MT

33/54 PART 20

SECRET.

CONFIDENTIAL FILING

Long Term Management and manpower policy.
Financial Management
Slimming down of Local Authority
Staff performance related pay
(IN ATTACHED FOLDER MULTI-DEPARTMENT REVIEW ON BUDGETING) – Incorporated in file

CIVIL SERVICE

PT1: March 1979

PT20: October 1986

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~13.10.86~~							
~~14.10.86~~							
~~14.11.86~~							
~~26.11.86~~							
~~2.12.86~~							
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PART ENDS							

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PART 20 ends:-

AB TO EMP 23.3.V)

PART 21 begins:-

EMP TO AB 1.4.V)

CONFIDENTIAL

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

23 March 1987

Dear Chris

EQUAL OPPORTUNITIES IN EMPLOYMENT IN THE DEPARTMENT OF EMPLOYMENT GROUP

The Prime Minister has seen the recent correspondence between your Minister and the Chancellor of the Duchy of Lancaster about the establishment of 11 HEO posts to help equal opportunities officers to implement equal opportunities policies and practices. She has expressed her concern about this move, which appears to be creating a new bureaucracy. She has commented that the approach which involves "co-ordinating policy and practices" is indistinguishable from that of some local authorities, and that she is opposed to the implementation of the recommendation.

I am copying this letter to Andrew Lansley (Office of the Chancellor of the Duchy of Lancaster) and Jill Rutter (Chief Secretary's Office).

Yours ever

Andy

(P.A. BEARPARK)

Chris Capella, Esq.,
Paymaster General's Office.

CONFIDENTIAL

SRWATI

PRIME MINISTER 2

EQUAL OPPORTUNITIES OFFICERS IN DEPARTMENT OF EMPLOYMENT

As part of a package of measures to improve race relations the Paymaster General proposes to establish 11 HEO posts to help the various parts of the Department of Employment to implement equal opportunities policies and practices. The Chairman is concerned that these "extra" posts are unnecessary and smack of the wasteful practice of local authorities. The Chief Secretary is also unhappy, but on more predictable cost grounds.

Mr. Clarke is adamant that he is right; and has offered to discuss this with the Chairman. I will let you know the outcome of the discussion.

I also am unhappy.

It is just creating a new bureaucracy - it has all the typical language "to co-ordinate policy on practices".

Indistinguishable from some L.A.'s approach

Tell Chief Sec. Chancellor of the Duchy of my stern opposition

MT.

PAB

P.A. BEARPARK
20 March 1987

015/3294

CC BC

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Kenneth Clarke QC MP
Paymaster General
Department of Employment
Caxton House
Tothill Street
London
SW1H 9NF

20TH March 1987

Dear Ken,

EQUAL OPPORTUNITIES IN EMPLOYMENT IN THE DE GROUP

I have seen your reply to the earlier comment from Norman Tebbit and myself, together with Norman's further response of 12 March.

I recognise the point you make about seeking to avoid a further area of enforcement on private sector businesses. But, I have to say that I continue to share Norman's concerns.

I am sending a copy of this letter to the Prime Minister, other members of the Cabinet, Richard Luce, and to Sir Robert Armstrong.

Yours ever,

JOHN MacGREGOR

CIVIL SERVICE
LONG TERM.
PT 20



CC89

Department of Employment
Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213 5949
Switchboard 01-213 3000

The Rt Hon Norman Tebbit MP
Chancellor of The Duchy of Lancaster
Cabinet Office
70 Whitehall
LONDON SW1A 2AS

18 March 1987

Dear Norman,

EQUAL OPPORTUNITIES IN EMPLOYMENT IN THE DE GROUP

Thank you for your further letter. In my original reply to you on this I specifically referred to the ridiculous policies pursued by some local authorities and some parts of the race relations industry. I certainly have no intention of providing a cloak for them.

We have a responsibility to show both that we recognise that there is a problem of discrimination in employment and that it can be tackled without indulging in the lunacies to which some are prone. As I have said before, it is after only very careful consideration that I have come to the conclusion that in the circumstances of this Department this is one of those areas where central policy initiatives will only stand a chance of being effective if we give specific people clear responsibility and time to pursue them.

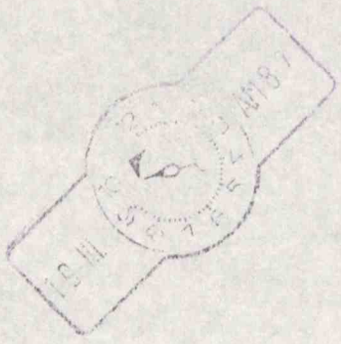
I am sending a copy of this letter to the Prime Minister, other members of the Cabinet, Richard Luce, and to Sir Robert Armstrong.

A different tactic, I think! Would you like to have a word with me about this?

Yours ever,

KENNETH CLARKE

CIVIL SERVICE: Long Term: PL 20



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

16 March 1987

Civil Service Manpower

Thank you for your letter of 12 March to David Norgrove. The Prime Minister has noted the figures therein.

(ANDY BEARPARK)

Miss Jill Rutter,
HM Treasury.

020/2770

CONFIDENTIAL

ccBG

Prime Minister 2

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

David Norgrove Esq
Private Secretary
10 Downing Street
London
SW1

12 March 1987

Dear David,

CIVIL SERVICE MANPOWER

Your letter of 17 February asked for our best guess of the numbers of staff saved by privatisations, and how far those savings have been realised by reductions in overall Civil Service numbers. In answering, I am taking the opportunity to report the staff in post numbers for 1 January.

SAVINGS FROM PRIVATISATIONS

The attached summary of the annual reports to the Treasury and Civil Service Committee on Civil Service manpower breaks down the reductions since 1979 into a number of broad categories. There are separate categories for 'privatisation' and 'contracting out', which both represent work which is now carried out in the private sector: 'privatisation' relates to the complete transfer to the private sector; 'contracting out' is work for which a Department retains responsibility but which a private contractor undertakes on its behalf.

We estimate that the total staff reduction arising from both categories since April 1979, including an estimate for the current financial year, is in the region of 22,000 of which some 300 relates to privatisation. Given that the Civil Service has fallen in size by 133,000 over the same period, I think it is reasonable to say that the savings have been reflected in reductions in overall numbers.

These figures exclude the Royal Ordnance Factories which were shown as a hiving off to another part of the public sector (of 17,960) in the 1984-85 report to the TCSC. They are likely, in due course, to move into the private sector. The figures also do not include the dockyards contractorisation which is due to take place in April with a reduction of approximately 15,000 in Civil Service numbers.

Our figures do not show the detailed effects on Civil Service manpower of the wider privatisation programme - e.g. British Telecom, British Gas and British Airways. We know that in some cases fewer central government posts are now engaged in liaison with the industries concerned; but the extra staffing needed for the new regulatory authorities - OFTEL and LOFGAS - probably means that there has so far been no net savings overall.

STAFF IN POST

You may like to let the Prime Minister know that at 1 January 1987 there were 599,421 Civil Servants in post. This represents an overall reduction of 132,854 (18.1 per cent) since 1 April 1979 and compares with 135,769 (18.5 per cent) this time last year.

The new total is 639 higher than at 1 October 1986 but is 5924 lower than the revised manpower target for 1 April 1987 published in Cm56 (605,345). It now seems likely that the target will be achieved with room to spare - however, we shall continue to monitor progress throughout the final quarter of the year. The new total reflects increases in the DHSS (1213) and in the Department of Employment (1030). Reductions occurred mainly in MOD (1339) and in the Inland Revenue (610).

In the quarter ending 31 December an increase of 2167 non-industrials was partly offset by a reduction of 1528 industrials.

We propose to publish the in post figures in the normal way by means of an arranged PQ within the next week.

Yours,

Jill

JILL RUTTER
Private Secretary

001-3656

CONFIDENTIAL

ANNEX 'A'

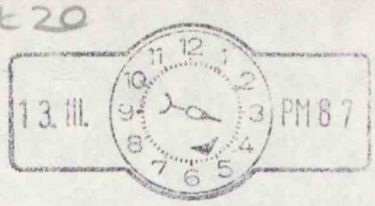
CHANGES IN CIVIL SERVICE NUMBERS BETWEEN 1.4.79 AND 1.4.86

(Nos rounded)

CATEGORY	INCREASE	DECREASE	NET CHANGE
WORKLOAD	53,700	30,800	+22,900
EFFICIENCY		29,300	-29,300
STREAMLINING		60,300	-60,300
NEW ACTIVITIES	19,800		+19,800
DROPPING FUNCTIONS		45,000	-45,000
PRIVATISATION		300	- 300
CONTRACTING OUT		20,500	-20,500
HIVING OFF (a)		25,200	-25,200
TOTALS	73,500	211,400	-137,900

(a) Includes the Royal Ordnance Factories

CIVIL SERVICE : Long term : Pt 20



cc BG 16pm (yet)

CABINET OFFICE,
WHITEHALL, LONDON SW1A 2AS

Chancellor of the Duchy of Lancaster

Tel No: 270 0020
270 0296

12th March 1987

The Rt Hon Kenneth Clarke QC MP
Paymaster General
Paymaster General's Office
Department of Employment
Caxton House
Tothill Street
LONDON
SW1H 9NF

Dr Kenneth.

EQUAL OPPORTUNITIES IN EMPLOYMENT IN THE DE GROUP at flap

Thank you for your letter which I received on 5 March. I have also seen John MacGregor's letter of 2 March.

I am grateful to you for taking so much trouble to answer the points I raised. I understand that you are taking as much care as possible to evade the pitfalls of a proposal of this kind. But I must say that I remain of the view that, however carefully administered, this is likely to detract from the promotion of equal opportunity as integral to the continuing personnel responsibilities of managers. The pursuit of this proposal by DE will give comfort and a cloak of respectability to some of the foolish and wasteful excesses, particularly of local authorities, in pursuing their equal opportunities policies.

I am sending a copy of this letter to the Prime Minister, other members of the Cabinet, Richard Luce, and to Sir Robert Armstrong.

Yours Norman

NORMAN TEBBIT

CIVIL SERVICE · Long Term Policy PT20

NJ/N1

SECRET

1-13

5

Department of Employment
Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213 5949
Switchboard 01-213 3000

NBPM.

The Rt Hon John MacGregor
Chief Secretary
HM Treasury
Great George Street
London SW1

5 March 1987

Dear John,

INDUSTRIAL DISPUTE AT DHSS COMPUTER CENTRE

Thank you for sending me a copy of your letter of 27 February to Norman Fowler. I am obviously relieved that this particular dispute is over but like you I am somewhat concerned at the ground we have lost in our endeavours to introduce more flexibility into public service pay arrangements.

I have already indicated that I feel that DHSS's interpretation of the intentions behind these discretionary payments was sounder than my own Department's. In defence of my own people though, I must record that they assure me that they did consult with other departments including DHSS in March 1986 and that the arrangements they introduced were in tune with those of other major civi l service employers of ADP staff except DHSS. Furthermore it appears that we were not kept in touch with DHSS thinking on how they intended to proceed.

That is now water under the bridge. What we must now ensure for the future is that we have a clear policy for, and keep a close eye on, the exercise of the discretionary elements of civil service pay that remain and that are being introduced. In my opinion, this calls for something more than effective local communications. While the new arrangements are being bedded in there should be a requirement for Departments to ensure that Treasury and/or MPO are aware, well in advance, of how exactly they propose to exercise their discretion. I believe that Ministers should from time to time take a collective view of those plans. In this Department I should add that such proposals will in future be cleared with me personally.

I am copying this to the recipients of your letter.

Yours ever,

KENNETH CLARKE

SECRET

CIVIL SERVICE Long Term Management Plan

SK/A1

16pm CCBG

Department of Employment
Caxton House Tothill Street London SW1H 9NF
5949
Telephone Direct Line 01-213.....
Switchboard 01-213 3000

The Rt Hon Norman Tebbit MP
Chancellor of the Duchy of Lancaster
Cabinet Office
Whitehall
LONDON
SW1A 2AS

March 1987

Dear Norman,

EQUAL OPPORTUNITIES IN EMPLOYMENT IN THE DE GROUP

Thank you for your letter of 24 February expressing reservations about our establishing 11 HEO posts to implement equal opportunities policies and practices. John MacGregor also wrote, on 2 March, about this and about the role of our Race Relations Employment Advisory Service. I understand your concerns and I felt them myself when I first saw the proposal. I looked at this very carefully before agreeing and have done so again.

I agree that the promotion of equal opportunities should be an integral part of managing an organisation. This is the main aim of our plans. But, at this stage in the developent of sensible equal opportunity practice, we cannot rely solely on line managers and exhortation to them. As we have discovered in other fields, such as deregulation, if we adopt a policy centrally we have got to ensure its delivery at grass roots level in line with that policy. In this area I have firmly rejected the adoption of targets as a means of doing so. The alternative I have chosen is to improve training and to switch some of our limited manpower resources to act as a source of specialist expertise on which local managers can draw and as a catalyst for policy delivery.

There is no question of the HEOs being a separate layer of "enforcement personnel". Equal Opportunity Officers (EOOs) (whose essential functions have always been to develop and implement the policy and to advise management) in very few locations with a high ethnic minority population, will be able to call on the assistance of these HEOs. The HEO's tasks will vary to some degree according to the specific needs of the part of the group (DE, MSC, ACAS) and area in which they are located. However there will be a common core. They will work with outside organisations such as sensible representatives of ethnic minority groups, training and briefing managers, giving advice to them as necessary on the cultural and religious differences between the ethnic groups to which their staff

belong, advising when particular difficulties arise and stimulating any action necessary to build on the results of ethnic monitoring.

The posts are destined only for areas where we see a clear need to tackle problems. They are developmental posts and will be evaulated over a period of 2/3 years. Their activities will be monitored closely to ensure both that they are not retained unnecessarily as managers become better trained and develop their own expertise in this area and that no 'Parkinsonian' elements creep into them. We are not recruiting new people to these jobs but appointing from within the existing staff, so redeployment will be straightforward if experience proves the posts unnecessary or if the need diminishes.

This limited exercise is tailored to our particular needs. We have a very extensive national network with well over 2,000, often tiny, "outlets" which generate particular problems for us in ensuring that everyone implements the equal opportunities policy in ways which make good management sense. Other large government departments such as DHSS and Inland Revenue have a much less diffuse network and perhaps they would not necessarily need to follow our example.

I hope this will clear up the doubts you have expressed about my intentions. We shall be moving ahead quickly to appoint these HEOs and to start the rest of the programme of action.

You and John also expressed concern about the implications of our approach for the private sector. Our Race Relations Advisory Service (RREAS) has extensive contact with private sector employers but its function is to give guidance, advice and assist with training where necessary or desired. In their review of the Department the Service was given a much more open-ended 'consultancy' style of remit than they would normally expect. Their work with companies is usually in response to requests from the companies themselves. Changes in company policy and practice wich flow from it tend to be gradual. Whilst some clients may as a result choose to redeploy existing resources (much as we have done) it would be most unusual for the Service to recommend them to recruit additional staff or for them to do so.

I must emphasise that our involvement with the private sector, as in relation to our own staff, is far removed from 'enforcement' and is concerned primarily with conveying the message which I know both you and John accept that sound race relations policy and practice make good management sense. In this department unless we back up those words with the sort of actions I have outlined I fear we shall be accused of empty rhetoric. This is a difficult area where many activists press Government and Companies to take foolish steps and radical solutions abound.

PAYMASTER GENERAL

I believe that total inactivity on our part is an inadequate response or defence. We ought to try in our Department, which is responsible for this subject, to demonstrate that there is a practical and worthwhile alternative approach to the ridiculous policies of some local authorities and some parts of the race relations industry.

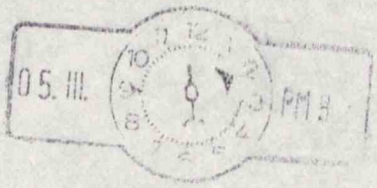
I am copying this to the recipients of yours.

KENNETH CLARKE

CIVIC SEARCH

LONG TERM

PT 20



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CCBG
nbpm

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Kenneth Clarke QC MP
Paymaster General
Department of Employment
Caxton House
Tothill Street
London
SW1H 9NF

2nd March 1987

Dear Ken,

EQUAL OPPORTUNITIES IN EMPLOYMENT IN THE DEPARTMENT OF EMPLOYMENT GROUP

Thank you for sending me a copy of your letter of 18 February to Richard Luce. I have also seen a copy of Norman Tebbit's letter of 24 February.

I very much agree with Norman that the imposition of a separate layer of enforcement personnel is undesirable and an uneconomic use of manpower. I also note that the proposal arose out of an audit by the Race Relations Employment Advisory Service and that such audits are carried out in the private sector. I know that you share with me a keen desire to minimise and reduce the burdens on businesses, and I would be concerned if it was normal for recommendations arising out of such audits to give rise to such additional enforcement machinery and costs.

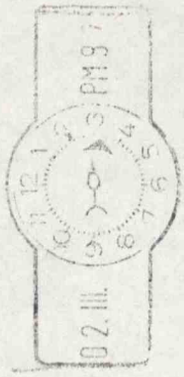
Although clearly well-motivated I fear that this particular initiative carries the danger of reducing economy in the public sector and increasing burdens on the private sector and I do hope you will rethink it.

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

Yours ever,

JM

JOHN MacGREGOR



CIVIC SERVICE

LONG TERM

PTO

021/1285

SECRET

4

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Norman Fowler MP
Secretary of State for Social Services
Department of Health and Social Security
Alexander Fleming House
Elephant and Castle
London
SE1 6BY

Prime Minister 2

DCW 27/2

27 February 1987

Dear Norman.

INDUSTRIAL DISPUTE AT DHSS COMPUTER CENTRES

Thank you for your letter of 20 February. I have also seen Kenneth Clarke's letter of 23 February.

Our officials have discussed in some detail what should be done and have now arrived at a position where the union is recommending a full return to work. This has meant some movement in respect of the SEO and HEO grades and your Department will be matching the position of the Department of Employment. I did not see a similar case on Executive Officers. None of the same staff in Department of Employment had seen their allowances advanced and only a very tiny number in a couple of other Departments. This is something I felt strongly we should resist and I am pleased that officials have been able to play that into the negotiations underway on this year's pay claim for ADP staff. In those negotiations we shall want to preserve as far as possible the principle of selectivity in the payment of these allowances - I have seen Kenneth Clarke's letter on this point.

I am prepared to agree to this. We must now hope that the striking staff will follow their unions' recommendation.

The additional costs arising out of this matter must of course be met by you and by other affected Departments out of existing running costs limits set.

There can be no doubting that this episode represents a significant risk of setback to our policy of encouraging greater flexibility in pay - to which Kenneth Clarke drew attention at his recent lecture at the City University Business School. I find two factors particularly disappointing. First, the Department of Employment's decision to pay the allowances across the board runs directly counter to our policy

SECRET

of encouraging greater selectivity. Second, the failure of the two Departments to consult each other over their actions is disturbing and regrettable Such a breakdown should not be allowed to happen again. With hindsight, it might also have been possible through swifter action to resolve the issue at Reading and Livingston before it developed into a service-wide dispute.

I believe we must draw the lesson for the future if we are to achieve our objectives in increasing discretion in pay. As Kenneth recognises, (and I am glad his Department have now noted as a lesson of this case) discretion makes it more not less important that there should be prompt and effective communication between Departments, particularly at local level, and that the repercussions of actions in one Department are adequately thought through before they are implemented. I have asked my officials to consider urgently how this might best be achieved, and I understand this work has already been put in hand.

I am copying this letter to the Prime Minister, George Younger, David Young, Kenneth Clarke and to Sir Robert Armstrong.

Yours ever,

JOHN MacGREGOR



CIVIL SERV: long term policy A-20

SK/E38

SECRET

3

Department of Employment
Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213 5949
Switchboard 01-213 3000

The Rt Hon Norman Fowler
Secretary of State for Social Services
Alexander Fleming House
Elephant and Castle
LONDON
SE1 6BY

NBPT.

INDUSTRIAL DISPUTE AT DHSS COMPUTER CENTRES

Thank you for sending me a copy of your letter of 20 February to the Chief Secretary.

I am very aware that these disputes could turn out to be very expensive in terms of both public expenditure and of delays in the Governments plans in the social security field and in controlling unemployment. I am sure that those organising the industrial action are also very aware of this. I hope that a settlement can be achieved in a way that does least damage to our aim of obtaining greater flexibility in public service pay. Unfortunately such settlements can usually only be obtained easily when the striking staff concerned feel that there are no pressures on their employers.

I would only be happy to go along with a package of measures that were in fact, and could be publicly presented as, determined by your own departmental managerial needs in the light of your need to recruit and retain staff of the required quality in each of the places where you operate. Anything which looked like allowing discretionary payments to everyone prepared to strike for them would be dangerous to our longerterm aims on the pay front. I realise that your Department has so far behaved in a more forceful way than many others, including perhaps my own, and that it is easy to make broad assertions as I have done. However if we suffer a setback now that you have been challenged it could cost a great deal in the longer term.

This experience demonstrates how important it is, as we move towards more flexible pay arrangements, that departments keep very closely in touch about each others intentions. Indeed there will have to be very detailed consideration of how we

PAYMASTER GENERAL

put such policies into operation.

I am copying this to the Prime Minister, John MacGregor, George Younger and Sir Robert Armstrong.

KENNETH CLARKE

SECRET

2

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000

DIRECT DIALLING 01-218 .....

MO 20/17/6L

February 1987

Dear Norman,

INDUSTRIAL DISPUTE AT DHSS COMPUTER CENTRE

Thank you for sending me a copy of your letter to John MacGregor of 20th February, about the industrial dispute at DHSS Computer Centres.

We have had no sympathetic industrial action in the Ministry of Defence linked to the payment of ADP supplements, and I am hopeful that this will remain the case, provided that you can reach a settlement without conceding the principle of Departmental discretion. Much will of course depend on the nature of the proposals you put to the Society of Civil and Public Servants. I am not sure whether your aim will be to retain some selectivity. We pay the supplement to all Higher Executive Officers who currently receive the maximum rate of ADP allowance, but it is only Senior Executive Officers in key appointments who received it. For Executive Officers, discretionary ADP allowances are paid in exceptional circumstances only.

The Rt Hon Norman Fowler MP

The Society of Civil and Public Servants are likely to seek equal treatment for their members in all Departments. Needless to say, a formula for ending your dispute that comes close to our present arrangements would leave us content.

I am sending copies of this letter to the Prime Minister, David Young, Kenneth Clarke and to Sir Robert Armstrong.

Yours ever,

George

George Younger

Civil Service: Long Term POL PT20

RESTRICTED

16pm CC/86

CABINET OFFICE,
WHITEHALL, LONDON SW1A 2AS

Chancellor of the Duchy of Lancaster

Tel No: 270 0020
270 0296

24th February 1987

The Rt Hon Kenneth Clarke QC MP
Paymaster General
Paymaster General's Office
Department of Employment
Caxton House
Tothill Street
LONDON
SW1H 9NF

Dear Kenneth.

EQUAL OPPORTUNITIES IN EMPLOYMENT IN THE DEPARTMENT OF EMPLOYMENT GROUP

attap

Thank you for sending me a copy of your letter of 18 February to Richard Luce. I am interested to see what you plan in response to the report from the Race Relations Employment Advisory Service. It is likely that the methods adopted by your Department in promoting equality of opportunity will influence those adopted elsewhere in Government and, to an extent, in other parts of the public and private sectors.

It is in that context, therefore, that I should express my reservations about your intention to recruit 11 HEOs specifically to work in implementing equal opportunities policies and practices.

The promotion of equal opportunities should be integral to good management in an organisation; it is not only objectively right, or a legal requirement, but is good for efficiency. As is reflected in your proposals, the importance of this should feature fully in the training of managers. But I do not see that the appointment of staff separately to exercise this function helps to create the right attitude; on the contrary, it fosters the impression that an equal opportunity policy is a set of constraints to be imposed upon management. Equally, in order to justify their position, such staff, in "Parkinsonian" fashion, find work to fill the time available, on occasion going to extremes to assert the existing inadequacy of management's response to the problem.

I am entirely in accord with you in ensuring proper central monitoring of progress; I agree that more resources should go into

training in this area; I agree also that one should oppose "quotas"; but I do hope you will reconsider your decision to appoint the 11 HEOs as proposed.

I am sending a copy of this letter to the Prime Minister, other members of the Cabinet, Richard Luce, and to Sir Robert Armstrong.

Yours

NORMAN TEBBIT

CIVIL SERVICE: Long Term Management PT20

file

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

23 February 1987

SENIOR MANAGEMENT DEVELOPMENT PROGRAMME

The Prime Minister has seen, but not commented on, your Minister's minute of 18 February.

P A BEARPARK

Michael Stark, Esq.
Office of Arts and Libraries

SECRET

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon John MacGregor OBE MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
LONDON
SW1P 3AG

20 February 1987

Prime Minister 2

This looks potentially very nasty. The Chief Secretary has not yet given a view.

DHSS 20/2

Dear Chief Secretary

INDUSTRIAL DISPUTE AT DHSS COMPUTER CENTRES

Your officials have no doubt informed you of the rash of strikes which have broken out among computer staff at my computer centres in various parts of the country.

The issue arises out of the discretionary additional allowances paid to ADP Senior Executive Officers and Higher Executive Officers. We applied this discretion in the selective way you intended it to be used by targeting the allowances to staff dealing with specialised work at Reading and London only. Most other Departments used their discretion to award the allowances much more widely. The particular problem is that staff at the Reading and Livingston Unemployment Benefit computer centres who do not have the discretionary supplements are working alongside staff who do.

This has led to a sense of grievance among our staff; and at Reading they voted to strike. This has been followed by strikes at Livingston, Lytham St Annes and our North Fylde Central Office. Staff at Newcastle Central Office may join them next week. Although the Society of Civil and Public Servants, the Union concerned, evidently did not plan this, they are now seeking to exploit the situation as a means of getting more for all Civil Service ADP staff and of frustrating, if they can, the implementation of the social security reforms and the Government's policy of introducing greater flexibility into the whole range of Civil Service pay. They are paying 85 per cent of gross pay to the strikers who therefore have little or no financial incentive to return to work.

This is not a dispute on territory we would have chosen and the potential stakes are high, particularly in respect of progress on our

E.R.

social security reforms and the directions in which we are seeking to move on Civil Service pay generally. The longer those concerned remain on strike and especially if they are joined by staff at Newcastle, the higher the price we may have to pay to resolve the dispute. In the circumstances my judgement is that it would be prudent to settle the dispute speedily before it escalates into a major confrontation. In so far as the SEO and HEO grades are concerned, we believe that this can be done within a cost of about £350,000. However, I think we shall also have to make some movement in the ability to advance the payment of allowances to Executive Officers who have strongly supported the dispute since its inception. We shall have so to judge this offer as to persuade the Society to call off their action, whilst seeking to retain some elements of flexibility. The sums of money involved are not large and would be insignificant by comparison with the costs of a long drawn out dispute which would also be extremely damaging to the programme of work for implementing the social security reforms, our ability to deliver payments to large sections of the community and to controls over the unemployed.

The threat to our policies for Civil Service pay generally of our taking the initiative towards settling the dispute with the SEOs and HEOs over discretionary allowances can be minimised by our playing the future of ADP allowances into the context of this year's Civil Service pay claim; and by our indicating that, pending those negotiations, we are prepared to go some way to adopting the practice of other major departments.

My officials are due to meet the national officials of the Society early next week. I should, therefore, appreciate any comments you have by close of play on Monday.

I am copying this letter to the Prime Minister, George Younger, David Young, Kenneth Clarke and to Sir Robert Armstrong.

Yours sincerely

Bruce Calderwood
(assistant private secretary)

NORMAN FOWLER

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

NJ/E17

Department of Employment
Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213 5949
Switchboard 01-213 3000

The Rt Hon Richard Luce MP
Minister of State
Privy Council Office
68 Whitehall
London SW1

8 February 1987

Dear Richard,

EQUAL OPPORTUNITIES IN EMPLOYMENT IN THE DEPARTMENT OF EMPLOYMENT GROUP

You will know that we have been giving a good deal of attention in recent months to ways in which personnel policies and practices in the DE Group should be adapted to ensure that we offer equality of opportunity for employment in the Group, with no discrimination on grounds of ethnic origin. I have been concerned that we should be seen as an employer to follow the advice that we give as a Government to private sector employers on this issue. I also believe that we should ensure that we have taken sensible steps in this difficult area in order to rebut firmly criticism and pressure to adopt more radical policies on the subject which would be unacceptable to us.

Our Department therefore commissioned a report from its own Race Relations Employment Advisory Service (RREAS). Last year RREAS conducted an audit of race relations in the DE Group of much the same kind that it carries out in the private sector.

We have now concluded an examination of the recommendations in the RREAS report. The purpose of this letter is to let you know the main steps we have decided to take to promote equal opportunities in employment in the Group.

There are some recommendations in the RREAS report which we do not feel justified in implementing. However we judged that the broad aim of the report was right, and the central recommendations sound. Broadly in line with the report, therefore, we have decided on a plan which has three main elements:

- to establish a small central unit within the DE Group to co-ordinate policy and practices, and to advise Ministers and management on all aspects of our work which may influence the provision of equal opportunities in employment in the DE Group, regardless of racial origin, sex or disability;

- to establish 11 HEO posts to help equal opportunities officers, both in head offices and in regions with a high proportion of ethnic minorities, to implement equal opportunities policies and practices;

- to increase recruitment training for managers to whom this work has been devolved.

We estimate that, after the initial training backlog has been cleared, the ongoing cost of these measures would amount to around £400,000 per annum (out of a total running cost for the DE Group approaching £900m): a sum which we have been able to find, by re-ordering priorities, within agreed cash limits.

We have carefully considered, but rejected for the time being a proposal to extend throughout the DE Group the experiments currently being run by the MSC in setting firm targets for the proportion of people from ethnic minority groups whom we recruit or employ. I fear that the setting of quantitative targets might be misrepresented as entailing a form of quota for the recruitment of people from ethnic minority groups, without regard to qualifications or suitability. Moreover, it is not always easy to establish accurately what is the relevant "local" ethnic working population to be taken as the reference point for setting targets. I therefore prefer generally to concentrate on setting objectives for improvements in recruitment and similar processes, backed by effective means for measuring and monitoring what impact these improvements are having.

We believe the commitments outlined above make sense in the particular circumstances of the DE Group (with its large network of local offices and its relatively decentralised operations) and against the test of good practice in the private sector. The appointment of HEOs, concentrated in the parts of the country with substantial ethnic minority populations, is an attempt to build bridges between the Department and ethnic minority communities. I see this as something of an experiment which it is prudent to test out on a relatively small scale, before I would even consider a decision to extend more widely the appointment of assistants to Equal Opportunities Officers. We shall be glad to share with you, and with other Departments concerned, the lessons and experience we gain from this approach.

You will know that the House of Commons Select Committee on Employment were told of the race relations audit undertaken in the Department, and received copies of the RREAS report. The Committee is virtually certain to get to know of the action plan we have decided on, and I may well have a request from the Committee to report on what we have decided especially as they have now published their report on race relations in

employment. In responding to the report, I propose, therefore, to let the Committee know the main lines of our action programme in response to the RREAS recommendations.

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

KENNETH CLARKE

C87/707

PRIME MINISTER

From: Richard Luce
Date: 18 February 1987

Senior Management Development Programme

The Senior Management Development Programme (SMDP) is an integrated framework of planned training and career development for civil servants in Grades 4-7 (Principal level to just below Under Secretary). It arose from the proposals in the Coster "Training for Senior Management" Report which you endorsed in 1984.

In October 1985, when SMDP was just starting, I undertook to keep you informed of progress in implementing the Programme and to send you a report in due course. This is contained in the attached minute from Sir Robert Armstrong.

His report shows that the Programme got off to a reasonably good start, with not far short of 3,000 staff opting to participate in 1986. But a quantitative assessment of this kind tells us very little about SMDP's real strength, let alone its longer term value for the Civil Service. In correspondence at the outset of the Cabinet Office (MPO)'s planning for SMDP, both you and Sir Robin Ibbs stressed, rightly, the importance of knowing that the Programme will over time result in improvements in performance and greater value for money. As you will see from Sir Robert's report, my officials have made a useful survey of progress which demonstrates the potential of SMDP for improving performance and have put in hand the longer term evaluation.

I shall be receiving annual assessments of the development of the Programme and the part it plays in leading to higher and more effective standards of management within the Civil Service as a whole, and I shall keep you informed.

I am copying this, and Sir Robert Armstrong's minute, to the Minister of State, Treasury, and to Sir Robin Ibbs.

RICHARD LUCE

Ref. A087/387

1. MINISTER OF STATE, PRIVY COUNCIL OFFICE
2. PRIME MINISTER

Senior Management Development Programme

My minute of 3 October 1985 reported on progress on the Senior Management Development Programme (SMDP) at the time of its introduction across the Civil Service. It also explained in some detail how the Programme has been designed to provide an integrated framework of training and career development for staff in Grades 4 to 7 (ie immediately below Under Secretary to Principal).

2. In that minute I proposed a further report during the summer of 1986. I have however held back the report so as to be able to add to the statistical data the findings of a first evaluation survey which has recently been completed.

3. By April 1986 some 2,800 staff had opted to participate, across a total of 44 Departments and fringe bodies; this represents just under 15 per cent of the whole population of the eligible grades, and about 75 per cent of those invited to join. More will have joined by now. Most major occupational groups were well represented, though in the Inland Revenue SMDP has required particular adaptation to meet the specialised training and development needs of 800 or so eligible Tax Inspector and Valuation staff, and is being introduced on a staged basis, the process to be complete by March 1987.

4. Cabinet Office (MPO) have been closely monitoring the process of SMDP and have taken the first steps in evaluating its effect on management performance across the Service as a whole. A short preliminary study carried out in five sample Departments indicates a variable and patchy response so far. In some

Departments, the Programme has been well received, and management has seen and used it as an engine of change and improvement; participating staff have been enthusiastic in taking the opportunities for training (five days a year on average) and self-development to improve both their effectiveness in their present job and their potential for the future. In other Departments, with less progress to show, a significant effort will be needed during the second full financial year of SMDP (from April 1987) to assist both Departmental management and individual participants to take a more active and positive role in promoting self-development by participants. An important priority for the Cabinet Office during this period will be giving help to Departmental management in this task. Further, more substantive, evaluation work to be carried out over the next few months should give us a fuller view of the Programme's effects and value for money by the middle of next year, and I shall report further on progress at that stage.

5. Looking further ahead, progressive expansion of SMDP to involve larger numbers of staff in the relevant grades has been our intention from the outset. While a number of Departments have been able to invite participation from all their staff in the SMDP grades, most others, particularly the larger Departments, have needed to make progress more slowly, initially limiting their criteria for eligibility to younger staff only. Some small expansion of the Programme has already been agreed for 1987-88; and Departments are at present considering proposals for expanding eligibility more rapidly from 1988-89 onwards. The SMDP is a major change in the way in which Civil Service careers are managed below the Senior Open Structure and it seems best to build steadily on the success that is being achieved rather than expanding too fast.

RA

ROBERT ARMSTRONG

16 February 1987

From: P.R. Coster
Date: 18 December 1986

1 MR HAYDEN PHILLIPS

2 MISS MUELLER

3 SIR ROBERT ARMSTRONG

cc Mr Trevelyan
Mr Jackling
Mr G.T. Morgan
Mr Wilson
Mr Ramsden
Mr Wood

SENIOR MANAGEMENT DEVELOPMENT PROGRAMME: REPORT TO THE PRIME MINISTER

I now attach a draft progress report on the Senior Management Development Programme - the recently established framework of training and development for staff in Grades 4-7 - for you to send to the Prime Minister via the Minister of State, as promised in your report to her of 3 October 1985 reporting on the setting up of the Programme. Also attached are draft minutes from you to the Minister of State, and from the Minister to the Prime Minister.

2 The earlier report (to which the Prime Minister did not respond) proposed a further progress report in June 1986. However, although we had carried out a monitoring exercise in the Spring to determine how many staff were eligible for, and how many had so far opted to participate in the Programme, we had by June 1986 relatively little to report beyond this statistical data and some very tentative impressions. We have therefore held back the report until now when the results of a short, preliminary evaluation study in 5 departments are available giving a more rounded picture of how the Programme is progressing. Its conclusions form a valuable input both to the report to the Prime Minister; and to this minute, which is intended to bring Cabinet Office (MPO) senior management up to date with developments in the Programme.

Launch of the Programme

3 This was achieved successfully. The issue of invitations to those staff eligible to participate was completed in the great majority of major departments by the end of September 1985 (as planned), and in small departments and participating fringe bodies by the end of the calendar year. The monitoring exercise carried out in April 1986 showed that in total,

42 departments had eligible staff and were operating SMDP; in addition, 2 fringe bodies had also decided to run their own Programme. A variety of eligibility criteria were applied ranging from 25 departments and NDPBs who were using the minimum age criteria allowed by Cabinet Office (MPO), restricting the Programme to staff in Grade 7 aged 35 or below, and in Grades 4, 5 and 6 aged 42 and below; to 6 departments - including Cabinet Office and Treasury - who had invited all staff in the relevant grades to participate. At 1 April 1986 some 2,800 individuals (c. 14% of the total in the relevant Grades, and 75% of those eligible to participate) had so far accepted an invitation to join the Programme.

4 In a few departments, the needs of some groups of staff (e.g. unusual career structures and/or the need for integration of SMDP with other training and development initiatives) have made necessary a staged introduction of a Programme suitably tailored to their specific needs. By far the most significant group affected in this way are Tax Inspectors and the Valuation Office of the Inland Revenue. It has been agreed with these departments that by 1 April 1987 at the latest, all eligible staff across the Service should have been invited to join the Programme. This should result in anything up to a further 800 participants. There are still unresolved problems with a few legal departments.

Progress of SMDP in departments

5 The 2 principal aims of the SMDP are, firstly, to ensure better preparation for future top managers (i.e. those with potential to reach Grade 3 and above) and, secondly, to enable all participants to achieve greater effectiveness in their current grades. The achievement of these aims depend on 3 key elements:

i. the initiative of participants themselves, in conjunction with line management, to play an active role in their own development through completion of Personal Development Plans (PDPs) involving the setting of personal job-related objectives;

ii. a readiness on the part of Establishment and Personnel Management Divisions to respond positively to participants' expressed needs by e.g. systematic career interviewing following submission of PDPs, arrangement - where appropriate - of special postings, secondments or project work, holding seminars and discussion groups of participants, etc.;

iii. close cooperation between the Personnel Management and the Training sections of each department to to ensure that the Programme is and remains a properly integrated framework of training and career development.

6 A brief preliminary evaluation study covering a sample of 5 departments assessed the extent to which the high take up rate of SMDP was also satisfactory in terms of quality.

7 The study showed that the state and success of SMDP at present varies considerably from one department to another, depending to a large extent on the initial enthusiasm and imagination of personnel - and top - management in supporting and promoting SMDP, and in adapting it to the particular circumstances of their department. In some cases this has been first rate; a great deal of positive action has been taken, and reports have been received from participants of training and development opportunities which have enabled them to improve their performance, and to forge closer links with other parts of their department or useful external links.

8 In other departments the follow up to implementation of the Programme has been more patchy; continuing central interest, sometimes distracted by other major changes and initiatives in the personnel management field, has been intermittent and participants have not been able to sense full departmental commitment. Specifically targetted advice and encouragement from Cabinet Office (MPO) is needed in these cases, and we intend to embark on a programme of meetings with particular departments in the New Year.

9 The study also provided valuable insights into the way the Programme is regarded by the participants themselves. Once again, a very wide range of attitudes can be discerned. All participants have a target of 5 days management training a year on average, and many have shown initiative in taking advantage of this and other opportunities offered by SMDP. A significant "cultural" issue which the study has highlighted however is the attitude of some participants (and their line managers) that career planning and development is essentially a matter for the organization rather than the individual, and that if participation in the Programme does not lead to early and tangible results in terms of, say, promotion or postings, there is little point in it. Although SMDP, by its very introduction has encouraged self-development and improvement, further work in this area must be an essential element of our effort in the second year of the Programme; we will shortly be making an SMDP bibliography available for every participant, and are working on the provision of information and guidance on other self-development techniques.

Evaluation

10 The need for evaluation of SMDP's value for money was strongly emphasised by the Prime Minister and Sir Robin Ibbs during the setting up of the Programme. Your report to the Prime Minister promised that this would be assessed through "market" (statistical) and "feedback" (subjective value) tests. We are well advanced here. An annual statistical review of the Programme's size and strength has been established, and has already produced, inter alia, the information shown at paragraph 3 of this minute. The preliminary survey of 5 departments has built substantially on our existing impressions from departmental contacts, and we have ready a questionnaire on the Programme's effectiveness which departments can distribute to some or all of their participants in the coming months. Finally, we will be engaging further consultancy help to gain a more in-depth assessment of how the Programme works and what improvements might usefully be made to ensure that it helps meet departmental and Service objectives.

Expansion

11 A progressive expansion of SMDP has been our firm intention from the time of the Coster "Training for Senior Management" Report in 1984. We have now secured the agreement of the interdepartmental Steering Group which coordinates SMDP for a limited, consolidatory expansion in "Year 2" of the Programme (i.e. from 1 April 1987), to bring in those staff who were marginally too old to qualify for inclusion when SMDP was launched. We have also put forward proposals for a more substantial expansion from 1988 onwards involving the raising of the minimum age limits for eligibility by 2 years each calendar year. These have not yet been agreed and, as well as strong support from some departments, we face strong opposition from other departments who point out that they cannot yet commit themselves to any major expansion of SMDP within existing training and development resources which, in some cases, have had to bear the additional costs of the Programme on static or falling budgets. The resource costs of SMDP have been raised consistently by many departments and, in response to pressure from them, I have undertaken to ensure that this concern is made clear to top management (which I now do). The significant additional commitment for SMDP already being met by many departments will constrain their ability to expand or upgrade SMDP.

Conclusion

12 Since its launch in September 1985, SMDP has been introduced successfully throughout the Civil Service. The evidence so far shows that in many areas it is starting to make a contribution to professionalism and performance. It is doing this, firstly, by the promotion of better, more structured training and development related to areas of work "competence" which have been established by thorough research and investigation; and, secondly, by better integration of development with other aspects of positive management and career planning.

13 SMDP must deliver short term results, but it is also part of a longer term programme of change and improvement where we are looking for longer term results. Much work remains to be done in maintaining and building

on the initial momentum of the Programme and using it to the full in improving performance. This will best be done by ensuring that it becomes established as a permanent feature of the management and development of senior staff. Training Division will pursue this work as a high priority.

P.R. COSTER
Head of Training Division

010

007/2769

CC BG

nbpm

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Douglas Hurd CBE MP
Home Secretary
Home Office
50 Queen Anne's Gate
London
SW1H 9AT

18 February 1987

Dear Douglas,

BUDGETING

Your department, with 33 others, responded to the report last year from the multi-department review of budgeting and the yardsticks I set for measuring progress. I enclose a copy of the central report which summarises all departments' action plans and makes recommendations for further work and a further report in 1987 (pages 15 -19). The Prime Minister has seen the report and endorsed its recommendations.

The report gives us a more complete picture of budgeting in departments than ever before. It confirms that improvements in budgeting can make a contribution to better management in all kinds of organisation.

There are still gaps. Some of these will be filled by the action planned for 1987. Where this is not the case we must set during 1987 target dates by which the basic budgetary controls will be in place.

That said, the past work should be delivering results in the year ahead. I am sure we all agree with the emphasis in the report on results - setting targets for, and then achieving, savings and better outputs and performance. The Prime Minister has commented that she will be looking

for these results in her value for money seminars during 1987. For my part I shall again be examining the measures of output and performance and targets for future years in the run-up to the public expenditure Survey. The proposals in my minute of 12 February for this year's Survey allow more time for our officials, and if necessary us, to discuss the targets for output, and performance which will subsequently be reflected in departments' budgets. My proposals for the treatment of running costs and manpower in the next Survey should encourage the use of budgets, and they make tight budgetary control vital to ensure flexibility does not lead to staff budgets which drift upwards.

The examples of achievements which the report recommends that we should collect and publish later this year will help us to see whether we are getting the right results. I think a hundred or so good examples would show the public the success of our reform of management of the civil service and encourage managers to do even better. The TCSC and PAC are also taking an interest in the results of our management changes. But I shall make proposals for publishing the examples with the next report nearer the time.

In preparation for this next report departments have been asked to provide, by October, their best examples of improvements in management and an account of their progress in budgeting. Officials are already in touch about these arrangements, and about any specific points for each department.

I am copying this letter to all Ministers in charge of departments and to Sir Robert Armstrong and Sir Robin Ibbs.

Yours ever,

JK

JOHN MacGREGOR

CONFIDENTIAL

file PTS

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

17 February 1987

CIVIL SERVICE MANPOWER

BF

The Prime Minister would be grateful to know the Treasury's best guess of the numbers of staff in Departments saved by privatisations, and how far those savings have in fact been realised by reductions in overall numbers.

I should be grateful if you could set this in hand.

D R NORGROVE

Miss Jill Rutter
H.M. Treasury

CONFIDENTIAL

File

JA1BFJ

bc BG

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

10 February 1987

BUDGETING

The Prime Minister has seen the Chief Secretary's minute of 3 January with the first report on progress in budgeting.

The Prime Minister endorses the recommendations in Section 6 for further work and a further report in 1987, and agrees with the emphasis on results. She will be looking for examples of these results in her value for money seminars during 1987, and expects the public expenditure survey to have a similar focus.

The Prime Minister has noted that the majority of departments have set themselves detailed programmes of action for 1987, but have not said when they will have implemented all the arrangements they need to apply the four principles in the MDR report. The Chief Secretary's progress report in 1987 should indicate which departments have arrangements which allow them to apply the principles to all, or nearly all, of their running costs and programmes. For other departments there should be a further action plan and a specific date by which they will have implemented budgetary controls in line with the four principles and the Chief Secretary's yardsticks. This will show when Ministers and senior managers will be in a position to assess performance, set targets and monitor results across their departments.

The Prime Minister notes that this interim report will not be published but will expect the next report, including the examples of improvements in the management of programmes and running costs, to be published in order to show how the reforms in the civil service are giving the public better value for money. She thinks it will be important to present the examples positively to encourage managers to adopt and achieve targets for further improvements.

I am copying this letter to Michael Stark (Office of Arts and Libraries), Trevor Woolley (Cabinet Office) and Kate Jenkins (Efficiency Unit).

(P. A. BEARPARK)

Miss Jill Rutter,
H.M. Treasury.

DSG

Mr A Bearpark

BUDGETING

attap

I have seen the submission by the Chief Secretary to the Prime Minister and the draft reply put forward by the Chief Secretary's Private Secretary.

Sir Robin Ibbs is absent abroad but I have one suggested addition to the draft reply. Picking up the point made in paragraph 3 of the Chief Secretary's minute, it would be helpful in getting across the emphasis on results if the following phrase was added to the end of the second paragraph:

"...during 1987, and expects the public expenditure Survey to have a similar focus."

Karen Caines

KAREN CAINES
9 February 1987

CIVIL SERVICE Long Term PT20

027/2985

GGBB

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

Andrew Bearpark Esq
Private Secretary
10 Downing Street
London
SW1

6 February 1987

Dear Andrew.

BUDGETING IN DEPARTMENTS

The Chief Secretary sent the Prime Minister, with his minute of 3 February, the first report on progress in budgeting in Government departments. You agreed it would be helpful to have an indication of the points the Chief Secretary and officials would find particularly helpful in following up the report in 1987. I attach a draft which reflects discussions between the officials who produced the report and the Efficiency Unit.

I am copying this letter to Richard Hirst in the Efficiency Unit.

Yours sincerely

Mike Felstead

M C FELSTEAD
Private Secretary

1007/012

JA13FJ

DRAFT LETTER FROM THE PRIME MINISTER'S PRIVATE SECRETARY TO:

Private Secretary to the Chief Secretary
HM Treasury

BUDGETING

The Prime Minister has seen the Chief Secretary's minute of 3 January with the first report on progress in budgeting.

The Prime Minister endorses the recommendations in Section 6 for further work and a further report in 1987, and agrees with the emphasis on results. She will be looking for examples of these results in her value for money seminars during 1987, and expects the public expenditure Survey to have a similair focus.

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The Prime Minister notes that this interim report will not be published but will expect the next report, including the examples of improvements in the management of programmes and running costs, to be published in order to show how the reforms in the civil service are giving the public better value for money. She

thinks it will be important to present the examples positively to encourage managers to adopt and achieve targets for further improvements.

I am copying this letter to Michael Stark (Richard Luce's Office), Trevor Woolley (Sir Robert Armstrong's Office) and Kate Jenkins (Efficiency Unit).

[ ]

CIVIL SERVICE: Long Term Policy: Pt 20

020/2982

CF Per cc. PSU/Unit and check for comment from Robin Ibbs

cc BG

FROM: CHIEF SECRETARY

DATE: 3rd February 1987

PS 3/2

Prime Minister!

Content for me to write as proposed? PS 3/2

Yes no

PRIME MINISTER

BUDGETING IN DEPARTMENTS

IN ATTACHED FOLDER

... I attach the first report on progress in budgeting in government departments following the report from the multi-department review (MDR) of budgeting in April 1986.

2 At that time I set yardsticks for measuring the success of departments' progress with the objective of going beyond changes in systems and getting to the results which they should be delivering: savings, targets for better value for money, and the means for us to judge performance. I think the responses from departments show that this connection is being made. But I also strongly support the recommendation in the report that departments should be required to give next year examples of improvements achieved in the management of programmes and running costs.

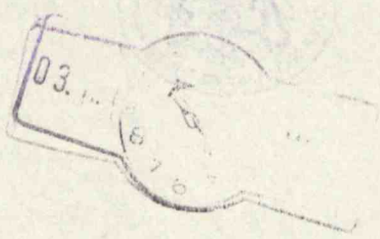
3 Following the report on the Consultancy, Inspection and Review services which I sent to you in December you commented that departments should be given a clear message that more results are required (Mr Bearpark's minute of 18 December). This report reiterates the message. It would help if we could emphasise that you will be looking for these results in your Value for Money seminars, in the public expenditure Survey and in Robin Ibbs' work on VFM targets.

4 This report is the first stage in following up the MDR report and I do not propose that it should be published. But I think we should prepare next year's report with publication in mind, so as to show Parliament and the public the results of better management.

5 I am copying this minute to Richard Luce and Robin Ibbs.

JM

JOHN MacGREGOR



BUDGETING

First Report on the Implementation of the Recommendations of the Multi-Department Review

Joint Management Unit

December 1986

Contents

SUMMARY

Section

1	Introduction.
2	What happened after the MDR report.
3	Where we are now.
4	Plans to spread budgeting.
5	Action on recommendations for the central report.
6	What more needs to be done.

Appendices

1	Yardsticks for success of budgeting.
2	Summary of departments' present position.
3	Examples of savings and improvements.
4	Action planned by departments.
5	Action on recommendations for the central departments.
6	Central action team.

SUMMARY

Section 1. Following the report from the multi-department review (MDR) of budgeting in April 1986 the Chief Secretary to the Treasury set out yardsticks to judge departments' further progress in putting into practice the four principles of budgeting set out in the Prime Minister's foreword.

Section 2. 34 departments responded to the MDR report. This report summarises their present positions and their plans for action to improve budgeting, the action taken by the central departments, and makes recommendations for what more needs to be done.

Where departments are now

Section 3. Taking the four principles in turn:

All managers, from the top right through the management line should be responsible for setting and reviewing budgets

Over 7,000 line managers now manage budgets for about ¾ of the civil service's running costs. Managers are also taking more direct personal responsibility for programme spending. We should like to see more managers with budgets for all (or nearly all) of their running costs; and with more flexibility to manage within them.

Budgets must be linked with the Government's annual review of public spending, and turn those plans into action

All departments have arrangements (MINIS and its like) to let Ministers and senior officials review performance, decide priorities, and allocate resources. We welcome those which are linked directly to the public expenditure

Survey. Where there is no formal link to the Survey, managers may feel less confident that Ministers and senior managers consider their proposals, and that their budgets reflect decisions on overall priorities.

Budgets should include output and performance indicators, and there should be regular evaluation of what has been achieved compared with the objectives that have been set

All departments try to link the resources in budgets to what managers are meant to achieve. For many managers this is not and cannot be done by straightforward measures of output. The key to progress is to set objectives at the outset in a way which is as clear and specific as possible.

Top managers must organise their own work and that of their departments so as to make clear the responsibilities for setting priorities, managing resources and reviewing performance

Departments have in place MINIS and similar systems to review performance and allocate resources. Two developments worth noting are clearer responsibilities at the centre (the Principal Establishment Officers' and Principal Finance Officers' roles), and a clearer role for Grade 2's as both members of the senior management team and as line managers.

Departments identified examples of managers finding savings and improvements. They are small individually. But an individual manager managing within his or her budget will rarely have cause to note, let alone report, day to day improvements.

Action to spread budgeting

Section 4. Departments plan action in 1987 and beyond in each of the four areas. The main points, to which we attach particular importance, are:

Responsibility for budgeting

Spreading budgets to more line managers, or increasing the range of expenditure included in their budgets, or both.

Links with the public expenditure Survey

Aligning the timetables for top management review, the public expenditure Survey and budgets so that Ministers and senior managers are in a better position to set targets.

Measures of achievement

Requiring managers to include in their budgets objectives in a form which allows subsequent performance to be evaluated.

Action on recommendations for the central departments

Section 5. The Treasury and Cabinet Office (Management and Personnel Office) have responded to the specific recommendations for them in the MDR report. Their action included drawing up criteria for deciding whether the running costs of fee-earning activities should be controlled net rather than gross.

What more needs to be done

Section 6. The report from the MDR emphasised that budgeting is a means to an end. On the whole the picture is encouraging in most departments because they have the means in place to concentrate now on giving managers more comprehensive budgets and using them to find savings, set targets for better value for money and evaluate performance. We recommend that departments report in October 1987 on their further progress with particular attention to what we see as three key areas:

giving more managers more comprehensive budgets, which reflect specific targets set in the public expenditure

Survey and have output and performance measures to show what is achieved;

further improving the use made of their CIR services;

their best improvements in the management of programmes or running costs in 1986-87 or subsequently.

During 1987 the Treasury and MPO plan further work to support and complement departments' action. It includes:

removing unnecessary central rules and controls;

improving the way the Treasury gathers and uses information about departments' plans and performance and efforts to improve value for money;

reviewing the definitions of responsibilities of Principal Finance Officers and Principal Establishment Officers.

We propose to report again in December 1987.

1. INTRODUCTION

1.1 This is the first report on the progress of budgeting in government departments following the multi-department review (MDR) of budgeting.

1.2 In the foreword to the report published in April 1986* the Prime Minister endorsed four principles which are vital to making budgeting more widespread:

(1) all managers, from the top right through the management line, should be responsible for setting and reviewing budgets;

(2) budgets must be linked with the Government's annual review of public spending, and turn those plans into action;

(3) budgets should include output and performance indicators, and there should be regular evaluation of what has been achieved compared with the objectives that have been set;

(4) top managers must organise their own work and that of their departments so as to make clear the responsibilities for setting priorities, managing resources and reviewing performance.

1.3 The Chief Secretary to the Treasury set out under these four principles the yardsticks by which departments' further progress would be judged (Appendix 1). We have based our report on an analysis of departments' responses to the MDR report against these yardsticks.

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* MDR of Budgeting: Executive Summary, HM Treasury, March 1986 (ISBN O 947 819 061).

2. WHAT HAPPENED AFTER THE REPORT

2.1 The report called for action by each department and by the Treasury and Cabinet Office, Management and Personnel Office (MPO).

Departments

2.2 34 departments have responded to the report. They have considered how the principles, and the detailed recommendations in the report, apply to their activities; where they have reached in their work to improve financial management; and what more they should do. Each department appointed an action manager to take responsibility for its response. Action managers have discussed with the central action manager and the Treasury's Expenditure Divisions their departments' present position and action plan.

Treasury and MPO

2.3 The head of the Joint Management Unit was given responsibility for co-ordinating work on departments' action plans, and on the specific recommendations addressed to the central departments. She was assisted by a team which included members of the Treasury and MPO divisions responsible for acting on these recommendations (Appendix 6).

3. WHERE WE ARE NOW

3.1 Appendix 2 summarises departments' reports of where they are now under the four principles. This section comments on the main points which emerge from departments' responses, our examination of their supporting documents and our discussions with action managers and other officials.

(1) All managers, from the top right through the management line, should be responsible for setting and reviewing budgets.

3.2 There are now over 7,000 line managers managing budgets of one kind or another for about three-quarters of the civil service's running costs of £13 billion a year and for public expenditure programmes. The levels of budget holders vary considerably. They include senior managers (eg Deputy Secretaries in the Home Office, Ministry of Agriculture, Fisheries and Food and Department of Trade and Industry) and lower level managers (eg HEOs in the Unemployment Benefit Service's hierarchy of budgets). The great majority of budget holders are in the networks of local offices. Some examples of these hierarchies of budgets are:

- the Inland Revenue where budgets are delegated down the management line to over 1,000 managers including local tax offices, collection offices and valuation offices and;

- the Department of Health and Social Security which has delegated budgets to about 1,000 managers in the social security service;

- the Department of Employment where over 1,000 managers are budget or sub-budget holders and some 3,000 people are involved in the budgeting process;

- the Home Office Prison Department where governors of penal establishments now have budgets covering manpower

and general administrative expenses.

3.3 Departments are less advanced in their headquarters. Many have concentrated on operational areas first, and are now turning to headquarters areas. Some recognise the benefits of planning while doubting the scope for direct control of costs in headquarters divisions which share accommodation and other common services and facilities. But budgeting is working in some headquarters. Examples of this are:

- the Cabinet Office (MPO) where 16 managers with budgets have in turn delegated to 150;

- the Crown Prosecution Service which has included headquarters divisions from the start of its budgetary controls;

- the Scottish Office where responsibility for controlling budgets has been delegated to heads of divisions (usually Grade 5 or 6) in charge of its small, mainly headquarters policy units and professional groups.

3.4 The range of costs covered by budgets varies from department to department, and with it the flexibility given to managers. We should like to see more managers with budgets covering all (or nearly all) of the resources they use in pursuit of their objectives; and with flexibility to decide how those resources should be allocated. We include in this the flexibility to delegate resources and authority within the hierarchy of budgets for which the manager is accountable. Managers cannot in practice exercise much flexibility if they have budgets for only a small fraction of their resources, or if they are forbidden to switch the mix of resources they use in order to improve their performance. Conversely departments which have given managers more comprehensive budgets are also able to give them more flexibility and responsibility. Examples include:

- Customs and Excise where Collectors have budgets for 96 per cent of running costs and authority to switch

within them;

- the Central Office of Information, where Group Directors have a formal statement of delegated financial control from the Accounting Officer. It gives them unlimited flexibility to vary the mix of resources within their budget and staff ceiling, and to delegate the same flexibility down to the job managers;

- the Department of Trade and Industry where running costs budgets are delegated formally to Grade 2s, for them to delegate onwards to managers of local operations covering 840 cost centres (usually down to Grade 7).

3.5 The central report from the MDR of budgeting said that the principles of budgeting were equally important for programmes, but that their practical application was more complicated because of the diversity of programmes. Programmes vary in the degree of control the department can exercise (particularly where they involve local authority services); the time-lag between expenditure and results; and the difficulty of measuring the results. Responses from departments confirm these findings. Budgeting for programmes is most advanced where there is direct control. Two examples are:

- the Overseas Development Administration which has delegated to line managers control of bilateral aid projects; and

- the Manpower Services Commission where Regional and Area managers hold budgets for the Youth Training Scheme and Adult Training.

3.6 An important step towards budgetary control is to give policy managers specific responsibility for the financial management of programmes. Five departments emphasised this aspect of their financial management in their responses:

- the Department of the Environment started in 1984 a rolling programme of reviews of the organisation of the financial

management of each of its programmes. The reviews lead to a formal statement of the responsibilities and delegated authorities of the line managers and of the central finance divisions;

- the Department of Education and Science allocates responsibility for controlling each block of programme expenditure to a "Responsible Officer" (at Grade 7);

- the Ministry of Agriculture, Fisheries and Food gives policy managers (usually at Grade 5) responsibility for planning and controlling the associated programme expenditure;

- the Department of Transport has transferred responsibility for financial management of the roads programmes to the highways command, with further delegation down to the network of nine regional offices;

- the Department of Energy which has delegated to heads of units (usually at Grade 3) financial responsibility for programme expenditure, and given them authority to sub-delegate to lower level managers. This authority is exercised by almost every management unit.

(2) **Budgets must be linked with the Government's annual review of public spending, and turn those plans into action.**

3.7 How senior managers use their top management systems (MINIS and its equivalents) is crucial. All departments have arrangements to let Ministers and senior officials review performance and priorities. It is difficult for us to judge how well they inform decisions in the annual review of public spending where there is no formal link, but we fear that the lack of a clear connection could reduce the value of the budgeting process. Managers need to see that their proposed plans and targets are considered by senior managers and Ministers in the public expenditure Survey, and that budgets reflect decisions in the Survey. Where top management systems are used for the

public expenditure Survey there is a clearer link to and from budgets. Four examples are:

- the Department of Trade and Industry's Activity and Resource Management (ARM) reviews, early in the calendar year, look at plans for the immediate (budget) year and strategy for the following Survey years;

- the Welsh Office's "Compendium of Objectives" sets out divisions' programme expenditure and running costs, objectives, targets and measures of performance for discussion with the Secretary of State;

- the Department of the Environment where MINIS reviews running costs and programmes, and now looks beyond the immediately coming year;

- the Ministry of Agriculture, Fisheries and Food where MINIM (Ministerial Information in MAFF) gives Ministers and the management board draft plans from each of the budget holders for programme expenditure;

- Customs and Excise now incorporate in their Management Plan a forward look over the PES period which provides a framework in which PES bids can be made by Managers and then scrutinised by the Board before submission to Ministers. Similarly, the outcome of the PES provides the basis for the detailed plans for the immediate year ahead.

(3) **Budgets should include output and performance indicators, and there should be regular evaluation of what has been achieved compared with the objectives that have been set.**

3.8 **All departments try to link the resources in budgets to what they are trying to achieve. They have not all found useful indicators for running costs and programmes which allow direct links between inputs and outputs. This does not mean that they**

cannot compare what has been achieved with the objectives that were set. The key is to set the objective at the outset in a way which is clear and specific (not all the objectives we have seen are in our view as clear and specific as they could have been). Managers can then account for what they have achieved with the resources at their disposal; and their line managers can judge their performance.

3.9 It is however easier to see the use of measures of achievement where they can be quantified. Departments reported improvements in both the quantity and quality of these indicators. For example:

- the Department of Trade and Industry now has over 600 targets, output measures and performance indicators which are used to set budgets and then to review achievement mid-year and end-year;

- the Scottish Office's management plans require budget holders to show objectives and the costs of achieving them. These indicators feed through to the published Scottish Commentary which had 50 performance indicators in 1986 (compared with 12 in 1983);

- the Department of Health and Social Security has developed broad unit costs for social security operations and cost per case measures which are part of the pilot scheme for management budgeting in the Health Service;

- Customs and Excise introduced in April 1986 a management information system for VAT collection which provides quarterly reports of resources used and results achieved compared with local and national targets;

- the Department of Employment use various unit costs both to measure performance and to set targets: eg the staff cost and the total cost per benefit payment made to unemployed people;

- the Department of Transport sets unit cost targets for its fee-earning businesses.

(4) Top managers must organise their own work and that of their departments so as to make clear the responsibilities for setting priorities, managing resources and reviewing performance.

3.10 This is the area where there is least to be said about the processes of budgeting. Departments have arrangements - MINIS and its like - to review performance and allocate resources. They have support, generally from the finance division and finance specialists; and increasingly also from the consultancy, inspection and review services. Information for Ministers and senior managers is growing in quality and - rightly - shrinking in volume. Two further developments are worth noting.

3.11 First, many departments had changed or are changing the traditional boundaries between a Principal Establishment Officer (PEO) and Principal Finance Officer (PFO). Some have had combined PEO/PFO posts for some years. Others are finding that redefining the split of responsibilities between PEO and PFO helps to achieve clear responsibility for the financial management of all resources. For example:

- the Department of Health and Social Security created in 1986 a combined PEO/PFO post;

- the Central Office of Information have decided to bring all consultancy, inspection and review services within the Finance Division, with a view to merging Finance and Establishments Divisions in 1988;

- the Department of Energy has appointed a director of resource management to co-ordinate CIR services, programmes and administrative expenditure within the division headed by the PEO/PFO.

3.12 Second, Grade 2s (Deputy Secretaries) should have a dual role, as members of the senior management team and as line managers. This dual role needs to be put into practice more widely. Reports from, for example, the Departments of Trade

and Industry, Employment and Energy and Scottish Office show it can be made to work.

Examples of managers using budgets

3.13 The final and most important test is how these arrangements are used to take decisions. Sir Robin Ibbs' report on value for money (VFM) targets included encouraging evidence. The JMU's report on CIR services had examples of lower level improvements on a small scale. Departments' responses to the MDR of budgeting point to examples in these same areas of VFM targets, scrutinies and reviews and better use of resources locally. But, as the Scottish Office pointed out, the public expenditure Survey will remain the main vehicle for decisions on resources and programmes.

3.14 Another approach to the benefits of budgeting is to ask how individual managers have used the budgetary process or their delegated authorities to do things differently or better. Departments provided many anecdotal examples of these improvements and we list in Appendix 3 some of the undramatic but worthwhile savings line managers are making.

3.15 Savings of this kind cannot be credited solely to budgeting. Managers should be looking for better value for money all the time, in whatever way they can. Moreover, delegated budgeting means that the centre of a department will usually not know about all the small improvements managers make: if they are within the managers' delegated authorities they are made as part of his job of managing the budget efficiently and not specifically noted. Any list is likely to be only the tip of the iceberg.

ACTION TO SPREAD BUDGETING

4.1 Departments have not reached the end of these changes, or anything like it. Many set plans in 1983 in response to the FMI which stretched into 1986-87 and beyond and have been spreading budgeting year by year. Their responses build on their experience and set new timetables and targets.

4.2 Appendix 4 summarises the specific steps departments will take over the next year.

(1) Responsibility for budgeting

4.3 Over half of the 34 departments plan to spread budgets to more of their managers, or to increase the range of expenditure included in their budgets, or both. This has been, and should continue to be, a high priority. Each department needs to consider whether it makes sense to delegate responsibility and authority for budgets further down the line. There comes a point where line managers have too small a span of control to exercise formal budgetary authorities effectively. There may also be some types of expenditure - eg capital spending - which are made for the benefit of several managers where authority cannot be exercised effectively by the lowest level of management. However, these limits have not been reached. Our view is that it makes sense to give managers as comprehensive and flexible a budget as possible - for running costs and programmes.

(2) Links with the public expenditure Survey

4.4 Action to improve links between budgets and the Survey is concentrated on extending managers' forward looks to the three Survey years (eg MAFF, DHSS), and aligning the timetables for the top management review, Survey, and budgets (eg PSA, Land Registry). All of this is useful. It will put Ministers and senior managers in a better position to set objectives and targets in their reviews of priorities within their departments and in the Survey itself, and to make sure they are turned into action in budgets. Whether or not they do so will be the real test of the improvements.

(3) Measures of achievement

4.5 There are in effect two lines of development continuing here. First, departments plan to introduce more precise objectives and better measures of output and performance. For example:

- the Foreign and Commonwealth Office's scrutiny of output measurement is the subject of a separate action plan to improve the review of formal objectives at all levels;

- the Department of the Environment will emphasise in MINIS 8 the importance of the measurement of performance in terms of the impact of the department's activities on the outside world - ie setting objectives which go beyond the activities which are directly within managers' gift to the results they are intended to contribute to;

- the Land Registry already includes performance in budgets for its network of offices and proposes to extend the practice to headquarters divisions;

- the Office of Population, Censuses and Surveys will review by March 1987 the objectives, targets and performance indicators in all divisions.

4.6 The second stage is to include these objectives, targets and measures of performance in bids and agreed budgets, alongside the resources. Good examples of plans to do this are:

- the Crown Prosecution Service where line managers will agree objectives and targets for their 1987-88 budget allocations;

- the Lord Chancellor's Department, where plans include more formalised mid-year reviews of performance against budget;

- the Ministry of Defence's plans to extend executive responsibility budgets to another 239 units in 1987-88.

(4) Organising top management's responsibilities

4.7 We welcome the action to develop top management systems, in particular by OPCS, DNS, CPS and LCD. We now do not see the systems themselves as a major area of concern.

5. ACTION ON RECOMMENDATIONS FOR THE CENTRAL DEPARTMENTS

5.1 The Treasury and CO(MPO) have responded to specific recommendations in the MDR report by:

- drawing up criteria for deciding whether the running costs of fee-earning activities should be controlled net rather than gross;

- reviewing, in consultation with departments, whether some minor capital expenditure could be included within running costs without infringing effective control;

- giving departments initial guidance on budgeting for manpower;

- helping the departments involved in the MDR plan pilot programmes of team training;

- reviewing, in consultation with five large departments, the use of common measures of performance for common support functions;

- distributing lists of contacts in departments.

5.2 During 1987 these specific recommendations from the MDR of budgeting will be followed up by:

- the MPO's training division who will continue to keep in touch with the experiments in team training and disseminate the lessons;

- the MPO's Management and Efficiency Division which will be continuing its programme of work to stimulate better management of common functions.

(See Appendix 5).

5.3 In addition the central departments will be undertaking the further work set out in Section 6.

6. WHAT MORE NEEDS TO BE DONE

6.1 Budgeting is all about delivering better, as well as better informed and controlled, results. It needs to be backed up by personnel management reforms to make people feel that delivering results will affect the way they are judged. Greater delegation of personnel management should go alongside greater delegation of financial management. Reforms of personnel management are not the subject of this report, but they are essential if we are to get the best results (a point we come back to in para 6.4 below).

6.2 We suggest that departments should report in October 1987 progress on their action plans with particular attention to the changes in budgeting aimed at getting results. We have discussed these with a number of departments. They broadly confirm that three key areas are:

<u>developing</u> better output measures and performance indicators for all programmes and activities, including them in budgets alongside the resources, and using them with other information to plan and review not just how much is spent but what will be achieved and how the results will be measured (taking further the third of the Prime Minister's principles);

<u>including</u> specific objectives and targets in decisions in the public expenditure Survey, and then translating them into line managers' budgets (the second principle);

<u>extending</u> the scope of budgeting by:

widening the coverage of each managers budget, with the aim of eventually including all of a typical manager's running costs;

increasing the flexibility given to budget holders to switch between different types of expenditure;

increasing the number of budget holders and the percentage of the department's expenditure on (a) programmes and (b) running costs that this represents (the first principle).

6.3 Second, we suggested in our report on consultancy, inspection and review services in October 1986 that departments should say in their progress reports on budgeting next year:

- what top management has done to focus better the work of their CIR services;

- what further multi-disciplinary assignments have been done, and with what results;

- what further training in CIR skills they have given their line managers, and what experience they have of managers putting those skills into practice;

- the outcome of their reviews of the organisational arrangements for Internal Audit.

6.4 Third, departments should be asked to report examples of improvements. It does not matter whether the improvements stem from budgeting, or from CIR services, or from an initiative by top management, or from a scrutiny. The distinction between these different management processes and tools is vanishing. What matters are the end results of the changes in financial and personnel management. Departments should be asked to state how they have improved their management and for their 10 best examples of improvements they have made in 1986-87, or subsequently, in the management of programmes and of running costs.

6.5 Although we expect that departments' reports in October 1987 will show further success in budgeting systems and improvements

in performance we cannot say that the plans will allow us to report in December 1987 that every department has achieved all the goals of budgeting. That depends on spreading the right attitudes and skills throughout departments. Since the MDR report, the Comptroller and Auditor General's report on the FMI (HC 588, November 1986) has confirmed both the importance of making budgets more comprehensive and spreading the principles of budgeting to programmes, and the time it will take to do so . The Treasury and MPO will therefore continue to look for ways to stimulate and help departments make further progress. These efforts are by no means confined to the JMU or the central CIR services. They spread throughout the expenditure and pay side of the Treasury and the MPO's personnel management and training divisions. During 1987 the Treasury's and MPO's plans for further work include:

(a) removing unnecessary detailed controls over expenditure. The main opportunities for further delegation are within departments. But as departments have improved their systems, the Treasury has been able to reduce the need for prior consultation and authorisation. Many authorities over expenditure and other matters have already been delegated to departments. During 1987 Treasury expenditure divisions will continue to review delegated authorities where individual departments can demonstrate that changes are justified in the light of their own information and control systems;

(b) reviewing rules and limits of authority delegated to departments. During 1987 the MPO will review the personnel management sections of the Establishment Officer's code and guide and Treasury pay divisions will review a number of detailed controls (eg in the area of allowances) and possible ways to increase flexibility more generally. As with expenditure controls, changes will depend on improvements in departments' information and control systems and the need to maintain, where necessary, common standards across the civil service;

(c) trying to improve the way the Treasury gathers and uses information about departments' plans and performance and efforts to improve value for money. At present there are discussions between expenditure divisions and departments about progress on financial management; and information is collected about outputs in the course of the public expenditure Survey. But the former discussions tend to concentrate on systems and the latter information is not used as well as it could be. The Treasury will seek to link the two more effectively;

(d) a review of the Treasury's staff inspection guidelines;

(e) a report, by September 1987, for departments distilling the lessons emerging from departments which budget for programmes or are undertaking pilot studies in budgeting for programmes in response to the MDR report;

(f) continuing to check that the principles of policy evaluation are understood and accepted by managers; that good methods are available and better ones developed; and that evaluation becomes an integral part of the management of policies and programmes;

(g) a review, and report in December 1987, on how effective the arrangements for co-ordinating the work of the central CIR services have been;

(h) guidance notes on performance measurement: one will be designed as a practical guide for line managers and will cover both administration and programmes; the other will be more of a manual of performance measurement for specialists. These documents will be in addition to the Guide to Managers on Policy Evaluation, a draft of which is already in use;

(i) a review of the definitions of responsibilities of PEOs and PFOs;

(j) a report, by June 1987, for departments of progress in giving managers flexibility to switch expenditure within a budget, and of experience in responding to unexpected changes and crises.

6.6 There is much other work on pay and personnel management, and on individual policies and programmes, which bears on the development of better management. We have selected here only the points which are more directly relevant to the follow-up to the MDR of budgeting.

APPENDIX 1

YARDSTICKS FOR SUCCESS OF BUDGETING IN DEPARTMENTS

These yardsticks were circulated to departments in draft on 29 April 1986 and, with only minor amendments, issued with the Chief Secretary's Private Secretary's letter of 9 June 1986.

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) Aggregated statements of responsibilities and costs for functions which cross management lines (eg training).

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 budgeting 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:

(vi) 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.

(vii) 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.

APPENDIX 2

SUMMARIES OF DEPARTMENTS' PRESENT POSITION

Each report in this Appendix has been agreed with the department concerned as a brief summary of developments under the four principles in the Prime Minister's foreword to the MDR report.

DEPARTMENTS RESPONDING TO MDR OF BUDGETING

1. Ministry of Agriculture, Fisheries and Food
2. Intervention Board for Agricultural Produce
3. Cabinet Office (Management and Personnel Office)
4. Crown Proscution Service
5. HM Customs and Excise
6. Ministry of Defence
7. Department of Education and Science
   Department of Employment Group
8. Department of Employment
9. Manpower Services Commission
10. Health and Safety Commission
11. Department of Energy
12. Department of the Environment
13. Department of the Environment (Property Services Agency)
14. Export Credits Guarantee Department
15. Foreign and Commonwealth Office
16. Office of Fair Trading
17. Department of Health and Social Security
18. Home Office
19. Central Office of Information
20. Inland Revenue
21. HM Land Registry
22. Lord Chancellor's Department
23. Department for National Savings
24. Northern Ireland Office
25. Ordnance Survey
26. Overseas Development Administration
27. Paymaster General's Office
28. Office of Population Censuses and Surveys
29. Scottish Office
30. HM Stationery Office
31. Department of Trade and Industry
32. Department of Transport
33. HM Treasury
34. Welsh Office

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD

1. RESPONSIBILITY FOR BUDGETING

Budgets for programme expenditure are managed by Budget Officers, normally the Grade 5 responsible for the relevant policy. Budgets for most running costs were decentralised to 75 per cent of the department in 1986-87. Manpower is managed within number ceilings by all Grade 3's and Chief Regional Officers. In total there are some 120 Budget Officers and Budget Centre Managers under DBC, many of whom delegate some budgetary responsibility to the 400 staff who report to them.

The decentralised budgetary control (DBC) system covering most running costs including pay, follows the management line down to local offices. The Management Board considers and approves final budget bids within DBC as well as other Estimates, PES and manpower bids. MINIM provides aggregated statements for all functions including those which cross management lines. Resource statements have to be agreed by all concerned.

2. LINKS WITH PES

PES is based on the preparation by budget officers of expenditure forecasts and proposed policy changes which are scrutinised by the Management Board at various stages. Internal PES mechanics are closely integrated with MINIM. Budgets, both for running costs under DBC, or managed by budget officers (for programme expenditure), are based on or considered against the relevant PES provision. Outturn is used to assist the preparation and scrutiny of bids.

Much agricultural expenditure is demand-led and dependent on EEC negotiations, and not within conventional budgetary controls.

3. MEASUREMENT OF ACHIEVEMENT

MINIM shows results as well as costs, quantified where possible. In many areas the diversity of individual tasks reduces the usefulness of unit costs as a performance measure. DBC budgets include objectives in the form of a 'job to be done' statement. The outcome of efficiency

scrutinies are carried through into budgets. ADAS targets are being translated into DBC budgets for 1987-88.

4. ORGANISATION OF TOP MANAGEMENT'S RESPONSIBILITIES

The Management Board which is chaired by the Permanent Secretary comprises the 5 Grade 2 line managers and the Grade 3s responsible for Establishments, Management Serices and Finance functions. It is supported by the Establishments, Management Services and Finance Divisions, with the Financial Management Team having central responsibility for budgetary developments.

The management accounting information system provides regular reports for line managers and higher level summaries; further developments are being made to improve timeliness and flexibility of reporting.

INTERVENTION BOARD FOR AGRICULTURAL PRODUCE

1. RESPONSIBILITY FOR BUDGETING

There are 4 budget centre managers (Grade 5), and some 21 cost centre managers (Grade 7). Budgets are held for certain running costs items such as T&S, printing, and advertising; Wages and salaries and other expenses are not delegated to budget holders they are managed centrally but notified monthly to budget and cost centre managers.

Budgets are agreed by budget holders with Finance Branch and submitted in aggregate form for approval by the Chief Executive (Grade 3) who consults the Senior Management Group (SMG) as necessary.

2. LINKS WITH PES

Following Supply Estimates, Administration budgets are fixed in discussion between Finance Branch and individual cost centre managers using volumes underlying the agreed PES provision for programme expenditure. Budgets usually cover only one year ahead.

3. MEASUREMENT OF ACHIEVEMENT

A number of indicators of performance but the direct relationship of inputs and outputs is used in only 2 areas where staff numbers (the main input) are determined in part by reference to through put of work and processing delay factors respectively.

IBIS system being developed to provide for plans agreed with Ministers to be passed down to line management.

4. ORGANISATION OF TOP MANAGEMENT RESPONSIBILITIES

Senior management group (SMG) consists of the Chief Executive plus 5 senior managers. Their responsibilities are the subject of a recent report by management consultants appointed by IBAP.

Finance Branch A supports top management and provides service to line managers; eg issues expenditure statements (with target of 10 working days at the end of the month) and deals with enquiries.

CABINET OFFICE

1. RESPONSIBILITY FOR BUDGETING

There are 16 Responsibility Centres, 25 Budget Centres, 150 Cost Centres in Management and Personnel Office. Cabinet Office has 4 Budget Centres and 22 Cost Centres in Establishment Officers' Group. The Central Statistical Office (CSO) has budgets delegated to Grade 5 level. Budgets in Cabinet Office Secretariat are held at Head of Secretariat (mainly Grade 2) level.

Guidance issued on delegated authority and division of responsibilities between the Responsibility Centre Managers and Central Finance.

In MPO there is a process of discussion and agreement through to Permanent Secretary level, there is an End Year Review and 3 'Set Piece' occasions during the course of the year when performance is reviewed either by the Second Permanent Secretary or Top Management Board (TMB).

2. LINKS WITH PES

For 1986 the planning stage took the form of a Strategy Conference involving TMB and key staff.

Second Permanent Secretary's End Year Review takes place at same time as Department's PES bid is being finalised.

Strategic planning exercise at beginning of each financial year requires budget holders to look at objectives and resource requirements over 3-5 years.

New arrangements were introduced in 1986 to provide better feedback to managers about the outcome of PES bids to help translate those decisions into Budgets subsequently.

3. MEASUREMENT OF ACHIEVEMENT

The management accounting system for MPO and the Establishment Officer's Group relates work planning, resource allocation, and performance

monitoring. Work plans are drafted in terms of objectives, timescales and quantified planned outputs. Unit costs are used eg for typing services, reprographic services the CSOs computer services.

Each budget centre manager in MPO is required to incorporate at least two value for money targets in the work plan that supports the budget bid.

4. ORGANISATION OF TOP MANAGEMENT RESPONSIBILITIES

Reorganisations in MPO in 1983 and 1985 have clarified responsibility with revised delegations of authority from the Accounting Officer to line managers and PEFO.

Finance Division supports top management and provides service to line managers: eg issues cost statements (with target of 10 days of end of month) and deals with enquiries (target to respond within 5 days).

THE CROWN PROSECUTION SERVICE

1. RESPONSIBILITY FOR BUDGETING

All the Department including HQ is operating line management budgeting. Budgets include all activities and costs including accommodation.

Budgets run from Branch Offices (Grade 6) in the field through 31 areas to Field Management in HQ and then to the Central Management Group.

2. LINKS WITH PES

CPS is too new a department for it to have current practice in this area but the action plan lists several aspects for development.

3. MEASUREMENT OF ACHIEVEMENT

94 per cent of staff in the Department are covered by the performance measurement system in the field for which data collection started with the service becoming fully active on 1 October 1986.

Under thIS system unit costs are derived for all prosecution and related work in the field. As yet the Department does not have agreed outputs associated with budgets. This aspect is being developed.

The measurement system includes the payment of fees to Counsel and to Agents (ie prosecuting solicitors in private practice).

4. ORGANISATION OF TOP MANAGEMENT'S RESPONSIBILITIES

The Grade 2 head of Field Management is the top of the budgeting line and responsible for resources for the field. Similarly the heads of Legal Services and Support Services are responsible in their areas. Together with the Head of the Department these three heads form the Central Management Group (CMG) which exercises collegiate responsibility.

The CMG receives financial reports and reports on performance. It is supported by Management Services, Financial Services and the Secretariat who together plan to develop the co-ordination of top management information.

CUSTOMS AND EXCISE

1. RESPONSIBILITY FOR BUDGETING

Budgetary responsibility is delegated to Director Outfield and from him to the 21 collectors and the Head of the Investigation Division (all Grade 5). These managers have running cost budgets covering 96 per cent of expenditure, including salaries, travel and subsistence, overtime and accommodation plus other office service items (including a small microcomputer budget). Travel and subsistence, overtime and some office service budgets have been sub-delegated to Assistant Collectors (Grade 7). In Headquarters budgets are delegated for travel and subsistence and overtime. In headquarters budgets are delegated for travel and subsistence and overtime to Grade 5. The headquarters Organisation Directorate is also operating pilot delegated budgets for salaries, reprographics, typing, stationery and office machinery to Grade 5 level.

Budgets are challenged, agreed and reviewed, at every level from Head of Department to Grade 7 in the formulation of the PES bid. The Board's Management Plan gets out the priorities, key objectives and targets to be achieved and a forward look over the PES period which acts as guide to senior managers in estimating budgetary requirements.

2. LINKS WITH PES

The Corporate Management Group (CMG) (Chairman and 2 Deputy Chairmen) commission in the Autumn draft plans for the three main functional areas (VAT, customs excise) and six service areas (training, legal, r&d and general supplies, IT, invesigation, accommodation) in the form of (i) a forward look over the PES period; (ii) objectives and targets for the year ahead; (iii) resources bids; and (iv) output measures and performance indicators.

In November the CMG hold a series of formal review meetings covering each of these plans and in the light of the PES allocation the plans and budgets are agreed and eventually summarised and published in the followign year's Board's Management Plan. The draft Board's Management Plan and Budget Allocations are sent to Collectors in early January for them to complete their Collection and operational unit plans and to prepare their PES forecasts.

3. MEASUREMENT OF ACHIEVEMENT

Budgets include target outputs and levels of activities. Resources and measures of achievement are associated in functional and service plans; and below that in Collections and Investigation Division's plans. The VAT area has developed output and performance indicators. In the Customs areas, experimental work began in 1986 on operational planning targeting and output indicators. There are fewer performance measures in Headquarters which is largely policy work.

There are monthly monitoring reports to line managers and Directors and HQ Divisions and also detailed budget outturns. The Corporate Management Group conducts a series of meetings with each Director (Grade 3) supported where necessary by Grade 5s in November each year. Directors produce written commentaries which review performance against previous year's plan, report progress against the current plan and make proposals for the following year. These commentaries are supplemented by an independent brief to the CMG by the Review Secretariat. The 1986 Board's Annual Report shows for the first time activities and key objectives in each functional area and records performance against the targets set.

4. ORGANISATION OF TOP MANAGEMENT'S RESPONSIBILITIES

The CMG review performance, approve budgets and set the strategy for the department. Their formal planning mechanisms include the Board's Management Plan, which publishes the main targets and developments.

Below the CMG the Director Outfield has line management responsibility for 80 per cent of the department's staff and a budget for 96 per cent of their resources. Other directors are responsible for their directly managed resources and for the functions and plans delivered by the Outfield.

The Director Organisation co-ordinates and supports the CMG reviews and provides multi-disciplinary specialist support from Finance and Manpower Division.

MINISTRY OF DEFENCE

1. RESPONSIBILITY FOR BUDGETING

Executive Responsibility Budgets (ERB's) for some 340 units with operating costs of £3½ billion are being developed over a three year period to 1987-88 on the basis of comprehensive management accounts covering inputs and outputs for establishments engaged on executive activities in the maintenance and support field. Some 100 units (£2½ billion) are already operating budgets. Staff Responsibility Budgets (SRB's) for personnel and some related costs covering most UK based civilian staff (165,000) and 18 per cent of service personnel in the support field (58,000) are managed by 206 budget holders, normally at Grade 4 or equivalent level. A common methodology is being developed for reporting staff costs for both purposes.

2. LINKS WITH PES

The Long Term Costing System (LTC) is the principle resource allocation mechanism. It has a 10-year planning period, for which members of the Service Board have building blocks of expenditure and plan priorities and projects. There are no formal links with PES. Budgets cover the Estimate year only (ie one year ahead). There is a limited link between the budget and Estimates processes to ensure the assumptions are consistent.

The timetable can vary according to when decisions are taken on aggregate control figures, but in general ERBs are agreed in March/April and draft budgets are submitted in the summer for scrutiny in August. Provisional agreement is reached in September and checked against cash provisin in Estimates. Detailed work programmes are drawn up in October leading to budget adjustments in January and final agreement/approval in March. There are procedures which are designed to ensure that the annual cash provision in budgets is not out of line with the relevant estimates provision and that the assumptions are consistent.

3. MEASUREMENT OF ACHIEVEMENT

Holders of executive responsibility budgets (ERB's) are required to agree with their senior managers a detailed programme of work together with

targets and performance indicators. Many units are already using performance indicators for day-to-day purposes. Units have primary responsibility for developing indicators, although central advisers are available and the centre disseminates of best practice. Some value for money targets have been set for the department but the emphasis is on targets for individual senior managers (two star rank/Grade 3 level), though they will cascade down through the medium of ERBs.

Budget controllers carry out monitoring in-year using quarterly reports, and have end-year reviews, in association with other interested parties (eg users), in July and August. Summary reports are then made to the Principal Finance Officer.

4. ORGANISATION OF TOP MANAGEMENT'S RESPONSIBILITIES

The Financial Planning and Management Group (FPMG), which is chaired by the PUS and includes the Chiefs of Staff, is the apex of the planning and resource allocation machinery. Its role has recently been extended to cover management strategy and performance. The management of the ndividual services and the Procurement Executive is exercised through 4 management boards chaired by the appropriate Chief of Staff and Chief of Defence Procurement. They carry out annual audits in the summer and early autumn to review performance and identify issues for the next LTC/Estimates round.

MINIS provides summary information for ministers and top management from 170 service and civilian managers.

A central secretariat, headed by an Assistant Secretary supports the FPMG in its top management body role and acts as the FMI lead division. It has the policy and development responsibilities for MINIS, ERBs and SRB's with a primary objective of securing a coherent management strategy and developing the budgetary system.

DEPARTMENT OF EDUCATION AND SCIENCE

1. RESPONSIBILITY FOR BUDGETING

Each separately controlled block of programme expenditure is managed by a Responsible Officer (normally Grade 7). The block is bid for by the Branch Head (normally Grade 3) in discussion with Grade 5s. Allocations are decided by Ministers on the advice of the Public Expenditure Planning Group.

The Department seeks to secure better value for money from local authority expenditure on education by setting policy objectives and targets, monitoring performance, improving performance indicators and through the use of its specific grant powers.

Running costs are delegated to four cost centres, three of which relate to identifiable and discrete areas of work and one, the central cost centre, to headquarters. Within the central cost centre each Head of Branch (normally Grade 3) is a budget holder for most items of expenditure. In this way clear responsibilities for managing the component parts of the running costs budget have been assigned to named officers who have been given clearly defined objectives.

2. LINKS WITH PES

The planning process is the Trident system consisting of a review of Ministerial Priorities in February as a basis for PES bids, Branch Programme Meetings and the annual Staffing of Functions exercise in November. Each Branch has one annual programme meeting which is attended by the Permanent Secretary and the Grade 2 in whose command the branch lies. Those branches responsible for the larger vote expenditure programmes have their meetings at times most appropriate for PES.

3. MEASUREMENT OF ACHIEVEMENT

The Public Expenditure White Paper sets out a range of performance indicators including staff student ratios, participation rates, examination performance and unit cost information which allow comparisons of relative movements to be made.

Branch Programme Meetings allow top management to review what has been achieved, to assess whether objectives are challenging and realistic and to probe how performance will be measured.

Line managers in divisions hold regular reviews of performance and objectives.

4. ORGANISATION OF TOP MANAGEMENT RESPONSIBILITIES

The Management Group (Grades 1 and 2 and the PEO) decides branch complements, fixes cost centre budgets and monitors in-year expenditure. The Public Expenditure Planning Group /Grades 1 and 2 and the PEO) considers programme expenditure and advises Ministers on PES. The Troika (PEO, PFO and a third Grade 3) are charged by the Management Group to co-ordinate CIR work programmes and advise on the promulgation of central initiatives within the Department.

DEPARTMENT OF EMPLOYMENT

1. RESPONSIBILITY FOR BUDGETING

Some programmes and nearly all running costs (including manpower) delegated to 40 Grade 5 commands. Budget holders have authority over salary travel and subsistence, accommodation, telecomm and postage costs and can transfer resources among them within their budgets.

Within the Unemployment Benefit Service Regional Benefit Managers (Grade 5-6) and Area Benefit Managers (SEO) hold budgets. Office Managers (HEO) are also involved in setting and reviewing budgets. The total number of budget and sub budget holders is over 1,000.

Construction of budgets for running costs involves most levels in a command from budget officer (HEO/SEO) through the line to Grade 3 division heads who discuss and agree bids. These are submitted to the Senior Management Group (Permanent Secretary and two Grade 2s plus PEO, PFO and Head of SMSU).

All parts of DE, including HQ already participate fully in the budgeting process.

2. LINKS WITH PES

PES bids are built up from command bids and fed to top management in February-March. Commands bids for manpower running costs and programme expenditure cover all three years.

Senior Management Group (SMG) scrutinises the aggregate bid in March-April before submission to Ministers.

SMG reviews the performance of individual commands in April-September before commands submit running costs budget bids in October. These reviews may also feed into the next PES round.

3. MEASUREMENT OF ACHIEVEMENT

Budget bids are accompanied by workload assumptions and outputs. These can include unit costs (eg telecommunication cost per unemployed registrant). The Department is also developing measures of quality such as the speed and accuracy of payments by the UBS.

Budgets for major demand-led programmes are held nationally; there is regular monitoring of outturn against forecast.

Reviews of expenditure against approved budget are carried out by Division Heads before the Senior Management Group's reviews of commands in the summer. Review of achievement includes consideration of key performance indicators.

4. ORGANISING TOP MANAGEMENT RESPONSIBILITIES

The Senior Management Group comparises the Permanent Secretary, and the two policy Grade 2, with the PEO, PFO and head of the Senior Management Support Unit in attendance. It reviews PES, Estimates and budgets from commands, their financial performance in-year, and their annual reports on performance and plans. Monthly monitoring through management and resource information system by SMG against forecast profile is supported by reviews of running costs at 6 and 9 months stages.

The management accounting system (RIS) issues reports covering expenditure against budget by command for line managers and for SMG. SMG is supported by a small non-specialist secretariat. A CIR services co-ordinating committee draws together reports and plans of main CIR services.

MANPOWER SERVICES COMMISSION

1. RESPONSIBILITY FOR BUDGETING

Budget for running costs are held by managers at each level in the department down to area managers in Training Division and local managers of jobcentres, Community Programme Teams etc: a total of 1,500 budget holders down to grade EO level. Budgets for programmes are also devolved in appropriate areas: eg YTS and adult training (about £1,150 million) to area managers (grade 7 level). Budget bids, prepared by the budget holder, are agreed with subsequent aggregate budget holders and reviewed at all levels. The top management system places emphasis on the role of divisional senior management, the Chairman and Director in the budgeting and operational planning process. The computer systems allow statements of costs for functions to be produced.

The MSC's reorganisation into two large operating divisions is intended to clarify lines of responsibility and reduce avoidable cases of functions crossing management lines. (The Skillcentre Training Agency already operates as a separate self-financing agency with budgets for each skillcentre manager and regional manager.)

2. LINKS WITH PES

The Survey process starts in December when Grade 3 heads of division are asked to review baselines and consider bids and options for savings. They then submit reports on the previous year, progress in the current year and plans for each programme for the Strategic Programme Reviews (SPR). The reviews leads to PES proposals for consideration by the Chairman's Management Committee and Ministers. PES bids must have a longer term objectives which are explicitly accepted by senior management.

Operational plans for divisions are prepared in the autumn. The Chairman and Director review progress with each head of division. In the light of those discussions and PES outcomes regional managers prepare regional plans in November-December.

All plans for PES are set against framework of the Commission's Corporate Plan for the next 4 years which is rolled forward and published in the spring.

3. MEASUREMENT OF ACHIEVEMENT

Unit cost information is used in both the SPR (pre PES) and the subsequent Operational Planning round together with other value for money measures.

During the SPR cycle senior managers have to justify resource bids to the Chairman, Director and PFO. The views of Ministers and top management are brought to bear in this process and agreed conclusions are used to set staffing budgets etc.

Measures of output and performance are given in MSC's monthly 'Blue Book' as well as the PEWP, Annual Report and Corporate Plan.

4. ORGANISATION OF TOP MANAGEMENT'S RESPONSIBILITIES

Planning and resources division, headed by the PFO has recently been reorganised. A Resource Controller (Grade 5) working directly to the PFO has been appointed. He holds MSC's corporate responsibility for all forward looking resource issues (including manpower), articulated through PES and Estimates etc and also controls the Survey Unit.

A newly created Top Management Support Unit is responsible for the SPR system. Annual Report and Corporate Plan and provides direct support for top management.

The financial controller - a qualified accountant - monitors in-year expenditure, prepares the MSC's accounts, and advises top management on all aspects of expenditure within the financial year.

THE HEALTH AND SAFETY EXECUTIVE

1. RESPONSIBILITY FOR BUDGETING

Budgets are delegated to Grade 3s (with some sub-budgets at lower levels). Items delegated to Grade 3 include manpower, travel and subsistence, removal expenses, training and conferences. The total number of budget holders is 40.

Budgts are held centrally for postage, telecommunications and accommodation. Budgets for accommodation are delegated to and within the Factory Inspectorate and Research Laboratories. Other divisions have budgets for research, publication and library services.

Authority to vary grades and numbers in manpower (below grade 7 level), and movement from one budget held to another has been delegated to Grade 3s.

New IT system allow budgets to be built up for smaller units.

2. LINKS WITH PES

The planning cycle starts in Spring when heads of divisions are asked to carry out end-of-year review and report to the executive on progress, changes to plans for the year about the start, and outlook for following year (the first year of PES). The Three Man Executive then reviews progress generall and makes provisional allocations and planning assumptions for following year on which heads of division draw up plans in Summer (work, objectives, resources) for next financial year.

Executive considers, in parallel with detailed planning, the plans and major changes for the Survey period and makes recommendations to the Commission. Following this the Executive examines in September each head of division's plan before submission by the Chairman of the Commission to the Secretary of State.

3. MEASUREMENT OF ACHIEVEMENT

There is monthly monitoring of outturn against budget on running costs, and a monthly review by the Executive. Each project has to be

justified to the Executive as to objectives and expected output and registered with target dates for the next main stage.

Heads of divisions' plans of work include activity indicators. Key indicators are published in the Commission's plan of work.

4. ORGANISATION OF TOP MANAGEMENT'S RESPONSIBILITIES

The Executive considers bids from Heads of Division and monitors progress. Its examination and discussion is uniformed by commentaries and papers on resource levels prepared by Planning Branch. The Executive prepares for the Commission, proposals for the Commission's Plan, Estimates and PES bid.

New accounting system introduced in 1986.

Three sections primarily concerned with providing CIR situated in the same branch under a Grade 5.

DEPARTMENT OF ENERGY

1. RESPONSIBILITY FOR BUDGETING

Responsibility for programme expenditure (98 per cent of total budget) is delegated to Grade 3 Heads of Management Units. They have authority to sub-delegate, usually without central constraints or prescriptions, Heads of Unit are fully responsible and accountable with full discretion within their delegated authority.

Running costs (2 per cent of total budget) for manpower, accommodation and most and most office services are held centrally. Responsibility for travel and subsistence, entertainment, conferences, committees and specific training is delegated to Grade 3s with discretion to sub-delegate.

Number of budget holders for programmes and running costs in total is about 100.

Progress of preparation and agreement of budgets through the Divisional return - completed by heads of units.

2. LINKS WITH PES

System revised in 1986. Divisional returns provide the vehicle which focusses Ministers' and top management's consideration of bids for next 3 years PES. It also provides a tasks and manpower overview, describes objectives and main tasks of the division over the full PES period, and includes performance indicators, manpower numbers associated with each task. After the conclusion of the PES the first year's plans in the divisional returns are translated into budgets and Estimates.

In-year monitoring by unit heads. Annual review by management which looks four years ahead

3. MEASUREMENT OF ACHIEVEMENT

Specification of objectives and targets is part of the divisional returns exercise. The Department has noted that the 1986 exercise showed

divisions had not made uniform progress. Top management has emphasised the need for continued improvement in this area.

The department's Financial Management Unit provides help and advice to divisions on objective setting and performance measurement.

4. ORGANISATION OF TOP MANAGEMENT RESPONSIBILITIES

The department's Management Board comprises the Permanent Secretary the two Deputy Secretaries and the PEFO. It meets regularly to discuss priorities and bids for resources. There are more frequent meetings in the Spring to discuss divisional returns and their priorities and resources.

The Board is serviced by the Financial Management Unit.

DEPARTMENT OF ENVIRONMENT

1. RESPONSIBILITY FOR BUDGETING

The Department of the Environment's direct expenditure on administration is around 1½ per cent of the total for which it has responsibility. The bulk of programme expenditure is incurred by elected local authorities whose expenditure patterns may be influenced by capital controls and by grants, but who cannot be made subject to direct control. The approach to budgeting has to be tailored to the particular characteristics of each type of expenditure.

The management of administrative expenditure information system (MAXIS) covers all HQ divisions and regional offices with separate budgeting arrangements for outstations. Budgets include virtually all expenditure (except accommodation charges and certain personnel management costs). The hierarchical system, consists of 13 budget groups (headed at Grade 2), 47 budget centres (Grade 3) and 150 cost centres (Grade 5). Managers at all these levels have some flexibility to switch between types of expenditure subject to central controls on manpower ceilings, and running costs. Bids from cost centres are channelled through the parent budget centre. Budget centre bids for strategic items, including manpower, have to be endorsed by the group manager. The Policy and Management Group (PMG) consider and endorse a manpower and expenditure strategy, which is subsequently reflected in allocations to budget centres, and their allocations to cost centres. Information on budgets and expenditure to date is available down to cost centre level. Cost centres monitor manpower and expenditure, reporting through the hierarchy on a regular basis.

Responsibility for budgeting for programme expenditure is delegated from the accounting officer down through the line management hierarchy to managers at about Grade 7. Delegations also cover responsibilities for NDPBs including regular review via the bodies' corporate plans.

2. LINKS WITH PES

The relationship between PES expenditure and supporting Vote expenditure on grants is complex.

MINIS provides in January-March a strategic review of past and future progress, aims and objectives, targets and priorities. The outcome informs the Survey. Bids and savings are co-ordinated by central finance and considered by PMG before being put to Ministers in April. Following Cabinet decisions on programme totals in the autumn, central finance advise on the strategic breakdown, and subsequently on PES and Vote allocations by sub-programme and sub-head by November.

Bids for manpower and other administrative resources are submitted to coincide with the outcome of the Survey in October. A strategic options paper by finance is considered by PMG in November. Draft budgets are issued to budget groups and budget centres in December (in time for any strategic implications to be considered in MINIS). Directors can then re-allocate within the fixed totals before final budgets are issued in February and March.

For NDPBs, the same PES and MINIS arrangements are augmented by corporate plans which provide an opportunity for a more detailed review of output and achievement and for relating allocations to targets. Reports and accounts are also published for each body.

3. MEASUREMENT OF ACHIEVEMENT

The annual MINIS round reviews performance and future plans against aims, objectives and targets. There is increasing emphasis on measuring the impact of the Department's activities on the outside world. For administrative expenditure and manpower, measures of case workload and unit cost rates for recharged central services are used in assessing requirements. Where possible, unit costs are analysed as a basis for forecasting requirements. Much of the programme expenditure is governed by local authorities; their outputs may be influenced but are not under direct control of DOE. For NDPBs, efforts are made through the corporate plan process to relate output to the level of funding; and provision is made on the basis of a broadly agreed programme linked to output wherever possible.

4. ORGANISATION OF TOP MANAGEMENT'S RESPONSIBILITIES

The Policy and Management Group (PMG) comprising the Permanent and Deputy Secretaries, and therefore including all group managers, are consulted

on a regular timetable on strategic issues relating to bids, allocations and monitoring of both programme and administrative expenditure. They are supported by the Central Policy Planning Unit who act both as PMG and as MINIS Secretariat and are advised by them and/or central finance divisions as appropriate, and by the Directorate of Administrative Resources which covers all CIR services except internal audit.

PROPERTY SERVICES AGENCY

1. RESPONSIBILITY FOR BUDGETING

Management Information Systems currently provide local managers with control over payment of consultants' fees and manpower numbers allocations.

Trials in 1986-87 at local budgets for administration costs in three Directorates (covering 1,800 non-industrial staff, 12 per cent of PSA total).

Programme expenditure subject to cash budgeting.

2. LINKS WITH PES

PSA within MINIS (see summary for the Department of the Enviroment). Cash allocations for programme expenditure are basis for PSA's PES-Estimates-Cash Limit provisions and expenditure.

3. MEASUREMENT OF ACHIEVEMENT

Basic measure for production directorates is works expenditure (ie output) in relation to administration costs. Additional measures to be devised.

Management Information Systems compare costs for major new works with budgets based on private consultants' costs.

4. ORGANISATION OF TOP MANAGEMENT'S RESPONSIBILITIES

Management Information Systems provide senior management with information on workload and resources, for objective setting and performance monitoring.

Finance Division (FPSA(FM)) provides support to senior management controlling trial budgets.

EXPORT CREDITS GUARANTEE DEPARTMENT

1. RESPONSIBILITY FOR BUDGETING

The department is implementing the recommendations of the Management Review which reported in May 1985 and amongst other things recommended the establishment of a business plan and management information system to monitor performance against plan. Below the Board ECGD is divided into five groups. Each group is the main unit for budgeting: each has its own business plan, objectives and trading or related targets. Objectives but not budgets are cascaded down to Principals.

Running costs budget constructed centrally with information from central budget controllers. Link with the business planning procedures is by allocating running costs to trading and public expenditure facilities. . Line managers have only limited involvement.

2. LINKS WITH PES

Business plans form basis for all trading facilities. It assumes 3 scenarios for Board to set key business assumptions. Each group then prepares its business plan. Board reviews and consolidates plans into a departmental plan for following twelve months and next five years which is submitted to Ministers for approval. Once approved targets are set for groups and groups set lower level targets.

There are separate arrangements for running costs and for public expenditure schemes.

3. MEASUREMENT OF ACHIEVEMENT

The department's trading facilities are accounted for in trading accounts prepared on commercial lines and internally each trading facility is accounted for separately. They are required to operate at no net cost to public funds taking one year with another. In addition there are published financial targets, accounting ratios and yardsticks. At present Board monitors financial performance against plan by quarterly financial report.

Management consultants are currently appraising accounting and monitoring procedures.

4. ORGANISATION OF TOP MANAGEMENT RESPONSIBILITIES

Management Board comprises Chief Executive and Under Secretaries and brings together resource planning, allocation and control, setting priorities, monitoring and reviewing performance.

Business plans submitted to Board by PEFO.

Advice on challenging plans provided by Resource Management Group. This Group also acts as Secretariat.

FOREIGN AND COMMONWEALTH OFFICE

1. RESPONSIBILITY FOR BUDGETING

There are 208 posts overseas, of which about 180 form natural budget centres. These have budgets for approximately 30 per cent of local running costs. Overall control of manpower resources at home and overseas (both UK based and local engaged staff) is exercised at the centre by Personnel Policy Department.

Main budget managers in London are the equivalent of Grade 5 heads of division. Each puts forward to his superior proposals for resource use budgets to top management and in parallel a performance assessment against objectives is carried out. Proposals for resource use by the equivalent of Grade 3s are defended in discussion with top management.

Some Grade 3s have programme budgets of £200,000 for responding rapidly to specific opportunities in support of foreign policy objectives and all Grade 3s have budgets for travel and entertainment. Value for money targets include running cost savings of up to £6 million by 1995-96 through rationalisation of the overseas estate.

2. LINKS WITH PES

Resource planning is carried out in the Top Management Round. Each head of overseas post, grade 5 head of division and grade 3 (Under-Secretary) considers in turn outturn data and proposes adjustments to resource budgets, including redeployments, bids for additional resources and identification of high and low priority areas. Resource discussions are held with the Chief Clerk (head of administration) and another grade 2.

The outcome forms the basis of consideration by the Board of Management which takes an overview early in each calendar year and makes recommendations to Ministers for the medium term planning exercise before the PES planing stage - April onwards.

Budget planning takes account of the conclusions of the Top Management Round and is overseen by Top Management. The Financial Planning Group considers the results of the Survey in November and provides guidance to

Finance Department in negotiating the following year's Estimates with budget holders.

3. MEASUREMENT OF ACHIEVEMENT

Overseas posts as well as managers at -home have objectives against which they are required to measure performance. The department completed an efficiency scrutiny of output measurement in August 1986. It made 51 recommendations for developing and using output measures and performance indicators for executive tasks, support services and administration; and the assessment of other work.

4. ORGANISATION OF TOP MANAGEMENT'S RESPONSIBILITIES

The Board of Management consists mainly of Deputy Under Secretaries, chaired by the Permanent Under Secretary. His Financial Planning Group (senior officers in the Administration and Planning Staff) oversees the planning process and negotiations between FCO departments and finance department.

Information is fed to top management through a 'Resources Questionnaire' completed by posts, departments and Grade 3s and the latters' resource discussions with the Chief Clerk.

The Top Management Support Unit in finance department provides central advice on objectives, acts a secretariat for Financial Planning Group and Board of Management, co-ordinates briefing for the whole top management round and follows up its decisions.

OFFICE OF FAIR TRADING

1. RESPONSIBILITY FOR BUDGETING

The 2 Grade 3 heads of policy divisions budget for staff numbers and bid for sums for travel, subsistence, entertainment and other items such as bought-in consultancy. The translation of staff numbers and overheads into budgets is carried out by the finance section. Budgets are not at present formally set but there is a notional allocation to staff down to grade 5 in respect of travel, subsistence and entertainment. These allocations are being extended and formalised. Detailed annual work programmes have previously been prepared only for the main operational divisions. They are now being extended to all units and will be available to the senior management group.

2. LINKS WITH PES

The Office has accepted the recommendations resulting from a top management review, that a medium-term strategic plan with links with PES should be established. The aim is to compile a single document indicating the Office's aims, objectives and targets for the coming 3 years. The plan will be the focal point for all strategic planning and performance appraisal and be rolled forward annually in the autumn.

3. MEASUREMENT OF ACHIEVEMENT

Measurements of output and productivity have been developed at branch level in various parts of the office.

4. ORGANISATION OF TOP MANAGEMENT'S RESPONSIBILITY

The Director-General has responsibility for both the carrying out of statutory functions and, as accounting officer, for the management of the Vote. A senior management group has been set up to consider planning and management issues prior to decisions on policy or priorities.

The Deputy Director-General (Grade 2) advises the director-general on management.

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

1. RESPONSIBILITY FOR BUDGETING

Total number of budget holders is about 1,000. All local office managers (typically Grade 7) have budgets, including manpower, and flexibility to move between cost heads.

Guidance notes on responsibilities issued to all HQ Managers.

Statements of aggregated responsibilities and tasks contained in Divisional Management Accounts which link to resource allocation and provide information to senior management.

2. LINKS WITH PES

Annual PES reviews and occasional strategic overviews (eg review of social security) are supported by:

(i) Divisional Management Accounts the means by which top management determines priorities and resources.

(ii) NHS Management Board planning interacting with Health Authority planning.

(iii) Forecasting of social security (demand-led) spending and complementing system for manpower for social security administration.

(iv) Planning for implementation of changes decided on in review processes such as operational strategy.

3. MEASUREMENT OF ACHIEVEMENT

All operational commands have performance targets which are monitored during the year. Running costs are linked to measures of operational work by a [work measurement based] complementing system.

For hospital and community health services cost per case measures have been developed and are included in pilot schemes for involving clinicians in local management budgeting.

Divisional Management Accounts show resource inputs and partial measures of intermediate outputs such as completion of projects for headquarters

and for central units. From 1987 annual reviews of performance will be carried out by top management on the basis of stewardship reports prepared by Divisions at the end of the financial year.

4. ORGANISATION OF TOP MANAGEMENT'S RESPONSIBILITIES

The main areas of the department are managed by the NHS management board, social security management board, and overall by the departmental Management Board.

Taking social security as an example, regular operational and budgetary information is supplied to social security management team, with summary to management board. There are mechanisms for written communication with line managers, supplemented by senior management meetings (Grade 3 and above) and for NHS with newsletter.

Information to management board through Headquarters Management Account system, exception reports through monthly reporting system.

Support provided by Management Board Secretariat, Budgetary liaison officers support Under Secretaries.

HOME OFFICE

1. RESPONSIBILITY FOR BUDGETING

Direct expenditure is a relatively small proportion of the total public expenditure for which the Home Office is responsible, the bulk being local authority services. Devolved budgets have been developed in two major areas of direct expenditure, however, the Immigration and Nationality Department (IND) and Prison Department. In IND the budget is held by the Grade 2 responsible for the Department, with some sub-budgetary devolution, for example to the head of the Immigration Service (Grade 4). The budget embraces the cost of employing nearly 3,000 staff, and running and non-running cost expenditure. In the Prison Department regional directors and governors of penal establishments have budgets covering manpower and general administrative expenditure: from April 1987 the remaining operating costs will be devolved.

2. LINKS WITH PES

Grade 3 cost centres are used in the PES exercise to consider competing priorities and the anticipated demands of expected developments. Other strands in the annual planning process in the Home Office (though not formally linked to the PES round) are the autumn Annual Performance Review (APR) in which all heads of division give an account of their achievements over the previous 12 months and identify objectives for the 12 months ahead; and the twice-yearly process in which Ministers are enabled to review their strategy for each area of the Office.

3. MEASUREMENT OF ACHIEVEMENT

The Annual Progress Review during the Autumn requires heads of divisions and branches to given an account of the functions they have performed and the resources which were used to perform them. They identify achievements against objectives and the constraints which affected those achievements. These inform the baseline by which performance is to be judged in the following year.

4. ORGANISATION OF TOP MANAGEMENT'S RESPONSIBILITIES

The mechanism by which the APR returns are considered by the Permanent Secretary, with the advice of the Finance and Manpower Department, provides an opportunity to review priorities and to ensure that divisions have identified objectives and the means of monitoring performance. The Management Division has recently been re-organised to strengthen its ability to bring management services expertise to bear more effectively, and to act in support of top management (PFO, PEO and PUSS) in securing improved value for money from Home Office services.

THE CENTRAL OFFICE OF INFORMATION

1. RESPONSIBILITY FOR BUDGETING

Managers in all parts of the department down to job manager have a profit/loss budget. Their budgets are aggregated for scrutiny up the management line by service managers (about 90), directors (10) and group directors (4) before the management group's decisions. Authority and accountability is formally delegated from the Accounting Officer to group directors, who in turn delegate to directors. Directors have unlimited flexibility to switch within their budgets and staff ceilings (which include salaries, overtime, telephones, travel and subsistence, and accommodation).

2. LINKS WITH PES

The department's net PES baseline is small (about £½ million). The main planning and accounting system is the annual trading account. There is an annual review of trading results and performance before the budget round starts in August. Managers then consult customers and consider their needs for in-house services before submitting bids. Management group decides budgets by end-February.

3. MEASUREMENT OF ACHIEVEMENT

As a trading body the main measure of performance for the department is breaking even, taking one year with another. This is taken through into managers' budgets by showing forecast levels of business, expenditure and income; and down to individual jobs which are costed in advance.

There are monthly reviews of trading performance and an annual review of outturn and performance against budget.

4. ORGANISATION OF TOP MANAGEMENT'S RESPONSIBILITIES

The management group comprises the Director General, Deputy Director General, 4 Group Directors, PEO and PFO. Finance Branch provides support for the management group's scrutiny and review of budgets.

Each of the Group Directors is responsible for his budget and is supported by a group administrator (Grade 7).

INLAND REVENUE

1. RESPONSIBILITY FOR BUDGETING

Three quarters of the department (1,050 budget holders including headquarters) is operating line management budgeting. Budgets include manpower, accommodation, and office and other services. Managers can switch within their budget. Budget holders control 72 per cent of the department's expenditure.

Budgets run from over 800 local offices through regional offices to Grade 3 line managers, and then to Board.

2. LINKS WITH PES

Planning process starts with top-level Departmental Development Plan which co-ordinates long-term projects and main initiatives leading in 1986 to production of a departmental statement of priorities (management plan). This forms the basis of senior line managers (in headquarters preparation of Senior Management System for review by Board in December-January before PES round.

Managers in Headquarters officers bids in PES for manpower. Lower level managers only occasionally involved in longer term planning. Have not been involved in PES. Their main focus is line management budget. Budgets turn Survey decisions into allocations of resources for each budget holder.

3. MEASUREMENT OF ACHIEVEMENT

Since 90 per cent of costs are pay or pay-related the main links are between staff numbers and workload. Complementing systems cover all main areas of work in tax, collection and valuation offices.

Management information systems show targets and measures for work which is quantified. They are separate from line managers' budgets.

Some Departmental value for money targets are translated into management information systems and budgets: eg for tax investigation coverage and for clearing backlog of work in tax offices.

Board reviews performance in Senior Management System and in-year reports. Line managers conduct quarterly or half-yearly reviews using management information systems. No formal closed year budget/performance reviews.

4. ORGANISATION OF TOP MANAGEMENT'S RESPONSIBILITIES

Below Board Grade 3 line managers have primary responsibility for resources. Combined PFO/Director of Manpower is also responsible for CIR services.

Board receives and reviews Senior Management System; PES, Estimates and line management budgets; and in-year progress reports. Uses these the Departmental Statement and in addition, Chairman's monthly newsletter to send signals to line managers.

Support for top management provided by Finance Division, Manpower Division and Central Division.

H M LAND REGISTRY

1. RESPONSIBILITY FOR BUDGETING

Budgets for finance, manpower and workload are delegated for regional offices (96 per cent of the department). There are five tiers to the system's structure; the budget committee, accounting centres, function areas, budget centres and cost centres. The budget process reaches down to cost centre level which are small defined units within a budget centre. Each of the 14 regional offices managed at Grade 6 level holds a budget. Its budget is sub-divided into sixteen clearly defined function areas. Budgets are prepared both for non-staff elements and for staff elements including forecasts of workloads, likely rate of absences, standards and salary costs. The non-staff budgets reach down to accounting centre area manager level.

2. LINKS WITH PES

Budgets are set in December-February for the year ahead. The budgeting cycle does not begin until the agreed PES totals for the coming year are known to the budget committee. Survey decisions are translated into budgets, and performance against budget informs decisions in the next cycle.

PES submissions are framed centrally on basis of departmental forecasts of demand.

3. MEASUREMENT OF ACHIEVEMENT

Unit costs linking inputs to outputs are an integral part of the staff budget for each function area. The two basic measures are ratios of cost per unit of work and units of work per staff unit. Budget ratios are forwarded by each accounting centre to headquarters. The budget ratios are used in two ways, to forecast resources required to handle a given workload, and to enable actual performance to be measured against budget.

Performance is reviewed at the management co-ordinating committee's six-weekly meetings. The management accounting system compares

performance with budget throughout the year, the resources used to obtain that output, and identifies variances.

About 80 per cent of the department's work is covered by output standards, the remainder is mainly in HQ.

4. ORGANISATION OF TOP MANAGEMENT'S RESPONSIBILITIES

A policy committee chaired by the Chief Land Registrar focuses on medium and long-term policies, aims and objectives. A management co-ordinating committee chaired by the Chief Executive co-ordinates operations in the short and medium term. The management co-ordinating committee receive analyses of performance, trends and forecasts from the finance division, statistics section, and the management support unit.

LORD CHANCELLOR'S DEPARTMENT

1. RESPONSIBILITY FOR BUDGETING

There are 15 budget holders at Grade 3-4 level who are responsible for 390 cost-centres. The main component of the latter is 366 Crown and County Courts (run by Grade 7 to EO). Managers have flexibility to switch within their running cost budgets from, but not into, manpower. Manpower planning has been brought into the budgetary process with the development of a computerised model to assess supply and demand for resources in Crown Courts.

Programme expenditure on legal aid is demand-led and not budgeted - future control under review.

2. LINKS WITH PES

As part of involving line managers in longer term planning budget holders were asked to sketch out future needs to 1989-90 in advance of the 1986 Survey. After the Survey the Management board made provisional allocations consistent with longer term views of aims and objectives. A full budgeting exercise takes place in advance of the preparation of Estiamtes and includes bilaterals with individual budget holders about objectives and the cash, manpower and other resources needed to achieve these.

3. MEASUREMENT OF ACHIEVEMENT

The LOCIS top management system records functions and sets objectives and targets for achievement in the year ahead. In the courts this takes place through a system of effectiveness indicators comprising measures of input costs and volumes throughput. A recent working party report has produced recommendations for refining these effectiveness indicators and for new efficiency measures for the Court Service. The report is being followed up.

4. ORGANISATION OF TOP MANAGEMENT'S RESPONSIBILITIES

The management board comprises the Permament Secretary, 2 Grade 2's and the Principal Establishments and Finance Officer. A Court Services

Board and a Resources Committee are responsible for overall management and control and consideration of resource implications of new policies and procedures in the courts. An HQ Management Board is being set up under Grade 2 chairmanship to co-ordinate policy in the light of the Departmental Plan. A central secretariat, supported by CIR services, is being set up to to co-ordinate and channel information necessary for the Management Board to give proper consideration to objectives, policies and priorities and take fully informed decisions.

THE DEPARTMENT FOR NATIONAL SAVINGS

1. RESPONSIBILITY FOR BUDGETING

There are five budget centres covering the whole department. These divide into 29 Grade 7 budget commands. The new Management Board will set manpower and financial budgets for all these commands and review them monthly.

2. LINKS WITH PES

The 130 cost centres at SEO prepare their estimates which are grouped into the five budget centre provisions by their finance and manpower branches. The five budget centres form the basis of the control system. In future years the budget centre provisions will require Board approval before they are submitted to the Treasury. Similar processes will be followed for the Survey.

3. MEASUREMENT OF ACHIEVEMENT

There are measures of throughput and output, and of customer service with targets eg for speed of sending out documents. Ratios are used for assessing administrative efficiency and published in the annual report. The MINIS system is moving towards an annual Resource Management Budget to provide a framework for managers at Grade 7 and above to manage their manpower and financial resources.

4. ORGANISATION OF TOP MANAGEMENT'S RESPONSIBILITIES

The five budget centre managers, the Deputy Director and Establishment Officer are members of the Board set up by the new Director in October 1986.

The five budget centre managers (Grade 5) have responsibility for the resources allocated to them. Questions of strategy and priority will be settled by the Management Board which is also responsible for the CIR programme.

The Deputy Director acts as line manager to the 7,500 staff in the three product divisions.

The Management Services Department provides the Secretariat for manpower and CIR topics and HQ Finance provides the Secretariat for the financial budget and spending reviews.

NORTHERN IRELAND OFFICE

1. RESPONSIBILITY FOR BUDGETING

Responsibility for managing running costs and programmes is delegated to 10 responsibility centres (Grade 3) who in turn delegate to about 50 budget centres. Statements of delegated authority define managers' freedoms to switch expenditure. These are to switch within (but not between) running costs, GAE capital, current programme spending, capital programme spending, grants and demand-led payments.

2. LINKS WITH PES

Performance against budget is reviewed each summer in a separate process. This is followed in the autumn by the management information system exercise when budget holders discuss detailed bids for the coming (Estimates) year. Plans for the public expenditure Survey are drawn up by a similar process in January-March.

During a year divisions are required to record the cost implications of any changes in their plans for the years covered by the forthcoming Survey. This record is reviewed before the next round of PES bids.

3. MEASUREMENT OF ACHIEVEMENT

Unit costs and other measures of performance are included in the management information system (MIS) which shows budgets for running costs and programmes. The bulk of programme expenditure is for grants to non-departmental public bodies which do not yet have good measures of output and performance in the MIS.

Targets for improving value for money are set in advance of budgets so they can contribute to decisions on budgets. Performance is reviewed each summer in a separate exercise.

4. ORGANISATION OF TOP MANAGEMENT'S RESPONSIBILITIES

The Senior Management Group (Grades 1, 2 and Grade 3 Principal Finance and Establishments Officer) agrees and reviews budgets. It meets to

consider a summary of the 60 or so reports made monthly to heads of responsibility centres on the progress of running costs and programme budgets.

The resource control branch (within the Principal Finance and Establishments Officer's command) co-ordinates the budgeting exercises, briefs the Senior Management Group on financial matters and disseminates its decisions.

ORDNANCE SURVEY

1. RESPONSIBILITY FOR BUDGETING

The hierarchy of budget and cost centres covers a total number 183 staff from Grade 5 to HEO. Control is by total cost centre budget, giving flexibility to switch expenditure.

A top down detailed plan is constructed for the Department and budgets are then built bottom up to conform to the plan.

2. LINKS WITH PES

Policy aims and resource requirements are planned in the OS Detailed Plan (OSDP) which is reconciled with PES proposals. The preparation of the OS Detailed Plan in July to October incorporates input from all budget centre managers who take into account the options available for achieving objectives.

The financial part of the OSDP forms part of a corporate plan which covers up to 3 years activity beyond the budget year. Part of this planning process involves reconciliation of these years' projected outturns with previously agreed PES and cash limits.

When Supply Estimates are agreed the annual expenditure and revenue budget, and the resource provision in the OSDP are brought into line to ensure cash limits will not be exceeded.

Performance against output, expenditure, and revenue targets forms the basis of plans for future years.

3. MEASUREMENT OF ACHIEVEMENT

Ministers set objectives for recovering the costs of major product groups. Targets are then set for the costs of individual products, and for volumes of production and sales.

Monthly financial reports, via the Department's general ledger system, are provided to Directors, budget and cost centre managers comparing actual with budget expenditure, receipts, costs of production, etc. Monthly statistical reports from work monitoring and sales systems provide non-financial indicators such as work rates, turn round times, output, production and sales values and comparison with targets set in the budget (plan).

Performance against budgets and cost recovery targets for products are monitored monthly by the management board. Annual trading accounts are produced.

4. ORGANISATION OF TOP MANAGEMENT'S RESPONSIBILITIES

The setting of priorities, the co-ordination of action and the review of activities is achieved through:

Ordnance Survey Mamanagement Board monthly meetings (Director General, Executive and non-Executive Directors);

Directors' weekly meetings (DG and Executive Directors only).

The role of top management secretariat is carried out by the Assistant to the Director General (Grade 7).

THE OVERSEAS DEVELOPMENT ADMINISTRATION

1. RESPONSIBILITY FOR BUDGETING

Formal delegation for bilateral aid within the Aid Framework to Country Programme managers, normally at Grade 3-5 level or below. Multilateral aid expenditure not delegated. Running costs budgets delegated to the main divisions and sites and onwards for central departments (eg Office Services). Travel and Subsistence is also now delegated to Grade 3-5 level and an experiment in manpower budgeting is being conducted in the Establishments and Organisation area.

Country review papers begin the budget discussion for bilateral aid and feed into the Aid Framework. This looks at past and present performance and prospects for several years ahead. Manpower reviewed with programmes. Budget holders submit running cost budgets for agreement and these proposals are being linked to the same timetable as the main Aid Framework.

2. LINKS WITH PES

The Aid Strategy Paper (February) looks at policy issues preceding the PES exercise. Following Country Review Papers, PES bids are translated into the Aid Framework Document in August followed by bids against the unallocated reserve for the following year. Running cost bids are made in September. Final proposals are considered by the Aid Policy Board, FCO Ministers and the Joint Aid Policy Committee when the PES outcome is known.

3. MEASUREMENTS OF ACHIEVEMENT

Standard project framework used to assess individual projects covers both inputs and outputs, and details how these will be assessed. Some are specified in very general terms and differ considerably between projects. Running costs are disaggregated to attribute aid delivery costs to programmes.

Key development targets are expressed in terms of minimum criteria for bilateral aid projects. In the administrative cost area CIR services,

efficiency scrutinies and delegation of manpower posts are used to measure VFM achievements.

An Annual Report is also published.

4. ORGANISATION OF TOP MANAGEMENT

PEO and PFO report direct to the Permanent Secretary. Deputy Secretary oversees all programme spending divisions. Programme resource responsibility devolves through Under Secretaries to Grade 5 Heads of Department and Development Divisions and authority for expenditure is defined in Office Procedures. Arrangements for setting priorities utilise the Country Review Papers, Aid Strategy Paper and Aid Framework.

A new Management Information System is being installed in stages to provide improved information for decision making. Top management support is provided by normal line management responsibilities, overseen by the PEO and PFO. The major policy committees direct the priority and allocation of resources and the setting of targets.

PAYMASTER GENERAL'S OFFICE

1. RESPONSIBILITY FOR BUDGETING

Officers controlling expediture (OCEs) are responsible for preparing budgets after consulting budget holders. Draft budgets are collated by the Secretariat and then discussed and reviewed by the Executive Board.

2. LINKS WITH PES

Well established procedures already exist for Information Technology. These will eventually form part of an overall Office Plan which will reflect business and support service strategies looking over the PES period.

3. MEASUREMENT OF ACHIEVEMENT

Unit costs are produced for the cost of issuing and paying a pension and cost of banking transaction. SEOs are responsible for proposing manpower budgets for Supply Estimates and PES. For pensions they take account of an estimate of future new cases calculating a pension growth figure and allowing for an estimate of ceased cases.

Computer projects are controlled by PROMPT project management technique which provides comparison of actual resource costs with estimates, investment appraisals and a final review stage to see that benefits planned are achieved.

Key depressions are used to calculate staff levels for data preparation.

Pensions caseload targets are set by staff inspectors taking account of work throughput and pension cases per head of clerical staff ratios.

4. ORGANISATION OF TOP MANAGEMENT'S RESPONSIBILITIES

The Top Management Board comprises the Assistant Paymaster General and 2 Grade 6 officers. The Executive Board comprises them plus 6 Grade 7s. Management Services has been reorganised to provide central secretariat.

OFFICE OF POPULATION, CENSUS AND SURVEYS

1. RESPONSIBILITY FOR BUDGETING

Budgets are held by 9 heads of division (Grade 3 and Grade 5) for manpower, travel and subsistence, and other minor incidental expenditure. There is presently little flexibility for managers to switch resources within their budget and delegation down the line has not yet been fully achieved.

Division's budgets are aggregates of some 130 cost centres (typically at Grade 7 and SEO). Cost centre managers bid for resources when their divisions are preparing budgets but do not yet hold budgets or have decentralised authorities.

2. LINKS WITH PES

Planning for PES begins in January as the basis for the submission to the Minister in April, and includes divisional reviews of achievement in the current financial year. The PES plans are agreed by the Management Board mid March, subject to Ministerial approval. Planning for the Estimate begins in September of the previous year based on the PES provision: the Management Board approves the Estimate mid November; agrees budgets mid January; and agrees work plans for the Estimate year mid March.

3. MEASUREMENT OF ACHIEVEMENT

Output and performance measures have yet to be fully incorporated in the budgetary system. They hav been brought together with budgets in statements of objectives, targets and budgets. These were published in 1985 and 1986 in detail, setting out each division's plans and such measures of achievement as it had been able to identify.

4. ORGANISATION OF TOP MANAGEMENT'S RESPONSIBILITY

The Management Board comprises the Registrar General, the Deputy Director, Chief Medical Statistician and the Principal Finance and Establishments Officer. They carry out 6 monthly reviews, a overview of performance in April and a review of priorities and plans in the autumn.

Finance Branch services top management with information and support. Divisional Budgets are aggregated by Finance Branch and presented to the management board; and regular reprots are made of variations between budget and outturn within the year and year on year.

SCOTTISH OFFICE

1. RESPONSIBILITY FOR BUDGETING

Grade 2 heads of Scottish Departments are budget holders who delegate down to grades 5 and 6. Budget centre managers discuss their budgets with Grade 3/4s; these are then reviewed by the management group members for their departments before they are reviewed corporately. Managers can adjust their budgets and switch between items. The management group monitor in-year when overshoot looks likely. Any changes are then communicated down to basic budget holders so that their plans can be adjusted accordingly.

2. LINKS WITH PES

Planning begins in April when Ministers consider the outcome of management plans to identify priorities, review objectives for the coming year and set objectives for future years. This enables programme narratives to be prepared in May-August when managers are required to review past achievements and the expenditure required to reach those targets, and to reappraise future levels of achievement using the same or different levels of resource. Following PES decisions, management plans are prepared by each Scottish Office division. These leads to detailed budgeting.

3. MEASUREMENT OF ACHIEVEMENT

Unit costs are used to link input and output. The objectives and associated input costs appear in each division's management plan with a note of the result of the previous year. [Failure to achieve the previous year's objectives can then be probed.] Programme expenditure forms over 90 per cent of the Scottish Office's costs, much of which is undertaken by external agencies. Performance measures have also been introduced in this area. Value for money targets for departments are agreed by senior management and Ministers.

Performance indicators are published 1987 Scottish Commentary will contain performance indicators or output measures for over 90 per cent of expenditure.

4. ORGANISATION OF TOP MANAGEMENT'S RESPONSIBILITIES

Heads of Scottish Departments act corporately through the Scottish Office Management Group. Monthly expenditure/budget reviews are undertaken. A small central secretariat (in the management and organisation division which is part of the PEO's command) supports the Management Group; it is co-ordinated with the work of the finance division through the Deputy Secretary, central Services and backed up by specialist support available from the CIR services. Information for the Scottish Office Management Group comes from these three sources.

HM STATIONERY OFFICE

1. RESPONSIBILITY FOR BUDGETING

The trading fund is managed by an executive board (the Management Group) which oversees 8 Directors. Each Director - for an operating or corporate services division - prepares a budget covering all costs: directly controlled costs, charges for corporate services and non-cash costs. These budgets require approval by the Management Group before Directors are allowed to work within the agreed framework. Divisions budgets are typically taken down to SEO or HEO level. There are some 1,000 cost centres.

2. LINKS WITH PES

The Forward Plan sets out each Spring the key policy objectives for the next five years and financial plans to feed the Survey. The first year is the agreed budget which is used to monitor progress. The subsequent year's plans are the main medium by which the Treasury and Minister review operations and agree operational and investment targets, against a background of assumptions about external factors. After agreement the Forward Plan then comprises an authoritative framework of financial and policy objectives for the next annual budget: ie the annual cycle of work is broadly review of performance against budget, annual budget (October-February) and Forward Plan (March-July).

3. MEASUREMENT OF ACHIEVEMENT

The five-year Forward Plan includes forecast operating statements, balance sheets and cash flow statements for each year. There are also where appropriate forecasts of sales, the manpower required to meet demand, capital expenditure, and changes in customer base, products or operating systems. Other non-financial indicators are delivery time and response time on stock items.

Targets in the Forward Plan are set following the Management Group's series of performance and planning policy reviews. They are then translated into budgets. The management accounting system provides monthly statements of performance for all managers. The Management Group monitors monthly with Directors their financial results for the month,

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year to date forecast for the year, control of resource costs cash flow and manpower; and quarterly key performance indicators (eg output per unit of labour used, profit to assets employed, debtors to sales) and specific objectives including capital expenditure incurred against agreed budgets.

4. ORGANISATION OF TOP MANAGEMENT'S RESPONSIBILITIES

The Management Group determines strategy, sets key policy objectives and budget objectives after discussion with Divisional Directors. Divisional Directors are then responsible for achieving their targets.

Corporate Services Divisions provide central Personnel, Finance and Planning and Audit Support. Finance and Planning Division operates the management accounting system, co-ordinates the budgeting and planning exercises, summarises divisions' proposals and reports, and highlights the corporate effects for the Management Group.

DEPARTMENT OF TRADE AND INDUSTRY

1. RESPONSIBILITY FOR BUDGETING

All Grade 2s have budgets for running costs and authority to delegate to 840 cost centres (typically Grade 7 or below). In-year flexibility is permitted.

Discussion and review of budgets culminating in the annual Activity and Resource Management review is facilitated by monthly reports from the FINMIS system.

Some budgets (eg training) for department-wide functions have not been delegated to line management but for others (eg casework on Support for Innovation) facilities exist on FINMIS through functional as well as cost centre coding for aggregated statements to be produced.

2. LINKS WITH PES

The annual Activity and Resource Management (ARM) exercise is linked to PES and requires the submission of Grade 2s' strategy papers which enable the Secretary of State and the Resource Management Group to set priorities at the budget planning stage.

Grade 2s, advised by central divisions, analyse outturn against budget and examine performance together with line management's bids for manpower and running cost provision.

Allocations are made to Grade 2s after Ministers have decided on the results of the ARM review and the draft PES submission.

Attention is focussed on the longer term by Grade 3s having to provide a 5-year forward look for their commands in the ARM exercise and by the setting up of supervisory boards with corporate plans for the Department's major businesses.

3. MEASUREMENT OF ACHIEVEMENT

The Department has over 600 targets, output measures and performance indicators reported in the annual Activity and Resource Management review covering more than 50 Grade 3 commands and all the major businesses.

The department is implementing the recommendations of the Performance Measures Review (1985). Its aim is to increase the scope and usefulness of output and performance measures. A Multi-disciplinary Team has been established to assist line management in the development of performance measurement techniques.

Value for money targets agreed with Ministers are expressed in terms of output measures and performance indicators and taken together with manpower budgets result in "performance contracts".

4. ORGANISATION OF TOP MANAGEMENT'S RESPONSIBILITIES

Grade 2s have responsibility for resources and delegation is governed by a formal statement of the responsibilities and duties of the budget holder. The PEO and PFO roles are combined in one post.

The Resource Management Group (RMG) (Grades 1 and 2) and the Activity and Resource Management review provide a coherent framework for setting priorities, allocating resources and reviewing performance across the Department.

Information is provided regularly by the integrated management information systems of which one (DMIS) allowing data manipulation and modelling for planning purposes is devised for top management support.

RMG is supported by a central secretariat in Finance and Resource Management Division. Each Grade 2 is assisted by a management support officer.

DEPARTMENT OF TRANSPORT

1. RESPONSIBILITY FOR BUDGETING

There are separate budgetary controls for each main area of the department: the 5 main fee-earning activities are required to recover their costs and manage budgets and produce accounts within delegated authorities; DVLD has a separate Vote and financial management system; the HIghways Command has direct responsibility for £900m a year for the national roads programme and delegates authority for that to 9 regional offices; marine Directorate has oversight of eg spending on HM Coastguard, marine pollution. With policy divisions and common services, all of these activites (except DVLD) are within the management accounting system (MAXIS). There is a total of 37 cost centre managers, mainly at Grade 3 level, who control 289 cost centres, typically managed at Grade 5 level.

2. LINKS WITH PES

Ministers approve in April a departmental plan which brings together policy objectives, operational targets, manpower and financial resources. It takes the figures from the previous Survey to focus on resources in the immediate year, but also provides the framework for consideration of longer term issues before the PES round which follows.

After the PES allocations are known the resource budgeting exercise begins with guidelines to managers for their bids in November, analysis of bids, and final budgets issued in March.

3. MEASUREMENT OF ACHIEVEMENT

In DVLD and the fee earning businesses a resource management committee monitors progress, encourages development of performance indicators and sets targets.

The measures vary with the business. Fee Earning Businesses all have cost and output per employee, with some unit costs and indicators of quality of service.

A standard workload unit permits productivity comparison in the Vehicle Inspectorate. DVLD has a performance indicator package which sets out work throughput, transaction costs and waiting time. Highways Command sets specific objectives for the year ahead (agreed with the Director) and subsidiary targets for subordinates; and relates the value of work achieved to input of Regional Office resources. There is a cost benefit analysis of national road schemes.

4. ORGANISATION OF TOP MANAGEMENT'S RESPONSIBILITIES

There is a single Transport Policy and Management Board (TPMB) comprising [the Grades 1 and 2 and PEFO]. The Finance Directorate has manpower and running costs under a single Division.

Annual Departmental Plan provides framework for departments' objectives and deployment of resources and also looks at longer term.

Director (F-M-) at Grade 4 co-ordinates work on financial management [and advice to TPMB.]

H M TREASURY

1. RESPONSIBILITY FOR BUDGETING

Budgets are delegated to 40 responsibility centres in the central Treasury (usually Grade 3), to CISCO and 115 unit managers at EO or HEO level, to the Chessington Computer Centre with 4 main groups, and to CCTA. All budgets include staff costs and travel and subsistence. Accommodation, stationery and office services are managed centrally at each site. Deputy and Second Permanent Secretaries review budgets within their commands before decisions by Planning board.

Managers have flexibility to switch in-year for some but not all costs within their budgets.

2. LINKS WITH PES

There are two main stages in the annual PES, Estimates and budget cycle. In the early Spring each responsibility centre and business prepares a detailed work programme for the following financial year, and an outline budget bid for the year after (year 1 of the Survey). These are passed up the management line for scrutiny, and agreed (with amendments as necessary) by the Planning Board. The PES baseline is then fixed on this basis.

Detailed budget bids are submitted in the autumn in the light of Planning Boards earlier decisions and the PES framework. These are scrutnised by Finance Division and subsequently disclosed, amended as necessary, and agreed by Planning Board.

3. MEASUREMENT OF ACHIEVEMENT

In the businesses (CISCO, Chessington Computer Centre and parts of CCTA) there are unit costs, and other output measures and performance indicators. They are included in budgets and used to set targets for improving value for money.

The central Treasury uses quantified performance measures for office services, personnel work and superannuation. Other work is judged by comparison with objectives set in work programmes.

4. ORGANISATION OF TOP MANAGEMENT'S RESPONSIBILITIES

The Planning Board comprises the Grades 1, 1a, 2 and the PEFO. It reviews and approves budgets for each responsibility centre and business.

The members of the Planning Board are responsible for the budgets and work programmes of the groups of responsibility centres within their command.

The Planning Board is supported by a secretariat within the PEFO's command.

WELSH OFFICE

1. RESPONSIBILITY FOR BUDGETING

Some three quarters of departmental running costs has been delegated to Grade 3s on the basis of bids aggregated from the requirements of their divisions. Grade 3s can delegate further in accordance with central principles. There is a notional budget for manpower and some flexibility to switch between budgets (but not between permanent staff and other items).

For programme expenditure (98.5 per cent of total spending) responsibility for monitoring accounts representing a sub-head or part sub-head of a vote has been delegated to 150 account holders.

2. LINKS WITH PES

Most of the PES provision is treated as a "block" which is derived from formulae for comparable settlements in England. Grade 3s make bids for part of the block which after consideration by top management are passed on to the Secretary of State. Bids are informed by outturn, objectives and measures of performance. After open discussion with Grade 3s and top management the Secretary of State decides on the allocations for each command.

3. MEASUREMENT OF ACHIEVEMENT

In the Compendium of Objectives produced 6-monthly each division states its objectives and appropriate performance measures. Alongside each objective the corresponding programme and running costs are shown. At the end of every 6 month period the outturn is compared with forecast enabling a continuing process of review, adjustment and improvement to reflect changing priorities due to external pressures to take place.

4. ORGANISATION OF TOP MANAGEMENT'S RESPONSIBILITIES

The top management organisation is the Business Group consisting of Grades 1 and 2, the PEO, the PFO, the Chief Information Officer and the Head of the Permanent Secretary's Division.

Within the Office each Group Head (Grade 3) is responsible for the resources in the group.

EXAMPLES OF SAVINGS AND IMPROVEMENTS

- One of the original pilot budget holders in the Ministry of Agriculture, Food and Fisheries: (CRO, Eastern Region) has sought and obtained approval to reorganise radically the provision of typing services.

- The Cabinet Office (MPO) has decided to move the ex-Medical Advisory Service part of the new Occupational Health Service to full repayment with effect from 1 April 1987.

- The Civil Service Commission has reduced the ratio of candidates invited to interview to the estimated number of vacancies; reduced the requirement for preliminary interview boards; reduced the number of Qualifying Test Centres and implemented more careful matching of Board Chairman to board locations.

- Exhibitions division in the Central Office of Information (COI) produced a plan for reducing their resources in order to bring prices charged for jobs down to a realistic level.

- The major users of COI's storage facility have reviewed their stores holdings and reduced them to relieve pressures on their budgets.

- Assistant Collectors in Customs and Excise (C&E) adjusted their VAT visiting programmes to take account of the impact upon manpower related budgets; cost/benefit analysis work is being undertaken to compare the use of official vehicles against t&s expenditure.

- An Investigation Unit in C&E developed a layout for scheduling VAT offence details on micro computers. There can be significant manpower savings using this facility, amendments can be more easily dealt with and experiences showing that solicitors and accountants are more inclined to accept at face value that the computer calculation of arrears etc is correct.

- Customs staff simplified control of belated valuation declarations and, at a fraction of the manpower cost, were able to obtain a better rate of compliance within 14 days than previously existed. The notional savings at Hull (the first port trialling the change) is £80,000 a year.

- Direct line management responsibility in the hands of the relevant policy branches in Department of Employment (DEm) for both redundancy payments and employment measures has led to savings in the order of £100,000 in staff and running costs - and a better service.

- By investing in more official cars where the mileage involved justifies their use, DEm plans to make savings, on average, of £750 to £1,250 per car per year.

- In DEm, two regions of the UBS have used direct labour for full-time driving, portering, odd jobs handywork etc. One region has reported a saving of some £7,000 over contractors' prices during a six month period.

- The Foreign and Commonwealth Office (FCO) are showing savings of about £800,000 in a year on the running costs of the overseas estate by recycling the proceeds of sales of property into more economic units.

- The Inland Revenue's Stamps Office has used better management information and better working practices to help achieve a 4 per cent increase in documents processed at 5 per cent less cost.

- A £160,000 quote for premises work at a MSC Skillcentre has been reduced to £70,000 through the minor works scheme.

- An MSC job centre manager reduced cleaning costs by £1,400 per annum by switching contractors.

- An MSC Skillcentre has made an estimated saving of £40,000 by using contractors for structural work.

- Substantial differences (£2,000) identified in the travel and subsistence expenditure of 2 similar MSC rural job centres and subsequent investigation has led to one manager producing a more effective visiting programme for himself and the peripatetic Disablement Resettlement Officer (DRO) with consequent savings.

- The Overseas Development Administration has produced savings of five posts by streamlining telecommunications and record review systems, while at the same time producing significant efficiency benefits.

- Sending reports of logged call charges to line managers has reduced bills by 25 per cent in the Office of Population, Censuses and Surveys (OPCS).

- The OPCS reduced the price of the Central Postcode Directory on microfiche by about half as a result of improved procedures.

- Integration and rationalisation of stocks of forms and stationery has enabled the Department of Trade and Industry (DTI) to reduce the size of these stocks from £300,000 to £200,000

- By providing a London Gazette supplement on microfiche the Companies Registration Offices are saving over £250,000 a year.

- By installing machinery to automate cheque handling the Companies Registration Offices are saving £30,000 a year including £20,000 a year in bank charges.

- One of the DTI's regional offices has saved £600 this year through the purchase of meal-inclusive rail tickets, avoiding the need to pay separate claims for meals on trains.

- The Treasury has increased payee to pay clerk ratio at its Chessington Computer Centre by at least 5 per cent.

- The Treasury has reduced the net exchequer cost per transaction of the Civil Service Catering Organisation by 8.7 per cent in real terms in directly managed units.

- The need to reduce levels of working capital in HMSO resulted in managers finding ways to reduce work in progress, speed up billing and improve collection of outstanding debts.

- A new agreement on work schedules at a MOD unit has been negotiated; this has resulted in a reduction in the amount of industrial overtime.

- An army hospital introduced a batch-processing system for the testing of blood specimens; this has resulted in savings of time and materials, and only urgent non-routine tests are now carried out during silent hours.

- A repair depot in MOD has put forward proposals aimed at achieving faster turn-round times, together with higher manpower and space utilisation.

- Highlighting the costs to management of the Naval Air Yard at Perth which led to decisions to cut £¼ million from PSA maintenance and new works together with more effective work procedures which have saved £½ million and energy conservation £10,000.

- Following pilot budgets in the Scottish Office two-thirds of budget managers report savings and there was a saving of £530,000 compared with their total budgets.

- A review of document storage and stock levels at the Bonds Office of the Department of National Savings has released accommodation for DHSS use and will lead to running cost savings in excess of £150,000 a year on the premium bond scheme.

- In the Department of Environment a saving of £107,000 is expected this year as a result of reductions in stock, and line managers being encouraged to manage within their budgets.

- In the Office of Population Census and Surveys (OPCS) organisational changes at the National Health Service Central Register since the start of 1983 have enabled improvements in productivity in excess of 5 per cent per annum to be made, and a

smaller workforce is more than keeping pace with appreciably higher patient registration receipts.

- In OPCS increases in workload in almost all areas associated with the administration of the marriage and registration laws, ranging from 4 per cent and 5 per cent up to 10 per cent in some sections, are at present being contained within existing staffing levels by redeployment of resources and the use of new technology.

- In DHSS a local office in the social security network saved £690 pa by changing window cleaning contracts.

- The first plan for a telephone layout in a local office new working area resulted in a BT estimate of £1,400. Revised plans reduced the cost to £200 with no loss of convenience or effectiveness.

- A local office refurbished, rather than replaced, desks at a saving of £102 per desk.

APPENDIX 4

ACTION PLANNED BY DEPARTMENTS

Each report in this appendix has been agreed with the department concerned as a summary of the main specific points of action it plans to take under the four principles in 1987 (and beyond). They are not comprehensive records and do not include day-to-day developments.

DEPARTMENTS RESPONDING TO MDR OF BUDGETING

1. Ministry of Agriculture, Fisheries and Food
2. Intervention Board for Agricultural Produce
3. Cabinet Office (Management and Personnel Office)
4. Crown Proscution Service
5. HM Customs and Excise
6. Ministry of Defence
7. Department of Education and Science

   Department of Employment Group
8. Department of Employment
9. Manpower Services Commission
10. Health and Safety Commission
11. Department of Energy
12. Department of the Environment
13. Department of the Environment (Property Services Agency)
14. Export Credits Guarantee Department
15. Foreign and Commonwealth Office
16. Office of Fair Trading
17. Department of Health and Social Security
18. Home Office
19. Central Office of Information
20. Inland Revenue
21. HM Land Registry
22. Lord Chancellor's Department
23. Department for National Savings
24. Northern Ireland Office
25. Ordnance Survey
26. Overseas Development Administration
27. Paymaster General's Office
28. Office of Population Censuses and Surveys
29. Scottish Office
30. HM Stationery Office
31. Department of Trade and Industry
32. Department of Transport
33. HM Treasury
34. Welsh Office

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD

(1)	Recast budgets as necessary in line with recent reports on organisation of ADAS and the regional organisation.	1 April 1987
	Switch PES and planning for relevant expenditures to hierarchical decentralised budgeting control (DBC) basis.	Late 1986
	Reconsider whether to extend DBC to at least some parts of Headquarters. Review coverage of items, particularly exclusion of accommodation and receipts, and restrictions on switching.	Spring 1987
	Consider restructuring internal documentation for PES, MINIM and Estimates to group items by Grade 2 and 3 responsibilities.	Spring 1987
(2)	Firm proposals for restructuring of PES and MINIM programmes, and internal structure of programme expenditure votes, to improve integration, and if possible to reflect MAFF hierarchy.	Spring 1987
(3)	Carry out one or two exercises in policy evaluation.	
	Develop, as a pilot exercise for a Grade 3 group, a full budgeting system covering all the pro grammes in that group.	Summer 1987
	Identify what information requirements for full budgeting for programmes are not met by existing systems.	Summer 1987
	Decide how such programme budgets could be used and might be regularly evaluated, and at what frequency and level.	Autumn 1987

	Further development of measures shown in MINIM and job statements; MINIM returns to show results against previous year's plans.	April 1987
	Consider whether Appropriation Accounts, Estimates and PEWP might be made more informative.	January 1987
(4)	Improve support for top management by charging new FMT with overall responsibility for further development of MAFF systems.	October 1986
	Consider other aspects of top management support as part of open structure review.	December 1986

INTERVENTION BOARD FOR AGRICULTURAL PRODUCE

(1) Introduce a fully integrated budgetary system:

review;	End of 1987/88
Cost centre structure review;	1988/89
Operational system	April 1989

(3) Develop IBIS to provide for plans agreed by Ministers to be passed down management chain with specific responsibilities allocated.

Review scope for indicators to assist managers in day to day working. — By 1988 IBIS round

Strengthen support given by Finance Branch to the managers.

CABINET OFFICE (MPO)

(1)	Conduct biannual reviews of the MPO/EOG budgetary structure.	October/November April/May (each year)
	Agree on a new budgetary structure for No 10 Downing Street for the 1987-88 financial year.	31 January 1987
	Following the review of the CSO's management accounting system, to make recommendations to the Director on the CSO's budgetary system, and then to implement any consequential changes to CSO's budgetary system.	23 January 1987 31 March 1987
	Review the budgetary arrangements for the Cabinet Office Secretariat (covering all 4 principles).	1 June 1987
	Review the previous year's annual planning exercise in the MPO and report to TMB.	June 1987 and subsequent years
	Implement planned manpower changes in Finance Division (MPIU)	31 March 1987
	Agree on the frequency and scope of regular financial etc reports.	2 March 1987
	Coordinate the preparation of a schedule of examples and to update it annually.	15 April 1987 and subsequent years

(2)	Following the review of the CSO's management accounting system, to make recommendations to the Director on the strategic planning/PES process.	31 January 1987
	Implement fully the new PES base-line database on the Vienna system.	27 February 1987
(3)	To prepare:	
	(i) a preliminary report on performance measurement in Cabinet Office (MPO);	31 December 1986
	(ii) a substantive report covering the whole of the Cabinet Office.	30 April 1987
	To finalise details of 1987-88 budgeted output and unit costs for Occupational Health Service.	31 March 1987
	Develop performance measures for Civil Service College.	31 March 1987
	Following the review of the CSO's management accounting system, to agree with the Director on how best to translate value for money targets into budgets for line managers.	31 March 1987

(4)	Revise the current statements of the division of responsibilities between PEFO and Responsibility Centre Managers.	31 December 1986
	All relevant sections of a new handbook for line managers.	31 October 1987
	Following the review of the CSO's management accounting system, to agree with the Director a formal division of responsibility for staffing and budgetary matters between EOG and CSO.	31 March 1987
	A detailed Action Plan for the Communications Manager.	31 January 1987

CROWN PROSECUTION SERVICE

(1)	Complete a study (with management consultants): - recommending top management planning and budgeting systems; - identifying the sources of the necessary management information; - defining budgeting responsibilities at all levels; - establishing functional responsibilities; - reviewing line management systems.	31.3.87
	Review the question of recharging/allocation of costs of shared services.	30.9.87
(2)	External management consultant to advise top management's consideration of departmental objectives and priorities for 1987/88 and the two following years identifying policy options and major constraints.	31.3.87
	Implement the model timetable from the MDR of budgeting.	June 1987
(3)	1987/88 budget allocations to be communicated to line managers with top management's view of objectives and priorities and a request for line managers to propose and agree their own objectives and targets for the year.	31.3.87
	Review working of field performance indicator system.	31.3.87
	Review provision of information on assets and commitments.	June 1987
	Establish HQ performance indicators.	30.9.87
(4)	Appoint head of top management planning and budgeting secretariat.	31.12.86

CUSTOMS AND EXCISE

(1)	Salaries and ERNIC Budgets will be delegated across headquarters.	1 April 1987
	The revised planning and budgetting arrangements to provide evidence of aggregated statements of responsibilities and costs for functions which cross management lines.	1987-88
	Modified procedures to strengthen the scope and nature of the Iterative dialogue; the introduction of functional plans, and the review and approval of directorate plans at Deputy Chairman level.	1987-88
(2)	The application of the revised and strengthened links between top management and budegtary system implemented.	
(3)	The design and development of a comprehensive measures reporting system for VAT.	1987-88
	The experimental development of the excise operational planning/measures system to be piloted in four collections.	1987
	The introduction of a comprehensive development of the operational planning and reporting of achievement system in eight collections.	1987
(4)	Action following corporate management groups' consideration on a draft paper on responsibilities and accountabilities of technical directors and Director Outfield.	1987

MINISTRY OF DEFENCE

(1)	Introduce third tranche of Executive Responsibility Budgets.	April 1987
	Pilot higher level budgets for senior managers (Grade 3 or equivalent).	April 1987
	Continue development of Staff Responsibility Budgets (SRB's) to include other manpower-related expenditure and subsume within ERB's where appropriate.	April 1987
(2)	Complete full articulation of budgets and cash management systems following installation of central ledger.	April 1987
	Central secretariat to produce outline of a comprehensive management strategy.	March 1987

DEPARTMENT OF EDUCATION AND SCIENCE

(1)	Examine ways in which the effectiveness of the internal audit function can be improved.	December 1986
	Review grant making procedures.	December 1987
	Review grant control systems.	December 1987
	Review financial memoranda of NDPBs.	December 1987
	Study the financial management needs of the Department in relation to its financial information system.	April 1987
	Review and expand the training programme for Responsible Officers.	Implemented
	Review the cost centre system.	December 1986
	Develop a model to monitor the effects of changes in manpower on pay.	December 1986
	Study procurement including budgeting and control of purchasing equipment.	February 1987
(2)	Give added emphasis to the need for branches in preparing bids to look at what the baseline is meant to accomplish, what is needed to deliver the objectives implicit in the baseline, and how progress towards those objectives will be monitored and evaluated.	March 1987
	Change the focus of the Staffing of Functions exercise from the immediately following year to the first year of the PES cycle.	Implemented
	Extend the Staffing of Functions exercise to cover non-pay costs of branch functions.	Implemented

(3)	Review the Trident top management system.	Implemented
(4)	Review the working relationship between Finance Branch and Establishments Branch on running costs and the desirability of providing the Management Group with a broader based secretariat	December 1986

DEPARTMENT OF EMPLOYMENT

(1)	Preliminary work is in hand to try to produce a running cost budget for DE which relates resources to departmental objectives. (The next DE chapter of the PEWP will show the allocation of programme resources to objectives).	1987
(2)	Consider experimental divisional reviews (to take place between January and May) after evaluation of 1986 round.	November 1986
	Simplify UBS bidding process to enable detailed financial bids to be constructed at regional level prior to estimates, and for budgets to be calculated in detail by areas and local offices only after estimate agreed.	31.7.86
(3)	Issue guidance on performance measures in connection with PES 1987 bids and 1987 round of SMG performance reviews.	1987
	Establish criteria by which success of new tourism campaigns and local enterprise agency business plans can be measured.	1987
	Develop improved speed and accuracy of payment indicators for UBS.	1987
	Consider including more financial information in the ACAS/annual report.	1987
(4)	Review Central Secretariat arrangements.	1988
	Review deployment and coordination of CIR Services.	1988
	Review Finance and Resource Management Division.	In hand

Review senior management's information requirements against checklist in Annex E of MDR Executive Summary, taking account of recent and prospective improvements in the resource information system. 1987

MANPOWER SERVICES COMMISSION

(1)	Consider with Department of Employment and Treasury increasing national and local switching powers from the current limits and removing the requirement to seek approval to switch resources.	April 1988
	Assess feasibility of allowing local managers greater discretion to buy in services from outside.	
	Examine the costs and benefits of cash budgeting for the Community Programme and to consider the feasibility of devolved budgets.	May 1987
	Assess training needs for budgeting and financial control, devise Programme, and develop training package on project management.	April 1987
(3)	Examine format of Accounts White Paper with the Treasury and consider extending the number of output and performance indicators in the next Annual Report and Corporate Plan.	April 1988

HEALTH AND SAFETY EXECUTIVE

(1)	Issue instructions to budget holders about changes in budgeting for 1987-88 onwards, including message about the increased significance of forecast outturn in the management of budgets and in the information needs of the Executive and Accounting Officer.	January 1987
	Issue provisional 1987-88 Salaries Ready Reckoner for planning purposes together with budgets for Salaries and other items.	January 1987
	First new-style forecasts of outturn from Divisions and Inspectorates subjected to critical scrutiny by the Executive.	May 1987
(2)	Executive to consider Plans and bids including their relation to PES for 1988-89 and subsequent years for the first time: hitherto the planning round has dealt only with the next financial year.	September 1987
(3)	Activity indicators to be increasingly used in the planning process.	1987/88

DEPARTMENT OF ENERGY

(1)	Strengthen budgeting for programme expenditure by building on divisional return framework.	
	i. more milestones and clearer objectives, quantified where possible - objectives in staff reports to contribute to the objectives of the management unit subsequently endorsed by the management board with resource allocation.	Covered in message from PUS in November 1986
	ii. explicit monitoring of progress against milestones and objectives - in-year by heads of units with annual review by Management Board.	
	Start experiment in Manpower Budgeting in OSO and GOMB for a period of 2 years.	April 1987
	Include actual costs of accommodation for management units in 1987 divisional returns.	December 1986 Implemented
(2)	Inform all units of the PES baseline for Year 1 within which their Estimates provision should be formulated.	November 1986 and subsequent years
	Invite bids from divisions for their administrative expenditure [in the light of administrative expenditure in Year 1.] and notify units of their administrative budgets before the beginning of the financial year.	November 1986 and subsequent years
	Inform all units of the PES outcome for Years 2 and 3 in time for them to take this into account in formulating bids for the next Divisional Returns exercise, leading into the next PES round.	November 1986 and subsequent years.
(3)	Modify divisional returns exercise for 1987 to include formal questions about achievement against objectives, targets and milestones specified in the 1986 return.	Implemented

	Send message to units at beginning of divisional returns exercise to emphasise top management's wish to have performance and achievement expressed in measureable form wherever possible and offer suggestions to Heads of Units when sending out the returns.	Implemented
(4)	Emphasise the importance the Permanent Secretary attaches to setting priorities, managing resources and reviewing performance, and setting both the new Staff Report form and the Divisional Returns in this context.	Implemented (PUS issued statement in November 1986)

DEPARTMENT OF THE ENVIRONMENT

(1)	Integrate manpower and administrative expenditure budgeting and extend managers freedom to switch (insofar as the separate central controls will permit).	1987/88
	Improve arrangements for relating supply of centrally provided services to line managers' demands and resources.	1987/88 and 1988/89
	Complete the programme of delegation to line managers for programme expenditure to include that programme expenditure which is not vote supported.	1987/88 to 1989/90
	Extend such delegations to cover administration expenditure.	1987/88 to 1989/90
(2)	Improve the common basis of and internal linkages between the different systems, especially in the use of basic information, of measures of achievement, and by improvements to timetabling.	1987/88
(3)	MINIS 8 guidance to emphasise importance of external objectives - ie impact of budget centres' activities in the fields which it is their objective(s) to serve and to change.	1987
	Develop the new emphasis on measures of external achievement and on improving feedback into decision taking on programmes, both internally and for NDPBs.	1987/88
	Through the better use of information generated by line management systems, improve the arrangements for adjusting the allocations of manpower and other resources to reflect measures of external achievement.	1987/88

(4)	Improve the guidance and further develop financial management training needed to inculcate and develop a full understanding of the new approach in working practice at every level.	1987/88 and continuing

PROPERTY SERVICES AGENCY

(1)	Review of trials and recommendations for future developments.	December 1986 and July 1987
	Review of plans in light of other PSA developments (eg commercial accounts).	Spring 1987
	Definition of budget contents and cross-charging arrangements.	December 1986
	Full specification of administration costs budget system.	December 1987
	Review of present arrangements for programme expenditure.	December 1986
(2)	Integration of budget procedures with PES Estimates/Cash Limit/Running Cost Budget/ Manpower targets to form single planning cycle.	December 1986
(3)	Survey of performance measurement, and recommendations for further action.	March 1987
(4)	Definition of line and top managers' responsibilities and roles in monitoring and controlling administration costs budgets.	December 1986

EXPORT CREDITS GUARANTEE DEPARTMENT

(1) In 1987 Business Plan:

i. issue guidance on responsibilities of senior management on planning and monitoring. — October 1986 / April 1987

ii. encourage Groups to extend the 1987 Business Planning procedures further down the hierarchy and cascade objectives to individuals. — 31 May 1987

iii. link administrative budgeting procedures with the Business Planning procedures, to permit budget responsibility at Branch (Principal) level. — 31 May 1987

Delegate to Groups flexibility to switch running costs. — 1 April 1988

(2) Department's Business Plan for 1987 to form basis for all PES submissions for trading activities. — 31 May 1987

(3) 1987 Business Plan improvements are:

i. To re-examine and revise objectives so that clearer performance targets can be set and progress measured. Objectives to be notified to all staff in Job Plans. — 31 May 1987

ii. To arrive at business level and performance indicators. — 31 May 1987

On monitoring performance against plan there is a need to make significant systems changes before moving to simpler more timely system. The Department is awaiting outside consultant's report before proceding — 1 April 1987

(4) For 1987 Business Plans will be discussed alongside CIR services programme. 31 May 1987

FOREIGN AND COMMONWEALTH OFFICE

(1)	Conduct two year experiment in budgeting pilot project (including manpower budgeting) for Hanslope Park administrative departments.	April 1987 recommendations for extensions.
	Consideration to be given to a pilot study for introducing manpower budgeting in one large post or group of posts.	October 1987
	Provision for furniture and the Mission Fund should be added to Local Budgets from next financial year: further delegations should be considered in the light of pilot studies.	April 1987 first stage/ April 1988 recommendations on further delegations
	The costs and benefits of Local Budgets for resource management in the FCO (Diplomatic Wing) to be the subject of an Efficiency Scrutiny.	December 1987
(2)	Departments will be invited to consult their Under Secretaries as necessary when submitting their PES and Estimates bids to Finance Department.	Implemented
	When instructions are issued in the annual Top Management Round on the completion of resource questionnaires, posts, departments and Under Secretaries should be required to take along term view over the period of the Public Expenditure Survey.	Implemented
(3)	Submit action plan for scrutiny of output measurement (51 recommendations).	Implemented
	Annual returns in the Top Management Round to include an assessment of where performance has been significantly above or below target.	

	Posts should assess the achievement of their policy objectives in preparing annual reviews.	October 1987
	The budget setting process for the Estimates each November/December should take full account of the VFM targets agreed the previous March.	December 1987
(4)	Organisation of Top Management	Implemented
	The TMSU should organise a series of seminars or briefing sessions for senior officials at home and heads of mission overseas to help them clarify responsibilities, set priorities and assess the achievement of objectives.	

OFFICE OF FAIR TRADING

(1)	Complete first strategic plan.	March 1987
	Divisional Work Programmes derived from and consistent with the plan, supported by forward Job plans for individuals within the new staff appraisal system.	1988
	Complete review of information technology.	February 1987
(2)	Senior Management Group to make arrangements for more formal involvement of staff at Grades 5 and 7 Autumn planning round.	Summer 1987
(3)	Identify performance indicators for top management planning.	During FY 1987-88
	Improved indicators to be incorporated in work programmes as they become available.	During FY 1987-88
(4)	Development of system in which Grade 3 budget holders have defined and useful discretion to make adjustments with budget.	During FY 1987-88

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

(1)	Translate aggregated line budgets into objective resources etc - proposals for action. Largely achieved through more systematic DSR structure; considering further.	End January 1987
	Full manpower budgeting in HQ to operate across whole department in 1987/88.	
	Revise cost centre structure with further devolution of budgeting.	April 1987
	Conduct pilot implementation of recommendations of review of forecasting, planning and control systems on Budget and performance interaction between management levels in social security.	Timing depends on outcome of of consideration of report's finding.
	Divisions to highlight examples of line managers using the budgetary process to do things differently or better.	
	Social Fund to be administered on budgetary principles.	April 1988
(2)	Follow-up Review of Forecasting, Planning and Control Systems (remit was to improve accuracy and coordination of forecasting all departmental expenditure).	See above
	Strategic overview, issued at start of current HQMA round. Regular mid-year review of spending under consideration in context of RFPCS.	
	Current round of headquarters management accounts include forward look over PES period.	
	Operational strategy to be reviewed annually.	

(3)	Develop further computer package linking inputs and outputs facilitating resource management in the local office network.	Under development. Timing linked to RFPCS.
	Refine cost per case measure in HCHS.	
	Decisions on recently completed report on improved use and control of resources, linking performance measurement with running costs budgets, setting targets for performance and efficiency, extending bidding process to local level.	Under consideration
	Review divisional management accounts to examine scope for developing indicators.	Review in progress.
	Establish current practice on performance measurement in HQ with view to extention.	Review in progress.
	Develop the social fund involving application of principles of budgeting to a part of the social security system for the first time.	
	Prepare plans for detailed monitoring of achievement of policy objectives including success of budgetary principles.	In time for new scheme in April 1988
(4)	PE/FO reviewing scope for further clarification of responsibilities; coherence of top management arrangements and effectiveness of top management support. Team assembled to assist top management in review of DSRs.	In progress
	Management accounts have been standardised in current HQMA round.	
	New Director of Statistics and management information reviewing information required by top management.	In progress

Improve NHS information system through development project.	1987/88
FC to develop role of challenging budgets. FC have been given larger role in scrutinising and challenge of divisional plans in current HQMA round. PE/FO to provide single focus.	Develop further during 1987/88
Running costs control to be responsibility of one A/S.	Timing under consideration
Decide location of CIR resources.	Timing under consideration.

HOME OFFICE

(1)	Complete map of direct Home Office expenditure and report on feasibility of applying budgetary responsibilities, with an action plan for implementation.	May 1987
	Complete action plan for applying budgetary principles to an individual area of local authority expenditure as a pilot exercise.	March 1987
(2)	Report, with an action plan, for a pre-PES review and for APR 1987.	June 1987
(3)	Report on progress of development of unit costs (including links with budget setting) and on progress of action plan for trials of high-level performance indicators.	July 1987

CENTRAL OFFICE OF INFORMATION

(2)	Produce a statement of perceived constraints following the 1986 trading review.	August 1987
(4)	Bring CIR services under PFO's command.	April 1987

INLAND REVENUE

(1)	Extend line management budgeting to remaining 25 per cent of department.	April 1987
	Increase Finance Division's role of challenging budgets.	Implemented
	Establish new accounting system for IT projects.	April 1987
(2)	Indicate priorities in Departmental Development Plan in advance of SMS and Survey.	November 1987
	Budget holders to feed longer-term view into Survey.	1987 PES
(3)	Pilot new points system for taxes technical work.	Pilot running Implementation April 1988
	Pilot Decision Support System for Regional managers.	Pilot running. Report June 1987
	Establish key divisional outputs for each divisional budget.	SMS 1987
	Grade 2s to review performance to inform SMS round.	Spring 1987
	Working group to review measures of collection performance.	Report June 1987
	Pilot measures of taxes clerical work ('AGC checkpack')	Pilot running Implementation Spring 1987
(4)	Introduce new monitoring reports for Board.	Implemented
	Review support for top management.	for SMS 1987

LAND REGISTRY

(1)	Extend the management accounting and the budgeting system, particulary in HQ divisions.	April 1987
(2)	Review the relationship and co-ordination between the PES cycle and the internal budgeting cycle.	October 1987
	Develop a framework for planning to assist in the identification and achievement of realistic corporate policies and objectives.	April 1987
(3)	Extend the management accounting system, particularly that of performance measurement systems with special reference to HQ division.	April 1987
	[The head of the management support unit to identify the HQ requirement so enhanced budgeting procedures can be adopted for 1987/88].	
(4)	To develop a corporate plan building on the framework for planning "in order to identify and achieve corporate policies".	April 1987

LORD CHANCELLOR'S DEPARTMENT

(1)	Recommendations on further training for Courts Administrators, including consideration of the role of Group Chief Clerks in the budgeting hierarchy.	December 1986
	Arrangements for Court Administrators training to be in place.	April 1987
	Recommendations for development of control of legal aid expenditure.	April 1987
	Further development of Crown Court manpower model and of judicial planning model; formulation of proposals for County Court models.	April 1987
	Report to Management Board on the existence of clear lines of budgeting responsibility with HQ Commands and in all areas of the department.	December 1986
	Any necessary changes to lines of budgetary responsibility to be in place.	April 1987
(2)	Consideration of more formalised mid-year reviews of performance.	December 1986
	Conference to inaugurate departmental Strategic Plan.	Easter 1987
	Conference to discuss strategy for Crown and Civil Courts, and for legal aid in the courts.	Completed November 1986
(3)	Implementation of efficiency measures for the Court Service.	September 1987
	Initiate scrutiny of management information systems.	December 1986

	Advice on best practice on purchasing to be disseminated. Introduction of new value for money proposals emanating from the Efficiency Commission.	April 1987 onwards
	Response to Legal Aid scrutiny.	January 1987
	Proposals for translating value for money targets into line management budgets.	April 1987
(4)	Consideration of the Board's terms of reference and membership.	December 1986
	Oral report to Management Board on practical aspects of cascade communication system.	December 1986
	Consideration of staffing and other implications of new central secretariate.	December 1986
	Establishment of Central Secretariat.	January 1987
	Proposals for budgetary training at all levels of management.	April 1987

DEPARTMENT FOR NATIONAL SAVINGS

(1)	Main Estimates 1987-88 under new system (partial).	Implemented
	PES 1987 round under Management Board control.	April 1987
	Main Estimates 1988-89 under Management Board control.	November 1987
	Revised MINIS to move towards a hierarchical budget structure.	March/April 1987
(2)	Integrate PES, Estimates and MINIS into a single system.	Spring/Summer 1987
	Draw up an annual planning document.	Spring 1987
(3)	Use MINIS as key document for evaluation of performance and output to provide yeardstick for handling resources during financial year.	Spring 1987
	Convince managers that their in-year performance will be an important factor in measuring resources for following year.	Autumn 1987
	Management Board to bring together work on resource management information, MINIS and performance indicators.	Late 1987/ Early 1988
(4)	Establish a Management Board.	Implemented
	MIS to provide Board with resource and output information in brief and intelligible form.	July 1987
	Review need for central secretariat.	Late 1987

NORTHERN IRELAND OFFICE

(2)	Integrate management information system with PES and Estimates following current review.	1988
(3)	Enhance annual review of performance to cover both financial performance and delivery of objectives compared with targets.	1988
	Implement improvements in output measures and performance indicators for prisons, police and policy divisions following current reviews.	Autumn 1988

(3) Continued automation of financial systems (eg accounts payable/receiveable, inventory control, purchase order). The aim is to reduce the time taken to produce OS Management Board monthly reports and thus to provide more timely presentation of financial information. The target for this is within 3 or 4 weeks of the end of the month. (This is already achieved for cost centre manager reports). 1988-89

Continued refinement of performance indicators both within production and non production (including administrative) areas. 1988-89

OVERSEAS DEVELOPMENT ADMINISTRATION

(1)	Assess experiments with manpower budgeting in Establishment and Organisation Department and with delegations of authority over manpower allocation to Under Secretaries. If appropriate submit to Top Management proposals for introduction of manpower budgets into ODA.	November 1986
(2)	Bring consideration of Aid Administration Vote into some planning and review cycle as the Aid Vote.	Implemented
(3)	All CIR services systemtically to check line management systems when conducting reviews in departments. Particular emphasis to be paid to procedures for setting objectives and assessing performance; use of budgets; lines of communication.	Implemented
(4)	Issue guidance notes setting out responsibilities of Top Management.	Implemented

PAYMASTER GENERAL'S OFFICE

(1)	Top Management Board to be formalised as Assistant Paymaster General (Grade 5), the Head of Administration and Establishment Office and the Head of Computing and Banking Services (Grade 6). The Senior Management Group, consisting of these plus six Grade 7 officers to be renamed the Executive Board.	Implemented
	Delegate responsibility for budgets (including manpower) to Grade 7, with necessary amendments to the Management Accounting Reporting System (MARS).	April 1987
	PES bids will be prepared by Grade 7 officers for the 1987/88 round.	October 1986
	Budgets will be discussed and reviewed by the Executive Board.	From October/ November 1986
	Top Management Board to agree budgets taking account of decisions on running costs set in the Public Expenditure Survey.	From November/ December 1986
(2)	Produce draft plan for tasks for all areas of the Office covering the forthcoming PES round.	December 1986
	Complete current management information study.	Report due December 1986
	Integrate review of manpower bids into time-table so that feedback is available by the time budget holders prepare their PES bids.	Implemented
	Executive Board to carry out mid-cycle review based on performance of the financial year just ended and (after discussions with the Treasury about the PES submission) provide guidelines for preparation of budget bids.	From July 1987

(3)	Incorporate unit costs in the PGO Strategic Plan Report.	December 1986
	Revise quarterly report.	Implemented
(4)	Reorganise management services to act as an information centre and to provide the role of the central secretariat.	Implemented

OFFICE OF POPULATION CENSUSES AND SURVEYS

[This Plan is subject to review in light of Machinery of Government Report]

(1) To complete the definition of a budgetary control system for the development of budgetary control in Divisions.

Introduce revised system for divisions to agree with management board. April 1987

(2) Carry out a strategic overview of plans, and prepare a review of achievement for 1986-87, and forward OPCS plan for PES years. 31 March 1987

(3) Achieve, introduce and update annually, divisional strategies showing priorities, constraints and outputs. 31 March 1987

Review line management systems in all Divisions; reviews to cover: 31 March 1987

i. Divisional objectives, targets and performance indicators.

ii. Levels of budgetary delegation.

iii. Adequacy of system for preparing and scrutinising bids.

iv. Adequacy of reports for control of costs and achievement of targets.

(4) Action plan records the intention to complete definition of Management Accounting system and budgetary control system, agree with Treasury. 31 March 1987

Achieve and issue from the MIS the outputs described in the above papers, incorporating the OPCS cost structure. 31 March 1987

[Immediate priority to work in reviewing OPCS aims, objectives and priorities].

SCOTTISH OFFICE

(1)	Implement a revised system to require senior managers, particularly at Grade 3 and 4, to scrutinise more rigorously the plans and budgets of line management to ensure that these properly reflect available resources.	December 1986
(2)	Extend the management plan and budget setting system, requiring managers at all levels to specify as accurately as possible planned activities for the next two financial years and the associated resource implications.	Implemented
	Further develop the pre-PES system in the SO to give the office more comprehensive and comprehensable accounts of what is being secured by existing expenditure plans and also what would be secured by specific changes in the priorities, objectives and resource allocations on which these plans are based.	Implemented
(3)	Introduction of a first stage of a new system in which performance of each member of staff will be assessed annually against forward job descriptions.	Implemented
	The publication of the 1987 Scottish Commentary on Public Expenditure should contain performance indicators or output measures relating to over 90% of expenditure for which this department is responsible.	February 1987
(4)	The revision and operation of a budget setting system with improved arrangements for manpower budgeting.	1988-89

DEPARTMENT OF TRADE AND INDUSTRY

(1)	Exercise more budgetary control over the non-fee earning work carried out by the Research Establishments (REs), in the light of the paper to the Resource Management Group (RMG) in December on the role of the REs.	31.3.87
	Ensure that the information emanating from FINMIS and REMIS is compatible and that the information from REMIS can be broken down by organisational unit and type of expenditure as well as project costs.	31.3.87
	Mount one or two exercises to draw together and compare programme and administrative costs on some cross divisional activities.	31.3.87
	Transfer Radio Regulatory Division's budget for administrative computers to the division because of its fee earning capacity.	1.4.87
	Report on the effects of the devolution of technical authority for IT after this has been in operation for a year.	30.6.87
(3)	Develop management systems and extend target setting and performance measurement to branch and section level.	1987
	The Evaluation Working Group (EWG) should report annually to RMG on progress with its work programme and divisional evaluation plans and on the findings emerging from evaluation studies.	31.3.87
	The EWG's future work programme should be submitted to RMG for endorsement as well as to the other management groups.	31.3.87

	The EWG should consider which aspects of the Research Establishments support for industry could be subjected to the EWG evaluation process.	31.3.87
	Once all the evaluation plans have been agreed, the EWG should consider how they can ensure divisions carry out the requirements in them.	31.3.87
(4)	Spread corporate planning and budgeting in the major manpower businesses.	1987 and beyond

DEPARTMENT OF TRANSPORT

FEE EARNING BUSINESSES

Settle (with Treasury) change in status of driver testing to trading body from 1/4/89 if practicable (interim arrangements to apply in the meantime).	April 1989
To settle shadow unit cost targets for the Vehicle Inspectorate and Traffic Area Offices to apply from 1987/88 and to agree interim revised control arrangements with Treasury.	1987/88
To implement (from 1987/88) a major IT programme for the fee-earning businesses which will secure cost reductions and improved service standards.	1987/88
To implement new PRS arrangements for 1 April 1987 for the Vehicle Inspectorate in respect of capital and current expenditure which will give the Department a more direct responsibility for estate management.	1 April 1987
To review the basis of apportioning common services to the fee-earning businesses.	

DLVD

To introduce revised budgeting and charging arrangements for IT support provided by DVL to the fee-earning businesses to ensure that resources (capital and current, internal and external) are controlled effectively and provide value for money.	
To develop the RMC's work to include scrutiny of unit costs, including local variations in the revenue/cost ratios in respect of VED enforcement.	
To explore the feasibility of handling the driver licensing business as a distinct trading body.	

HIGHWAYS COMMAND

Implement revised delegations and associated monitoring controls by 1/4/87. First Highways Business Plan to be prepared for consideration by the Management Board in October, to be operational for financial year 1987/88. April 1987

Further review and report on progress on accountable management in Regional Offices by October 1986 with confirmation or adjustment of productivity bases by 1/4/88. April 1988

Further development of system for recording forward commitments and priorities for new highway projects to facilitate programme and other resources adjustment in the light of PES allocations.

Further steps to extend the use of common methods of assessment for roads and public transport.

MARINE DIRECTORATE

A Rayner Scrutiny of management information systems in the Surveyor General's Organisation is due to report at the end of January.

Performance indicators for HM Coastguard are being developed.

The new financial arrangements will be reviewed before March 1988. March 1988

To improve data quality by involving line managers in quality control checks (eg in verifying staff in post).

To move to <u>average</u> approach to salaries attribution both to improve data and to enable managers to distinguish between <u>volume</u> and <u>price</u> factors when comparing budgets with achievements.

To improve presentation of information eg by producing exception reports, by selective grouping of costs and by distinguishing between direct costs and recharges.

To further integrate top management involvement with the budgeting and scrutiny process.

Report from consultants on the possibility of developing an integrated financial control system which would link the Departments's central vote accounting more directly with local management systems.

31 March 1987

TREASURY

(1)	Review budgetary responsibilities in central Treasury and devolve further authority and flexibility to line managers.	April 1987
	Review and improve cost and management information for managers.	April 1987
(2)	Extend responsibility centres bids to cover whole of Survey period.	February 1987
(3)	Link work programmes more closely to resources.	April 1987
	Examine feasibility of including performance indicators in management accounting systems for regular evaluation reports to Planning Board.	April 1987
	Develop Chessington Computer Centre's Management Aid System.	October 1987

WELSH OFFICE

(1)	Develop the manpower budgeting and costing system.	1988
	Introduce a pilot scheme for an outstation to be given delegated responsibility for most of its running costs.	1987/88
	Extend delegated budgets to other areas.	1986
(2)	Improve the linkages between the budgeting system and PES.	1987
(3)	Develop key objectives and associated performance indicators for divisional budget managers.	1987
	Train staff in setting individual objectives and in the management of resources.	1987
	Bring the in-house financial information system on stream.	April 1988

ACTION ON RECOMMENDATIONS FOR THE CENTRAL DEPARTMENTS

Treatment of minor capital expenditure within the definition of running costs

Following consideration of this recommendation within the Treasury, a paper was circulated to departments on 10 September. This paper summarised the present position, noted pertinent considerations including the advantages and disadvantages of including some capital in running costs and invited departmental comments. Fourteen departments responded to that invitation and the Treasury is currently considering those responses.

Guidance on criteria for net running costs control and for measuring efficiency and performance under a net regime

Although the MDR report saw no real conflict betwen the use of gross limits and the thrust of devolved budgeting, it accepted that there may be circumstances, in relation to some fee-earning activities, when net control would be preferable. The Treasury issued a paper on 1 December 1986 which summarised the criteria to be met before exemption from running costs could be considered together with the criteria for measuring efficiency and performance control. It also set out the Treasury views on how the criteria should be applied when self-financing organisations are appraised and evaluated. Two organisations, the Driver Testing and Training Organisation of the Department of Transport and the Civil Service College of the Cabinet Office (MPO) have been considered against the criteria and the Chief Secretary to the Treasury has agreed that they should be exempted from gross running cost control from 1 April 1987.

Central guidance on manpower planning and budgeting by end-March 1987

Action managers were provided on 31 July 1986 with an initial

guidance paper on manpower budgeting to assist with the preparation of departmental action plans in response to the MDR report. Further guidance covering the main queries that have been raised by departments about resource budgeting will be issued in the spring of 1987.

Common functions

The Treasury and MPO have considered, in consultation with a range of departments, how to promote measures of performance for other common functions, and further exchanges of information and experience. The Treasury and MPO have in the past issued guidance on the management and measurement of performance of typing, reprographics and data processing. The guidance included standards of performance, as a benchmark for departments to judge how their activities compare with the best practice. Following further discussions with departments they have concluded that the best approach for 1987 is for departments to concentrate on the management of their functions and for the MPO (ME2 Division) to continue to stimulate departments to look at whether they could do things better by learning from one another's experience. The MPO added to its draft programme for 1987 work on performance indicators for the management of vehicles, which will start by looking at information in this field from other organisations.

Team training

2. The MPO has kept in touch with the six departments in the MDR which are following up the MDR of budgeting's recommendation on team training. Progress is as follows:

HM Customs and Excise is currently conducting a review of the whole field of training and, in particular, are looking at resource and financial management. They are unable to explore the concept of team training separately and are therefore considering their existing training course commitments with a view to seeing whether team training could be incorporated as a training vehicle;

the Department of Employment is currently planning a pilot experiment into team training within one of their divisions as a means of improving their financial training. In the light of the evaluation of the experiment DE will consider extending it to other divisions. It is unlikely that they will be using outside organisations;

the Department of Health and Social Security has had initial discussions with two of the external training organisations consulted by Cabinet Office (MPO) during the feasibility study. These organisations have recently provided outline proposals for team training within the department;

the Home Office is currently reviewing their delegated budgeting and will take account of the successful experience which the Prison Service has had with team training when considering their action as a result of the review. The Prison Service has evaluated their team training pilots. Each team drew up action plans and so far the performance against their budgets has been consistently good, with the teams managing within their budgets. Vertical team training resulted in a greater understanding of the role of others, more commitment to common achievement, a greater team spirit, and a more cohesive management team. The horizontal teams achieved a clarification of what was required of a particular grade discipline to contribute to more effective team performance and also generated ideas of how to achieve what was required. The Prison Service is now committed to the concept of team training for budgeting and is currently considering where the next team training event should be targetted;

the Manpower Services Commission has recently re-organised its two major operating divisions. Now this has been completed the possibilities offered for improving budgeting control through team training are to be actively taken forward;

the Department of Trade and Industry has held discussions with two external training organisations who are now considering the departments initial requirements. Depending on the outcome of this a team training pilot exercise might be mounted during the next financial year.

3. During 1987 the MPO will monitor the experience of department with their pilot programmes of team training and produce a report on best practice.

APPENDIX 6

The central departments' work in following up the MDR of budgeting was led by Valerie Strachan (head of the Joint Management Unit) assisted at various times throughout 1986 by:

Robin Willis
David Jamieson
Mike Hoare
Sue Lewis
Sheena Matthews
Barrie Morris
Alison Munro
David Nooney
Mike Robinson
Chris Talbot
Peter White
Alison Clark
David McSharry
Julie Spencer
Andrea Swan

FILE
DA

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

8 December 1986

CIVIL SERVICE NUMBERS

Thank you for your letter of 4 December. The Prime Minister has noted the figures therein.

(P.A. BEARPARK)

Miss Jill Rutter,
Chief Secretary's Office.

GA

015/1287

010

CCBG

Prime Minister 4

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

Andy Bearpark Esq
Private Secretary
10 Downing Street
London
SW1

4 December 1986

Dear Andy,

CIVIL SERVICE NUMBERS

You may like to let the Prime Minister know that at 1 October 1986 there were 598,782 civil servants in post. This represents an overall reduction of approximately 133,500 (18.2 per cent) since 1 April 1979 and compares with 136,500 (18.6 per cent) this time last year.

The new total is 1,821 more than at 1 July; but still 1,657 below the last published 1 April 1987 manpower target of 600,439 (this will be revised upwards in the forthcoming Public Expenditure White Paper by some 5000 in respect of increases agreed in the Survey). It reflects the recruitment necessary for the Crown Prosecution Service (1,938); and increases in the DHSS (754) and the Manpower Services Commission (749). The largest reductions took place in MOD (785) and the Inland Revenue (415½). The overall net increase was not unexpected given the announced increases for the Employment Group (Budget measures); for DHSS and for the new Crown Prosecution Service.

In the July-September quarter an increase in non-industrials of 2,691 was partially offset by a reduction in industrials of 870.

We propose to published the figures in the normal way by means of an arranged PQ within the next week.

Yours sincerely,

Jill Rutter

JILL RUTTER
Private Secretary


05. XII

file

BM2A2J

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

2 December 1986

MPO REPORT - THE CHALLENGE OF CHANGE IN THE CIVIL SERVICE

I have shown the Prime Minister your letter of 28 November with which you enclosed a revised draft Prime Ministerial foreword.

The Prime Minister is content with this text. If you would like her to sign a proof copy, please could you let me have the relevant document so that I can obtain the Prime Minister's signature.

(N.L. WICKS)

Michael Stark, Esq.,
Management and Personnel Office

Prime Minister cc BG
Here is a revised message. You thought the first draft to be too timid about cutting down. Content with this version?
N.C.W
1.12.

Cabinet Office

MANAGEMENT AND PERSONNEL OFFICE

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

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

N L Wicks Esq
10 Downing Street
LONDON SW1

28 November 1986

Dear Nigel

MPO REPORT - THE CHALLENGE OF CHANGE IN THE CIVIL SERVICE

Thank you for your letter of 26 November. We are glad to learn the Prime Minister's positive reaction to the idea of a personal message in the MPO report. I enclose a revised draft which takes account of her points. If she approves this text, Mr Luce will adjust his own foreword accordingly.

Yours ever

Michael

MICHAEL STARK
Private Secretary

DRAFT

MPO REPORT - THE CHALLENGE OF CHANGE IN THE CIVIL SERVICE

MESSAGE FROM THE PRIME MINISTER AND MINISTER FOR THE CIVIL SERVICE

We have long had in this country a professional and dedicated public service which has been the envy of the world. Integrity, impartiality, incorruptibility and dedication to the highest administrative standards have been its hallmarks.

In recent years our Civil Service has also shown that it is capable of undergoing major change and responding to new needs and new priorities. It is building on to its traditional virtues new strengths and skills which are an investment for the future: a greater readiness to adapt efficiently to change, to manage the public service more effectively, and to pursue year on year improvements in value for money for the taxpayer and the citizen. The aim of this Government is to cherish traditional virtues - which can too easily be taken for granted - while encouraging new ones.

Day after day civil servants at all levels in a wide variety of activities up and down the country loyally discharge their duty of serving the public. Many are doing it directly - over the counter, by telephone, by post. Others do it indirectly, by serving the Government of the day in developing policy and managing its execution. Each deserves our gratitude and respect.

27 November 1986

CIVIL SERVICE Long Term Policy PTO

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

26 November 1986

MPO REPORT - THE CHALLENGE OF CHANGE IN THE CIVIL SERVICE

I have shown the Prime Minister your letter of 21 November in which you asked her to approve a personal message for inclusion in the report on the work of the MPO in 1985-86.

The Prime Minister is, I think, willing to authorise a message but she does not like the tone of the draft you propose. In her view. it is all about cutting down whereas the real point is the maintenance of the highest standards of administration.

Could I therefore suggest that you let me have an alternative draft which focusses on this point. In the drafting of the text you will wish to know that the Prime Minister has specifically approved the sentiments in the last paragraph and in the latter part of the second paragraph. It is the first three sentences of the second paragraph which she finds difficult.

(N. L. WICKS)

Michael Stark, Esq.,
Office of the Minister for the Arts.

D/O.

CCGG

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

Prime Minister

Content with the message below. (If you are, we will seek your signature at proof stage.)
NLW 21.11

Mr N L Wicks
No. 10 Downing Street
LONDON SW1

21 November 1986

Dear Nigel,

MPO REPORT - THE CHALLENGE OF CHANGE IN THE CIVIL SERVICE

As a modest contribution to more open Government and increasing awareness of the changes taking place in the Civil Service my Minister would like to publish a report on the work of MPO in 1985/86 and during the current year, with a special chapter on interchange with the private sector and other organisations. If well received it could be repeated in future years.

2. Mr Luce hopes very much that the Prime Minister in her capacity as Minister for the Civil Service will be prepared to approve a personal message for inclusion in the report on the ... lines of the attached draft. This would precede a foreword by the Minister introducing the report, the draft of which is also ... enclosed.

Yours ever

Michael

M C STARK
Private Secretary

I don't like the tone of it. It is all about cutting down structure. The real point is the participation of the highest standards of administration

DRAFT

MPO REPORT - THE CHALLENGE OF CHANGE IN THE CIVIL SERVICE

MESSAGE FROM THE PRIME MINISTER AND MINISTER FOR THE CIVIL SERVICE

When this Government first took office we brought with us the firm conviction that the role of the state in our society had become too great.

Since 1979 we have progressively reduced the amount of Government: the size of the Civil Service, at under 600,000 people, is today the lowest since World War Two. And it will be still less by the end of this Parliament. This is already saving the taxpayer £1 billion a year. It is part of the continuing search for more value for money in the public service. All this has meant great changes for civil servants themselves. We have long had in this country a professional and dedicated public service marked by its integrity, impartiality and incorruptability. Now we are building on to those virtues - which can too easily be taken for granted - new strengths and skills; a greater readiness to adapt efficiently to change and to manage the public service more effectively. We want to nurture the traditional virtues while encouraging new developments.

Day after day civil servants at all levels in a wide variety of activities up and down the country loyally discharge their duty of serving the public. Many are doing it directly - over the counter, by telephone, by post. Others do it indirectly, by serving the Government of the day in developing policy and managing its execution. Each deserves our gratitude and respect.

17 November 1986

MPO REPORT - THE CHALLENGE OF CHANGE IN THE CIVIL SERVICE

DRAFT FOREWORD BY MR LUCE

When I became Minister with day-to-day responsibility for the Civil Service over a year ago I was already very conscious of the great changes that were taking place in management and attitude in the Service. I was conscious too that the Management and Personnel Office, from its key central position in Government, had a vital role to play. A year later I am certain about two things. First, that change and adaptation are here to stay. And second, that the highly significant changes which have taken place are going virtually unnoticed by the public.

Hence this report by officials which is designed to increase awareness of MPO's role. It is a brief description of the work of the MPO in the year 1985/86 and currently in progress. I hope it will prove an effective means of communication not only within the Civil Service but also beyond that to Parliament and the public at large.

The Challenge of Change in the Civil Service seeks to draw together various threads in the work of MPO and show how they are all directed towards a common purpose - to help ensure that the Civil Service is well managed, cost-effective and adapting to changing needs and policies. As the Prime Minister has made clear in her message which begins the report, this purpose lies at the heart of the

Government's policy of improving value for money in the public service.

I have been greatly impressed by the way the Civil Service has carried out great management changes while still maintaining the high standards of advice and support to Ministers, and service to the public, which are the hallmark of tradition. I am therefore personally delighted to join the Prime Minister in paying tribute to the energy, effort and enthusiasm of all those in the MPO and in all Government departments who have made this success possible. Much has already been accomplished. But change is continuing and I am confident that more will still be achieved.

17 November 1986

MANAGEMENT IN CONFIDENCE

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

DEPARTMENT OF THE ENVIRONMENT/DEPARTMENT OF TRANSPORT COMMON SERVICES

I have shown the Prime Minister your minute of 7 November in which you propose that the Department of the Environment and the Department of Transport would each have its own Personnel Directorate and that common citizenship in the two Departments would end.

The Prime Minister cannot agree to your proposal. She sees no valid reason for the change. She has, in particular, noted the costs involved. She believes that this would be an exercise in bureaucratic tidiness.

I am sending copies of this minute to the Secretaries of State for the Environment and Transport, and also to Sir Alan Bailey, Mr. Heiser and Mr. Butler.

N.L.W.

N. L. WICKS

14 November 1986

CONFIDENTIAL

Mr Wicks

CCBG

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. A086/3240

LORD PRIVY SEAL

Will request if required

Civil Servants and Select Committees

As I told you in the minute which I sent last week, recording my conversation with Mr Terence Higgins, I have had prepared a first draft of possible guidelines for civil servants giving evidence to Select Committees.

2. I attach the result herewith.

3. This is intended purely for internal use at this stage, and I do not imagine that you will want to discuss this draft - or any other draft - with Mr Higgins as yet. But I thought that it might be useful for you to see this first draft, since it might colour any conversation which you might find yourself having with Mr Higgins or indeed with other members of Select Committees.

4. I am sending copies of this minute to the Chief Whip, the Minister of State, Privy Council Office, and Mr Wicks.

RA

11 November 1986

CONFIDENTIAL

Guidelines: Questions about Conduct

In the course of inquiries into the "expenditure, administration and policies" of Departments and their associated bodies, Select Committees are concerned with establishing the facts of what has occurred in arriving at decisions, or carrying out actions, in the implementation of Government policies. In giving evidence to Committees in the course of their inquiries, officials should be as helpful as possible to the Committee in answering questions about the facts of what occurred. They should, however, bear in mind that they give evidence on behalf of Ministers, subject to the requirement that they should not disclose the advice given to Ministers and subject to any instructions they may have been given by Ministers as to how questions should be answered.

2. The evidence given by officials to Select Committees will normally be concerned with explaining the policies and actions undertaken by Ministers and by Departments on their behalf and the reasons for those policies and actions. On occasion, however, a Select Committee's inquiry may bring into question the actions or conduct of an individual named official and the attribution of criticism or blame for what has occurred. Any problem of this kind needs to be dealt with in conformity with the principles that civil servants are accountable to Ministers for all of their actions and Ministers are accountable to Parliament for their own policies and actions and those of their Departments, and with the convention which follows from that, namely that civil servants in giving evidence are subject to the instructions of Ministers and remain bound to observe their duty of confidentiality to Ministers. Those principles, and that convention, are applicable even in cases where Ministers were unaware of errors made by their Departments, could not have known what was done on their behalf and would not have approved if they had known.

DEFABA

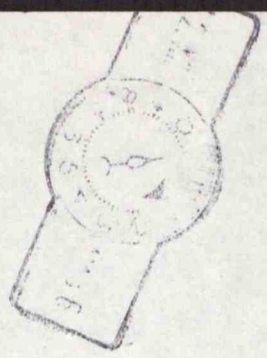
3. For these reasons the Government made clear in October 1986 (Cmnd 9916 paragraph 44) its view that civil servants "should not answer questions which are or appear to be directed at the conduct of themselves or of other named civil servants." Questions "directed at conduct" in this context means more than the establishing of facts about what has occurred and carries the implication of allocating blame or responsibility. Inquiries into the conduct and behaviour of individual civil servants and consideration of disciplinary action are properly carried out within Departments according to established procedures designed and agreed for the purpose, and with appropriate safeguards for the individual. If a case calls for an inquiry into the conduct of an individual named civil servant, it is for the Minister and not for a Select Committee to be responsible for ensuring that that inquiry is undertaken and for any appropriate action taken as a result. It is also for the Minister to be responsible for giving Parliament an account of what has happened and of what has been done to put the matters right and to prevent a recurrence, including any disciplinary or other departmental proceedings against individual civil servants. Evidence to a Select Committee on such matters should not be given by the individual civil servant or servants concerned, but by the Minister or by a senior official on the Minister's behalf.

4. It is agreed as a general rule that Select Committees should not pursue inquiries into the conduct of individual named civil servants. If in the course of an inquiry a Select Committee discovers evidence that calls in question the conduct of an individual named civil servant, the convention is that the Select Committee should not pursue its own investigation into the conduct of the person concerned but should report the matter for investigation by the Minister concerned. It will then be for the Minister to arrange for the matter to be appropriately inquired into, and in due course for the Minister or for a senior official on his behalf (normally the Permanent Secretary)

to give the Select Committee an account of the outcome of the inquiry and of any action taken as a result of it.

5. Similarly, if in connection with matters under investigation by a Select Committee a Department decides to institute disciplinary proceedings or some other form of internal inquiry into the conduct of an individual civil servant, the Minister or a senior official on his behalf (normally the Permanent Secretary should normally expect to inform the Select Committee of what has happened, and to give the Select Committee an account of the outcome of the inquiry and of any action taken as a result of it.

6. If when officials are asked to give evidence to a Select Committee it is foreseen that the inquiry may involve questions about the conduct (in the sense described in paragraph 3 above) of the officials in question or about other individual named officials, it should be suggested to the Committee that it would be appropriate for a Minister or a senior official designated by the Minister to give evidence, rather than the named officials in question. Any question which appears to relate to the conduct of individual civil servants or to the allocation of blame or responsibility for what has occurred can then be answered by the Minister or designated senior official. If an official giving evidence to a Committee is unexpectedly asked questions which he or she believes are directed at his or her individual conduct, or at the conduct of another named individual civil servant, or if the official is uncertain whether or not questions fall into this category, the official should indicate that he or she wishes to seek instructions from his or her Minister, and the Committee should be asked to allow time for the Minister's instructions to be sought.



No - I see no valid reason for this change. It is just bureaucratic tidiness

Prime Minister Content with RTA's proposals? N.C.W 12.11

Ref. A086/3203

MR WICKS

Department of the Environment/Department of Transport Common Services

When the Department of Transport was created from within the Department of the Environment in 1976, it was not clear how permanent the separation was likely to be, and certain services continued to be provided on a common basis, and staff retained "common citizenship" of the two Departments. Over time some of the original common services have separated, for example legal and statistical work. But common citizenship continues, together with a core of common establishments functions under a Deputy Secretary (Grade 2) Principal Establishment Officer who reports jointly to Sir Alan Bailey and Mr Heiser.

2. Given the range and the complexity of the issues (particularly in relation to local government) for which the Secretary of State for the Environment is responsible, it seems very unlikely that the two Departments will be amalgamated again. Sir Alan Bailey would now, therefore, like to carry the separation a stage further, so that each Department would have its own Personnel Directorate, headed by a Grade 3 officer and including Establishment Policy, Personnel Management and Senior Staff and Management branches dedicated to the Department concerned. Common citizenship would end, though the two Departments are agreed that unified management should continue for staff in the joint regional offices, and for scientists. These changes would take effect from 1 April 1987.

3. Other common services, for example training, office services, efficiency services and welfare, would not be separated at this stage. The intention would be to move towards a

separation of these services over a longer timescale, taking decisions on each individual service as to when separation might most sensibly occur. Security will probably remain a common service so long as the two Departments share headquarters buildings.

4. Sir Alan Bailey's prime - and understandable - concern is that his Department should have control over the staff resources it deploys. That has always been regarded as important for efficiency and effectiveness, and (as Mr Butler agrees) it is the more important in the context of the Financial Management Initiative. The argument of principle is therefore strong.

5. The Trade Union Side will probably object to the ending of common citizenship. The practical significance of this is however likely to be largely confined to middle ranking policy staff. In line with usual practice all staff in both Departments would be invited to express a preference as to which Department to join, and these preferences would be given effect wherever possible, subject to the needs of the work. And the separation proposal would continue to allow staff to nominate themselves for transfer or promotion across the departmental boundary. Overall the two Departments do not see insuperable staff problems.

6. There would also be a cost. There would be no increase in posts at Grades 2 and 3. From 1 April 1987 the existing Grade 2 Principal Establishment Officer would work solely for the Department of the Environment, whose present Grade 2 posts are heavily loaded following the giving up of the former Grade 1A post there. The Department of Transport will be able to absorb its half of the Grade 2's time amongst the existing posts, where a Senior Open Structure review suggests that there may be room for savings. But up to five extra posts are expected to be required below that. The cost of these is included in the overall cost estimate for Stage 1 of up to £200,000 per annum. Further costs and additional staff would be incurred at later

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stages of separation but not immediately: these would need to be taken into account in reviewing whether and if so when to separate each of the services concerned.

7. The benefits of separation would accrue to the Department of Transport, and the Department of Transport is willing to absorb within its existing manpower and running costs totals the whole of the net additional running cost of up to £200,000 and the manpower addition of up to five staff for the first stage, plus its share of the present Grade 2 time, within its totals, so that the Department of the Environment would be left no worse off. The Department of Transport also accepts that the same approach to costs and manpower should apply to any individual changes decided upon later. This will mean that the costs fall in the same place as the benefits.

8. The Secretary of State for Transport would support a move towards further separation on this basis. The Secretary of State for the Environment would be content to leave things as they are, but would not object to the change proposed so long as there are no cost or manpower additions for the Department of the Environment. The Treasury would be content so long as cost and manpower totals over the two Departments together show no net increase.

9. I should be grateful to know whether the Prime Minister would be content for separation to proceed on this basis, with the Department of Transport absorbing the cost and manpower consequences within existing totals.

10. If so, there remains the question of timing. Sir Alan Bailey is keen to press ahead with Stage 1 from 1 April 1987, because he foresees a stable workload in his Department in this period, during which management would have time to devote to implementation of the change. Mr Heiser would prefer delay: his staff are heavily committed on policy work (particularly but not

only on local government issues) and he would rather not add this extra burden. There is also the point that the disruption caused by implementing the initial proposals from 1 April 1987 could overlap with any further changes which might arise following a General Election. Against that, it is not generally a good idea to decide upon a change but defer its implementation. The news is liable to leak out, and lead to uncertainty and confusion; and the scale of the initial change proposed is small in relation to the totality of the two Departments. Unless the Prime Minister has in mind to reamalgamate the two Departments (which I would not myself recommend) after the Election, or to make other changes with which these proposals would be inconsistent, I believe that the right course would be to allow the changes described in paragraph 2 of this minute to go ahead, and to postpone decisions on further stages of separation until later - probably until after the next Election.

11. I am copying this minute to the Private Secretaries to the Secretaries of State for the Environment and for Transport, and also to Sir Alan Bailey, Mr Heiser and Mr Butler.

RA

ROBERT ARMSTRONG

7 November 1986

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

14 October 1986

Thank you for your letter of 9 October about Civil Service reform. We have now decided that it would be more appropriate to hold this until there is a suitable item on the Cabinet agenda to which it can be linked.

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

P. A. BEARPARK

Michael Stark Esq.,
Minister of State's Office,
Privy Council Office.

CONFIDENTIAL

L04 AGS

cc Prof Griffiths

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

SIR ROBERT ARMSTRONG

RANGE PAY

The Prime Minister was grateful for your minute of 9 October reporting the position about range pay for Grades 2 and 3. The Prime Minister was somewhat disappointed that it will not now be possible to bring in discretionary increments for Grades 2 and 3 in this financial year. She is also sorry to see that some Permanent Secretaries are unenthusiastic about the scheme. She accepts that it is important for them to be persuaded that the proposal can be made to work and if a little more time is needed to do that, it will be well spent. She would like Ministers to have an opportunity to discuss a scheme as soon as possible after the results of the dummy run are available in November.

I am sending a copy of this minute to the Private Secretary to the Minister of State, Privy Council Office.

DAVID NORGROVE

13 October 1986

cc BS

Cabinet Office

MANAGEMENT AND PERSONNEL OFFICE

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

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

Andrew Bearpark Esq
Private Secretary
10 Downing Street

9 October 1986

Dear Andy,

Thank you for your letter of 3 October about the Prime Minister's speaking note on Civil Service reform. We do not think it needs any amendment.

Copies of this letter go to the recipients of yours.

Yours,
Paul

PAUL THOMAS
Private Secretary

CIVIL SERVICE
LONG TERM
PT 9



Prime Minister 2

This seems an acceptable timetable. It is a pity Permanent Secretaries are not enthusiastic. But they will have to make it work so I suppose they can't be pushed too fast. 1 April 1987 is better than I had feared. DRS 10/10.

Ref. A086/2845

MR NORGROVE

Range Pay

Thank you for your minute of 23 September about Lord Plowden's discussion with the Prime Minister.

2. We are making progress with our plans for introducing discretionary increments for Grades 2 and 3. A scheme has been drawn up, and has been discussed with a small group of Permanent Secretaries to go over the ground. The scheme is now to be tested out on the basis of a "dummy run" in their Departments, the results of which should be available in November. Thereafter I will put the proposals more generally to Permanent Secretaries and report back as soon as we have a scheme ready for the Prime Minister's approval. The Treasury are of course closely involved.

I believe only Ken Stowe is enthusiastic.

3. Not all Permanent Secretaries are enthusiastic about this scheme, and it is worth taking time and trouble to make sure that the arrangements for awarding increments work properly and have been thought through. This is a key initiative and we must get it right from the start. As soon as there are clear decisions on the mechanism and criteria for awarding the increments, the details will be made public, so as to ensure that those affected know how the scheme is to be run. I hope that we shall be able to invite the Prime Minister to make an announcement early in the New Year.

4. Grade 3 is already included in the existing performance bonus experiment. We have had to take account of this in deciding from when to introduce discretionary increments. The most straightforward arrangement is to let that run for Grade 3s

RTAACT

for this financial year (some Departments have already paid out their performance bonuses for this year), and bring in discretionary increments for Grades 2 and 3 in the financial year beginning 1 April 1987. This will tie them in with the annual reporting cycle for these grades and with the introduction of new appraisal arrangements which we are planning to bring in at the same time. The timetable will also allow for consultation with staff interests, which the Prime Minister has promised, and for staff to be told how arrangements in their Departments are to be implemented.

5. We have put work in hand on the option of extending discretionary increments down to Grade 7, and will report back as soon as possible.

6. I am sending a copy of this minute to the Private Secretary to the Minister of State, Privy Council Office.

Robert Armstrong.

pp ROBERT ARMSTRONG

9 October 1986

RTAACT

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

3 October 1986

Dear Paul

Your letter of 17 July to Mark Addison enclosed a speaking note for the Prime Minister to use at Cabinet on Civil Service Reform. It was not possible to include this before the Recess and I have it in mind to suggest it for the next Cabinet meeting. Could you please let me know by 10 October if the speaking note is still relevant, or if you would like to propose any amendments.

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 Michael Stark (Cabinet Office).

Yours ever

Andy

P. A. BEARPARK

Paul Thomas, Esq.,
Management and Personnel Office

PART 19 ends:-

DN to PCO 30.9.86

PART 20 begins:-

PAB to PCO 3.10.86.


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