grade prior to unified grading'. In at least 20% of records, it has not been provided. In all such cases, staff classified in the 'other' group, which is therefore artificially large.

*₂ The fast stream administrator group is composed of people who either have a fast stream 'grade on entry to civil service', or a 'current grade' which is two grades above their 'previous grade'. Fast streamers cannot be directly identified from most departmental records.

TABLE 5: PERCENTAGES OF ELIGIBLE STAFF RECEIVING BONUSES BY AGE

AGE	Staff in Eligible Grades	No of Annual Bonuses Awarded	Staff Receiving Annual Bonuses %	No of Special Bonuses Awarded	Staff Receiving Special Bonuses %
25-35	1683.	304.	18.	20.	1.
36-45	6440.	1129.	18.	59.	1.
45-55	6327.	933.	15.	36.	1.
56 And over	3303.	415.	13.	14.	0.
TOTALS	17753.	2781.	16.	129.	1.

TABLE 6: PERCENTAGES OF ELIGIBLE STAFF WHO RECEIVED A BONUS BY LENGTH OF SERVICE IN CIVIL SERVICE, (CURRENT ENGAGEMENT)

	Staff in Eligible Grades	No of Annual Bonuses Awarded	Staff Receiving Annual Bonuses %	No of Special Bonuses Awarded	Staff Receiving Special Bonuses %
Less Than 5 Years	1085.	84.	8.	4.	0.
5-10 Years	1593.	275.	17.	18.	1.
10-15 Years	3483.	596.	17.	35.	1.
15-20 Years	3147.	535.	17.	25.	1.
20-25 Years	2636.	397.	15.	19.	1.
25-30 Years	2220.	333.	15.	14.	1.
30-35 Years	1657.	257.	16.	5.	0.
Over 35 years	1920.	304.	16.	9.	0.
TOTALS	17753.	2781.	16.	129.	1.

TABLE 7: PERCENTAGES OF ELIGIBLE STAFF WHO RECEIVED A BONUS BY LENGTH OF SERVICE IN CURRENT GRADE

Length of Service in Current Grade.	Staff in Eligible Grades	No of Annual Bonuses Awarded	Staff Receiving Annual Bonuses %	No of Special Bonuses Awarded	Staff Receiving Special Bonuses %
Less than 1 Year	2168.	147.	7.	6.	0.
1-2 Years	2246.	287.	13.	20.	1.
2-3 Years	1723.	314.	18.	17.	1.
3-5 Years	3107.	587.	19.	27.	1.
5-10 Years	5279.	982.	19.	38.	1.
Over 10 Years	3230.	464.	14.	21.	1.
TOTALS	17753.	2781.	16.	129.	1.



CC/35
 Pricé Manski^U
 Per [unclear]
 MEM 11/6

Treasury Chambers, Parliament Street, SW1P 3AG

Mark Addison Esq
 Private Secretary
 10 Downing Street
 London
 SW1

[Handwritten signature]
 No attachment
 MEM 11/6

Dear Mark,

9 June 1986

YARDSTICKS FOR THE SUCCESS OF BUDGETING IN DEPARTMENTS

In his minute of 20^{article PT18} March the Chief Secretary undertook to let the Prime Minister have yardsticks to show the success of budgeting in departments following the multi-department review. These yardsticks are attached. They are listed under the headings of the four principles the Prime Minister stressed in her foreword to the report.

Your letter of 17 April recorded the Prime Minister's wish to see the yardsticks cover not just changes in systems but how they are being used to find savings, set targets to improve value for money and evaluate performance. They have been prepared to cover this whole range.

The Chief Secretary hopes this checklist will be used by Ministers and senior officials not only to look backwards and measure progress but to set specific targets for the future development and use of budgeting. It is for each department to decide where it most needs to extend budgeting. But targets for the key issues and dates for implementation will allow performance to be monitored in the future.

I am copying this letter to the Private Secretaries to Ministers in charge of departments and to Michael Stark and Kate Jenkins.

Yours,

Jih

CIVIL SERVICE Long Term Policy #119

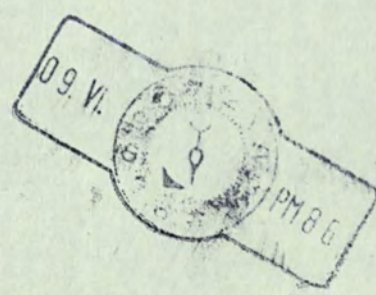


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YARDSTICKS FOR SUCCESS OF BUDGETING IN DEPARTMENTS

1. RESPONSIBILITY FOR BUDGETING

Evidence of:

- (i) People in all parts of the department, including headquarters, managing budgets.
- (ii) Budgets being discussed, agreed and reviewed at every level from head of department right through the line to the basic budget holder.
- (iii) Statements of responsibilities and costs for functions which cross management lines.

Contributing to:

- (iv) Examples of managers using the budgetary process to do things differently or better.

2. LINKS WITH PES

Evidence of:

- (i) A fundamental planning stage as part of the budget setting cycle feeding into the public expenditure Survey.
- (ii) Survey decisions being translated into budgets.
- (iii) Performance against budget informing decisions in the next cycle.

Contributing to:

- (iv) Greater attention to plans for the second and subsequent

years of the Survey, and of the decisions taken being made to stick when baselines are rolled forward.

- (v) Budget holders taking a longer-term view of objectives and resources.

3. MEASUREMENT OF ACHIEVEMENT

Evidence of:

- (i) Use of eg unit costs to link inputs to outputs.
- (ii) Budgets which show agreed inputs and outputs, and how they relate.
- (iii) The application of the principles of budgeting to programmes.
- (iv) Value for money targets set by Ministers/top management being translated into budgets for line managers.
- (v) Reviews of past performance and current progress.

Contributing to:

- (v) More and better targets and measures of output and performance in plans and reports for top management, covering a greater proportion of the department's business.
- (vi) Further increases in the number and usefulness of output and performance indicators in the public expenditure White Paper and in departmental reports.

4. ORGANISING TOP MANAGEMENT'S RESPONSIBILITIES

Evidence of:

- (i) Clear-cut responsibilities for resources.

- (ii) Coherent arrangements for top management to set priorities, allocate resources and review performance across the department.
- (iii) Timely, accurate and digestible information for top management, and for line managers, and the means for top management to send clear messages to line managers.
- (iv) Effective support for top management.

Contributing to:

- (v) Decisions on the direction of change, priorities, re-allocating resources, and setting targets for improved performance.

Copied from
MINISTERS: meetings
with Junior Ministers:
June 1979

DLE

B.M.2.A.P.M.



10 DOWNING STREET

From the Private Secretary

5 June 1986

Many thanks for your letter of 3 June. What you propose seems sensible, and I shall wait to hear from you and Michael with a specific proposal on when the Prime Minister might refer to the current Civil Service reforms at Cabinet. As you say, you will of course need to let us have suitable material, including speaking notes, at the appropriate time.

I am copying this letter to Kate Jenkins (Efficiency Unit), Murdo Maclean (Chief Whip's Office), Joan MacNaughton (Lord President's Office) and Michael Stark (Cabinet Office).

(MARK ADDISON)

Paul Thomas, Esq.,
Management and Personnel Office

ECL

Copied from
MINISTERS: meetings
with Junior Ministers:
June 1979



Cabinet Office

MANAGEMENT AND PERSONNEL OFFICE

From the Minister of State
Privy Council Office
The Rt. Hon. Richard Luce MP

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

Mark Addison Esq
Private Secretary
10 Downing Street

1. M. Wickes - see.
This looks OK to me.
2. MGA

Yes
NW
4.1

3 June 1986

Dear Mark,

JUNIOR MINISTERS: FOLLOW-UP TO SEMINAR ON 8 NOVEMBER 1985
at Har.

Following your letter of 19 May I spoke to Michael Stark, and my Minister then discussed with Sir Robert Armstrong yesterday how the Prime Minister might best give the current Civil Service reforms a push in Cabinet. They agreed that the best way would be for her to make some appropriate remarks when Cabinet next considers a related subject. They had in mind the Public Expenditure Survey or the Government's response to the recent Treasury and Civil Service Committee report as suitable pegs for this purpose.

Assuming that you see no difficulty in proceeding in this way, I suggest Michael Stark and I continue to liaise regarding the exact timing and nature of the Prime Minister's remarks and let you have suitable material at the appropriate time.

I am copying this letter to Kate Jenkins in the Efficiency Unit, Murdo MacLean (Chief Whip's Office), Joan MacNaughton (Lord President's Office) and Michael Stark (Cabinet Office).

Yours

Paul Thomas

PAUL THOMAS
Private Secretary

MANAGEMENT IN CONFIDENCE



Pse return
to CF CCBS

Prime Minister
MEA 30/5

Treasury Chambers, Parliament Street, SW1P 3AG

David Norgrove Esq
Private Secretary
10 Downing Street
London
SW1

29 May 1986

Dear David,

mt

CIVIL SERVICE NUMBERS

You may like to let the Prime Minister know that at 1 April there were 594,365 civil servants in post. This is a reduction of 2,141 in the last quarter; and an overall reduction in the size of the Civil Service of approximately 138,000 (18.8%) since 1 April, 1979. This compares with 133,000 or 18.2 per cent this time last year.

Although the 1 April total was 6,110 below the overall target for that date of 600,475 that is partly because MOD imposed a ban on the recruitment of industrials during the quarter, and partly because of delays in filling vacancies in the Crown Prosecution Service and in DHSS (following the recent complement increase).

The most significant reductions in the last quarter were in MOD (2,004), Inland Revenue (1,018) and PSA (443). There were large increases in Employment (700), and the Home Office (441). The industrials total went down by 2,469 (MOD and PSA in the main); and non-industrials showed an increase of 328.

We propose to publish the figures in the normal way by means of an arranged PQ in a week's time.

In his minute to the Prime Minister commenting on the manpower implications of the Budget measures, the Chancellor said that it would be necessary to make a manpower reassessment as part of the 1986 Public Expenditure Survey.

MANAGEMENT IN CONFIDENCE

MANAGEMENT IN CONFIDENCE

There is nothing further to report at this early stage of the Survey, but the Chief Secretary will review the position in the light of any manpower bids received, and will report if necessary to the Prime Minister.

Yours,

Jill.

JILL RUTTER
Private Secretary

COMMERCIAL





Cabinet Office

MANAGEMENT AND PERSONNEL OFFICE

From the Minister of State
Privy Council Office
The Rt. Hon. Richard Luce MP

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

Tony Galsworthy Esq
PS/Secretary of State
Foreign and Commonwealth Office
LONDON SW1

1 NW
2. CP type.

20 May 1986

Dear Tony,

Last November my Minister and Sir Robin Ibbs hosted a meeting for those Ministers first appointed in 1984 or 1985. The meeting was addressed by the Prime Minister and its central objectives were to examine the managerial aspects of a Minister's job, how the Civil Service operates, what changes are taking place in its management and organisation, and how Ministers can help to improve this management and to obtain better value for money.

Following the meeting, a number of the participants have requested some written material summarising the various management reforms currently underway within the Civil Service and what the Government has achieved in this area since we came to office in 1979. To this end MPO officials have prepared the two notes attached, which Mr Luce and Sir Robin Ibbs feel may be of interest to Ministers generally and serve as a useful aide-memoire to enable them to monitor and promote progress on the various management initiatives within their own departments.

Copies of this letter and attachments go to the Private Secretaries of all Secretaries of State and other Ministers who did not attend the November meeting, to Nigel Wicks at No. 10, and to Sir Robert Armstrong.

Yours ever,
Paul Thomas

C P THOMAS
Private Secretary

CURRENT MANAGEMENT INITIATIVES

Two broad streams of work are contributing to the Government's aim of better management of the Civil Service.

First: long-term management reforms under the Financial Management Initiative (FMI) and Personnel Work Action Programme (PWAP).

Second: a series of **specific efforts** to improve value for money.

Long-term management reforms

The **Financial Management Initiative** aims to ensure that all managers have a definite view of their objectives and the means to assess how they are achieving them; clear responsibility for the best use of resources; and the necessary information, training and expert advice.

FMI is a total approach to management. It covers systems, policies and people. It emphasises the principle of 'value for money' within the Civil Service. Since launched in May 1982, there have been further initiatives from the centre - partly to develop thinking, partly to pool experience. They are:

- **Review of Consultancy, Inspection and Review (CIR) Services** - intended to apply FMI to the use of such services in support of budget-setting, rather than outside the process.

- **Work on Policy Evaluation** - intended to ensure performance is reviewed against original objectives and relevant changes.

- **Multi-Departmental Review of Budgeting Control.** Main aim: to identify how budgeting can be more successful, and make the lessons known.

- **Applying FMI principles to Non-Departmental Public Bodies ('Quangos').**

- **Development of running costs control** - to match delegated budgeting of administrative costs.

- **Information Technology Strategy** - work on the effective management of new technology which contributes to better use of information about activities, resources and people.

The Personnel Work Action Programme is a comprehensive programme of measures designed to improve the personnel management of staff at every level in line with the principles of the FMI. Initiatives taken include:

- Greater delegation of responsibility for managing personnel.

- Improving arrangements for appraising the performance of staff.

- Improving communications between line managers and staff.

- Strengthening links between pay and performance.

- Enabling staff to be used more flexibly.

There are also three programmes to recognise and develop Civil Servants' potential. They are:

- Top Management Programme (TMP).
- Senior Management Development Programme (SMDP) - for Grade 7 (Principal) to Grade 4 (the grade below Under-Secretary).
- Management Development Programme (MDP) - designed for executive staff.

Specific initiatives to improve value for money

The main initiatives designed to improve value for money in all departments have been:

- Property Repayment System (PRS).
- Multi-Departmental Review (MDR) of Purchasing.
- MDR of Accommodation.
- Review of stockholding.
- An Efficiency Unit initiative on capital expenditure contracts.
- A Cabinet Office (MPO) review of office services management.
- A Treasury initiative on competitive tendering.
- A review of records management.

Work by the Prime Minister's Efficiency Unit on value for money targets covers two areas. First, to create better value for money throughout Government. Second, to reinforce FMI. The recent scrutiny of value for money targets is designed partly to see how targets can become a normal part of management.

In all departments, management reform still has a long way to go. This year the National Audit Office is reporting on efficiency scrutinies, financial reporting to Parliament and progress of FMI. Further work may flow from this.

That apart, the coming year is essentially one for consolidating and following up existing initiatives and concentrating on reforms already under way.

REFORMS: A SUMMARY OF RECENT ACHIEVEMENTS

In recent years there have been **substantial reforms** of the Civil Service.

The most visible change is a **reduction in size** of nearly 20 per cent since 1979 - from 732,000 to under 600,000.

This reduction results from the drive to improve **efficiency and effectiveness**. The Civil Service has pursued this in various ways. For example:

- Every department works **within a limit** for its manpower and, from this year, its total running costs.
- General **streamlining** and **greater efficiency** account for 80,000 of the staff reduced since 1979 - an increase in productivity of over 10 per cent. (The remaining net 50,000 reduction comes from dropping activities or functions which are either not needed or can be done better outside the Civil Service.)
- **Common service suppliers** like HMSO, PSA and COI are being put on a **more business-like footing** with customers paying for the goods and services they want.

Other achievements include:

More professional management. Lasting reforms of the management of public spending are making individual civil servants feel more personally responsible for **giving the taxpayer value for money**. Better financial management means civil servants are more cost-conscious. They have greater delegated responsibility for achieving objectives with the resources at their disposal. And they are much more accountable - to their managers and ultimately to Ministers.

Personnel development and training reformed. The aim: to improve management skills and performance at all levels. A key development has been a better system of staff appraisal. And there is increased emphasis on exchanges of staff between Civil Service and industry.

Efficiency scrutinies and reviews. Nearly 300 of these have been undertaken by departments with the help of the Prime Minister's Efficiency Unit and other central teams from the Management and Personnel Office and Treasury. A total of **£950 million savings** has been achieved already with **recurring savings** now running at **£300 million a year**. Further significant savings lie ahead as a result of central reviews of work common to all departments - for example, studies of Government purchasing and accommodation.

Bureaucracy reduced. The number of official forms is down by 15,000. And 21,000 have been improved in conjunction with the Plain English Campaign.

Deregulation units set up in departments. Their object: to reduce further the administrative and legislative burdens on business. All new regulations are now assessed to ensure they are not unduly burdensome or expensive.

Certain key Civil Service posts filled by top management personnel from industry. Their expertise is helping to ensure the benefits of reviews are fully realised. They include Mr Tony Wilson from Price Waterhouse as Accountancy Adviser to the Treasury and Head of the Government Accountancy Service; Mr Len Peach from IBM as Personnel Director, National Health Service Management Board; and Mr Michael Willacy from Shell UK as Director of. . .

The Central Unit on Purchasing (CUP). Set up last year, this is already achieving real benefits: for instance, at the Department of Health and Social Security a £2.5 million contract has been renegotiated to save over £0.5 million.

Non-departmental Public Bodies ('Quangos') reduced. Five hundred have gone as a result of a critical review. Those remaining are being further reviewed to seek progressive improvements in their performance.

CIVIL SERVICE IN PERSPECTIVE

- SOME KEY FACTS

Employees in	
Local authorities	2,300,000
NHS	1,000,000
Nationalised industries	1,100,000
Other public corporations	120,000
Armed forces	330,000
Civil Service	596,500

- Civil Service numbers have decreased from 732,000 in 1979 to 596,500 in 1986 - a drop of 19 per cent.
- Just over three-quarters of all civil servants work outside London.
- Nearly half of non-industrial civil servants are women.
- Around a third of non-industrial civil servants are aged under 30.

C/F
Do you wish
to keep?
J/12/

PRIME MINISTER

Lord Rayner is joining you for lunch on Sunday. He wrote to you in March about the exodus of good people from the Civil Service, and about campaigns like "Better Made in Britain".

You replied on 20 March saying that you hoped to have a chance to discuss his letter with him on 11 May.

I attach the correspondence, which you will wish to glance through before the lunch.

Mark Addison

(Mark Addison)

9 May 1986

ABG



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

MSA

7 May 1986

In Tm.

BUDGETING IN GOVERNMENT DEPARTMENTS

I support the broad thrust of the four principles set out in your minute of 20 March to the Prime Minister. But, as you know, my Department has already gone a long way towards developing the sort of systems envisaged in the Wilson Report. For that reason I share the Prime Minister's view that it must now be a matter of developing existing budgeting systems so as to maximise their potential. I am glad that it has also been recognised that the action needed will differ from Department to Department. In particular, and as Keith Joseph notes in his letter of 10 April, Departments with a high ratio of programme expenditure to administrative expenditure will need to tailor their systems and timetables to the particular characteristics of their programmes.

/ I am sending a copy of this letter to the Prime Minister, and Cabinet colleagues, other Ministers in charge of Departments, Sir Robert Armstrong and Sir Robin Ibbs.

Handwritten signature
Handwritten signature

KENNETH BAKER

CIVIL SERVICE: long term Management: Pt 18



CEB



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon George Younger TD MP
Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall
London
SW1A 2HB

NSPM

Dec George

2 May 1986

BUDGETING IN GOVERNMENT DEPARTMENTS

Thank you for your letter of 17 April about the report from the multi-departmental review of budgeting.

I agree that it is for you to decide precisely how the principles of budgeting should be applied in your department, and then to set targets which are realistic in its particular circumstances. This may well mean confirming some of your existing plans, because all of the changes recommended in the report go with the grain of the work which started with the FMI, if not earlier. But we must not assume that we already have the right plans and sufficiently demanding targets. The review shows that we need to look again at some of the basic mechanisms to make sure they are the best we can realistically get, and will be in place and used as quickly as possible.

For example, I recognise the need for budgets to link to your internal Long Term Costing process. But it is also essential that there are clear and effective linkages to the Public Expenditure Survey and Supply Estimates. The mechanics of this may take some time to put into place. But now is the time to decide how the various parts fit together, and to set the timetable.

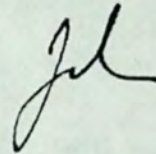
I know, and welcome, the effort going into the development of your Executive Responsibility Budgets. The concept of a hierarchy of budgets for the managers of

measurable programmes of work for identified customers seems to me entirely right. But the review has shown how important it is to use budgets of this kind to plan and control resources within, rather than in parallel to the Survey and Estimates.

I hope these matters can be discussed further between our officials, in time for decisions on implementation by the end of October.

I am sending copies of this letter to the Prime Minister, Cabinet colleagues, other Ministers in charge of departments and to Sir Robert Armstrong and Sir Robin Ibbs.

Yours ever,



JOHN MacGREGOR



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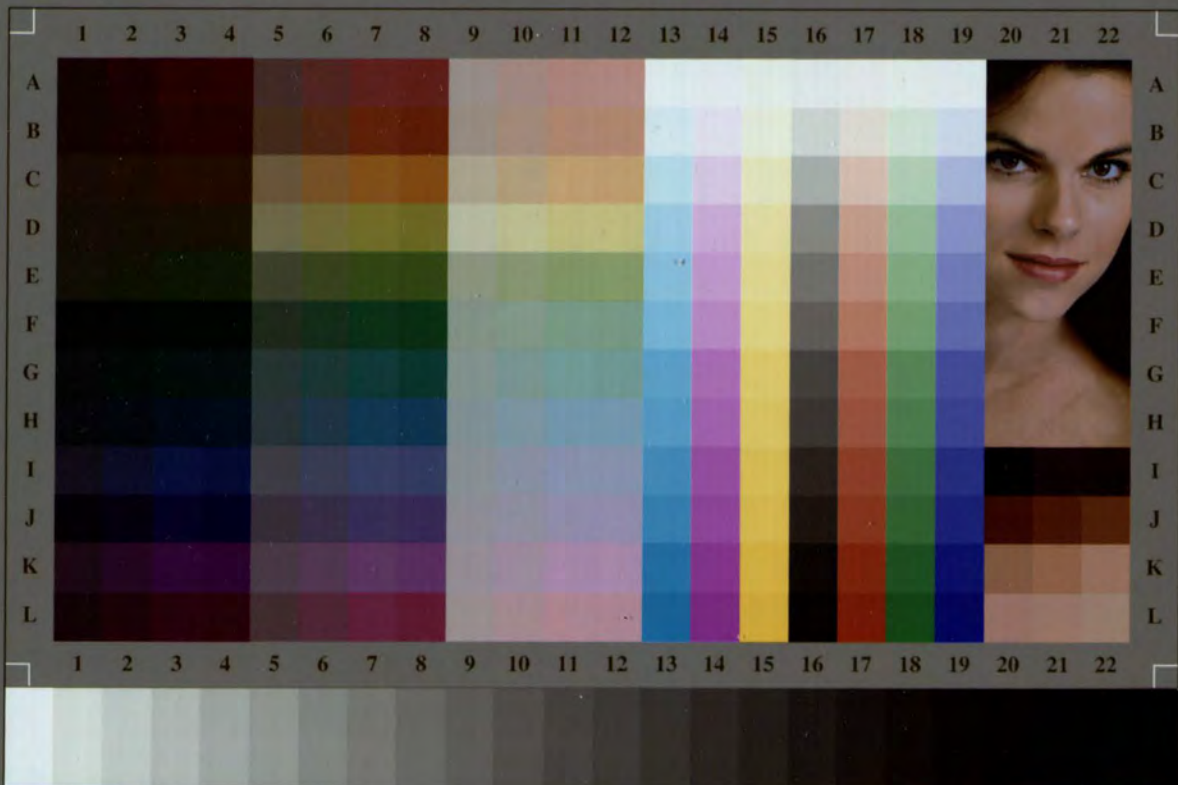
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PART 19 begins:-

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