PREM 19/2041

LONG TERM MANAGEMENT AND MANPOWER POLICY.

FINANCIAL MANAGEMENT Part 21

SLIMMING DOWN OF LOCAL AUTHORITY STAFF

PERFORMANCE RELATED PAY

CIVIL SERVICE

PART 1: MARCH 1979

PART 2: APRIL 1987

(In attached folder: Gilmour Monday Report on Implementation of the Recommendations of the Multi-Departmental Review.)

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~1.4.87~~		~~28.4.88~~		NOT present at review			
~~6.4.87~~		~~6.5.88~~					
~~22.4.87~~		~~16.5.88~~					
~~11.5.87.~~		~~17.5.88~~					
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~~29.7.87~~		~~20.6.88~~					
~~25.9.87~~		~~1.6.88~~					
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PREM 19/2041

PART 21. ends:-

AT to FERB 30.12.88.

PART 22. begins:-

PS/Ch Exch to PS/FERB
5 Jan 89.

MJ2DAN

file

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBIN BUTLER

DISCRETIONARY PAY SCHEME FOR GRADES 2 AND 3

The Prime Minister has seen and noted your minute of 23 December and the draft written Parliamentary Question and Answer that were attached to it.

I am copying this minute to Alex Allan (HM Treasury) and Eleanor Goodison (Minister of State's office, Privy Council Office).

Andrew Turnbull

30 December 1988

MJ2 DAW

File

cc PGO DOE
M/S, PLO WIO
DOH DM
DOSS MOD
SO HO
DTI CO

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

30 December 1988

Dear Alex,

PERFORMANCE PAY FOR GRADES 2 AND 3

The Prime Minister has seen the Chancellor of the Exchequer's minute of 20 December and has noted that the TSRB are not at present keen to move in the direction of a fully performance related system but do not intend to express any judgment of this sort in their report. She has also noted that work will be continuing to develop the kind of scheme agreed earlier.

I am copying this to Private Secretaries to MISC 66 members and to Sir Robin Butler.

Yours sincerely

Andrew

Andrew Turnbull

Alex Allan Esq
HM Treasury

10 DOWNING STREET

Prime Minister,

To note

(i) from Ch/Ex minute that TSRB are unwilling to recommend a fully performance related scheme but are likely to leave options open

(ii) from FERB's minute that Permsecs have had difficulty making the scheme operate sensibly within 25 per cent quota, particularly for Grade 3's. Do you favour extending this to 35 per cent?

AT

23/12

Ref. AO88/3693

MR TURNBULL

Discretionary Pay Scheme for Grades 2 and 3

This minute reports the outcome of the second round of awards under the discretionary pay scheme for Grades 2 and 3, announced by the Prime Minister by Written Parliamentary Answer on 23 April 1987.

2. The Prime Minister will recall that, in accordance with the TSRB's recommendation, the expectation is that no more than 25% of the staff in each grade across the Service should be in receipt of one or more increments at any one time. In line with arrangements agreed by the Prime Minister, increments for Grade 2s were subject to my approval. Permanent Secretaries were able to make awards to their own Grade 3s - provided this would not bring the percentage with awards in the Department concerned above 25% or involve a second or third increment, in which case my approval was required. My approval was also required for awards to Grade 3 staff serving in Departments headed at Grade 2 level.

3. I invited a number of senior colleagues (including Sir Peter Middleton) to act as an Adivsory Group to me on all the departmental nominations which required my approval.

Grade 2

4. In the 1987 round, awards were made to 27 Grade 2s, or 20% of staff in post, of which 25 were still in payment on 1 October 1988. Twenty-one nominations were made this year, including four for a second increment. After consideration by my Advisory Group, a total of 11 awards were made - 9 for a first increment,

and 2 for a second increment. This means that the overall number of Grade 2s now in receipt of one discretionary increment or more is 34, ie at the limit of 25% of staff in post.

Grade 3

5. In 1987, awards were made to 84 Grade 3s, or 17% of staff in post, of which 67 remained in payment on 1 October 1988. Awards to a further 21 Grade 3s were made this year by Permanent Secretaries. 24 nominations were made by Permanent Secretaries for central approval, including 4 for second increments. After consideration by my Advisory Group, 18 of the nominations for a first increment were approved. This means that the overall number of Grade 3s now in receipt of awards is 106. This represents 21% of staff in post.

6. The cost of all the awards at Grade 2 and 3 level following the first and second round of the scheme, will amount to £317,400 in a full year, or about 1.25% of the annual pay bill for the grades concerned.

The Future

7. We made it clear at the outset that the discretionary pay scheme would be kept under review and that it might need to be modified as it develops. A number of Permanent Secretaries have expressed misgivings about the operation of the 25% guideline. It has meant that officers, whose performance even on the most rigorous application of the criteria merited an award, have had to be excluded because of the 25% limitation. Some Permanent Secretaries have experienced particular difficulty about the cases of the most senior officers and especially those near retirement. TSRB said in their last report that they wished to return to the performance pay scheme for Grades 2 and 3 with a view, among other things, to exploring the possibility of making all pay at these levels performance-related. The Treasury have

put proposals to TSRB for a more flexible scheme which might be implemented from April 1990, but in the light of their initial discussions with TSRB it seems clear that a conclusion will not be reached in time for their next report. (The Chancellor of the Exchequer has minuted you about this).

8. The existing arrangements will need to operate for at least one further round next Autumn. At Grade 2 level, the number of staff in receipt of discretionary increments is the maximum allowable under the present arrangements as they stand, but the current expectation is that with known promotions and retirements, there will be room for 10 further awards next year. At Grade 3 level, 21% of staff at present in post are in receipt of discretionary increments: together with known promotions and retirements, this provides room for 25 further awards (though this is less than have been awarded at this level in either of the first two years). The TSRB are aware of the problems with the quota and may recommend relaxation to 35 per cent in their next report. Whilst this could cause us difficulties in relation to the lower grades where a 25 per cent quota will still apply, it would ease the position on Grade 2s. It could also facilitate a transition to our own proposals for a completely performance based pay system if these are eventually accepted by the TSRB.

Announcement of the Outcome of the Second Round

9. When the Prime Minister announced the introduction of the discretionary pay arrangements in April 1987, she said that the overall total number and value of awards would be published annually. Accordingly, the Minister of State, Privy Council Office, made an announcement by Written Parliamentary Answer, last March. I recommend that a similar announcement should be made on this occasion, and a draft Parliamentary Question and
--- Answer is attached.

10. I am copying this minute to the Private Secretaries of the Chancellor of the Exchequer and the Minister of State, Privy Council Office.

F.E.R.B.

ROBIN BUTLER

23 December 1988

DRAFT WRITTEN PARLIAMENTARY QUESTION AND ANSWER ABOUT

THE DISCRETIONARY PAY SCHEME FOR GRADES 2 and 3

To ask the Minister for the Civil Service if he will make a statement about the Discretionary Pay Scheme for Grades 2 and 3 staff in the Home Civil Service.

DRAFT ANSWER

In the second round of awards made under the arrangements announced by my Right Hon. Friend, the Prime Minister on 23 April 1987, awards have been made to 11 Grade 2s and 39 Grade 3s. The total number of staff currently in receipt of awards following the first and second rounds of the scheme is 34 Grade 2s and 106 Grade 3s, respectively 25% and 21% of all those in each grade.

The full year cost of these awards is £317,400 or about 1.25% of the annual pay bill for the grades concerned.

chex.md/mw/29

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

PRIME MINISTER

PERFORMANCE PAY FOR GRADES 2 AND 3

On 7 October I sent to you and to MISC 66 colleagues draft evidence to the TSRB recommending a change in the current pay regime for Grades 2 and 3. The new scheme we eventually agreed to propose represented a move to a system under which all staff in these grades received a single annual pay review based on their performance in the job.

Officials here have now discussed the new scheme with TSRB. I understand that their forthcoming report will not give us the clearance we sought to develop the scheme and introduce it from April 1990. The TSRB are not at present keen to move in the direction of a fully performance related pay system but, helpfully, do not intend to express any judgement of this sort in their report. Nor will our evidence to them on the scheme be published. I believe that they will say instead that there has not been enough time to explore this difficult area thoroughly but that they will return to it next time.

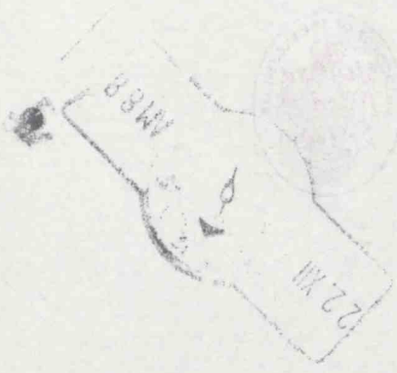
This is disappointing, but the additional time this gives us can be put to good use in developing the scheme. I remain convinced, for the reasons set out in my minute of 7 October, that the principles we put forward are the right approach to pay at these levels and that a scheme based on them would be better than the current arrangements. I hope we shall be able to make some headway on this between now and their next review.

I am copying this to MISC 66 colleagues and Sir Robin Butler.

NIGEL LAWSON
20 December 1988

Civil Service: Long Term....
Management
Pt 21

22 XII AM 88



MANAGEMENT IN CONFIDENCE

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10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

7 November 1988

Dear Alan,

PERFORMANCE PAY FOR GRADES TWO AND THREE

The Prime Minister has been reflecting on the Chancellor of the Exchequer's minute of 7 October and Ministers' responses about the possibility of making a larger element of pay at grades two and three performance-related.

The Prime Minister recognises the advantages of the approach proposed in the Chancellor's minute. But she believes that it could disadvantage certain hard-working and effective grade three officers. Even if grade threes secured the box three marking for several years, they would not, under the proposed system, be eligible for performance pay. She believes that this point could be met by giving the Permanent Secretaries a discretion to give an increment, or some element of performance pay, to grade three officers who had shown that they could sustain performance and who had received a consistent box three marking over several years.

You confirmed that such modification to the proposals in the Chancellor's minute would be fully compatible with his general approach. Indeed, you regard it as an essential element in the proposals that Permanent Secretaries should have discretion, within the fixed amount of money available, to give a higher share of performance pay to deserving people of the sort whom the Prime Minister has identified. To make this absolutely clear, it has been spelt out in the sidelined amendment to the last sentence of paragraph twelve of the note which has now been submitted to the TSRB. A copy is attached.

I am sending a copy of this letter to the Private Secretaries to the members of MISC 66 and Sir Robin Butler.

Yours ever,

Nigel Wicks

N. L. WICKS

A. C. S. Allan, Esq.
H. M. Treasury

MANAGEMENT IN CONFIDENCE

of a lasting nature. (A minimum is required mainly for starting pay on promotion arrangements. Increases in the minimum would not mean a consequential automatic increase for all those in the grade; box 5 performers, who would receive no increase at all, could fall through the minimum of the range.)

11. The ending of incremental points would carry implications for some outside the present structure of Grades 2 and 3 pay. There would be a continuing need to provide for special rates of pay like personal pay points to deal with a variety of circumstances including specific problems of recruitment and retention. A firm link between the pay of Grade 3's and two-star officers would also need to be maintained. In the absence of a comparable scheme for senior officers in the armed forces their pay could perhaps be related to the mid-point of the Grade 3 salary range.

12. Fourth, the recently introduced staff appraisal system would be the basis for the method used to rate performance. There would be advantage in maintaining a distinct pay recommendation procedure so as to avoid performance assessment being over-influenced by pay considerations. While it would be possible to stipulate that the box mark should determine the precise increase paid, a more discretionary system would be preferable. Not only do jobs change but at these levels posts are often particularly subject to influence by the incumbent. Job quality and loading would therefore need to be considered. In addition, account might also be taken for example, of the personal seniority of the individual and the period over which their performance had been maintained. The creation of ranges for the pay increases appropriate to each box mark level could provide flexibility for this purpose. This would enable individual pay increases to be more finely tuned, so that at box 3 level for example those who had consistently maintained that standard of performance over a period of several years could have their achievement recognised by a pay award from the higher end of the range.

Prime Minister! CC P. STRIGDDGK

Do you wish us to commission the work on wastage rates?

No - I will have a word with Nigel and Robin Butler

PRIME MINISTER 4 November 1988

ADS 4/11

RETAINING QUALITY IN THE CORE OF THE CIVIL SERVICE

My decision to leave the civil service after twelve and a half years for a job in the private sector is yet another example of the continuing loss of fast stream civil servants. If the Civil Service were able to recruit in outsiders at various stages in their careers this would not matter. Indeed it would help invigorate the Civil Service. But this is not the case. In the immediate future, there are still sufficient good civil servants at the heart of government to mask the adverse effects of this loss. But because there are fewer good people lower down the cumulative effects will strike suddenly.

The basic problems are that fast stream civil service salaries are now too low in absolute terms and that salaries and promotion are not tied to individual performance and retention. Action taken now could stem the tide, improve motivation and lead to fruitful interchange with the private sector without general pressure on civil service salaries.

THE VALUE OF GOOD QUALITY CIVIL SERVANTS

The value of good quality civil servants should not be underestimated. Once there are insufficient good quality Civil Servants to staff the key posts there could be a direct political impact on Ministers. For example Ministers may be inadequately or incorrectly briefed for important Parliamentary occasions. A major piece of legislation may be found in mid passage to be fundamentally technically misconceived. As has already happended in some local authorities (eg Brent), the effect will snow ball as good quality individuals leave and new ones cannot be recruited.

THE EVIDENCE - WASTAGE

The Treasury refuse to acknowledge that there is a serious recruitment and retention problem amongst the most able civil servants. This is despite the fact that the Treasury itself has been adversely affected by the changes. Many of the most able Treasury economists and administrators have left for much better paid jobs in the City, as commented on in the attached extract from the "Times" City Diary.

This is not a new phenomenon. About four years ago, when I was in the Treasury, an able but not exceptional member of my staff left to double his salary in a job for which he had no directly relevant experience.

The DTI's experience is similar. The wastage rate at Grade 7 (Principal) is currently 10% a year; a rate that might be sustainable in an organisation that expects to recruit from outside but that is unsustainable in a career service. Grade 7 civil servants of average ability are doubling their salaries in the private sector.

The recent Civil Service direct entry competition at Grade 7, which the Treasury describe as successful, managed to fill only 75% of available places. Most recruits came from local authorities or polytechnics and most had to be offered salaries at or near the top end of the salary scale.

THE EVIDENCE - SALARIES

My own experience provides direct evidence that salary and motivation policies in the private sector are substantially better than those that the Civil Service offers. My salary in the year from now, before bonus and excluding perks, will be twice what I have earned in the year to date. And the

increase I expect on promotion is substantial (about a third) compared to 7.5 per cent in the Civil Service.

The attached graph shows that the salary a fast track employee would earn in BP (before bonus) is some 50% above that earned by a good fast stream civil servant (no bonus).

Whilst there is a case for a differential of, say, 10%-20% between the Civil Service and private sector to reflect better job security, indexed pensions and recognition for public service, 50% is too much.

INADEQUATE TREASURY RESPONSE

The Treasury say that the new performance related pay system for civil servants in Grades 5-7 and for the grades covered by the TSRB will enable such problems as they acknowledge to be tackled. This is a mistaken view. The new system allows additional performance related increments of around 4% and some flexibility to raise the salaries of particular groups of Civil Servants. But the fundamental problem is that there is insufficient flexibility to pay individual civil servants the salary levels required to recruit and retain them.

A SUGGESTED APPROACH

From discussing this matter with my colleagues in the Civil Service I believe that the following changes need to be made:

- fast stream civil service starting salaries on promotion should be replaced by pay ranges as in the private sector with individuals appointed to any point in the range depending on their value to the Department concerned. Annual pay increases

would be dependent on individual performance and at the level needed to retain key individuals.

- promotion should be tied much more closely to demonstrated ability. If a civil servant has performed well and a vacancy arises at a higher level for which he is ideally suited he should be promoted. At present Civil Servants are expected to have had served postings at a particular grade before they are promoted.

- Terms of employment should match those in the private sector much more closely. If the best Civil Servants are to receive salaries more in line with those in the private sector they should not expect to be guaranteed a job for life.

- These arrangements should make possible a policy of filling a proportion of senior civil service jobs with recruits from the private sector including ex-civil servants. The attached article from the "Independent" makes a case for such interchange.

CONCLUSION

The Civil Service is losing too many good quality people and is unable to recruit at present salary levels from the private sector. Although high levels of wastage may be able to continue for several years without an unacceptable impact on the quality of the Civil Service, once the impact is felt it may be too late to reverse the damage.

We therefore recommend that you ask for an assessment of the impact of the current wastage rates of fast stream civil servants. This needs to concentrate on the quality of the individuals concerned as well as absolute numbers and

percentages. A 1% wastage rate comprising future Permanent Secretaries is quite different from one comprising dead beats. This survey needs to look at the cumulative impact of current wastage rates on the future requirements for fast stream senior civil servants bearing in mind the difficulty of recruiting in good quality individuals at present salary rates.

If this work shows that there is a problem that needs to be tackled the Government should act selectively. It should move to individually negotiated salaries for fast stream civil servants with annual increases determined on performance and the need to retain key individuals. Promotion should be tied even more closely to merit. A quid pro quo would be less job security. A further benefit of this approach would be much freer interchange with the private sector.

Peter Stredder

PETER STREDDER

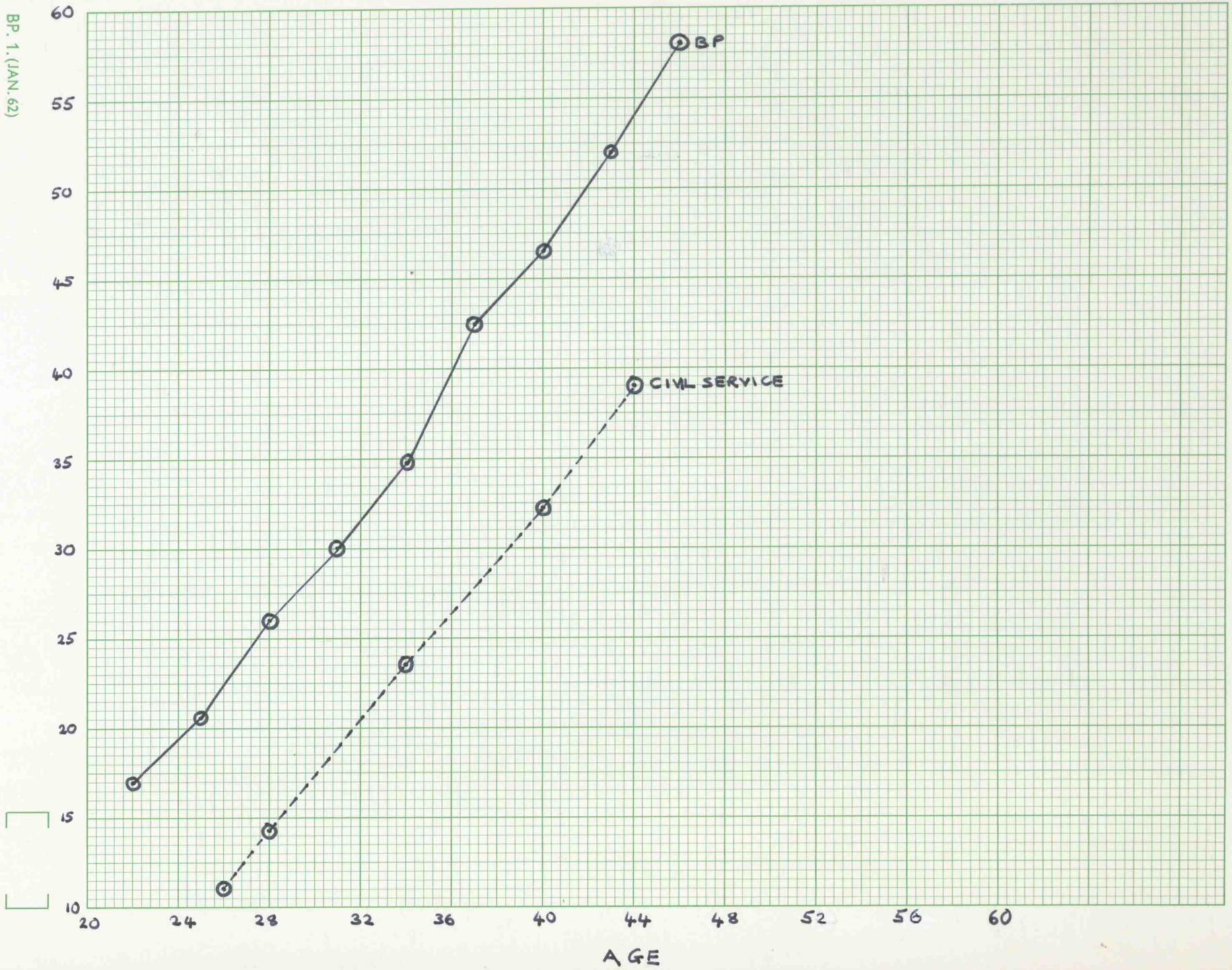
THE TIMES CITY DIARY

School for economists

High-ranking officials at the Treasury are, I hear, becoming increasingly concerned by the steady stream of bright young economists they have lost to the City. Enticed by the ability to more than double their Civil Service salaries – economists can, in exceptional circumstances, earn more than £200,000 a year in the Square Mile – the Treasury's anxiety will be heightened by the news that Mark Franklin, aged 30, is leaving to join Credit Suisse First Boston on November 21.

Franklin, who will become the firm's UK economist in a team under chief economist Giles Keating, had been in government service for three years, working on its all-important public expenditure policy. He replaces Peter Spencer, also an ex-Treasury man who has moved on to Shearson Lehman. "The training that people get in the Treasury is so outstanding that it is in danger of turning into a finishing school for economists," admits Keating.

SALARIES OF FAST STREAM EMPLOYEES



Whitehall Watch: **Peter Hennessy** examines a US view of dealing with the bureaucratic machinery

Scholarly remedy for 'institutional sclerosis'

ONE OF the most irritating by-products of Britain's protracted slippage from the ranks of the economic and military superpowers has been the visiting American scholar jetting in to Heathrow and treating us as *the* test-bed of decline from which salutary lessons can be drawn by other countries wishing to avoid our fate.

For me these airborne social scientists have to be pretty special to quell the chauvinism latent in my breast. One of those I exempt entirely from these strictures — Professor Mancur Olson, of the University of Maryland and author of *The Rise and Decline of Nations* — was in London last week with the latest refinement of his "institutional sclerosis" thesis which he outlined in a Suntory Toyota Lecture at the London School of Economics.

Simplified, the Olson theory runs like this: truly settled societies such as Britain contain the seeds of their own relative decline, for the longer a country enjoys stability the greater the tendency of organised interest groups to develop to the point where a mutual paralysis grips the component parts of its political economy, squeezing out any space for swift change and dynamic innovation.

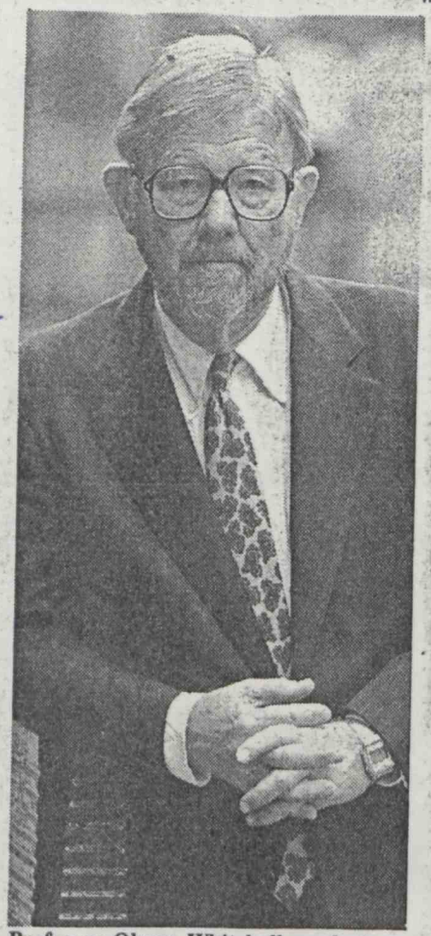
Professor Olson took as his title "Is Britain the Wave of the Future?" Paradoxically he thought we might be. Though our institutional arteries remain remarkably furred up, we have, he reckons, an equally remarkable capacity to translate new ideas into political and practical action, *provided* the relatively small number of key opinion-formers in the political parties, the media, the Civil Service and the universities can be persuaded of the desirability of breaking new ground.

We could, he said, go one of two ways in terms of institutional sclerosis: "Great Britain could easily be the first country to be borne by this sad wave of the future into catastrophic storms . . .

"It could also easily be the first country to solve this problem. The tides of technological advance would then, I believe, raise it above other countries in wealth and social performance," he said.

Professor Olson, though an economist by training, is that rare thing these days — an internationally famous scholar happy to attempt a synthesis on a grand theme by drawing on several disciplines.

What intrigued me, given my narrow interest in bureaucracy, was where that part of the critical, sclerosis-busting intellectual mass which is housed in the Civil Service fitted in to his bigger picture of Britain. Did he think bureaucracies comprise *the* classic example of institutional sclerosis?



Professor Olson: Whitehall needs 'new blood'. *Photograph by Barry Beattie*

"I do," he replied. "It has been my experience that though the Civil Service has been able to attract many of the most able people in the whole country, there is an inherent problem in civil services, foreign services and military services in that incentives for promotion and advancement are not really due to productivity. Piece-rate payments are inherently impossible in such cases because output is a public good.

"It is then the case that the way people fit in, the way their ideas fit in with the ideology of the bureaucracy, is important and the ideology of the bureaucracy is conservative in the status quo sense. The military like horse cavalry, the navy like battleships, the bishops like the old theology and the civil servants like things the way they have always been done. The best and brightest have gone into the public service in Britain but that does not mean the Civil Service has been the cutting edge in society. That paradox supports my argument."

Professor Olson's argument is that the Whitehall version of institutional sclerosis can be cracked by the importation of a smallish number of ideas people, outsiders with different backgrounds and thought patterns from the career public servants.

"It is like the proportions of yeast in bread or beer. A small proportion of outsiders will initiate a large proportion of new ideas. They would be less likely to say, "Yes, Minister", and not do it. I would particularly focus on subtle resistance in the Civil Service to new initiatives."

Professor Olson is a great believer in elected people prevailing over appointed people. He is not a would-be creator of a super civil service against whose in-house initiatives few ministers would stand a chance. But his concentration on transfusing new blood into Whitehall is not an idea the Prime Minister shares. Her managerial revolution has had profound consequences within the Civil Service but she sees no need to boost it with a new people/new thinking revolution.

Political will, Margaret Thatcher has always maintained, is the key. Politicians, too, have their vested interest in a system which, as they see it, had the wisdom to make them No 1. Institutional sclerosis does not stop at the front door of No 10.

Ref. A088/3191

MR WICKS cc

Performance Pay for Grades 2 and 3

In your minute of 27 October, you asked me to discuss with the Treasury whether Permanent Secretaries could be given a discretion to give an increment, or some element of performance pay, to grade 3 officers who had shown they could sustain performance and who had received a consistent box 3 marking over several years.

2. I have now discussed this with the Treasury. They have confirmed that they would be content with an approach on these lines. Indeed, they regard it as an essential element in their proposals that Permanent Secretaries should have discretion, within the fixed amount of money available, to give a higher share of performance pay to deserving people of the sort whom the Prime Minister has identified.

3. To make this absolutely clear, the Treasury have now spelled it out in the side-lined amendment to the last sentence of paragraph 12 of their note which they have now submitted to the TSRB (copy attached).

4. The way is therefore clear for you to minute out generally in response to the Chancellor of the Exchequer's minute of 7 October. It might be convenient in bringing it to the attention of others if your were to record in that minute the amendment made to paragraph 12 to meet the Prime Minister's point.

R.B.

ROBIN BUTLER

3 November 1988

PAYAAK

of a lasting nature. (A minimum is required mainly for starting pay on promotion arrangements. Increases in the minimum would not mean a consequential automatic increase for all those in the grade; box 5 performers, who would receive no increase at all, could fall through the minimum of the range.)

11. The ending of incremental points would carry implications for some outside the present structure of Grades 2 and 3 pay. There would be a continuing need to provide for special rates of pay like personal pay points to deal with a variety of circumstances including specific problems of recruitment and retention. A firm link between the pay of Grade 3's and two-star officers would also need to be maintained. In the absence of a comparable scheme for senior officers in the armed forces their pay could perhaps be related to the mid-point of the Grade 3 salary range.

12. Fourth, the recently introduced staff appraisal system would be the basis for the method used to rate performance. There would be advantage in maintaining a distinct pay recommendation procedure so as to avoid performance assessment being over-influenced by pay considerations. While it would be possible to stipulate that the box mark should determine the precise increase paid, a more discretionary system would be preferable. Not only do jobs change but at these levels posts are often particularly subject to influence by the incumbent. Job quality and loading would therefore need to be considered. In addition, account might also be taken for example, of the personal seniority of the individual and the period over which their performance had been maintained. The creation of ranges for the pay increases appropriate to each box mark level could provide flexibility for this purpose. This would enable individual pay increases to be more finely tuned, so that at box 3 level for example those who had consistently maintained that standard of performance over a period of several years could have their achievement recognised by a pay award from the higher end of the range.





MJ2CWF

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBIN BUTLER

PERFORMANCE PAY FOR GRADES 2 AND 3

The Prime Minister discussed with you this morning the Treasury's proposals for performance pay for Grades 2 and 3 and her suggestion that the new arrangements should include the possibility of retaining one, rather than the present two, increments within the Grade 3 pay scale.

The Prime Minister recognised the disadvantages in retaining this one increment. She nevertheless believe that hard working and effective Grade 3 officers could be disadvantaged by the approach proposed by the Treasury. Even if they secured a box 3 marking for several years, they would not, under the proposed system, be eligible for performance pay.

You suggested that the Prime Minister's point could be met by giving Permanent Secretaries a discretion to give an increment, or some element of performance pay, to Grade 3 officers who had shown they could sustain performance and who had received a consistent box 3 marking over several years. You undertook to consider this approach with the Treasury.

The Prime Minister would be grateful if you could now consider this approach with the Treasury. If it is acceptable to them, I will minute out generally in response to the Chancellor of the Exchequer's minute of 7 October.

N.L.W.

N.L. Wicks
27 October 1988

PRIME MINISTER

PERFORMANCE PAY FOR GRADES 2 AND 3

When you discussed with the Chancellor his proposals at Flag A for performance pay for Grades 2 and 3, you told him that you thought it would be inappropriate to remove increments entirely from the Grade 3 pay scale, although you were content to do so in the case of Grade 2. The Chancellor agreed to consider the possibility of retaining one, rather than the present two, increments within the Grade 3 pay scale. He has now done this and the following reflects discussion with Sir Robin Butler.

The Treasury say that it would be feasible to retain an incremental scale point for Grade 3s within the proposed new performance pay arrangements. But they, nevertheless, do not like this approach for the following reasons:

(i) it would dilute the impact of the full performance related approach which they favour: it would retain, at least in part, an automatic incremental progression unrelated to achievement; an element of the annual 'cost of living' review process; and the unwelcome feature of the present arrangement that individuals newest in the grade get the largest increase. It would also be difficult to explain why the incremental scale point for Grade 3s had been retained, especially if the scheme was later generalised throughout the service.

(ii) retaining the incremental scale point for Grade 3s would, inevitably, reduce the 'pot of pay' available for performance pay for Grades 2 and 3 generally. This could, depending on the relationship between the rate of inflation and the level of the TSRB award, increase the risk that normal box 3 performers (those fully meeting the

requirements of the grade) would receive increases less than the rate of inflation or, if that was judged unacceptable, reduce the differential available for the best performers.

The Treasury would prefer you not to press your point. But if you wished to press it, Robin suggests that we include the following after paragraph 12 of the paper for the TSRB, attached to the Chancellor's minute:

> 'Fifth, it would of course be possible to combine this scheme with retaining one or more of the existing increments, although this would be at the cost of reducing the size of the total available for merit increases'.

How would you like to proceed? Include the new paragraph in the paper for the TSRB so as to seek their views?

May we discuss

N.L.W.

N. L. WICKS

25 October 1988

SL3BEU

JH/D/O

MANAGEMENT IN CONFIDENCE

Caxton House Tothill Street London SW1H 9NF
5803

Telephone Direct Line 01-273 .....
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The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1

PERFORMANCE PAY FOR GRADES 2 AND 3

You sent me a copy of your minute to the Prime Minister of 7 October.

The approach you recommend is very much in line with the Government's general stance, both in the public sector and the private sector, in favour of relating pay improvements more closely to performance. It seems to me clearly right that all people in Grades 2 and 3 should have the opportunity to benefit from performance related pay improvements, rather than the minority which does so at present under the discretionary increments scheme. And the scheme you suggest seems aptly designed to achieve that result, whilst keeping the overall increase in pay levels to a total that can be afforded.

I therefore welcome your proposal to submit the scheme in outline to the Top Salaries Review Body and I hope that it will be possible to push ahead in the light of the TSRB recommendations, to implement a scheme on the lines suggested not later than 1990.

I have two more specific observations. First, there are undoubtedly, as your minute makes clear, a number of important managerial problems - not least in the area of standards of reporting - which will need to be properly considered before we implement the scheme. The TSRB may well offer us useful guidance in the light of their knowledge of how other organsiations have tackled these problems (including the Health Service). It is sensible, therefore not to be too rigid at this stage.

Secondly, I think it is important that Departments should have a reasonable degree of flexibility and discretion in setting the amount of pay increases to be awarded to their staff and that we should if possible avoid any absolute relationship between a performance box mark and the amount of pay increase awarded.

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

Yours ever

Norman

NORMAN FOWLER

MANAGEMENT IN CONFIDENCE


25. X.
1988

MANAGEMENT IN CONFIDENCE



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

20 October 1988

PERFORMANCE PAY FOR GRADES 2 AND 3

I wrote to you on 18 October giving the Prime Minister's initial reactions to the Chancellor's minute of 7 October. The Prime Minister and Chancellor discussed this further at their bilateral meeting today.

The Prime Minister explained that she thought it would be inappropriate to remove increments entirely from the Grade 3 pay scale, although she would be content to do so in the case of Grade 2. She therefore suggested the Chancellor should reconsider the proposal to take this point into account, while still providing for an increase in the proportion of performance pay relative to increments. The Chancellor agreed to consider the possibility of retaining one, rather than the present two, increments within the Grade 3 pay scale, but explained that he would want to consider the cost implications of this change. It was agreed that the Chancellor would report further to the Prime Minister when this had been looked at.

As before, I am not copying this letter to the Private Secretaries of members of MISC 66, but a copy does go to Trevor Woolley (Cabinet Office).

PAUL GRAY

Miss Moira Wallace,
H.M. Treasury.

MANAGEMENT IN CONFIDENCE

MANAGEMENT IN CONFIDENCE

BMA01

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

18 October 1988

PERFORMANCE PAY FOR GRADES 2 and 3

The Prime Minister was grateful for the Chancellor's minute of 7 October and the enclosed draft written evidence from the Treasury to the TSRB.

The Prime Minister has some doubts about the proposed changes in the performance pay scheme. She has commented that these would involve a variation in the present 'contract' terms, and she is concerned that some good performers could be missed by the arrangements. She wonders whether an alternative approach might be to leave the scheme broadly on the present basis, but to increase the proportion of performance pay relative to increments.

I am sending a copy of this letter to Trevor Woolley (Cabinet Office). I am not however at this stage copying the letter to Private Secretaries of other members of MISC 66.

PAUL GRAY

Miss Moira Wallace
HM Treasury

MANAGEMENT IN CONFIDENCE

CS Pay pt 17

F HEALTH AND SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 01-210 3000

From the Secretary of State for Social ~~Services~~ Security

NBPM at his stage
PLCG
18/10

MANAGEMENT IN CONFIDENCE

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

17 October 1988

Dear Nigel.

PERFORMANCE PAY FOR GRADES 2 AND 3

with PG

You invited comments on your minute to the Prime Minister of 7 October.

I entirely agree that the current 25% quota on discretionary increments for these grades is an undesirably crude and demotivating instrument of cost control and that a new system along the lines of the note by Treasury officials would be preferable. The more we can relate pay to performance without demotivating some more than we motivate others the better.

I agree with you that more work needs to be done to work out the details of the new system. In the process I sincerely hope we can persuade the TSRB to recommend the maximum flexibility within their recommended annual pay bill increase: the 25% quota which is such an unsatisfactory feature of the present system was recommended by them. The recently introduced performance appraisal system (for these Grades) will have to bear a lot of weight but as the paper suggests the success of the new system will depend to a great extent on good managerial judgements and not on a mechanistic relationship between box markings and pay. Job weight will also need to be taken into account.

E.R.

I am pleased that you are ready to consider going further in extending performance pay downwards to lower grades. I would welcome more rapid progress in this direction because we need to differentiate the pay of all our managers and staff with reference to their performance, whether individual for more senior managers or collective for junior managers and staff; as well as to geography and market scarcities. Civil Service managers would welcome this if it provided them, as it could, with the managerial flexibilities and the means of motivating and rewarding their staffs for increased efficiency and effectiveness.

I am copying this letter to the recipients of yours.

JOHN MOORE


17.X.
PM 83

010

dti

the department for Enterprise

MANAGEMENT IN CONFIDEN

The Rt. Hon. Tony Newton OBE, MP
Chancellor of the Duchy of Lancaster and
Minister of Trade and Industry

Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
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Our ref

Your ref

Date 17 October 1988

NBPM at this stage.

RRCG.
18/10

Dear Nigel,

PERFORMANCE PAY FOR GRADES 2 AND 3

WITH PG

You asked for comments on the proposed Treasury evidence to the TSRB about making all pay at Grades 2 and 3 performance related.

I welcome this proposal. It will add a modest but very welcome element of greater flexibility to the performance related pay scheme which at present enables management to send approving signals to too few of those who merit this.

I have three comments:

(a) There is insufficient headroom between the maximum of Grade 5 and the minimum of Grade 3, so that for example the Treasury have not so far found it possible to provide more than one performance related increment at the top of the Grade 4 scale. This results in part, I believe, from the TSRB's award in 1985, which took away London Weighting from Grade 3s without related adjustment. If that anomaly has not been corrected by the time of the introduction of the new arrangements, there will be demotivation of those then aspiring to, or reaching Grade 3. I hope that a way will be found, therefore, perhaps in 1989, to sort out this problem.

TN7AAB

: Pay pt 17

dti

the department for Enterprise

(b) I am glad to see that the Treasury's evidence provides for a continuation of special rates of pay like personal pay points. If full use is to be made of these to deal with particular problems of recruitment and retention (without a general uplifting of the salary bill) I see no reason for personal pay points to be confined to the maximum of the grade (as might be implied by paragraph 10 of the evidence).

(c) As the Treasury note says, it would not be acceptable, in any foreseeable circumstances, to find that we gave performance at Box 3 standard - "fully meets requirements" - awards insufficient to maintain their salaries in real terms. Thus the degree of extra flexibility available under the new proposal should not be exaggerated.

Copies go to the Prime Minister and other members of Misc 66.

Yours ever.
Tony

TONY NEWTON



TN7AAB

MINISTER OF STATE, PRIVY COUNCIL OFFICE

NBPM & min steps.

RRC6
18/10

C88/4996

14 October 1988

PRIME MINISTER

PERFORMANCE PAY FOR GRADES 2 AND 3

papers with GR

I have seen a copy of the Chancellor's minute to you of 7 October attaching written evidence for the TSRB on how the pay for Grades 2 and 3 might be made wholly performance related.

2. I believe that the proposals represent a useful step in the right direction and fully support them. However, I am glad to see that the proposals have not been cast in tablets of stone given the many practical and presentational problems which will have to be resolved before a viable scheme can be put into operation.

3. As the Chancellor says in his minute, the new proposals will depend heavily on the new reporting system for the Senior Open Structure which was introduced last year. The reporting system has made a relatively good start and last year's performance pay round was implemented without major difficulty. Nevertheless, there are inconsistencies in reporting standards which will need to be ironed out if the proposed new scheme of performance pay is to work satisfactorily. The proposals not to introduce new arrangements before April 1990 and to hold a dummy run beforehand (as was done with the existing performance pay scheme) seem sensible, since it is important that we get this useful development as near right as possible.

4. I am copying this minute to the Chancellor, colleagues on MISC 66 and Sir Robin Butler.

Richard Luce

RICHARD LUCE


18. X.

NBPM at this stage.

MINISTRY OF DEFENCE WHITEHALL LONDON SW1 2HB

MO 4/4L

TELEPHONE 01-218 9000

DIRECT DIALLING 01-218 2111/3

14 October 1988

Dear Nigel,

PERFORMANCE PAY FOR GRADES 2 AND 3

fpb with PLW

Thank you for sending me a copy of your minute of 7th October to the Prime Minister about performance pay for Grades 2 and 3.

I am sure it is right to continue down the road of relating pay at these levels to performance; and it is also very desirable that we should remove the present 25% quota on performance-related payments. But the scheme we adopt needs to be both fair and workable, in an inevitably complex environment. For this reason, I much welcome the opportunity for thorough study that an implementation date of April 1990 will provide - as you recognise, the scheme as now adumbrated is not without its difficulties and rough edges. You rightly mention, for example, the need to improve consistency in staff reporting. This is easier said than done, and current statistics show variations across Departments which are far too wide and erratic to be attributable to real differences in levels of talent. An ill-designed performance-pay scheme could set up pressures which make matters worse, not better.

It will also be important to be sure that the baseline rates of pay for the new scheme are seen as fair. Acceptance of the scheme will depend heavily on those concerned believing that it takes, as

The Rt Hon Nigel Lawson MP

its starting point, rates of pay appropriate for the job which they do; without this (as experience outside indicates) no scheme, however well designed, will command confidence and improve motivation.

Finally, I agree that we should do all we can to maintain the link between the Grade 3 and the two-star military officer. This is currently under pressure because the differential between the one and two-star officer is too small; but the civilian/military link at this level is important in my Department, and we should allow it to be broken only if there is no alternative. I shall have to reserve judgement on whether a link to the mid-point of the Grade 3 salary range will do the trick, but this is an issue which will need to be addressed in the further work to be done.

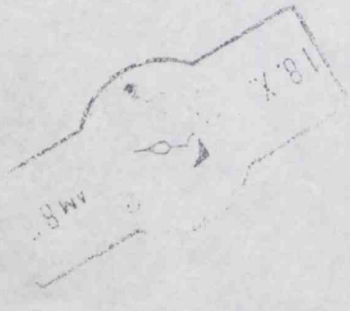
I am sending a copy of this letter to the Prime Minister and to other MISC 66 colleagues.

Yours ever,

George

George Younger

CS Pay pt 17



PRIME MINISTER

PERFORMANCE PAY FOR GRADES 2 AND 3

The Chancellor's minute of 7 October (Flag A) attaches a note that the Treasury propose to submit to the TSRB on possible revisions to the performance pay scheme for Grades 2 and 3 (ie. deputy secretaries and under secretaries). The essence of the proposed new scheme is to make all pay increases for these Grades dependent upon performance (at the moment performance pay only comes into operation after the annual 'inflation' increase and any increments). The paper explains that full details of the new approach remain to be worked out before implementation in April 1990.

Robin Butler's note (Flag B) reports on discussion of the proposal by Permanent Secretaries. He identifies a number of points that will need to be explored thoroughly when the details are worked out.

Policy Unit (Flag C) support the proposed approach, subject to two detailed points.

Robin's note also attaches for background the evidence already submitted to the TSRB on the general pay position for the Senior Civil Service. It includes the point you wanted re-considered about London Weighting for Grade 3s.

Content to endorse the general lines of the proposed approach on performance pay, the submission of evidence to the TSRB and the need for further work on the details over the coming year?

PAUL GRAY

14 October 1988
SLHBBD

CS Pay pt 17

Ref. A088/2991

MR WICKS

Performance Pay for Grades 2 and 3

file with PG

The Prime Minister may like a comment from me on the Chancellor's minute of 7 October and the note of evidence for the Top Salaries Review Body (TSRB) attached to it. These ideas for the development of performance pay for Grades 2 and 3 are radical in themselves, and will have an important influence on the development of policy on pay for the Civil Service as a whole. I have therefore discussed them with the Permanent Secretaries generally.

2. Everyone agrees that the present arrangements under which not more than a quarter of those in Grades 2 and 3 can receive discretionary increments are only a half-way house, and the TSRB said that they would return to this matter this year. The Government needs to put ideas in now to influence their recommendations.

3. In my view, it is right to go further in the direction of pay being more closely related to performance. That gives more scope to reward more highly the best performers and to give signals to the weakest. It is also a move away from the concept of "the cost of living increase".

4. The approach in the Treasury's paper is a bold one. It puts all the money resulting from the TSRB recommendations for annual increases to each grade, together with the increments which they get at present, into a pool which would be distributed according to performance. So the increase in the pay bill is subject to a firm overall limit which is distributed entirely on the basis of performance.

FRBAMD

5. There is no disagreement among the Permanent Secretaries that this is the right way to go. But the details of the scheme must also be right not only so that it does not lead to excessive increases which will give a bad example to the rest of the economy but also because what is done for these grades will have implications for the pay of the much larger numbers at lower grades in the Civil Service.

6. Against this background, there are some points to watch:

i. This scheme is likely to result over time in a wider range of rewards for people in each grade and thus put upward pressure on the pay ranges for the grades above so that there is some headroom between them.

ii. Because the amount available for increments, as well as the amount recommended by the TSRB each year, would be available for distribution as performance pay, this could produce a higher "headline figure" of the annual increase in the pay of these grades than at present.

iii. Most people in Grades 2 and 3 receive box 1 or box 2 markings on their annual assessment forms and it follows that those marked box 3, described on staff reporting forms as "fully meets the requirements of the grade", will get below average increases and, if the overall increase recommended by the TSRB was only in line with inflation, would find their salary going down in real terms. If this led to the TSRB recommending larger overall increases, this would be inflationary.

iv. People receiving box 4 or box 5 markings would not get any increase at all so that they would fall below the pay of those coming into the grade for the first time. This does not seem unreasonable, but will cause friction.

FRBAMD

v. There is a decision to be made whether the money available would be divided between Departments on the basis of the numbers in each grade (which would be hard on Departments with a higher than average number of high calibre people) or according to the performance markings of their staff (which would cause all Permanent Secretaries to pretend that their geese were swans).

vi. It seems desirable that Permanent Secretaries should have some discretion over the distribution of their pool and not have to go entirely on the performance markings their staff receive, so that they could give a higher increase, for example, to someone who has received a box 1 marking in a particularly heavy job than to someone who has received a box 1 marking in a much lighter job. But this would have implications if the scheme were extended to the much larger numbers lower down in Departments for whom such individual treatment would not be practicable.

7. None of these are fatal problems, but their implications need to be thoroughly explored before the Government takes the plunge and it does therefore seem right to follow the Treasury's proposal and put this scheme to the TSRB this year and, subject to what they say, work out the details - perhaps with a dummy run - next year before implementing it in 1990.

8. I hope therefore that, subject to the comments of her colleagues and any specific reactions which she has to the points above, the Prime Minister would give the Chancellor the go ahead for these ideas to be put to the TSRB but endorse his suggestion that the details should be further worked out during the coming year.

9. The Prime Minister may also like to see the Treasury's main evidence to the TSRB on the general pay situation, (attached) which has already been submitted. Some Permanent Secretaries

think that this is too sanguine since they have enormous numbers of vacancies at lower grades which are not being filled, particularly in the South-East. But I do not think that the TSRB would expect the Treasury to say other than they do about the pay situation as a whole; and the Prime Minister will note that the evidence revives the idea of restoring London Weighting for Grade 3s (paragraph 20 of the evidence).

F.E.R.B.

ROBIN BUTLER

14 October 1988

C SERVICE
Pay pt 17

TOP SALARIES REVIEW BODY: 1988/89

CIVIL SERVICE SENIOR OPEN STRUCTURE

Note by the Government

1. This note deals with the Senior Open Structure in the Civil Service. Separate notes on the senior officers in the armed forces and the judiciary are being submitted, and the Civil Service Commissioners are sending their own evidence on their experience on recruitment so far this year.

2. Last year the TSRB carried out a fundamental review which recommended increases averaging some 5.4% for senior civil servants. These recommendations are now being implemented: 4% was paid from 1 April 1988 and the balance will be paid with effect from 1 October. The same date marks the first anniversary of the scheme for discretionary pay for Grades 2 and 3, which arose from the TSRB report of 1985.

3. This note considers the Government's general approach to the pay of the Senior Open Structure, recruitment and retention in these grades and the grades immediately below, and other developments in the Civil Service pay structure. It then considers the existing discretionary pay scheme for Grades 2-3 and its possible evolution into a more fully performance related scheme, and the Next Steps initiatives, both points on which the TSRB has invited evidence. There are 5 Annexes:

Annex A: Statistical tables

Annex B: The Agreement on New Pay Arrangements for Grades 5, 6 and 7

Annex C: Discretionary pay: guidance on the existing scheme

Annex D: The staff appraisal system in the senior open structure

Annex E: The Next Steps Initiative: note by the Project Manager

General Approach

4. The Government's general approach continues to be that civil service pay should, within what is affordable, reflect the recruitment and retention position and the need to motivate staff. This approach is being developed through the introduction of more flexible pay systems, attuned to the priorities of departments, which may relate to small groups of staff, or even individuals, rather than a complete grade. These systems are needed to be able to cope with particular problems of recruitment and retention, as well as rewarding the best performers, without large and indiscriminate increases to the grade as a whole.

5. The Government believes that especial attention should be paid to affordability. It has to balance its responsibilities as an employer with its responsibilities for the control of public

expenditure. Within the latter, it seeks to control its running costs within strict limits which require all departments to increase their efficiency year by year. Although the direct paybill of the grades covered by the TSRB is a relatively small part of total running costs, increases at this level affect general expectations of salary increases, and hence the climate for negotiations for the rest of the Civil Service and indeed elsewhere in the economy.

6. The effects of the 1988 Budget changes are also relevant. Staff in the Senior Open Structure benefited considerably - a Grade 2 by £3340 a year and a Grade 3 by £1898 a year. More junior staff are well aware of this result of the income tax changes, and of the more limited effect on their take-home pay: a Grade 7 benefits by £602 and an EO by £225 a year. (All figures are for married men in London at the top of their scale). As a result, large increases for senior staff could this year be all the more repercussive at more junior levels.

Recruitment

7. So far this year, one post at Grade 1A has been filled from outside the service at the standard rate and 3 posts at Grade 3 level have been advertised and filled, 2 of them at standard rates and one at an enhanced rate. In addition 4 posts at Grade 2 or 3 in linked non-departmental public bodies have been filled following open competition; 3 were at standard rates and one at an enhanced salary.

8. At more junior levels, the final results of the competition for Direct Entry Grade 7s (Principals), referred to in last year's report, are now available. The target was 69 initially, rising to 79 during the course of the competition; 70 were successful in the competition, and 50 have now taken up post; the final figure is expected to be 55. The majority were offered salaries at or near the maximum of the scale, but all within the normal range for the grade. In view of this successful result, a further competition is being run in 1988, to fill 70 further declared vacancies in departments resulting from increased workload at this grade and to bring into the civil service people with industrial and commercial experience.

9. In addition there have been advertisements for 94 specialist posts at Grades 4, 5 and 6 in 1988. The Commission has so far failed to fill 22 of these, and has had to re-advertise several posts, in one case with a 15% pay addition.

10. The 1988 competition for Administration Trainees/HEODs has been very successful. There were 97 vacancies and 97 appointments were offered (in addition to 5 returning deferees). So far 3 candidates have declined appointment and 6 requested deferment, but it is too soon to know the final totals. Table 4 of Annex A gives the 1982-88 results of this competition, and others affecting the administration group.

Retention

11. It remains the case that there is no real retention problem in the Senior Open Structure. Table 1 of Annex A contains the figures, which can be summarised as follows:

	No of resignations	Staff in post - 1 January	Percentage
1985	12	670	1.8
1986	7	659	1.1
1987	7	665	1.1

12. Comparable figures for Grades 4-7 are also shown in this Table. They can be summarised as follows:

	No of resignations	Staff in Post	Percentage
1985	290	17419	1.7
1986	235	17520	1.3
1987	231	17992	1.3

13. The majority of staff in Grades 4-7 are not, of course, normally regarded as fast stream. Tables 2 and 3 of Annex A give the latest data on staff who joined the Civil Service, or passed through, the grades of AT, HEO(D) or their predecessors. The resignation figures are as follows:

	No of resignations	Staff in Post	Percentage
1985	54	1662	3.2
1986	46	1632	2.8
1987	38	1621	2.3

Recruitment and Retention - General

14. In general, therefore, the TSRB's statement in their 1988 report that there are no acute problems of recruitment and retention in the Senior Open Structure remains true. Nor are there in general serious problems at Grades 4-7. The TSRB noted in their last report that there were some worrying signs of resignation problems in these grades, but they still seem to be concentrated in particular groups. The Andrew review is looking at the position of Government lawyers in the Senior Open Structure and other parts of the Government Legal Service, and the pay of some other specialist groups, including doctors, is being considered in the context of the Agreement on Grades 5-7, described below.

15. As the Government said in their evidence last year, salaries in the Senior Open Structure are only one factor, and not necessarily the most important, in decisions about whether or not to resign from the Civil Service; job satisfaction and promotion prospects are also important. Overall, therefore, the recruitment and retention picture in the Senior Open Structure and the grades immediately below does not, in the Government's view, point to

substantial increases in the salaries of the Civil Servants covered by the TSRB. The new pay Agreement for Grades 5-7 should help with particular problems at these lower grades.

Developments in Civil Service Pay

16. Last year's evidence referred to discussions on new long term and flexible pay arrangements for the Grades below the Senior Open Structure. These are now complete, and the Treasury have signed an Agreement covering Grades 5-7 with the three unions concerned - the FDA, the IPCS and the NUCPS. A copy is at Annex B. It provides for increases of 4 per cent from April 1988, and further increases from 1 October 1988 and 1 April 1989.

17. The general pattern of this Agreement is similar to those covering grades represented by the IPCS and IRSF, which the TSRB have already seen. All three provide for a substantial element of performance related pay, with accelerated progress through the scales for the very best performers and arrangements for staff who have reached the normal scale maximum to move to higher range points if their performance meets specified criteria. For Grades 5-7 the first range point (which effectively replaces the interim performance point introduced in September 1987) is not subject to a quota and can be earned by people with a series of Box 3 marks. The three further range points are restricted to staff with Box 1 or 2 markings, and are subject to a 25 per cent cost quota.

18. As with earlier Agreements, there is scope for movements on the spine for particular groups of staff in these grades who present recruitment and retention problems. Other features of the Agreement are levels and movements surveys of pay outside Government. The first levels survey will be in 1989, and selective moves on the spine can start in October 1988.

19. The Agreement does not cover staff at Grade 4 who received an increase of 4 per cent from 1 April with further increases on 1 October. Paragraph 2 of the memorandum to the Grades 5-7 Agreement says that the position of the grade will be reviewed during the first twelve months of the operation of the Agreement to determine appropriate arrangements for performance related pay. Performance pay arrangements for this grade will be influenced, inter alia, by TSRB's views on the further development of performance pay for Grades 2 and 3.

20. Last year's evidence included some discussion of the differentials between Grades 5, 4 and 3, and said that some overlapping of pay scales was acceptable. There is no immediate general problem for staff in Grade 5 because they will not be eligible for the higher range points for some time. Any particular problems which do arise for Grade 4s on promotion to Grade 3 during the next year can be dealt with on an ad hoc basis. They are most likely to arise in London because grades up to and including Grade 4 receive London Weighting, but the Government stopped these payments for Grade 3s following the recommendation in the TSRB's 1985 report. The possibility of reintroducing a degree of London Weighting for Grade 3 is one which the TSRB might

want to keep in mind when considering the evolution of the pay system for the Senior Open Structure and the interaction with the pay of the grades below, even though there should be no immediate serious problems.

21. This year's settlement for clerical and secretarial (CPSA) grades was an increase of 4¼ per cent (or £5.40 a week if greater) and for the executive grades (NUCPS) an increase of 4½ per cent. Another development during the last few months is that discussions on possible long term flexible pay agreements with both the CPSA and NUCPS have started, with the aim of completing talks by the end of 1988. The Government envisages that any long term agreements with them would include provisions for performance related pay. If such agreements are reached, the great bulk of the non-industrial Civil Service would be covered by performance related pay systems within 5 years of the TSRB 1985 report which recommended the first such scheme for the Senior Open Structure.

Performance Pay for Grades 2 and 3

22. The current discretionary pay scheme came into operation in 1987. Its first round was completed satisfactorily, and 27 Grade 2's and 84 Grade 3's received the first discretionary increments from 1 October. These were respectively 20% and 17% of all staff in each grade, leaving headroom for further awards in subsequent years. This year the scheme will continue to operate on broadly the same lines, subject to some further clarification; the 1988 guidance is attached at Annex C, and a booklet on the recently introduced staff appraisal system at Annex D.

23. The TSRB indicated in their last report that they intended to explore how a more flexible system might evolve, including inter alia possibly making the entire range of pay points discretionary and increasing the proportion of staff eligible for the discretionary pay points.

24. The Government would welcome the views of the TSRB on the possible development of the current pay regime along these lines. Under the present system most of the annual increase in the pay bill is paid without regard to the performance of the individuals concerned. Moreoever, the expectation in the present discretionary pay scheme is that awards will not be attainable by about three-quarters of these grades whatever the level of their performance. An alternative might be to pool the money which would otherwise have been spent under different strands of the present system through annual pay reviews and normal and discretionary increments to produce a wholly performance-related pay system within which all pay increases were related to performance. The Government is giving further thought to how such a scheme might operate.

Next Steps

25. Annex E consists of a note by the Project Manager in response to the TSRB's invitation to submit evidence on the implications of this initiative for the pay of the Senior Open Structure. It describes progress to date on the initiative in general, and then looks at considerations governing the pay of agency chief executives and other key staff, with the emphasis on performance inherent in the agency concept.

Conclusions

26. As well as considering the evolution of the existing pay regime, the TSRB will have to consider the size of the general increase in the pay of the Senior Open Structure in 1989. There are no serious problems of recruitment and retention in the Senior Open Structure or, in general, in the grades immediately below. The Agreement on Grades 5-7 gives the flexibility to deal with problems in particular groups without affecting the pay of the whole grade. Among the fast stream generalists, resignations were lower in 1987 than in earlier years, and recruitment to Grade 7 generalist posts and at AT/HEO(D) level is encouraging. In the Government's view, therefore, there is no case for substantial increases this year.

HM TREASURY
30 September 1988

28.9.26

ANNEX A

STATISTICAL EVIDENCE

The following tables are attached:

Table 1: Staff in post and resignations: unified grades 1-7 (1980-1988 Q1)

Table 2: Fast stream: staff in post and resignations (1980-1987)

Table 3: Fast stream: promotion flows (1080-1987)

Table 4: Administration Group: recruitment 1982-88 (end-August)

2. The figures in Table 1 include results of the first quarter of 1988, but these (and the data for 1987) are still provisional. Provisional results for the second quarter will be sent to the TSRB when they are available.

3. Tables 2 and 3 deal with the fast-stream, defined as staff who entered the civil service, or passed through, the grades of AT, or HEOD and their predecessors. This database has been updated extensively during the last year, which has led to some revision of the figures for earlier years. The estimates of resignations given earlier were based on total wastage and the ages of the staff who left. The updating of the database has included the separate identification of resignations, which has led to some further revisions of the results for earlier years.

4. The tables on recruitment cover the first eight months of 1988. They are consistent with those in the evidence for the Civil Service Commissioners.

5. The treatment of part-timers in Tables 1 and 4 is described in the footnotes to the Tables.

TABLE 1

OPEN STRUCTURE: STAFF IN POST(1) AND RESIGNATIONS(1) 1980-88Q1

		1980	1981	1982	1983	1984	1985	1986	1987(2)	1988Q1(2)
Grade 1	SIP at 1 Jan	42	41	40	35	39	39	38	39	41
	Resignations	1	0	1	2	2	0	0	0	0
	Rate %	2.4	0.0	2.5	5.7	5.1	0.0	0.0	0.0	0.0
Grade 2	SIP at 1 Jan	158	152	143	146	140	141	134	136	132
	Resignations	4	2	4	3	0	1	1	3	1
	Rate %	2.5	1.3	2.8	2.1	0.0	0.7	0.7	2.2	0.8
Grade 3	SIP at 1 Jan	613	578	552	511	503	490	487	490	483
	Resignations	8	8	12	15	8	11	6	4	1
	Rate %	1.3	1.4	2.2	2.9	1.6	2.2	1.2	0.8	0.2
Grade 4	SIP at 1 Jan	196	193	195	191	177	176	186	170	205
	Resignations	1	1	2	1	3	2	8	1	3
	Rate %	0.5	0.5	1.0	0.5	1.7	1.1	4.3	0.6	1.5
Grade 5	SIP at 1 Jan	2,215	2,186	2,081	2,034	2,036	2,024	2,092	2,115	2,175
	Resignations	13	14	19	10	24	25	16	29	6
	Rate %	0.6	0.6	0.9	0.5	1.2	1.2	0.8	1.4	0.3
Grade 6	SIP at 1 Jan	3,867	3,767	3,663	3,489	3,351	3,381	3,383	3,741	3,924
	Resignations	20	23	12	24	32	32	38	40	10
	Rate %	0.5	0.6	0.3	0.7	1.0	0.9	1.1	1.1	0.3
Grade 7	SIP at 1 Jan	12,591	12,345	11,850	11,790	11,828	11,838	11,859	11,966	12,564
	Resignations	114	75	134	108	206	231	173	161	56
	Rate %	0.9	0.6	1.1	0.9	1.7	2.0	1.5	1.3	0.4

NOTES
(1) Part-time staff counted as whole units.
(2) Figures for 1987 and the first quarter of 1988 are provisional and likely to increase due to late notifications.

TABLE 2

ADMINISTRATION GROUP (FAST STREAM)

STAFF IN POST AND RESIGNATIONS 1980-1987

	1980	1981	1982	1983	1984	1985	1986	1987
GRADE 5								
Staff in Post (1 Jan)	351	363	380	405	432	444	472	509
Resignations (number)	7	5	4	1	7	14	7	7
(rate %)	2.0	1.4	1.1	0.2	1.6	3.2	1.5	1.4
GRADE 7								
Staff in Post (1 Jan)	680	731	798	825	846	861	837	796
Resignations (number)	12	16	12	20	20	27	25	22
(rate %)	1.8	2.2	1.5	2.4	2.4	3.1	3.0	2.8
HEO(D)								
Staff in Post (1 Jan)	422	403	330	318	295	238	244	230
Resignations (number)	10	16	13	11	11	9	9	8
(rate %)	2.4	4.0	3.9	3.5	3.7	3.8	3.7	3.5
AT								
Staff in Post (1 Jan)	380	325	271	174	116	119	79	86
Resignations (number)	24	14	9	11	8	4	5	1
(rate %)	6.3	4.3	3.3	6.3	6.9	3.4	6.3	1.2
TOTAL								
Staff in Post (1 Jan)	1833	1822	1779	1722	1689	1662	1632	1621
Resignations (number)	53	51	38	43	46	54	46	38
(rate %)	2.9	2.8	2.1	2.5	2.7	3.2	2.8	2.3

NOTES

These figures cover

1. Staff recruited (internally and externally) as APs, ATs, HEO(A)s, HEO(D).

2. In addition, there are 8 members of Grade 4, and 31 members of Grade 6 on 1 January 1988, who were recruited as APs, ATs, HEO(A)s or HEO(D)s.

3. The database has been extensively updated in the last year;.some of the figures for earlier years have been altered since the 1987 TSRB evidence.

SOURCE : Fast-stream data-base

20.9.16

TABLE 3

ADMINISTRATION GROUP (FAST STREAM)

PROMOTION FLOWS 1980-1987

	1980	1981	1982	1983	1984	1985	1986	1987
Grade 5 to Grade 3								
No of Promotions	21	26	22	23	19	26	27	10
rate of promotions (2) (%)	6.0	7.2	5.8	5.7	4.4	5.9	5.7	2.0
Grade 7 to Grade 5								
No of Promotions	41	47	53	52	48	72	75	41
rate of promotions (2) (%)	6.0	6.4	6.6	6.3	5.7	8.4	9.0	5.2
HEO(D) to Grade 7								
No of Promotions	107	131	91	93	95	95	81	59
rate of promotions (2) (%)	25.4	32.5	27.6	29.2	32.2	39.9	33.1	25.7

NOTES

(1) Staff recruited (internally or externally) as APs, ATs, HEO(A)s, HEO(D)s.

(2) as a proportion of staff in the "from" grade on 1 January.

SOURCE

Fast-stream data-base

TABLE 4: ADMINISTRATION GROUP: RECRUITMENT 1982-1988
GRADE 7: ADMINISTRATION TRAINEES/HIGHER EXECUTIVE OFFICERS (DEVELOPMENT)
SENIOR, HIGHER AND EXECUTIVE OFFICERS

	1982	1983	1984	1985	1986	1987	1988 as at 31 August
GRADE 7 (PRINCIPAL)							
Staff in post (1 Jan)Ø	4035	4114	4171	4268	11798	11892	12485●
External							
Vacancies	36	-	-	-	-	79	70
Applications	939					1572	
Appointed	18					50	
ADMINISTRATION TRAINEES/HIGHER EXECUTIVE OFFICERS (DEVELOPMENT) (HEOD)†							
Staff in Post (1 Jan)	601	492	411	357	323	316	327●
External							
Vacancies	44	60	66	72	88	88	97
Applications	2174	2758	2876	3087	3040	3066	2631
Appointed	21	45	49	56	78	70	97 successful
Internal ≠							
Applications	169	126	151	334	76	98	92
Appointed	3	2	8	7	15*	20**	19***
SENIOR EXECUTIVE OFFICER (GENERALIST POSTS)							
Staff in Post (1 Jan)	7447	7356	7274	7389	7712	8144	8435●
Vacancies	-	-	-	-		1	-
Applications						425	
Appointed						1	
HIGHER EXECUTIVE OFFICER (GENERALIST POSTS)							
Staff in Post (1 Jan)	22021	22237	22186	23911	24391	25326	26554●
Vacancies	-	-	-	-		26	173
Applications						425	2235
Appointed						5	140 successful
EXECUTIVE OFFICER							
Staff in Post (1 Jan)	44689	44321	44184	43897	44852	47219	50532●
Vacancies	2699	3169	4098	5056	5477	5012	4028
Applicants Tested	24867	29910	31845	32087	29559	29283	13357
Appointed	2141	2720	3598	4540	4923	3996	2350

Ø The Open Structure was extended to Grade 7 on 1 January 1986.
● Provisional figures.
† The Appointments in Administration scheme was extended to cover HEODs in 1985.
≠ The internal element of the Appointments in Administration scheme was discontinued in 1986. Civil Servants can either enter the external scheme (if qualified) or be nominated by their departments for the separate in-service scheme. Thus the figures for 1986 onwards relate to those nominated by their Departments. There are vacancies for all who qualify.
* Plus one appointed as Grade 7 and one as HMIT.
** Plus 2 appointed as Grade 7.
*** Plus one appointed as Grade 7.
x For SEO and HEO vacancies combined.
Staff in post figures treat part-time staff as half units
SOURCE: Civil Service Statistics and
Civil Service Commission Annual Reports

PAY INCREMENTS FOR GRADES 2 AND 3

DISCRETIONARY PAY INCREMENTS

Introduction

1. Following the recommendations of the Top Salaries Review Body (TSRB) in 1985 the Government introduced arrangements in 1987 under which discretionary increments were payable to selected staff in Grades 2 and 3 with effect from 1 October 1987. Similar arrangements will apply in 1988, and increments awarded in this second round will be payable from 1 October 1988.

Purpose of the Scheme

2. These arrangements are part of the government's policy of strengthening the link between pay and performance in the Civil Service. The aim is to encourage and reward the best performers. The arrangements provide an opportunity for the best performers in these grades to earn additional pay by way of additional increments in recognition of their sustained high performance over a period of years.

Size and Pensionability of Increments

3. The levels of these increments are set out in Annex A. The increments are fully pensionable.

Eligibility

4. Staff who may be considered for the award of a discretionary increment under these arrangements must, on 1 October 1988:

i. have been on the maximum point of the normal scale for their grade for at least one year; or

ii. be on the first discretionary pay point, having been awarded a discretionary increment in 1987; or

iii. be on a personal pay point below the highest discretionary pay point on the range for their grade.

5. Staff serving on secondment in an organisation outside the Civil Service may be considered for the award of a discretionary increment. Staff serving on inward secondment (ie from an organisation which is outside the Home Civil Service) are not eligible to be considered for discretionary increments.

How The Scheme Operates

6. Guidance on aspects of performance which need to be examined when considering the nomination of an individual for a discretionary increment is in Annex B. The receipt by an individual of one discretionary increment will require exceptional performance, while the receipt of a second will be rare, and the receipt of a third yet more rare still.

7. The expectation is that, if the criteria are rigorously applied, no more than 25% of the staff in each grade across the Service will be in receipt of one or more discretionary increments at any one time, as recommended by the TSRB.

8. Increments will be withdrawable on a mark-time basis if performance falls off over a prolonged period.

9. Discretionary increments will be awarded by Heads of Departments at Grade 1 level. Increments for Grade 2s will be subject to approval by the Head of the Home Civil Service. Permanent Secretaries can make awards to their own Grade 3s without prior notification to the Centre provided this would not bring the percentage with awards in the department concerned above 25% or involve a second or third increment.

10. To ensure that Grades 2 and 3 staff in departments not headed at Grade 1 level can be considered on an equitable and consistent basis with other Grades 2 and 3 staff, special arrangements have been made to link each small department with the most appropriate large one. A note about these arrangements is being circulated to those Grade 1 Heads concerned.

11. Staff on loan from one department to another should be considered equally with the importing Department's staff, but increments will require the approval of

the parent Department. Increments for staff seconded to outside bodies will be considered by parent Departments.

12. Nominations for awards to Grade 2s should be made on the citation form at Annex C, and accompanied by copies of the appraisal report for the current year and the two previous years. They should reach Sir Robin Butler no later than Friday 30 September.

13. A similar procedure should be followed in the cases of any Grade 3 nominations which would bring the department's percentage with awards above 25% or involve a second or third increment. Although Permanent Secretaries may, in all other circumstances, make awards to their own Grade 3s (and tell those concerned) without prior notification to the Centre, they should ensure that the citation form at Annex C is completed in each case and a copy sent to Mr G T Morgan in the Cabinet Office (OMCS) no later than Friday 30 September.

14. Permanent Secretaries will be informed as soon as possible of the outcome of all their nominations which require the approval of the Centre. The central Departments will continue to monitor the scheme to ensure that as it develops, the criteria are rigorously and consistently applied and that the overall cost is contained within what can be afforded. Costs are to be met from within running cost limits.

Timing, Confidentiality and Appeals

15. Increments awarded under the arrangements set out in this paper will be in payment in the second half of 1988-1989 and backdated to 1 October 1988. Recipients should be told that they have been given increments in an interview with their line managers arranged for the purpose. The names of individual recipients will not be disclosed but Cabinet Office (OMCS) will arrange for the overall total number and value to be published annually. There will be no special machinery for appeals against the non-receipt of discretionary increments but the normal Departmental appeals machinery will remain available.

NORMAL SCALE INCREMENTS AND VARIABLE PROGRESSION

Extra Increments

16. Grade 3 staff who have not yet reached the normal maximum of their scale may receive two normal scale increments within the space of a year when their performance during their first year in the grade has been judged outstanding (as

measured by a Box 1 marking in their annual appraisal report) or, exceptionally, where there is some other compelling management reason. Payment of the extra increment should be made from the first of the month following the date on which the appraisal report is due; payment of the other scale increment should be made from the normal incremental date.

Earning of Scale Increments

17. For staff promoted to Grade 2 or Grade 3 on or after 1 October 1987 increments on the normal salary scale are given only on the positive recommendation of the reporting and/or countersigning officer, with confirmation that the individual's performance at least meets the needs of the grade (ie if given a marking of Box 1, 2 or 3 in the annual appraisal report). It should be standard practice to inform promotees of these conditions on promotion.

18. For staff promoted to Grade 2 or Grade 3 before 1 October 1987, and not yet at the top of the scale, no such positive recommendation is required in order to earn a normal increment. But paragraph 1247 of the Civil Service Pay and Conditions Code continues to apply to these staff. This provides for the stopping of a normal increment where an adverse report has been made. Subject to the discretion available to heads of departments, a box 5 will always be grounds for withholding and a box 4 will normally be grounds for withholding the next increment.

Withdrawal of Normal Increments

19. Paragraph 1248 of the Code provides for the withdrawal of an increment on disciplinary or inefficiency grounds.

Appeals

20. Appeals against the withholding or withdrawal of normal increments should be made in accordance with the provisions of paragraph 9973 of the Code.

Reinstatement of Increments on Normal Scales

21. Paragraph 1265 of the Code provides for the reinstatement of increments. When an individual's performance improves to a fully satisfactory level in the course of the year in which an increment has been withheld or withdrawn Departments have a discretion to reinstate the increment.

Arrangements for Central Monitoring

22. Information will be sought annually by Cabinet Office (OMCS) of the extent to which the provisions for the award of extra normal increments and the withholding and withdrawing of normal increments have been used, covering the period 1 October to 30 September.

Departments headed at Grade 2 or Grade 3 level

23. The separate note being circulated to those Grade 1 Heads of Departments concerned refers to the role of Grade 1 Heads in relation to pay increments for Grades 2 and 3 staff in departments headed at below Grade 1 level.

PERSONAL PAY POINTS

24. A note about Personal Pay Points is at Annex D.

GENERAL

25. Departments will wish to inform staff of these arrangements and, in particular, to remind all new promotees to Grades 2 and 3 of the arrangements on promotion.

Senior Staff and Europe Division
Cabinet Office (OMCS)

July 1988

ANNEX A

SENIOR OPEN STRUCTURE PAY

			CURRENT RATES (Payable from 1.4.88) £	RATES PAYABLE FROM 1.10.88 £
Head of the Home Civil Service			84,240	85,250
Permanent Secretary to the Treasury			78,780	79,750
Grade 1			67,600	68,500
Grade 1A			61,880	62,750
Grade 2	Range points:	3rd	56,160	57,000
		2nd	53,040	53,800
		1st	49,920	50,600
	Scale points: after 1 year		47,320	48,000
	on entry		45,240	45,800
Grade 3	Range points:	3rd	44,720	45,300
		2nd	42,640	43,200
		1st	40,560	41,100
	Scale points: after 2 years		38,480	39,000
	after 1 year		36,920	37,400
	on entry		35,360	35,800

Note The rates of pay indicated are the operative ones for pension purposes. They do not attract London Weighting.

ANNEX B

GUIDANCE ON THE AWARD OF DISCRETIONARY INCREMENTS

1. Discretionary increments are intended to be a reward for sustained high performance. In considering an individual for an award there are three aspects of his or her performance which need to be examined in turn.

2. The first is the job (or jobs) which the individual has done in the grade. Jobs in the senior Open Structure differ considerably in their nature, loading and content. Although the award of a discretionary increment depends on performance, rather than job weight, decisions about the award of an increment need to begin with a neutral, factual assessment of the weight and requirements of jobs which a postholder has held including:

a. **Objectives.** It is important to identify the main objectives and tasks which have had to be performed from time to time in order to achieve the purposes of the job, as expressed either formally in a personal responsibility plan or by some more informal means, and their difficulty of achievement;

b. **accounting for resources.** Most, if not all, jobs in the senior Open Structure involve responsibility for managing people and money. In some cases the responsibility is a matter of line management; in others, for instance where sponsorship of a nationalised industry is involved, it may be less direct. In either case it is important before considering an individual's performance to be clear about the extent of the resources for which he or she has been responsible and the nature of that responsibility;

c. **representation.** Outside contacts play an important part in many posts in the senior Open Structure. These may be difficult to quantify but there needs, nevertheless, to be an assessment of how important it is that the postholder is effective in outside contacts and presentational and negotiating skills in order to perform the job satisfactorily.

d. **job loading.** What may be expected of a postholder may vary depending on workload. There needs to be a careful assessment of the demands of the job and its loading.

3. Second, there is the actual performance of the postholder in the job in question. For an individual to merit a discretionary increment requires performance which is outstanding or otherwise specially deserving of an award on its merits. The starting-point for judging this is the individual's recent annual appraisal reports in his or her present grade, seen against an assessment of the jobs which he or she has held on the lines of the previous paragraph. The award of an increment will not depend solely on an appraisal in any one year but on the cumulative picture which has emerged over a period of time in terms of such factors as:

a. **achievement.** An individual receiving a discretionary increment should have a record of effective management and successful achievement within the limits of what the job and circumstances permitted. This may be supported by evidence from a financial management system, by the meeting of targets, or otherwise by specific example. The achievement will have been related clearly to the effort of the individual and evidence of the way in which their leadership, energy, stamina, adaptability, foresight, planning and judgement have made a major contribution to success;

b. **quality.** There should be evidence that the quality of an individual's contribution has been of a high standard in relation to the job weight, that any practical action which has resulted from the individual's work has been well thought through and properly evaluated, and that the individual's own direct responsibilities for finance and personnel have been well managed even though, as with jobs dominated by policy or professional advice or dealings with outside interests, they may not be the preponderant part of the job.

4. The third question is whether the individual's high level of performance has been sustained. Discretionary increments are a reward, not for potential or promotability, nor for one-off achievements however outstanding, but for the maintenance of a high level of performance in the grade over a period of at least two or three years.

SENIOR STAFF IN CONFIDENCE

1988 AWARD OF DISCRETIONARY INCREMENTS TO GRADES 2 & 3 STAFF

A. PERSONAL DETAILS

Department: _____ Name: _____

Grade: _____ Seniority Date: _____ Date of Birth: _____

	Scale	Range Point		
Current pay level (tick box):	Max [ ]	1st [ ]	2nd [ ]	3rd [ ]
Proposed pay level(" ")		1st [ ]	2nd [ ]	3rd [ ]

Personal Pay Point? Yes/No [If Yes, Please State Actual Pay: £]

B. **ASSESSMENT OF CURRENT PERFORMANCE** (From latest report)

Overall assessment of job weight: Below/About/Generally Above/Distinctly Above Normal (Delete as applicable)

Overall Performance mark (1-5): _____

C. **CITATION:** please give your reasons for recommending the award of a discretionary increment:

Signature: _____ Grade: _____
(Recommending officer)

Name (in capitals): _____ Date: _____

D. **HEAD OF DEPARTMENT** (where different): Please confirm your agreement with this recommendation, and add any comments you may wish.

Signature : _____ Date: _____

ANNEX D

PERSONAL PAY POINTS

The salary points above the normal maxima for Grades 2 and 3 may also exceptionally be used to provide flexibility for other purposes.

2. These other purposes include in particular manning needs, for instance where a department needs to recruit an individual from outside the Civil Service who cannot be accommodated at the normal starting salary for the grade.

3. Salary points used in this way will be known as personal pay points (PPP), as opposed to discretionary increments, and their use will be kept entirely separate and distinct from discretionary awards. Personal pay points will be pensionable and not withdrawable. Recipients may be eligible for discretionary increments in accordance with paragraph 4iii of the guidance.

4. Any Head of Department who wishes to pay a person, whether a civil servant or an outsider, on a personal pay point will require the prior approval of the Treasury.The normal Cabinet Office procedures on making appointments will continue to apply.

5. Heads of Departments should make it clear to staff at the time of appointment that they are on personal pay points, not discretionary increments.

THE NEXT STEPS INITIATIVE

NOTE BY PROJECT MANAGER

As Project Manager for the Next Steps initiative I have been invited to submit written evidence for the Review Body on Top Salaries' next review of the groups within its standing remit, and to comment particularly on the implications for the pay of senior civil servants of the Government's plans to set up Agencies to carry out many of its executive functions.

2. By way of background I attach (a) the Efficiency Unit's report (The Next Steps), (b) copy of the Prime Minister's statement of 18 February 1988 which announced decisions based on the Efficiency Unit's report, (c) a copy of the announcement made to the House on 25 July by the Minister of State (Privy Council Office) relating to progress generally and the accompanying Press Notice and (d) a copy of an announcement made by the Secretary of State for Transport on the same date announcing the setting up of the Vehicle Inspectorate as the first Executive Agency and the appointment of its Chief Executive. The Review Body will also be aware that the Treasury and Civil Service Committee have carried out an enquiry into the Next Steps initiative, and their report (HC 494) was published on 28 July.

General Principles

3. Next Steps is about the improvement of management within Government in the widest sense, for the benefit of the public, taxpayer and staff. Its principal basis is a perception that the Civil Service is too large to be run as a single entity, and that in order to introduce better management and to release the managerial energies that exist it is necessary to look for smaller accountable units of management, which we have called "Executive Agencies", to carry out executive functions. Good progress has been made so far, as the Minister of State's statement of 25 July indicated.

Chief Executives and key staff of Agencies

4. Agencies will generally remain within the Civil Service, and their staff, including Chief Executives and key staff, will continue to be civil servants. The Chief Executives and key staff will, however, have a vital role in the success of this initiative and the improvement to management in government which is expected to come from it. As already been made clear in, for example, the announcement by the Secretary of State for Transport about the appointments of the Chief Executive of the Vehicle Inspectorate Agency, Ministers intend to devolve substantial personal responsibility and freedom to manage to named officials who will be expected to show high levels of managerial skill and leadership quality. They will be set financial and other objectives which they will be expected to achieve, in such a way that will subject them to continuous pressure to improve efficiency.

5. These people will form an important part of the Civil Service senior management group. They will not always be easy to find. As the TCSC said "If management in Government is to be better and more efficient and the quality of service to be improved, Agencies need people with the right skills and experience and the ability and incentive to achieve". Whatever the basic pay arrangements, it is to be expected that all Chief Executives and key staff will have a substantial performance-related element in their remuneration package.

6. Chief Executives and key staff might be career civil servants or they might be recruited from the outside following an open competition (in which case existing civil servants could apply). To date there have been an example of each. The Chief Executive of the Vehicle Inspectorate Executive Agency is a career civil servant. The Chief Executive of the HMSO Executive Agency, expected to be set up in the Autumn, will, however, have been appointed following an open competition, and advertisements appeared in the Press at the beginning of August.

7. In terms of pay and conditions, the practice, whether for an inside appointment or an open competition, will be to start from the existing grading of the post, and apply the corresponding Civil Service terms. This will normally include access to discretionary or scale points, under the Grades 2-3 and 5-7 schemes. But depending partly on how the schemes are developed it is to be expected that in addition the Chief Executive (and key staff) should be able to earn over and above what they might be able to earn under the existing system, whether by way of terminal bonus or otherwise, provided they meet demanding quantified performance objectives and the employing Department is otherwise satisfied with their performance. The amounts of these bonuses, and the criteria for awarding them, will be determined case by case.

8. Chief Executive and key staff appointments will, like many other special appointments which have been made to the Civil Service over time, sometimes require non-standard terms and conditions which amount to a personal package in order to attract, motivate and retain the right person. This could include period appointments, personal pay points, and performance-related pay specially tailored to the Agency in question.

9. So far as tenure goes, it is intended that civil servants appointed to Chief Executive and other key posts should be given a "contract", at the end of which they can be expected to move to another job within the Civil Service or otherwise. This is intended to replicate so far as possible the conditions which an outside contract would provide. Where there is an open competition, then of course there will be a terminating contract, which might or might not be renewable. Existing civil servants who succeed in an open competition and are appointed on terms more favourable than the existing Civil Service terms, or what they could achieve by way of temporary or substantive promotion (if the grading of the post allows for that, and if the department is prepared to offer it), plus the sort of performance referred to in paragraph 7, above will normally be expected to resign from the Service. They would not normally be allowed to have both the tenure and the higher rewards.

10. Chief Executives and key staff may incur penalties for failure. In extreme cases someone appointed following an open competition could have his employment terminated, depending on the contract; while a career civil servant with tenure could find himself moved from his Chief Executive post to somewhere where he has minimal hopes of further advancement or, ultimately, be asked to leave under existing "limited efficiency" arrangements. It is hoped very much, however, that the selection procedure adopted will make such failure a rarity. More commonly failure will be relative and consequences will range from failing to earn or retain discretionary elements of pay (subject to the conditions of the particular scheme in question) to a failing to earn, or indeed, to losing normal pay increments.

Implications for the pay of senior civil servants

11. The implications of pay for senior civil servants can be considered under two different heads; those senior civil servants who are Chief Executives or key staff in Agencies, whether appointed from the inside or following open competition; and those senior civil servants who are not in Agencies. It is difficult to predict the size and the proportions of each of these. The Senior Open Structure currently numbers about 700 people. If in due course three quarters of the Civil Service as a whole consists of Agencies, a sizeable proportion of the Senior Open Structure (building up gradually) will be directly involved at any one time; and anyway it is to be expected that eventually no-one will reach the top level of the Service unless they have had a successful stint in an Agency or gained equivalent experience elsewhere.

12. This could have some important consequences for the pay of the Senior Open Structure generally. The likely pressures would be towards a greater flexibility in the terms and conditions of individual members of the Senior Open Structure, and a much greater performance-related element in the total remuneration package. There are two reasons at least for this. First, the fact that the pay of Chief Executives and where appropriate key staff is grafted on to the Senior Open Structure regime will mean that if maximum flexibility is to be obtained that regime itself must not constitute too much of a "given base" from which the package has to start. Second, individuals in the Senior Open Structure will, increasingly, have served their time in an Agency and will have been used

to meaningful performance-related pay schemes. It will be important that the "standard" Senior Open Structure regimes are sufficiently attractive and flexible to reintegrate these staff into the department.

13. Generally this is the direction in which the TSRB have been pointing. The pay regimes needed for Agency Chief Executives and their staff seem likely to be a further push down this path, towards a system that can be more finely calibrated to individuals and their needs and their performance, with a larger proportion of the remuneration package being of a discretionary nature and a smaller proportion "as of right".

Summary

14. Next Steps is a most important initiative aimed at improving management in the Civil Service. The Chief Executive and other key staff in Executive Agencies will be vital to the success of this initiative. It will be necessary to provide terms and conditions, including incentive arrangements, which will attract, retain and motivate people of the high calibre required, while recognising that they remain part of the Civil Service. There seems no reasons why this should not be achieved.

E P KEMP
Cabinet Office (OMCS)
September 1988

TOP SALARIES REVIEW BODY: 1988/89

ECONOMIC EVIDENCE

Note by HM Treasury

1. The Government's plans for public spending form a central part of its economic policy. Within the framework of the Medium Term Financial Strategy, the Government's objective is to hold the rate of growth of public spending below the growth of the economy as a whole, and thus to reduce public spending as a proportion of national income. This will enable a prudent fiscal stance to be combined with reductions in the burden of taxation, so encouraging enterprise and efficiency, and thus the growth of output and employment.

2. Inflation has averaged below 5 per cent for the last 5 years. In August it rose to 5.7 per cent. With increases in the mortgage interest rate it is likely to edge up further in the next few months before coming down again in 1989. But the Government will take whatever action is required to keep inflation under control.

3. The Tax and Price Index - which measures the pay rise required by the average employee to compensate for price increases after taking account of tax changes - only rose by 3.7 per cent in the year to August. Modest pay increases are all that are required to take account of changes in the cost of living.

4. Unemployment has fallen throughout the country. In the year to August adult unemployment fell by over half a million to its lowest level since 1981. It has now fallen for 25 months in succession - the longest period of falling unemployment since the war. In the year to July the number of long-term unemployed fell by over a quarter of a million.

5. Between the beginning of 1983, and the last quarter of 1987, the underlying increase in average earnings in the economy as a whole was generally between 7½ and 7¾ per cent. Since October 1987 it has been running at 8 to 8½ per cent, and in the year to July it

rose to 9 per cent. This is much too high. It is about double the rate of increase in earnings of our main competitors, and jeopardises our international competitiveness and further reductions in unemployment. If earnings were 1 per cent lower, it is estimated that, over time, we could expect another 110,000 to 220,000 jobs.

6. In 1987 high pay increases were partly offset by very rapid productivity growth in manufacturing, and labour costs per unit of output only rose slightly - (although they fell in our major competitors.) Although the outlook for manufacturing is good, we cannot rely on manufacturing productivity continuing to compensate for the service sector where measured productivity growth is rather less than half that in manufacturing. The public sector accounts for 20 per cent of service sector employment and it must play its part in improving productivity and in controlling unit costs.

7. The most important component of the increase in average earnings is the average level of pay increase agreed between employers and employees - ie settlements. The Confederation of British Industry data on settlements in private sector manufacturing, and private sector services, shows that since August 1987 manufacturing settlements averaged 5.9 per cent (with just under half being under 5½ per cent) and settlements in private sector services have averaged 6.8 per cent.

8. For the economy as a whole, the Office of Manpower Economics conducted a survey of settlements on behalf of the Official Side of the Police Negotiating Board. This showed that in the year to June half the settlements for basic pay were below 6 per cent, and the average was 6.8 per cent. In the private sector as a whole the average was 6.1 per cent (6.7 per cent for non-manual workers) but in the public sector it was 8.6 per cent.

9. The increase in earnings is greater than settlements because of "drift". In the past year this has added about 1¾ per cent to earnings, which is in line with experience in earlier years. Drift reflects changes in overtime, bonus payments (including performance pay), and in some cases movement up incremental scales. Every occupation benefits from earnings drift to a greater or lesser

extent, and the Government does not consider that any settlement for a Review Body group should reflect earnings drift elsewhere in the economy: otherwise they would benefit from drift twice over, their own, and that of other groups as well.

10. The salary bill for groups covered by the TSRB amounts to £100 million and it might be considered that any increase recommended by the Review Body would be a comparatively minor item of public expenditure. But the Government must control all public expenditure, however modest, and awards to Review Body groups inevitably affect the expectations of the non-Review Body groups in Central Government. The numbers of the latter are such that affordability must be a major factor in determining their pay increases. Moreover, since Review Body awards will attract a great deal of publicity they will also affect the expectations of workers more widely in both the public and private sectors.

11. The Autumn Statement will set out the Government's plans for public expenditure between 1989-90 and 1991-92. As usual, departments will be expected to live within their running cost limits. The cost of most servicemen's pay falls outside running costs, but the MOD will need to meet service pay costs from within the agreed total for the Defence budget which will be under pressure.

12. The Government's general approach to pay remains as in previous years. It has an obligation to ensure that the taxpayer gets value for money. Pay should be set according to what is required to recruit, retain, and motivate the staff needed, within what can be afforded. The Government does not believe that 1989 is the year for substantial changes in the pay of Review Body groups. Modest increases to take account of changes in the cost of living may be appropriate - although the TSRB may wish to consider whether this is necessary in the light of the tax changes in the 1988 budget. Otherwise, increases should be closely targeted for specific purposes. But there is no case for going further.

13. Further evidence will be submitted after the Autumn Statement which will provide updated forecasts for retail price inflation, and revised earnings assumptions for use by the Government Actuary in his report on the National Insurance Fund.

HM Treasury
30 September 1988

wp 854/88

TSRB 1989 : EVIDENCE ON SENIOR MILITARY OFFICERS

INTRODUCTION

This paper sets out manning evidence on senior military officers, and responds to particular points raised by the TSRB in their Eleventh Report. In that Report they accepted that a strong case existed for increasing the 1-star/2-star differential but felt that the matter could not be considered in isolation from the broader question of pay links with the Civil Service. They recommended that the existing link between 2-star officers and Grade 3 civil servants should be maintained for 1988-89 in spite of the likely effect on the differential. The TSRB said it would return to this question in the next report when views on whether the performance pay scheme in the Civil Service should influence the pay structure for senior military officers would be sought.

MANNING

2. Annex A sets out information on the numbers of officers at Colonel (and equivalent) level and above required by the Services and the numbers actually serving. Annex B provides information on PVR applications and exits for the same ranks for all three Services. PVR applications from this group have risen for the second year in succession, from 120 in 1986/87 to 143 in 1987/88, and are now at their highest level so far this decade. The number of PVR exits for the same group rose from 112 to 137; this again is the highest level so far during the 1980s. The percentage of RAF and RN officers leaving at the optional break point in their late 30s and early 40s also rose in 1987/88.

3. Service management considers that these exit levels are higher than is desirable and is concerned at the number of officers of high quality who are leaving, particularly at the lower levels. While it will always be possible to fill vacancies for posts at the TSRB level by promotion, this outflow reduces the quality of the pool from which officers of 2-star level and above are selected.

4. The reasons for PVR are complex and varied and at the most senior levels pay is rarely the sole reason. In a career service the relationship between pay and retention is less direct than in other areas where it is normal to change employers on a fairly regular basis. Nevertheless, in the longer term, the willingness of the very best officers to stay on to reach the highest ranks will be affected not only by their current rates of pay but also by the levels of pay to which they can eventually aspire.

DIFFERENTIALS

5. Both Government evidence and the findings of successive TSRB Reports have consistently stressed the importance of establishing and maintaining proper pay differentials. They have acknowledged that a realistic relationship to those above and below is a significant factor in determining appropriate pay levels and an incentive for the best people to stay in Government service and seek promotion. Finally they agree that a coherent pay structure is necessary for the efficient management of the Armed Forces. Annex C shows the current pattern of differentials for officers in the Armed Forces.

6. The differential between 1 and 2-star military officers whose pay is reviewed respectively by the AFPRB and the TSRB has been a frequent source of concern to the Government and the TSRB and remains so. Annex D sets out the 1-star/2-star differential over recent years. Since 1978 it has varied between nil and 15.6%; from 1 April 1988 it is 5.5% and from 1 October it will be 6.7%. These figures are reduced in cases where additional pay is received at 1-star level - to the extent that in a few cases there is overtaking. The senior military management in the MOD and in the Commands strongly advise that the present differential is inadequate observing that promotion to 2-star is accompanied by a considerable increase in responsibility which is currently seen to be inadequately rewarded.

LINKAGE

7. At present, at 2 and 3 star level military pay is linked with the normally attainable maximum of the corresponding Civil Service grade; both the lower points of the scale and the higher, performance related points, are left out of account. The link does not take account of certain important differences in conditions of service, such as pensions, retirement ages, and so on, of which the TSRB will be aware. (Details of changes arising from the recent Review of Allowances are being provided to the TSRB). Nevertheless the Review Body has in the past affirmed and maintained the link.

8. The present compression between 1 and 2-star officers is not itself caused by the link (as Annex D shows the differential was as high as 15.6% as recently as 1986); this stems from the fact

that the increases awarded at 2-star level have been proportionally lower than those given to Brigadiers following AFPRB recommendations. The link provides a concrete affirmation for the groups of staff working closely together in the MOD of equality of status. This is an important factor in maintaining the morale of civil servants in the TSRB grades and provides a useful degree of management flexibility, given that some posts in the MOD are dual graded between military and civilian staffs.

9. The introduction of discretionary pay for grades 2 and 3 Civil Servants does mean that the link is no longer as simple or as defensible as it used to be. Military officers at 2 and 3 star level, and particularly the more able among them, are aware that civilian colleagues carrying out jobs of similar responsibility now have access to pay increments which are denied to them. On the other hand 2 and 3 star officers have the advantage that they move on promotion onto the normally attainable maxima of the equivalent Civil Service pay scales. For the present it can be argued that the advantages and disadvantages more or less balance out and the fact that the average pay of grade 3s in the Civil Service is very close to the pay of 2-star officers provides some evidence for this.

10. The Government therefore believes that maintaining the military/Civil Service link is highly desirable. Whilst the compression of the 1-star/2-star differential is unsatisfactory (for the reasons given in paragraphs 5 and 6) it does not see the maintenance of the link as, of itself, prejudicing the resolution of the differential problem.

PERFORMANCE PAY

11. The Review Body asked in its last report for views on whether the discretionary pay scheme for grade 3 and 2 civil servants should influence the pay structure of the equivalent military ranks. The evidence presented to the Review Body last year explained that in the Government's view performance pay is not appropriate in a military setting. That view has not changed. The career pattern of the Services differs from that of the Civil Service and does not readily lend itself to a system of performance pay. Officers retire earlier and in general are promoted to 2-star rank closer to their retirement age. 2 and 3-star officers spend on average just over 3 years in the rank before either being promoted or retiring. This means that most officers would have insufficient time to build up a "track record" that would justify the awarding of a discretionary increment. For high performing officers the opportunities for rapid promotion are themselves a major incentive. Those who are not selected for promotion but who might nevertheless qualify for

discretionary pay could not in general expect to draw that pay for more than a year or two. In either case the incentive provided by discretionary pay would therefore be limited.

12. The incentive would be further eroded by the fact that an officer would receive no benefit from discretionary pay in his pension. This is because Armed Forces pensions are based upon rank and length of service rather than earnings. There is only one representative rate of pension for each rank.

13. At present the reporting systems for senior officers differ from Service to Service and are essentially designed to assess an officer's fitness for promotion and future appointments. Even if the problems of short time in rank and pensions could be overcome, considerable changes would have to be made before these reports could be used as a basis for awarding discretionary pay. It would not be easy to devise a system of assessing performance which both provided an effective basis for the award of discretionary pay and was regarded as fair by all those concerned.

14. Above all, the Government believes that the collegiate sense of the Services and their esprit de corps could be weakened if the present uniform system of pay were replaced by one which placed emphasis on doing better than one's peers in order to gain financial reward.

SUMMARY AND CONCLUSIONS

15. Service management considers that PVR applications and exits for the TSRB ranks and those immediately below are higher than is desirable. The Government does not presently favour performance

pay for senior military officers. The Government attaches importance to their being an appropriate differential between 1 and 2-star officers. It also attaches importance to the Civil Service/military link and would welcome Review Body recommendations which took balanced account of both these considerations.

STATISTICS FOR TOP SALARIES REVIEW BODY

General Notes to Statistical Tables.

1. Numbers for Admiral/General/Air Chief Marshal include Admiral of the Fleet/Field Marshal/Marshal of the RAF in the post of Chief of the Defence Staff.

2. As the number of officers permitted to leave prematurely may be subject to the imposition of quotas or to serving a specified period of notice, the exits in any particular year will not directly relate to the applications in the same year.

3. There are no breakpoint commisions for the Royal Marines and there is no specific option point at which Army officers must decide to continue in service or not.

ANNEX A

STATISTICS FOR TOP SALARIES REVIEW BODY

Royal Navy & Royal Marines Officers

Table 1 Requirements at 1 April

	1982	1983	1984	1985	1986	1987	1988
Royal Navy							
Rear Admiral and above	65	62	57	49	51	52	50
Captain (incl Commodore)	403	364	361	371	360	369	354
Royal Marines							
Major General and above	5	4	6	5	5	4	4
Col/Lt Col (incl Brigadier)	30	31	32	32	31	31	34

Table 2 Strengths at 1 April

	1981	1982	1983	1984	1985	1986	1987
Royal Navy							
Admiral of the Fleet	1	-	-	-	1	1	1
Admiral	6	5	5	5	5	5	4
Vice Admiral	12	13	11	11	9	11	11
Rear Admiral	44	42	36	36	37	39	40
Commodore	25	30	30	33	32	34	28
Captain	384	368	351	327	328	331	346
Royal Marines							
Lt General	1	1	1	1	1	1	1
Major General	3	4	4	4	4	5	3
Brigadier	1	1	1	1	1	1	2
Col/Lt Col	31	29	29	31	31	30	33
QRNS							
Commandant	1	1	1	1	2	1	2
Superintendent	3	2	2	2	2	2	1

ANNEX A

STATISTICS FOR TOP SALARIES REVIEW BODY

Royal Navy & Royal Marines Officers

Table 3 Forecast trained requirements at 1 April

	1989	1990	1991	1992	1993
Royal Navy					
Rear Admiral & above	50	53	49	51	49
Captain (incl Commodore)	354	356	361	355	349
Royal Marines					
Major General & above	4	4	4	4	4
Col/Lt Col (incl Brigadier)	34	29	28	29	29
WRNS					
Commandant	1	1	1	1	1
Superintendent	2	2	2	2	2

ANNEX A

STATISTICS FOR TOP SALARIES REVIEW BODY

Army Officers

Table 1 Requirements & Strengths at 31 March

	1982	1983	1984	1985	1986	1987	1988
General	8	7	9	9	9	7	8
Lieutenant General	12	13	12	11	11	13	11
Major General	78	74	76	72	63	59	64
Brigadier	248	248	224	235	242	244	231
Colonel	609	621	609	620	615	619	625

All senior officer posts are filled. The above strength figures represent established posts plus supernumerary allowance: figures include specialists.

Table 2 omitted see Table 1

Table 3 Forecast trained requirements at 1 April

	1989	1990	1991	1992	1993
Major General & above	77	77	77	77	77
Brigadier	232	232	232	232	232
Colonel	621	621	621	621	621

STATISTICS FOR TOP SALARIES REVIEW BODY

Royal Air Force Officers

Table 1 Requirements at 1 April

	1982	1983	1984	1985	1986	1987	1988
Air Vice Marshal and above	57	59	57	54	55	54	55
Air Commodore	111	109	109	111	108	106	110
Group Captain	428	430	418	411	410	401	396

Table 2 Strengths at 1 April

	1982	1983	1984	1985	1986	1987	1988
Air Chief Marshal	7	7	7	6	5	7	7
Air Marshal	12	12	12	9	12	7	7
Air Vice Marshal	46	44	41	41	46	49	46
Air Commodore	111	106	108	116	110	102	110
Group Captain	442	442	418	419	414	431	426

Table 3 Forecast trained requirements at 1 April

	1989	1990	1991	1992	1993
Air Vice Marshal & above	59	59	59	59	59
Air Commodore	107	107	107	107	107
Group Captain	394	396	396	396	396

ANNEX B

PVR Applications in 12 Month Periods

	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	Average
Royal Navy & Royal Marines								
RN Captain & Commodore	5	8	4	10	6	12	11	8.0
RM Lt Col & Colonel	-	1	-	-	1	-	-	0.3
Army								
Brigadier	11	23	8	20	17	23	28	18.6
Colonel	32	33	35	61	46	34	53	42.0
Royal Air Force								
Air Vice Marshal & above	2	4	2	2	1	1	4	2.3
Air Commodore	8	7	9	3	14	10	10	8.7
Group Captain	17	29	29	32	29	40	37	30.4
Total number of applications from ranks listed above	75	105	87	128	114	120	143	110.3
Total number of applications from all officers	769	888	1,063	1,278	1,352	1,300	1,326	1,139.4

PVR Exits in 12 Month Periods

	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	Average
Royal Navy & Royal Marines								
Rear Admirals & above	-	-	1	1	-	2	2	0.9
RN Captain & Commodore	9	8	5	11	7	8	13	8.7
RM Lt Col & Colonel	-	1	-	-	-	1	-	0.3
Army								
Major General & above	8	4	3	1	-	3	1	2.9
Brigadier	13	14	19	11	23	21	24	17.9
Colonel	29	35	39	40	61	37	45	40.9
Royal Air Force								
Air Vice Marshal & above	-	4	2	5	2	2	4	2.7
Air Commodore	9	6	9	6	9	7	12	8.3
Group Captain	15	21	31	28	29	31	36	27.3
Total number of PVR exits from ranks listed above	83	93	109	103	131	112	137	109.7
Total number of PVR exits from all officers	851	843	917	1,094	1,223	1,121	1,154	1,029.0

Note: Numbers for Rear Admirals and above include 1 RM Major General in 1986/87.

ANNEX B

STATISTICS FOR TOP SALARIES REVIEW BODY

Royal Navy & Royal Marines Officers

Table 4 PVR Applications

	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
Number							
RN Captain & Commodore	5	8	4	10	6	12	11
RM Lt Col & Colonel	-	1	-	-	1	-	-
Percentage of mean strength							
RN Captain & Commodore	1.2	2.0	1.0	2.7	1.7	3.3	3.0
RM Lt Col & Colonel	-	3.3	-	-	3.2	-	-

Table 5 PVR Exits

	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
Number							
RN Captain & Commodore	9	8	5	11	7	8	13
RM Lt Col & Colonel	-	1	-	-	-	1	-
Percentage of mean strength							
RN Captain & Commodore	2.2	2.0	1.3	3.0	1.9	2.2	3.5
RM Lt Col & Colonel	-	3.3	-	-	-	3.3	-

Flag Officers (Rear Admirals and above) do not apply for PVR in the normal manner but are allowed to leave as an "Age Retirement". Details during the last 5 years are:

1983/84	Vice Admiral	1
1984/85	Vice Admiral	1
1986/87	Rear Admiral	1
	Major General RM	1
1987/88	Rear Admiral	2

ANNEX B

Table 6 Breakpoint Exits RN Officers

	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
Numbers Leaving	3	14	25	21	34	26	30
Field	96	154	163	138	155	116	112
Percentage	3.1	9.1	15.3	15.2	21.9	22.4	26.8

The field represents those eligible at the point of exit. From 1982/83 onwards excludes those who entered on a breakpoint commission but transferred to other commissions before reaching the breakpoint.

STATISTICS FOR TOP SALARIES REVIEW BODY

Army Officers

Table 4 PVR Applications

	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
Number							
Brigadier	11	23	8	20	17	23	28
Colonel	32	33	35	61	45	34	53
Percentage of mean strength							
Brigadier	4.5	9.3	3.4	8.7	7.1	9.5	11.8
Colonel	5.3	5.4	5.7	9.9	7.4	5.5	8.5

Table 5 PVR Exits

	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
Number							
Major General & above	8	4	3	1	-	3	1
Brigadier	13	14	19	11	23	21	24
Colonel	29	35	39	40	61	37	45
Percentage of mean strength							
Major General & above	8.2	4.1	3.1	1.0	-	3.7	1.2
Brigadier	5.3	5.6	8.1	4.8	9.6	8.6	10.1
Colonel	4.8	5.7	6.3	6.5	9.9	6.0	7.2

STATISTICS FOR TOP SALARIES REVIEW BODY

Royal Air Force Officers

Table 4 PVR Applications

	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
Numbers							
Air Vice Marshal & above	2	4	2	2	1	1	4
Air Commodore	8	7	9	3	14	10	10
Group Captain	17	29	29	32	29	40	37
Percentage of mean strength							
Air Vice Marshal & above	3.1	6.3	3.3	3.4	1.7	1.6	6.5
Air Commodore	6.9	6.3	8.5	2.8	12.1	9.4	9.4
Group Captain	3.8	6.6	6.6	5.3	6.9	9.5	8.6

Table 5 PVR Exits

	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
Numbers							
Air Vice Marshal & above	-	4	2	5	2	2	4
Air Commodore	9	6	9	6	9	7	12
Group Captain	15	21	31	28	29	31	36
Percentage of mean strength							
Air Vice Marshal & above	-	6.3	3.3	8.6	3.4	3.2	6.5
Air Commodore	7.8	5.4	8.5	5.6	7.8	6.6	11.3
Group Captain	3.4	4.8	7.0	6.5	6.9	7.3	8.4

STATISTICS FOR TOP SALARIES REVIEW BODY

Royal Air Force Officers

Table 6 — 38/16 Optional Retirement Date - Rates for all Male RAF Officers — Percentage

	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89
Actual ORD exit rate	32.2	31.2	18.8	21.5	22.5	23.0	26.6	
ORD exit rate based on expressed intentions at beginning of F/Y	37.9	26.9	17.9	21.0	21.7	22.7	27.2	39.8

Most of those leaving at this point are in the rank of Squadron Leader

Table 7 — 44/22 Optional Retirement Date - Rates for all Male RAF Officers — Percentage

	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89
Actual ORD exit rate	-	-	-	4.2	8.6	9.8	12.8	
ORD exit rate based on expressed intentions at beginning of F/Y	-	-	-	6.3	6.9	8.7	12.3	16.7

Additionally there are a small number of exits at a 12 year option point.

1981/82	- 0
1982/83	- 2
1983/84	- 0
1984/85	- 1
1985/86	- 2
1986/87	- 1
1987/88	- 7

Annex C

PAY DIFFERENTIALS ON PROMOTION

From	To	Differential between top of former rank and bottom of new rank	Differential between top of former rank and top of new rank
2nd Lt	Lt	31.6%	44.1%
Lt	Capt	14.1%	32.6%
Capt	Maj	9.4%	31.2%
Maj	Lt Col	15.8%	28.0%
Lt Col	Col	4.3%	15.3%
Col	Brig	8.4%	8.4%
Brig	Maj Gen	6.7%	6.7%
Maj Gen	Lt Gen	23.1%	23.1%
Lt Gen	Gen	42.7%	42.7%
Gen	Field Marshal	24.5%	24.5%

Annex D

ONE/TWO STAR DIFFERENTIALS

1979-1988

Date	Differential	Remarks
1 Apr 79	9.6%	
1 Apr 80	12.3%	
1 Apr 81	5.0%	
1 Apr 82	9.9%	
1 Apr 83	NIL	AFPRB award but no TSRB award
1 Aug 83	7.0%	TSRB interim award
1 Jan 84	11.0%	TSRB second stage
1 Apr 84	11.0%	TSRB and AFPRB first stage
1 Nov 84	8.9%	TSRB and AFPRB second stage
1 Apr 85	0.3%	AFPRB award but no TSRB award
1 Jul 85	8.0%	TSRB first stage
1 Mar 86	15.6%	TSRB second stage
1 Jul 86	9.9%	TSRB and AFPRB deferred awards
1 Apr 87	8.1%	AFPRB full award and TSRB first stage
1 Oct 87	8.5%	TSRB second stage
1 Apr 88	5.5%	AFPRB award and TSRB first stage
1 Oct 88	6.7% (1)	TSRB second stage

Note:

(1) This differential is reduced as follows for those who were in receipt of additional pay as 1-stars:

Additional Pay	Net Differential on Promotion
Flying Pay	1.5%
Submarine Pay	-0.8%
Hydrographic Pay	2.0%
N Ireland Pay	3.8%
Parachute Pay	4.3%
SAS Pay	-7.5%

PRIME MINISTER 12 October 1988

PERFORMANCE PAY FOR GRADES 2 AND 3

at flap

The Chancellor has minuted seeking your comments on the note he proposes to put to the TSRB proposing revised arrangements for performance pay for Grades 2 and 3.

The Present Scheme

The essence of the new scheme is to make all pay increases for Grades 2 and 3 dependent on performance. At present civil servants in these Grades receive two (in the case of Grade 3) or one (in the case of Grade 2) annual increments before reaching the normal maximum for the grade. Thereafter they can earn up to three additional increments worth about 5% each based on performance once they have been on the normal maximum for a year or more. A single box 1 marking secures an additional increment whilst three box 2 markings are required for one. In addition, Departments retain discretion over these increments in order to stick within a Treasury imposed quota of at most 25% of the members of the Grade gaining increments in any one year. This feature of the scheme is widely regarded as demotivating since even if individuals achieve the required standard, meeting all their objectives, they may still fail to gain a performance increment.

The Proposed Scheme

Under the proposed system the TSRB would fix the annual increase in the paybill for these grades. To this would be added the 1.5% or so available for individual increases because individuals move out of a grade on promotion or on

retirement at higher salaries than newly promoted individuals join it. Individual pay increases would then be based on annual performance markings. Those receiving box 3 would receive a standard increase, those in box 2 one and a half times it and those in box 1 twice it whilst those in box 4 would receive only a half the standard and those in box 5 (if any) nothing. The size of the standard increase would be determined so that increases distributed in this way would just use up the amount of money available. So the system will marry cost control with motivation. It would be in each individual's interest to secure the highest performance marking.

The Treasury also suggest that the TSRB should be asked to fix a minimum for each grade and a maximum.

Assessment

We strongly support the proposed system. It would move the determination of pay for these grades much closer to the systems used in the private sector. Indeed the Abbey National Building Society uses an identical system to determine pay rises for all its staff. We also agree with the proposal that the TSRB should set the minimum of the rate provided there is flexibility to appoint individuals to higher starting salaries where there are good management reasons for doing so - for example that an individual would otherwise leave for another job or that the individual is already receiving a higher salary in a lower Grade (at present the maximum for Grade 5 with performance points, is £37,121 in London whereas the minimum for Grade 3 is £35,800).

However we see little advantage in the TSRB fixing a maximum for the Grade. Under the proposed system each

individual's increase will be determined by his present salary, his performance and the recommended increase in the paybill. A maximum would therefore serve no useful purpose. Either it would be set at or above the highest individual salary for the grade or it would be set below it, which would be demotivating since it would mean that someone could not achieve the pay increase his performance merited. The main argument in favour of setting a maximum is that of presentation - there should be transparency about senior civil servants' salaries. We therefore recommend that as an alternative, the Treasury should publish annually information about the salaries of civil servants in these grades just as private sector companies show in their annual reports the salaries of their senior executives and directors.

Conclusion

We recommend that you strongly endorse the proposals set out in the note attached to the Chancellor's minute with two modifications. First, there should be flexibility to appoint individuals to a grade with a salary above the grade minimum where there are good management reasons for doing so. Second, the TSRB should not be asked to set salary maximums for these grades since such maxima would serve no useful purpose. Instead the Treasury should publish annually in aggregate, salary information about senior civil servants .

Peter Stredder

PETER STREDDER

CIVIL SERVICE: Pay Pt 17.



Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

PRIME MINISTER

PERFORMANCE PAY FOR GRADES 2 AND 3

The TSRB said in their last report that they wanted to return to the performance pay scheme for Grades 2 and 3, with a view, among other things, to exploring the possibility of making all pay at these levels performance-related. They have asked for written evidence from the Treasury on how this might be done.

We are now in the second year of the existing scheme for Grades 2 and 3. It has done a good deal to establish the idea of relating pay to performance at these levels. But the 25 per cent quota - which under the present scheme is our means of controlling costs - is a crude instrument, which runs the risk of demotivating the other 75 per cent. I believe we should move from the present halfway house, which includes normal scale increments, discretionary increments and TSRB annual increase, to the kind of arrangement increasingly common in the private sector of one annual pay review based entirely on performance. This opens up the possibility of control via the paybill, and allows us to dispense with the quota.

Requested

Treasury officials have accordingly prepared the attached note. It aims to present a scheme which we and the TSRB can be reasonably confident will work, without giving the impression that it is fully worked out in all its detail on a take-it-or-leave-it

basis. The hope would be that the TSRB would give it general approval in their next report, so that a fully worked out scheme could be presented to them this time next year as a basis for their decisions, and could then come into operation from April 1990. Clearly between now and then, there would need to be further thought and consultation, probably including a dummy run.

The scheme is not, of course, without its difficulties and rough edges. For instance, it depends heavily on staff reporting. Standards of consistency must improve, and we must make arrangements which ensure that differences in reporting habits do not result in anomalies between departments, while (if possible) recognising that talent could genuinely be unevenly distributed among departments.

Generally the gainers from the new scheme will be those good performers now excluded from discretionary pay points by the operation of the quota. The losers, in the short term, will be future new promotees, who will no longer get scale increments as well as an annual pay increase. We shall need to pay attention to people marked box 3 (described on staff reporting forms as "fully meets requirements of the grade") who might, if there were a small paybill increase and a heavy preponderance of box 1 and 2 markings, find their salary declining in real terms.

We have assumed that the TSRB would set the annual paybill increase. To save an otherwise awkward presentational difficulty it would be helpful if they would incorporate in their recommendation the additional cash made available by the abolition of increments. The TSRB will also need to set the top of the salary ranges for each grade, but we shall want to discourage them from more detailed recommendations which would constrain the flexibility of the scheme. Overall, the system will be less transparent because there will no longer be published scales, only minima and maxima, but I am sure we can live with this.

MANAGEMENT IN CONFIDENCE

We are not currently proposing similar schemes for other grades. But if it went well, I think we should want to consider extension.

Treasury and OMCS officials are due to give evidence to TSRB on 28 October. I would therefore be grateful for your comments, and those of MISC 66 colleagues, by 17 October.

Moira Wallace

pp N.L.

7 October 1988

(Approved by the Chancellor and signed in his absence.)

CONFIDENTIAL

DISCRETIONARY PAY FOR GRADES 2-3

1. The TSRB suggested in their last report that the present scheme will need to evolve in a way which will enable the pay of individuals to be determined more flexibly. A number of organisations outside the Civil Service have chosen to move in this direction. They have introduced schemes which concentrate the available money on rewarding the individual according to their performance rather than on funding across the board cost of living reviews and automatic scale increments.

2. The Government would see a number of advantages in this approach. Most of the annual increase in the paybill is paid without regard to the performance of the individuals concerned. Moreover, the expectation in the present discretionary pay scheme is that awards will not be attainable by about three quarters of these very senior managers whatever the level of their performance. A wholly performance related pay system on the other hand could provide a comprehensive and coherent structure within which annual pay increases could closely reflect the relative performance of all members of the grade.

3. Under the current system the majority of staff are on their maximum and thus have no eligibility for further scale increments and limited expectation of discretionary increments. The reality for most staff on entering these grades is, therefore, a short steep progression to the scale maximum during which their pay increases are relatively high (since they are eligible for scale increments as well as annual pay uplifts), but after only one or two years a sudden diminution of their salary prospects when they have gained experience. The aim of a new scheme would be to make the reward system available on a more equitable basis to all staff in the grade. Annual pay reviews for all staff fully dependent on performance would provide a more rational basis for managing the remuneration of the small numbers in these grades and offer everyone equal opportunity for salary advancement.

4. Appendix A shows the results which could have been obtained from one possible scheme on these lines. It is based on the following steps:-

(i) the establishment of a total budget available to fund the annual pay review;

(ii) the collection of performance ratings (box markings on the established 1-5 scale) from the staff appraisal system together with pay recommendations for all staff in the grade;

(iii) the application of a formula to distribute the budget according to the performance ratings of all staff in a given ratio. The formula used in the example provides for payments for box markings 1-5 in a ratio of 2:1.5:1:0.5:0 respectively.

Appendix A also sets out the results which would have been produced, using a common set of assumptions, under the present arrangements.

5. The rest of this note comments briefly on a number of points which would need consideration in this approach.

6. First, costs would need to be controlled within affordable limits. The scheme dispenses with the present overall annual pay reviews and both normal and discretionary increments and redirects the money to finance individual salary reviews wholly based on performance levels. Within these resources awards to the best performers must be large enough to motivate and reward, without demotivating those who are performing satisfactorily.

7. The combination of a small budget with a preponderance of box 1 and 2 markings could mean that box 3 performers received awards insufficient to maintain their salaries in real terms. Over time, this could lead to management difficulties. The current performance appraisal scheme, which has been in operation only one year, resulted in a high proportion of box 1 and box 2

markings especially at Grade 2. Nonetheless the example in Appendix A shows that for Grade 2's average increases of more than £2000 could have been paid to all box 3 performers up to over £4000 for all box 1's. For Grade 3's, box 3's could have received on average about £1900 and box 1's £3800. This suggests that the scheme is reasonably robust in this respect.

8. Consideration would need to be given to the position of box 4 and 5 recipients. While a box 5 would clearly imply no pay increase at all, a box 4 may be used to denote an improving standard, especially in the first year in a new grade. Few box 4's are likely to be found at this level, but it would be important not to jeopardise the use of this marking.

9. Second, the methods of making awards would require careful thought. For Grade 2, as under the current scheme, it would seem right for awards to be made by the centre on the basis of recommendations from heads of departments. This would avoid a single individual having complete authority over another's pay. But for Grade 3 it would be possible to allocate to departments their share of the budget either by reference to their box markings or on the basis of numbers in the grade. The first option would allow for the possibility of there being a genuinely uneven distribution of talent between departments. The second would avoid the possibility of any one department securing an unfair share by over-marking. (If all overmark, all awards are scaled down.)

10. Third, although pay scales as such with a number of specified incremental points would disappear, the salaries of staff would need to be contained within an overall pay range for the grade. This would consist only of a minimum and a maximum. These could to some extent move independently of actual salary increases although account would need to be taken of the desirability of maintaining sensible pay differentials both between the grades themselves and with the grades below and above. In this connection the TSRB indicated in their last report that some overlap between the pay of Grade 3's and Grade 2's would be tolerable, although it should be confined to a few cases and not of a lasting nature. (A minimum is required mainly for starting

pay on promotion arrangements. Increases in the minimum would not mean a consequential automatic increase for all those in the grade; box 5 performers, who would receive no increase at all, could fall through the minimum of the range.)

11. The ending of incremental points would carry implications for some outside the present structure of Grades 2 and 3 pay. There would be a continuing need to provide for special rates of pay like personal pay points: these could continue to be accommodated within a new scheme of this kind. A firm link between the pay of Grade 3's and two-star officers would also need to be maintained. In the absence of a comparable scheme for senior officers in the armed forces their pay could perhaps be related to the mid-point of the Grade 3 salary range.

12. Fourth, the recently introduced staff appraisal system would be the basis for the method used to rate performance. There would be advantage in maintaining a distinct pay recommendation procedure so as to avoid performance assessment being over-influenced by pay considerations. While it would be possible to stipulate that the box mark should determine the precise increase paid, a more discretionary system would be preferable. Not only do jobs change but at these levels posts are often particularly subject to influence by the incumbent. Job quality and loading would therefore need to be considered. In addition, account might also be taken for example, of the personal seniority of the individual and the period over which their performance had been maintained. The creation of ranges for the pay increases appropriate to each box mark level could provide flexibility for this purpose. This would enable individual pay increases to be more finely tuned, but the weight to be given to such factors in the overall assessment and the method for taking them into account would require careful consideration.

12a →

13. Clearly it will be important to improve confidence in the integrity of reporting standards in the staff appraisal system, and this will be a high priority for central departments.

8 September 1988

Appendix A

PERFORMANCE PAY FOR GRADES 2 AND 3 - THE CURRENT SCHEME AND A POSSIBLE NEW SCHEME

This appendix gives worked examples of the current discretionary pay scheme and a possible new wholly performance related pay system using the common set of pay assumptions set out below.

It was necessary to model the flows of staff through the grades in order to give the proportions of staff receiving the different increases under the current scheme, and to calculate the budget for the proposed scheme. The average promotion and wastage rates from the grades over the last four years were applied to the current staff distributions, and then progressed forward to the steady state.

A number of assumptions have been made for simplicity:

Assumptions

1. An unstaged 5.4% increase in the paybill is awarded.
2. The 1.10.87 pay rates are the baseline.
3. The current discretionary scheme is fully implemented and in the steady state.
4. 25% of the staff in each grade are receiving range pay in the current scheme, with 16%, 7% and 2% on the 1st, 2nd and 3rd discretionary incremental points respectively.
5. The distribution of box marks is from the 1987 Staff appraisal round and the pay recommendations match the box marks.

THE CURRENT SCHEME

Under the current system the following pay increases would have been awarded:
(the percentages of staff to benefit are shown in brackets)

GRADE 2

Grade 2 on scale minimum (15% of staff)	£2,300 £2,200 ------ £4,500	+ increment (10.3% increase)
Grade 2 on scale maximum (45% of staff) or if awarded 1st discretionary increment (6% of staff)	£2,500 £2,500 £2,600 ------ £5,100	(5.5% increase) + discretionary increment (11.2% increase)
Grade 2 on 1st discretionary increment (10% of staff) or if awarded 2nd discretionary increment (3% of staff)	£2,600 £2,600 £3,200 ------ £5,800	(5.4% increase) + discretionary increment (12.1% increase)
Grade 2 on 2nd discretionary increment (3% of staff) or if awarded 3rd discretionary increment (1% of staff)	£2,800 £2,800 £3,200 ------ £6,000	(5.5% increase) + discretionary increment (11.8% increase)
Grade 2 on 3rd discretionary increment (2% of staff)	£3,000	(5.6% increase)

Note: The remaining 15% of the grade leave (on promotion, retirement etc) during the course of the year and are replaced by new entrants.

GRADE 3

Grade 3 on scale minimum	£1,800	
(13% of staff)	£1,600	increment
	£3,400	(10.0% increase)
Grade 3 on minimum + 1	£1,900	+
(12% of staff)	£1,600	increment
	£3,500	(9.9% increase)
Grade 3 on scale maximum	£2,000	(5.4% increase)
(36% of staff) or		
if awarded 1st discretionary increment	£2,000	+
(5% of staff)	£2,100	discretionary increment
	£4,100	(11.1% increase)
Grade 3 on 1st discretionary increment	£2,100	(5.4% increase)
(11% of staff) or		
if awarded 2nd discretionary increment	£2,100	+
(2% of staff)	£2,100	discretionary increment
	£4,200	(10.8% increase)
Grade 3 on 2nd discretionary increment	£2,200	(5.4% increase)
(4% of staff) or		
if awarded 3rd discretionary increment	£2,200	+
(1% of staff)	£2,100	discretionary increment
	£4,300	(10.5% increase)
Grade 3 on 3rd discretionary increment	£2,300	(5.3% increase)
(2% of staff)		

Note: The remaining 14% of the grade leave (on promotion, retirement etc) during the course of the year and are replaced by new entrants.

NEW SCHEME

The budget for a new scheme would be derived from what has previously been the annual overall pay award, in this case 5.4%, together with the money which accrues from the difference between the higher salaries of those leaving the grade and the lower pay of the new entrants replacing them. This can be estimated (see below) by reference to what happens at present under the current system. In this case it amounts to about a further 1.5%.

GRADE 2

Total number of staff = 125

Paybill at steady state = £5.77 million

Overall pay award = 5.4% of paybill
= £0.31 million

Wastage from the grade = 14
Promotions out of the grade = 5
New entrants to the grade = 19

The leavers go from the highest points; new entrants come onto the scale at the bottom; and existing members of the grade move up internally to replace the leavers and return the system to the steady state. The saving achieved in this process currently supports the payment of increments which would be abolished by a new scheme.

Cost of 19 people moving from min to max
+ cost of 8 people moving to 1st disc inc
+ cost of 4 people moving to 2nd disc inc
+ cost of 1 person moving to 3rd disc inc

= £0.08 million.

Together with the overall pay award, this gives a total budget for Grade 2 of £0.4 million.

This budget is then distributed between the different box marks in a ratio of 2 : 1.5: 1 : 0.5 to Box 1, 2 3 and 4 recipients respectively. Using the most recent percentage distributions of box marks available, which are from the 1987 staff appraisal reports (percentage split shown in brackets), this budget would allow:

Box 1s (26%) to receive £3,575 - £4,595 (average £4,085)

Box 2s (56%) to receive £2,555 - £3,575 (average £3,065)

Box 3s (18%) to receive £1,535 - £2,555 (average £2,045).

GRADE 3

Total number of staff = 474

Paybill at steady state = £17.61 million

Overall pay award = 5.4% of paybill
= £0.95 million

Wastage from the grade = 46
Promotions out of the grade = 16
New entrants to the grade = 62

Cost of 61 people moving from min to min + 1
+ cost of 59 people moving from min + 1 to max
+ cost of 24 people moving to 1st disc inc
+ cost of 11 people moving to 2nd disc inc
+ cost of 4 people moving to 3rd disc inc

= £0.27 million

Together with the overall pay award, this gives a total budget for Grade 3 or £1.2 million.

This budget would allow:

Box 1s (12%) to receive £3,315 - £4,265 (average £3,790)

Box 2s (49%) to receive £2,365 - £3,315 (average £2,840)

Box 3s (38%) to receive £1,415 - £2,365 (average £1,890)

Box 4s (1%) to receive £ 465 - £1,415 (average £ 940)

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bc: BS

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

6 September 1988

CIVIL SERVICE NUMBERS: 1 JULY 1988

The Prime Minister has seen your letter to me dated 5 September. She is content with the proposed announcement.

PAUL GRAY

Peter Wanless, Esq.
H.H. Treasury

csec.ps/docs/civnos

CCPU

Prime Minister
Modest further progress
Content with the
attached announcement?

PRC6
5/9

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

Paul Gray Esq
Private Secretary
10 Downing Street
London
SW1

5 September 1988

Dear Paul,

CIVIL SERVICE NUMBERS: 1 JULY 1988

Yes mt

You may like to inform the Prime Minister that at 1 July 1988 there were 576,888 civil servants in post. This is a decrease of 2,739 since 1 April. The new total shows a reduction of 155,387 (21.2 per cent) since 1 April 1979.

The largest decrease during the quarter was recorded by DHSS (2,127½) reflecting both the continuing planned rundown from the temporary peak of staff required for the preparation of the Social Security reforms introduced in April, and the reduced staffing levels needed to operate the new scheme. HM Land Registry showed an increase of 1,148 to match its growing workload.

It is customary to announce the July quarterly Staff in Post figures by means of a Treasury Press Notice and we are proposing to do so along the lines of the attached draft. We would be glad to know if the Prime Minister is content.

Yours sincerely,

P. Wanless

PETER WANLESS
Assistant Private Secretary

35/1 rc1/lw.11.19.8

DRAFT

PRESS NOTICE

CIVIL SERVICE NUMBERS: 1 JULY 1988

At 1 July 1988 there were 576,888 staff in post in Central Government Departments. Of these 504,618 were non-industrials and 72,270 industrials.

Notes for editors

The total 576,888 relates to all Central Government Departments. The largest departments were MOD (142,507), DHSS (98,141½), Inland Revenue (66,385), the Employment Group (57,399) and the Home Office (40,122½).



cc PB

nbpm

PAYMASTER GENERAL

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon George Younger TD DL MP
Secretary of State for Defence
Ministry of Defence
Whitehall
LONDON SW1 2HB

3 August 1988

Dear George,

ACCOUNTANTS IN THE GOVERNMENT SERVICE

Thank you for your letter of ~~30~~ 1 May June. I am glad to hear you support our objectives for accountants in the Government Service.

My officials have been considering whether Grade 7 and SEO accountants moving from specialist to non-specialist posts should retain their accountancy allowance; there has been some preliminary correspondence with the unions.

The unions have been told that we do not accept that allowances for these grades should be automatically portable when staff transfer out of jobs requiring professional expertise into jobs which do not. However, where it is in the department's interest and part of an individual's career development plan, there may be a case for allowing those accountants taking up a non-specialist post to retain the allowance. Retention should be for a limited period of time, say three years. Precise arrangements have to be worked out and discussed with the unions. My officials will be in touch with Departmental Establishment Officers as soon as possible.

On the general issue of recruitment to the Civil Service, the long term flexible pay agreement for Grades 5-7, including accountants at those levels, is now in place. These arrangements should help in meeting the recruitment difficulties you and other colleagues have mentioned. Discussions are now underway with the NUCPS on similar pay arrangements for executive grades, which would cover accountants at SEO-EO levels.

I am copying this letter to the Prime Minister, other members of the Cabinet, Patrick Mayhew, Richard Luce, Chris Patten, and to Sir Robin Butler.

Yours ever

Peter

PETER BROOKE

CIVIL SERVICE : POLICY PT21



scfo

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

From the Minister

The Rt Hon Peter Brooke MP
Paymaster General
HM Treasury
Parliament Street
LONDON
SW1P 3AG

NBPM
PRCG
18/7

18 July 1988

Dear Peter,

ACCOUNTANTS IN THE GOVERNMENT SERVICE

Thank you for copying to me your letter of ~~3~~ flap. June to David Young.

I have been following with interest the subsequent correspondence. This has identified a broad measure of support, which I share, for your general objective of increasing the use made in Departments of professionally qualified accountants. A number of colleagues have however emphasised the practical difficulty of making progress in this direction given the current shortage of accountants in Departments, mainly as a result of uncompetitive pay rates.

This situation in MAFF is illustrative of this: we have 9 vacancies within our complement of 23 for staff in the Accountancy functional specialism. Even direct recruitment has failed to provide sufficient numbers to fill the vacancies. Although we have had some success in picking up staff from interdepartmental trawls, the practice of trawling merely transfers the recruitment problem from one Department to another.

In this situation I hope that you will recognise that the scope for developing a policy of moving qualified accountants outside the area where their specialism is badly needed is inevitably limited. In any case the current problems of recruitment are in my view essentially related to pay rather than to any perception of obstacles to career development for able people within Government Service which, as some colleagues have been able to show, is not well founded.

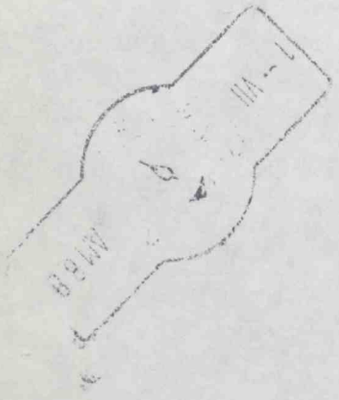
I am copying this letter to the Prime Minister, other members of the Cabinet, Patrick Mayhew, Richard Luce, Chris Patten and to Sir Robin Butler.

Yours ever,

JM

JOHN MacGREGOR

CIVIL SERVICE: Long Term PTEI



dti

the department for Enterprise

CCPO.

The Rt. Hon. Lord Young of Graffham
Secretary of State for Trade and Industry

The Rt Hon Peter Brooke MP
Paymaster General
HM Treasury
Parliament Street
LONDON
SW1P 3AG

Department of
Trade and Industry

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Direct line 215 5422
Our ref PS5BBK
Your ref
Date 11 July 1988

NBPM
RRC6
11/7

Dear Peter,

ACCOUNTANTS IN THE GOVERNMENT SERVICE

I was interested to receive your letter of 3 June about the wider deployment of accountants, and I welcome your strong support for the deployment of accountancy skills as evidenced in your recent closing address to the Annual Conference of the Chartered Institute of Public Finance and Accountancy in Brighton.

With the help of Sir Anthony Wilson, we have recently reviewed the organisation of accountancy services in the DTI. Now, instead of the majority of our accountants being brigaded together in a single central Division, most are deployed in the divisions, establishments and regional offices whose work they undertake. This change should give more qualified accountants a closer identity with the line divisions and better opportunities to widen their non-specialist experience.

We already have qualified accountants in a number of non-specialist posts. For example, the Grade 3 Heads of our Competition Policy and Consumer Affairs Divisions, a Grade 6 Assistant Regional Director, a Grade 7 management support officer to a Deputy Secretary and a Grade 7 responsible for

our interests in Girobank are all accountants. We are keen to give non-specialist experience to an increasing number of accountants who possess the necessary qualities and potential. Our newly designated Grade 5 Head of Accountancy Profession has this very much in mind and he will be working closely with our Personnel Management Division to achieve this objective.

I am copying this letter to the Prime Minister, other Members of the Cabinet, Patrick Mayhew, Richard Luce and Chris Patten, and to Sir Robin Butler.

CIVIL SERVICE: Long Term Policy

SF/Conf/15

MANAGEMENT IN CONFIDENCE

SECRETARY OF STATE FOR EMPLOYMENT

Caxton House Tothill Street London SW1H 9NF
5803

Telephone Direct Line 01-273 .....
Switchboard 01-273 3000 Telex 915564
GTN Code 273 Facsimile 01-273 5124

The Rt Hon Peter Brooke MP
Paymaster General
Treasury Chambers
Parliament Street
LONDON SW1P 3AG

Dear Peter.

ACCOUNTANTS IN THE GOVERNMENT SERVICE

Thank you for copying to me your letter of 3 June to David Young about accountants in the Government Service and the need to broaden their career opportunities.

Let me confirm first of all that my Department is very much behind the 1982 initiative to double the number of accountants in the Service by 1992; to make better use of them; to broaden their career opportunities and to increase their overall contribution to the management and decision making process.

Indeed my Department now has 34 fully qualified accountants mainly in the Training Commission (TC) (formerly MSC), compared to 23 in 1982. This injection of professionally qualified people into TC and the better use they have made of them, has very much strengthened our operations in that area though we are by no means complacent to the need/scope for further improvements.

We are planning, over the next few months, to extend that exercise elsewhere in the Group-including the new Employment Service with "Next Steps" in mind - with a view to identifying other areas where the skills of a professional accountant would enhance performance.

We fully recognise the benefits of involving accountants in the management and decision making process and some of those recruited have already made a useful contribution in a wider career setting. We are, therefore, intending to integrate 10 new SEO posts in TC into the regional management structure where those recruited will have the opportunity to develop

general management skills and to contribute to the wider objectives of our regional operations. That makes a contribution to management and decision making and at the same time broadens their career experience.

We have been rather less successful in achieving a desirable level of moves into non-specialist areas more generally. We have neither the quality nor numbers of qualified people to enable us to feed many into generalist posts and to have done so in the past would have denuded unacceptably our professional services.

My Department is taking positive steps to compensate for the low level of direct recruitment and the lack of movement from specialist to generalist posts. Firstly we are encouraging existing staff and new recruits to study for a full professional qualification and we now have 29 staff at various stages of training. This is, of course, a long-term policy and it will be some years before the organisation sees the full benefit of this considerable investment. Secondly, we have identified some areas in DE Group where a requirement for accountancy expertise can be combined with the opportunity to develop policy and management skills. We shall be making full use of such opportunities in the future. I hope this demonstrates our commitment to the broadening of the career opportunities for accountants in the DE Group.

I am copying this letter to the Prime Minister, other members of the Cabinet, Patrick Mayhew, Richard Luce and Chris Patten and to Sir Robin Butler.

NORMAN FOWLER

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I am copying this letter to the Prime Minister, other members of the Cabinet, Patrick Mayhew, Richard Luce and Chris Patten and to Sir Robin Butler.

NORMAN FOWLER

CIVIL SERVICE: policy pt 21



HOME SECRETARY

QUEEN ANNE'S GATE LONDON SWIH 9AT

8 July 1988

Dear Peter,

ACCOUNTANTS IN GOVERNMENT SERVICE

Thank you for copying to me your letter to David Young of 3 June about the use of accountants in the Government Service.

I accept the importance of attracting good quality accountants to the Service and of deploying them to best advantage, particularly those who have the ability to apply their financial and analytical skills to policy development and the better management of resources. However, it is my impression that many of the accountants recruited or trained by Government Departments, while performing perfectly satisfactorily as cost accountants at middle management level, do not possess in abundance the intellectual, personal and management qualities to fill posts at more senior levels. The reasons are not hard to find. Your letter makes no mention of the great disparity in earnings between posts in the Government Service and those in the business world. The only way we have been able to attract able young accountants of the standard we all have in mind is to offer them short periods of secondment from their firms or management consultancies as part of their own career development. But this is of little use in building for the future.

Nevertheless, we recognise the need to make the most of the available talent. As it happens we have quite recently moved a Grade 5 accountant, who was previously head of our Finance, Accountancy and Procurement Unit, into a generalist post in the Prison Department. We shall keep in view the desirability of further moves of this kind but, given the shortages to which I have referred, we have to make sure we are striking the right kind of balance between individual development and the immediate needs of the Department.

I am copying this letter to the Prime Minister, other members of the Cabinet, Patrick Mayhew, Richard Luce and Chris Patten, and to Sir Robin Butler.

Yours ever,
Douglas

The Rt Hon Peter Brooke, MP.

CIVIL SERVICE: Long Term
Policy P21

CABINET OFFICE
OFFICE of the MINISTER
for the CIVIL SERVICE

NBRM
RCG
5/7

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

Horse Guards Road
London SW1P 3AL
Telephone: 01 -270 5929

C88/3462

The Rt Hon Peter Brooke MP
Paymaster General
H M Treasury
Parliament Street
LONDON
SW1P 3AG

1 July 1988

Dear Peter,

ACCOUNTANTS IN THE GOVERNMENT SERVICE

Thank you for copying to me your letter of 3 June to David Young.

I share your concern to encourage the widest possible use of accountants in the Service, and particularly in management posts. The 'Next Steps' initiative has highlighted the growing demand for financial expertise of the highest calibre. However, I believe we must recognise that improvements have been made in the movement of accountants into management roles. Other specialisms, such as auditors and economists, have also been encouraged to make full use of the opportunities for development in non-specialist posts.

The Cabinet Office has a dual responsibility in that it incorporates (in the OMCS) the Civil Service Commission and the Civil Service College, responsible for the recruitment and training of accountants respectively. The most recent Annual Report of the Civil Service Commissioners painted a dismal picture of the current state of recruitment of accountants. Fewer than half the vacancies declared by departments were filled despite the thorough and imaginative recruitment procedures adopted. The main reason for the failure is undoutedly the poor rates of pay offered to accountants in comparison to those offered by the private sector. Once we have recruited accountants we are still not safe from private sector comparisons. The extremely high standard of the training provided by the Civil Service College makes our accountants very

attractive to private companies and we lose many of our ablest people to the higher salaries offered. In this climate, it is hardly surprising if many departments, unable to fill all the specialist posts, find it hard to consider management postings.

That said, I certainly go along with your general aim; and the Cabinet Office itself has a good record here.

I am copying this letter to the Prime Minister, other members of Cabinet, Patrick Mayhew and Chris Patten and to Sir Robin Butler.

Yours ever,

Richard

RICHARD LUCE

CIVIL SERVICE: Long Term Policy A21



CCBG

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon Peter Brooke
Paymaster General
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

NBPM
PRCG
5/7

5 July 1988

Dear Peter,

ACCOUNTANTS IN THE GOVERNMENT SERVICE

at flap

Thank you for sending me a copy of your letter of 3 June to David Young about the employment of professionally qualified accountants in Departments.

I agree with your sentiments about widening the career paths of accountants and giving more of them experience in non-specialist management posts, although, as you acknowledge, the current shortage of qualified accountants, does hinder the development of this policy. Another constraint is the non-portability of accountancy allowances which results in loss of income when an accountant moves to general administrative work. I understand, however, that Treasury are currently addressing this latter problem.

The Scottish Office employs a relatively small number of qualified accountants but of the 20 accountants currently employed, 6 are in administration posts outside their specialism. Some of the 6 posts involve a degree of accountancy work which permits the continued payment of allowances but they also give the postholders wider administrative/management responsibilities. We hope to be able to develop this strategy further as our supply of accountants increases; a main contributor to any increase should be out in-house accountancy training scheme which is currently sponsoring 19 young executive staff.

I am copying this letter to the Prime Minister, other members of the Cabinet, Patrick Mayhew, Richard Luce, Chris Patten and Sir Robin Butler.

Yours ever,

Malcolm

MALCOLM RIFKIND

HMP186F4



CIVIL SERVICE: Long Term
Policy Pt 21

MINISTRY OF DEFENCE WHITEHALL LONDON SW1 2HB

TELEPHONE 01-218 9000

DIRECT DIALLING 01-218 2111/3

MO 5/24E

30th June 1988

Dear Peter,

ACCOUNTANTS IN THE GOVERNMENT SERVICE

Thank you for sending me a copy of your letter of 3rd June to David Young about accountants in the Civil Service.

We in MOD are, of course, fully conscious of the target of doubling the number of qualified people by 1992. But we are constrained by our inability to offer competitive rates of pay to prospective recruits to the Civil Service. This particular problem is not confined to accountants, although this is an area where our rates fall seriously short of those being offered to qualified accountants outside, and where the gap is continuing to widen.

We certainly try to broaden our accountants' careers by moving them into non-specialist posts whenever suitable opportunities arise and when we can afford to release them from their specialism. But we must recognise that since the majority of our accountants receive an allowance, many, and particularly those at Grade 7 and SEO level, are reluctant to move to non-specialist posts, as the allowances are retained only on a mark-time basis and their value is therefore eroded. It would, of course, help appreciably if the allowances paid

The Rt Hon Peter Brooke MP
Paymaster General

to Grade 7s below the scale maximum and SEOs could be made fully portable and not discounted when calculating starting pay on promotion.

I am copying this letter to the Prime Minister, other members of Cabinet, Patrick Mayhew, Richard Luce and Chris Patten, and to Sir Robin Butler.

Yours ever,

George

George Younger

CIVIL SERVICE: Long
Term Policy
PT 3/4

FILE PM.

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

24 June 1988

Dear Jill

BUDGETING IN DEPARTMENTS

The Prime Minister has seen the Chief Secretary's minute of 21 June on this subject. She is content that the report should be made public, and she is also content with the draft PQ which the Chief Secretary set out.

I am copying this letter to the Private Secretaries to members of the Cabinet, the Minister for the Civil Service, the Minister for Overseas Development, the Attorney General, the Lord Advocate, Sir Robin Butler and Sir Robin Ibbs.

Yours

Dominic

Dominic Morris

Miss Jill Rutter,
Chief Secretary's Office.

KK

MANAGEMENT IN CONFIDENCE

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

24 June 1988

Dear Simon,

DIRECT ENTRY GRADE 7 (PRINCIPAL)
COMPETITION - 1988

The Prime Minister was grateful for the Paymaster General's minute of 23 June. She is content for a further competition to be held in 1988, and for the Paymaster General in future to settle the times of any subsequent competitions.

I am copying this letter to Eleanor Goodison (Office of Arts and Libraries) and Trevor Woolley (Cabinet Office).

Yours,
PG

PAUL GRAY

Simon Judge, Esq.
Paymaster General's Office

MANAGEMENT IN CONFIDENCE

MANAGEMENT IN CONFIDENCE

Prime Minister
The 1987 exercise was surprisingly successful. Content to agree a further 1988 competition, and to let the PMG decide the timing of future competitions?

PRIME MINISTER RECD 23/6

FROM: PAYMASTER GENERAL
DATE: 23 June 1988

Yes

DIRECT ENTRY GRADE 7 (PRINCIPAL) COMPETITION - 1988

With your approval, the Civil Service Commission ran a competition to fill Grade 7 (Principal) vacancies in a number of Departments last year. This was the first time the Service had attempted to recruit generalist staff at this grade since 1983.

2. The competition is considered to have been a success. From over 1,500 applicants, 70 candidates of the required standard were selected to fill the 69 vacancies declared initially, and 64 people are expected to take up post. So far Departments have generally been satisfied with the quality of recruits although the ultimate success of the competition will be the number that stay in the Service for a worthwhile term.

3. Despite this influx, Departments report continuing shortages of high quality staff at this grade. Serving staff continue to reach Grade 7 through internal promotion procedures, but in insufficient numbers to meet the need. And although the 1987 wastage rate (from all causes including retirement) for the grade is lower than 1986 (9.4 per cent against 10.4 per cent), it remains higher than in 1984 and 1985 (when it was 6.1 per cent and 7.4 per cent respectively).

4. The attached table summarises the expected shortfall of Grade 7 staff during 1988. I believe that a direct entry competition would be effective in filling these vacancies. Those recruited would bring into Departments valuable skills, knowledge and experience which could only be of benefit to the Service as a whole.

5. The procedures used for the 1987 competition have been fully evaluated by the Civil Service Commission and there are detailed changes which they would wish to make. Broadly, however, we would

aim to attract able candidates from all sectors of the economy with the emphasis on track records, rather than formal academic qualifications. The recently agreed changes in the level and structure of pay for Grade 7 staff should add to the attractiveness of the posts.

6. As in 1987, serving staff would be able to compete on equal terms with external applicants. But, in quantifying their shortfall, Departments have taken full account of their available talent so that, as in 1987, the number of successful internal candidates is likely to be small.

7. The Civil Service Commission has not planned for such a competition in its resource allocation for 1988/89. If Commission resources could not be found the Departments concerned would be asked to meet the bill from within existing resources, according to the size of their bid.

8. This is not an issue on which I would normally expect to bother you but your approval was sought for the competitions in 1983 and 1987. Such competitions seem likely to become more regular and, if you agree, I would be happy to vet them myself. Meanwhile, I would welcome your agreement to a competition for 1988.

9. I am copying this minute to Richard Luce and to Sir Robin Butler.

P.B.

PETER BROOKE

DIRECT ENTRY GRADE 7 COMPETITION (1988)

BIDS FROM DEPARTMENTS

Cabinet Office	2
Customs and Excise	2
Ministry of Defence	10
Department of Education and Science	3
Department of Employment	3
Department of Energy	2
Departments of the Environment and Transport	13
Export Credits and Guarantee Department	3
Office of Fair Trading	2
Department of Health and Social Security	4
Home Office	3
Inland Revenue	3
Lord Chancellor's Department	2
Overseas Development Administration	1
Property Services Agency	1
Scottish Office	3
Department of Trade and Industry	12
HM Treasury	4
Welsh Office	1
TOTAL	74



23 VI PM 88

001/3291

CC BG

FROM: CHIEF SECRETARY
DATE: 21 June 1988

Prime Minister

You agreed in principle that the Report should be published. Content with the attached draft PQ?

DM 21/6

PRIME MINISTER

BUDGETING IN DEPARTMENTS

When I sent you on 16 February the second progress report on budgeting following the 1986 Multi-Department Review I said that I would consult you again about publication.

2 The further action plans for the work still to be done by those departments that have not yet met all four principles have now been settled with the departments concerned and have been added to Volume I of the report at Appendix 1. This is attached.

3 In that minute of 16 February I mentioned the difficulties departments were having in devising suitable output and performance measurement systems in some areas of programme expenditure. For the most part, the further action plans concentrate on this area. Within the resources available for public expenditure, it remains important that we maximise outputs and set keen targets for improved performance. We have therefore reinforced this message by again asking departments to provide plans for output and performance measures, with particular emphasis on measures of efficiency and effectiveness, in the running costs management plans and other value for money information submitted for this year's public expenditure Survey. Output and performance measures will also feature prominently in developing the policy and resource frameworks and associated targets for agencies under Next Steps. That will give the work on budgeting a helpful impetus. But we must look to colleagues to ensure that they use this information in the internal management of their programmes.

4 I propose that the report should be made public by way of an arranged PQ. A draft question and answer are attached.

5 I am copying this minute to members of the Cabinet, to Richard Luce, Christopher Patten, Patrick Mayhew, Kenny Cameron and Sir Robin Butler and Sir Robin Ibbs.

John M.

JOHN MAJOR

1010/39

DRAFT PQ FOR WRITTEN ANSWER

Question : To ask Mr Chancellor of the Exchequer what progress has been made in implementing the recommendations of the Multi-Department Review of Budgeting following the then Chief Secretary's announcement of 29 April 1986 (OR Col 371).

Answer : Departments were asked to draw up action plans for achieving the four principles highlighted by my predecessor and by the Prime Minister in her foreword to the 1986 Report. A report has been prepared which shows that overall departments have made good progress in implementing its recommendations. 13 departments have arrangements in place which meet all four of the principles in respect of all or nearly all of their running costs and programme expenditure. Another 16 have satisfactory arrangements for at least two of the four principles. In a number of departments further work needs to be done, particularly in the field of output and performance measures, as a contribution to the continuing drive to improve financial management. This work will provide an important contribution to the development of policy and resource frameworks for executive agencies under the arrangements announced by the Prime Minister on 18 February 1988 (OR Col 1149).

(The "Next Steps" Agencies Statement)

I am today arranging for copies of the Second Report on the Implementation of the Recommendations of the Multi-Department Review of Budgeting to be placed in the Library of the House.

CIVIL SERVICE: long term
Policy pt 2

MANAGEMENT IN CONFIDENCE

KK

FILE

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

14 June 1988

CIVIL SERVICE NUMBERS: 1 APRIL 1988

Thank you for your letter of 10 June. The Prime Minister is pleased to note the further decrease in the number of Civil Servants in post, and is content with the proposed written Parliamentary answer.

(PAUL GRAY)

Ms. Jill Rutter,
HM Treasury

MANAGEMENT IN CONFIDENCE

8R

030/42908

MANAGEMENT IN CONFIDENCE

Prime Minister

Good news. Content with the attached PQ reply?

RRCG 13/6

Treasury Chambers, Parliament Street, SW1P 3AG

Paul Gray Esq
Private Secretary
10 Downing Street
London
SW1

Yours

cc PI

10 June 1988

Dear Paul,

CIVIL SERVICE NUMBERS: 1 APRIL 1988

You may like to inform the Prime Minister that at 1 April 1988 there were 579,627 civil servants in post. This is a decrease of 3,858 since 1 January 1988 and some 13,600 below the Government's target for 1 April 1988 published in Cm288. The new total shows a reduction of 152,648 (20.8 per cent) since 1 April 1979.

The largest changes during the quarter were decreases recorded by DHSS (1,650) due to the planned run down following the temporary peak of staff required for the preparations for the social security reforms introduced in April; MOD (1,388), mainly due to wastage and contracting out; and the Department of Employment (1,307) reflecting the continuing fall in the number of unemployed benefit claimants. As a result the Department of Employment were 2708, the DHSS 2631 and the MOD 2605 below their respective targets for 1 April 1988.

The achievement of the 1 April 1988 target, the last before the move to control manpower through running costs limits, means that the plans announced on 17 November 1983 by the then Chief Secretary to reduce Civil Service manpower by a further 6 per cent in the period 1 April 1984 to 1 April 1988 have been comfortably exceeded.

It is customary to announce the quarterly Staff in Post figures by means of a low key Written Parliamentary Question and we are proposing to do the same on this occasion on the lines of the attached draft. We would be glad to know if the Prime Minister is content.

Yours,

Jill

JILL RUTTER
Private Secretary

2480/052

MANAGEMENT IN CONFIDENCE

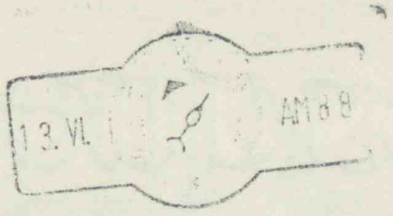
DRAFT QUESTION

To ask Mr Chancellor of the Exchequer what was the number of staff in post in central government departments at 1 April 1988.

DRAFT ANSWER

On 1 April 1988 there were 579,627 staff in post in central government departments. Of these 506,565 were non-industrials and 73,062 were industrials.

The Government's declared target for this date has therefore been met. Staff in post figures will continue to be reported on a quarterly basis, although the move to running cost controls in place of manpower ceilings will give departments more freedom to adjust between manpower and other running cost expenditure in the pursuit of best value for money.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MANAGEMENT IN CONFIDENCE

1. NSW - to see
2. NSPM - p.c.
RLC6
6/6

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Lord Young of Graffham PC
Secretary of State
Department of Trade & Industry
1-19 Victoria Street
LONDON SW1H OET

3 June 1988

Dear David,

ACCOUNTANTS IN THE GOVERNMENT SERVICE

Accountants in the Civil Service have a vital part to play in our continuing drive to improve financial and resource management. Janet Young announced six years ago our wish to **double** the number of professionally qualified accountants in the service by 1992. She also stressed the need:

- to make **better use** of accountants in the Civil Service;

- to **broaden their career opportunities**; and

- to **increase their contribution** to management and decision making.

The importance of these objectives is re-emphasised by organisational changes and initiatives such as 'Next Steps', and by the development of budgeting systems which will require considerable financial literacy.

2. I am sorry that, six years on, so few accountants are found in the senior open structure - either in accountacy posts or, especially, in the broader administrative areas. In spite of the current shortage of qualified accountants in many departments, moving some of them into middle and senior **non-specialist** management posts would be in the interest of the Civil Service, for the reasons I have just outlined. By widening career paths, it should also improve the recruitment of able people to the specialism: you will be aware of the explosive growth of accountancy as a destination for graduates.

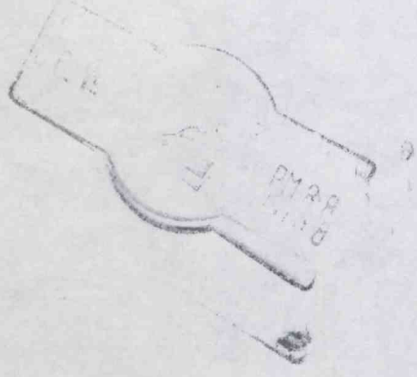
3. I hope you agree with this broad objective, and that you can remind your officials about it. I would be interested to hear of any planned moves of accountants into policy and general areas.

4. I am copying this letter to the Prime Minister, other members of the Cabinet, Patrick Mayhew, Richard Luce and Chris Patten, and to Sir Robin Butler.

Yours ever

Pete

PETER BROOKE



MANAGEMENT IN CONFIDENCE

FILE
V8C

10 DOWNING STREET

THE PRIME MINISTER

Personal Minute
No. ~~T/84/88~~ M 4/88.

CHIEF SECRETARY

SENIOR OPEN STRUCTURE : REVIEW CYCLE REPORT

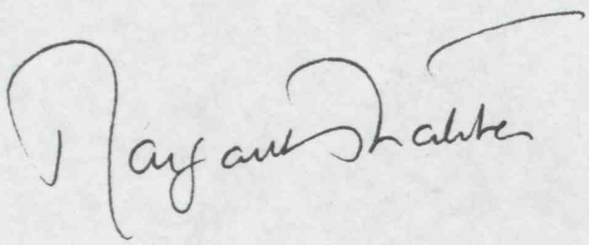
Thank you for your minute of 20 May reporting the outcome of the latest review of senior posts in the Civil Service and outlining your proposals for the future.

I agree that we must maintain the disciplines and procedures that have enabled us to exercise a rigorous control over the number of senior posts and I welcome your proposals for a further cycle of reviews. We must not relax our efforts to constrain the number of senior posts and to seek further reductions wherever possible.

The recommendations by Sir Robin Ibbs in his report on the Next Steps provide the opportunity for a simplification of management structures in Departments and we must ensure that this is reflected in the number and grading of posts following the creation of executive agencies. We must guard against any proliferation of senior posts in Departments to shadow the agencies or to maintain parallel hierarchies. The creation of agencies within Departments should not by itself be allowed to lead to any increase in the overall number of senior posts.

We must also continue to cut out any senior posts that are no longer essential and ensure that any proposals for new posts are fully justified in terms of efficiency and effectiveness.

Copies of this minute go to all Cabinet colleagues, to the Minister of State, Privy Council Office and to Sir Robin Butler.



1 June 1988

Prime Minister
Minute below
for your signature.
N.L.W.
27.5

Ref. A088/1652

PRIME MINISTER

Senior Open Structure: Review Cycle Report

attached

In his minute of 20 May, the Chief Secretary reported on the outcome of the first post-Wardale reviews by Departments of their senior staffing and outlined the Treasury's proposals for the future.

But above the Wardale target of 647 - see §4 of note attached to CST's note.

2. The number of senior posts at Grade 3 level and above has fallen from 808 to 660 since 1979, a net reduction of over 18 per cent which is broadly in line with the overall reduction in Civil Service numbers despite the creation of new functions (eg the Crown Prosecution Service). It was recognised at the outset that the Government's programme would put increasing pressure on Ministers and their senior officials, but it was considered necessary that staffing should be rigorously controlled at senior levels as everywhere else.

3. Having made these reductions, there is no reason to suppose that taken overall the top structure of the Civil Service is now too big. I believe, however, that we cannot afford to relax our efforts to constrain the number of senior posts and to seek further reductions wherever possible. I therefore fully support the Treasury's proposals to launch a fresh cycle of reviews to maintain the pressure on Departments to cut out unnecessary posts. The proposed flexibility over the timing of individual reviews should help to focus effort where the maximum value can be achieved.

4. The recommendations made by Sir Robin Ibbs in his report on Next Steps provide the opportunity for a greater simplification of management structures in Departments and we shall need to

ensure that this is reflected in the number and grading of posts following the creation of executive agencies. We must guard against any tendency towards the proliferation of senior posts in Departments to shadow the agencies or to maintain parallel hierarchies. As the Treasury point out, the shift of some senior posts towards a management role should not of itself be allowed to lead to an increase in the overall size of the senior Open Structure taking the agencies and the remaining headquarters work together.

5. I recommend that you should confirm the objectives of maintaining a rigorous control over the number of senior posts in the Civil Service. To this end a further series of departmental reviews should now be launched within a timetable to be agreed in advance with the Treasury. In responding to the Chief Secretary you may wish to emphasise that the Next Steps exercise should lead to a greater simplification of management structures in Departments and ask Ministers to ensure that the creation of agencies within their Departments does not of itself lead to any unjustified increase in the overall number of senior posts.

--- 6. I attach a draft minute on these lines for you to send to the Chief Secretary, with copies to Cabinet colleagues.

FERB.

ROBIN BUTLER

27 May 1988

FRBAGL

012/4214

MANAGEMENT IN CONFIDENCE

FROM: CHIEF SECRETARY
DATE: 20th May 1988

PRIME MINISTER

SENIOR OPEN STRUCTURE: REVIEW CYCLE REPORT

Following the major review of the higher Civil Service by Sir Geoffrey Wardale, it was agreed in 1982 that all departments with five or more posts at Under Secretary and above should review their senior complements every 3 years. The first of these review cycles came to an end earlier this year, and the Treasury has been taking stock of its outcome. I attach a short note summarising our conclusions and proposals for the future.

2 It is clear that this first cycle, combined with the stringent criteria set for the creation of new posts, has helped to keep senior posts at a reasonable overall level and significantly below that of 1984 - despite the creation of new bodies such as the Crown Prosecution Service. But it took rather more than 3 years to complete, and it would seem wise to allow a period of 4 years for the next cycle. We believe that this should be launched promptly to maintain the momentum and should address the same policy objectives as before - but with the timing and focus of each review being agreed with the Treasury in advance with the aim of securing the maximum value from the effort involved.

3 Some outstanding issues inevitably remain from the first cycle, and we shall pursue these until each department has an agreed post-Wardale Senior Open Structure complement as its baseline for subsequent reviews. And to take account of the future impact of executive agencies and other current initiatives, we propose to carry out another stock-take in 1990 - halfway through the second cycle.

4 I hope you agree that it would be right to maintain the disciplines and procedures which have enabled us to keep the higher Civil Service well below the inflated size we inherited in 1979.

5 I am copying this and the summary note for information to Cabinet colleagues, to Richard Luce and to Sir Robin Butler.

JOHN MAJOR

MANAGEMENT IN CONFIDENCE

SENIOR OPEN STRUCTURE: REVIEW CYCLE

The first round of the post-Wardale Senior Open Structure reviews started in 1984 and was concluded in January 1988. Some recommendations from the later reports are still being discussed, but the broad conclusions are already clear.

Policy Objectives

2. In a personal minute to Ministers of 31st March 1980 (M8/80), the Prime Minister recognised that the Government's crowded programme and external forces were increasing the pressures on Ministers and their senior officials, but emphasised that staffing should be as rigorously controlled at senior levels as everywhere else. Proposals for new senior posts should be turned down unless the case was both urgent and established up to the hilt.

3. After the subsequent review of the Senior Open Structure by Sir Geoffrey Wardale, it was agreed that the main objective should be to contain the total number of posts to the total of 647 he recommended, and to make further reductions where possible. To this end it was agreed that:

(a) all heads of departments with more than five open structure posts should review them every three years (possibly using outside reviewers), and report the results to the Permanent Secretary of the Treasury with a copy to the Head of the Civil Service;

(b) where appropriate, a "second stage" review should be conducted by reviewers appointed by the Treasury.

Review Outcome

4. At 1st January 1988, the total complement for posts at Grade 3 and above was 660 - still above the Wardale target of 647 but a reduction of 22 since 1984. In that period some new functions have been created (eg the Crown Prosecution Service) and some have been hived off (eg the Royal Ordnance Factories). The net reduction of 18.4% in total senior posts is broadly in line with the overall reduction in Civil Service numbers.

5. This first round of reviews, covering 24 departments, has indeed helped to maintain Senior Open Structure numbers at a reasonable overall level, and has encouraged departments to take stock of their top structures during a period of considerable change, including an increased emphasis on better management. The later reviews were able to build upon the expertise gained from the earlier ones, and those which involved outside reviewers (eg a recently retired Permanent Secretary) were generally the most valuable. The full cycle, however, took rather more than three years to complete, and it would be realistic to allow a longer period for the next cycle.

6. Future decisions on Senior Open Structure complements will also need to have regard to the establishment of executive agencies. It will be important to ensure that the shift of some senior posts towards the management role does not of itself lead to an unnecessary increase in the total size of the Senior Open Structure, taking the agencies and the remaining headquarters work together. Similarly, underlying grading standards should be preserved, with due regard to the nature of the tasks which chief executives and their staff will be performing; although the grade need not always be made explicit in the title of the post, and appropriate flexibility may be agreed over their pay.

Proposals for the Future

7. We propose that:

(i) The policy objectives above should stand, but four years should be allowed to complete the next round of reviews due to be launched later this year. The sequence need not be as in the first round, and the timing and focus of each review should be discussed in advance with the Treasury.

(ii) Outstanding issues from the first round should be pursued to give all departments an agreed post-Wardale Senior Open Structure complement, perhaps with certain posts identified for re-examination between full reviews.

(iii) Particular care will be needed over the Senior Open Structure implications of executive agencies, which should be handled on the lines suggested above.

(iv) There should be a further stocktaking in 1990 - halfway through the review cycle.

H.M. TREASURY
May 1988


20. V.
PM 88

PO

CCBG (letter only)

CABINET OFFICE
OFFICE of the MINISTER for the CIVIL SERVICE

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

Horse Guards Road
London SW1P 3AL

Telephone: 01 -270 5929

C88/2308

1. Mr Addison - to note X
2. NBPM
RRCB 28/4

The Rt Hon Douglas Hurd CBE MP
Secretary of State for Home Affairs
50 Queen Anne's Gate
LONDON
SW1H 9AT

27 April 1988

Reportin attached folder

Dear Douglas,

EQUAL OPPORTUNITIES FOR WOMEN IN THE CIVIL SERVICE: PROGRESS REPORT

I will be publishing a Report on 4 May which reviews the progress that has been made in implementing equal opportunity policies for women in the Civil Service. The text of this report has been cleared at official level with all departments. A copy of the report and management summary are attached.

The Report demonstrates that the Civil Service has made significant progress in establishing positive policies and practices to achieve equality of opportunity for women and that we are beginning to see measurable improvements in the employment position of women staff. Women are still under-represented at the more senior levels of the Civil Service, but their level of representation is improving particularly at the important middle management grades. The Service is also now able to offer more opportunities to combine work and domestic responsibilities through part-time working, flexible working hours, keeping-in-touch schemes and special leave facilities.

X1 I will be informing Parliament of my intention to publish through a Written PQ on 4 May. I enclose the text of that announcement and a draft Press Release which I also propose to issue on 4 May.

I am sending copies of this letter and the Report to the Prime Minister, departmental colleagues, and to Sir Robin Butler.

Rich

RICHARD LUCE

EQUAL OPPORTUNITIES FOR WOMEN IN THE CIVIL SERVICE

PROGRESS REPORT

MANAGEMENT SUMMARY

1. The Equal Opportunities Division of OMCS has recently completed a report reviewing the progress that has been made in implementing the Civil Service Programme of Action to achieve equality of opportunity for women. The report was discussed with the CCSU at a meeting of the Joint Personnel Management Committee which took place on 21 January 1988. The report documents the actions that have been taken by departments between 1984, when the Programme was launched, and 1987; looks at the changes that have taken place in the employment patterns of women Civil Servants; and identifies objectives for the future development of equal opportunity policies. This paper summarises the main points arising from the review and the action points agreed at the Joint Personnel Management Committee (JPMC) meeting.

Objectives and Performance Measures.

2. The main objectives of the Programme of Action can be summarised as:

- ensuring equal access for women to all the various employment opportunities in the Civil Service;

- enabling all staff to develop their full potential and to pursue the career opportunities available in the Civil Service;

- ensuring that working patterns are flexible enough to allow employees (both male and female) to deal effectively with responsibilities at work and at home;

- establishing a harmonious work environment free from harassment;

3. In this context the important performance measures for equal opportunity policies are:

- the application rate and success rate of women in the various Civil Service recruitment competitions;

- the representation of women at each grade level in the Civil Service;

- the relative promotion rates of men and women;

- the level of part-time working;

- the extent of flexible working hours, career break schemes, special leave facilities and childcare provision;

- resignations and reinstatements;

- the prevalence of sexual harassment.

How well is the Civil Service doing?

4. The evidence suggests that the Civil Service has made significant progress in establishing policies and procedures to achieve equality of opportunity for women and that there have been some measurable improvements. These include:

- an increase in the representation of women at all grade levels from Executive Officer to Grade 5;

  On 1 January 1987, women represented 34% of those at EO level (compared with 27% in 1982); 18% of those at HEO level (12% in 1982); and 8% of these at SEO level (6% in 1982). In the Open Structure Grades the most notable improvement has been at Grade 5 level where the proportion of women has doubled in five years. In 1982 4% of Grade 5s were women: in 1987 women represented 8% of those in Grade 5 posts.

- an increase in the level of part-time working particularly in those departments which have negotiated a formal part-time working agreement with their departmental trade unions;

  Since 1984, the level of part-time working in the Civil Service has doubled. In 1984 2.4% of staff worked part-time; by 1987 this percentage had increased to 4.2% and is continuing to grow. Of these part-time staff, 1,400 were working in job share posts. 24 job share posts were at HEO level and above; 176 staff at grade 7 and above were in part-time work and job sharing posts at the beginning of January 1987; and there is evidence that the take up of part-time work at these levels has increased during 1987.

- an increase in reinstatements and a narrowing in the difference in resignation rates between men and women;

  In 1986 8% of women entering the Civil Service were reinstated compared with only 5% in 1984. The ratio of resignations for men and women in 1986 was 1 to 1.9 compared with 1 to 2.6 in 1982. Amongst fast-stream men and women and those in the open structure grades resignation rates are now roughly equal.

- an expansion in flexible working hours, the provision of special leave facilities and the establishment of 'keeping-in-touch' schemes;

  Four departments now have formal keeping-in-touch schemes; three departments operate informal arrangements; and ten departments (including two with informal arrangements) are known to be actively considering or currently setting up schemes.

- the development of holiday playschemes and 'care parent' schemes to help parents identify local childminders;

  Eight holiday playschemes and three care parent schemes are now operational.

5. However, progress has been uneven across departments (the attached table summarises some of the main departmental equal opportunity activities as at 1 January 1987). And some barriers to equality still remains:

- women are still concentrated in the administration grades and, reflecting the educational background of women, their level of representation in the specialist grades remains low;

- the representation of women at Grades 1, 2 and 3 has remained static at 4%.

- at all grade levels from administrative assistant to HEO, women's promotion rates remain lower than those of their male colleagues and there is clear evidence that the use of seniority as a sift criterion in promotion boards can indirectly discriminate against women;

- most part-time posts are still at junior levels and to ensure the career development of part-time workers it is important to expand opportunities for part-time work at all grade levels

- despite the development of some childcare initiatives in the Civil Service, action in this area is still limited and on an ad-hoc basis; no schemes are as yet operating in Central London.

- guidance on sexual harassment has been issued but there is a general view in departments that women are still reluctant to make complaints.

The Way Ahead

6. The review of activities undertaken during the three year period 1984-87 shows that most departments have made some progress on implementing each item in the Programme of Action.

The review of key performance measures indicates that significant improvements in the employment position of women in the Civil Service have been made and confirms the value and importance of the Programme of Action in achieving equality of opportunity in the Civil Service. In general terms therefore the present pattern of progress suggests that the way ahead continues to lie in the successful implementation of the Programme of Action. To further increase the effectiveness of this Programme, the evidence suggests that the objectives for equal opportunities in the coming year should be to increase the spread of good practice that has already begun in the Civil Service; to focus more closely on outcomes; to establish more specific targets for achievement; and to increase the profile and awareness of equal opportunities throughout the Civil Service.

7. In addition, the report identifies a number of specific points for action in areas where progress has been uneven and barriers to equality still remain. These points were agreed at JPMC and include:

- a closer look at the recruitment and career development of women in the scientific and P+TO grades to be undertaken centrally by OMCS and HMT in consultation with relevant departments;

- positive action by departments to encourage women to develop computing skills and transfer to ADP grades;

- a review of the use of seniority in the promotion process to be undertaken by OMCS and HMT;

- departmental monitoring of promotion boards to identify any remaining barriers to achieving equal success rates;

- central and departmental monitoring of the career development of staff in part-time posts;

- a further expansion by departments of part-time work opportunities particularly at more senior levels;

- the development of further low cost child care schemes by departments;

- the nomination by departments of a woman officer in a Personnel or Welfare Section whom victims of sexual harassment can if they wish approach in the first instance.

PMEO Division

April 1988

EQUAL OPPORTUNITIES BY DEPARTMENT (At 1 January 1987)

	1	2	3	4	5	6	7	8	9
MAFF	*	*	*	*			*		*
Cabinet Office	*	*	*	*	*				
HM C&E	*	*	*	*			*		*
MOD		*	*	*	*		*	*	*
DES	*	*	*	*	*		*		*
Employment		*	*	*	*	*	*	*	*
Energy		*	*	*			*		*
DOE/DTp/PSA	*	*	*	*		*	*		*
ODA		*	*	*				*	
DHSS	*	*	*	*		*	*	*	*
Home Office	*	*	*	*	*	*			*
COI	*	*	*						*
Inland Revenue		*	*			*			
LCD		*	*						*
CPS	*	*	*						
NIO	*	*	*						
OPCS	*	*	*			*			*
Scottish Office	*	*	*						*
DTI	*	*	*				*		
HM Treasury	*	*	*		*				
Tsy Solicitors	*	*	*						
Welsh Office		*	*	*					*
TOTAL	15	22	22	12	6	6	9	4	14

1 Women in Senior Open Structure
2 Flexible Working Hours
3 Part-Time Work
4 Job Sharing
5 Keeping-in-Touch Schemes
6 Childcare Provisions
7 Women Only Training
8 Monitoring of Promotion
9 Guidance on Sexual Harassment

CABINET OFFICE

OFFICE of the MINISTER
for the CIVIL SERVICE

PRESS RELEASE

5/88

4 May 1988

NOT FOR PUBLICATION BROADCAST
OR USE ON CLUB TAPES BEFORE
1530 hrs WED, 4 MAY, 1988

SIGNIFICANT PROGRESS FOR WOMEN IN THE CIVIL SERVICE

Civil Service Minister Richard Luce announced in a written Parliamentary answer today the publication of a report on equal opportunities for women which shows significant progress has been made.

Commenting on the report - Equal Opportunities in the Civil Service - Mr Luce said:

> "I am pleased by the good progress that has been made in certain areas; women are better represented in management and supervisory posts and the increased opportunities for part-time working are helping to reduce resignation rates. There are still, however, too few women in top Civil Service jobs and we must continue a sustained effort to tackle any barriers to equality of opportunity that remain. I am firmly committed to achieving such equality for women in the Civil Service."

The report is published by the Cabinet Office (Office of the Minister for the Civil Service). It reviews progress in implementing the 1984 programme of action for women. This programme of action was developed jointly with the CCSU and is based on the recommendations of a joint review of the employment of women in the Civil Service undertaken in 1981/82. The report highlights some measurable improvements in the employment position of women in the Civil Service.

Employment Patterns

It says that by 1 January 1987, the proportion of women had increased at all grade levels from Executive Officer to Grade 5.

Representation at executive officer level had risen by 25% and at higher executive officer level by 50%. At Grade 5, the representation, though still low at 8%, had doubled in 5 years (1982-87).

Combining career and domestic responsibilities

The Civil Service has increased maternity leave provision and introduced new 'keeping-in-touch' schemes for staff who resign for domestic reasons. Flexible working hours arrangements have been extended, opportunities for part-time working and job-sharing have expanded and new child care initiatives are being developed.

Keeping-in-touch

A number of departments are setting up keeping-in-touch schemes to encourage staff who resign for domestic reasons to return to the Civil Service later. The schemes provide staff with information about the current work of their department and offer opportunities for short periods of work experience until their eventual return to full or part-time employment. The Department of Employment scheme and Cabinet Office Scheme are the best established. The Department of Employment Scheme has been running since 1984. The total number of staff using the scheme is now around 250; so far 38 staff have returned to work.

Part-time Working

The number of part-time posts has almost doubled since 1981. More than 20,000 staff now work part-time and 170 are at Grade 7 and above. Some 1,400 staff are involved in job-sharing arrangements.

Child Care Arrangements

Holiday play schemes have been set up by a number of departments for staff with children of school age. There are now at least eight established schemes in different parts of the country. Three 'care-parent' schemes have also been established. These schemes assist parents in identifying local child minders.

Future Progress

The report welcomes the progress that has been made so far by Departments. It concluded by calling for an increase in the spread of good practice that is now being established in the Civil Service to ensure that further improvements in the employment position of women can be achieved quickly.

Information Services
Room 57/G
Horse Guards Road
London SW1P 3AL

Tel: 01-270 6356

4047/55

WEDNESDAY 4 MAY 1988

OFFICE OF THE MINISTER FOR THE CIVIL SERVICE

No. : To ask the Minister for the Civil Service, when his department will publish the Progress Report on the implementation of equal opportunities policies for women in the Civil Service.

MR RICHARD LUCE

The report is being published today. Copies have been placed in the Libraries of Parliament.

SENIOR STAFF IN CONFIDENCE

HO2CA2

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBIN BUTLER

DISCRETIONARY PAY SCHEME FOR GRADES 2 AND 3

I have shown the Prime Minister your minutes of 15 and 22 February about the discretionary pay scheme.

The Prime Minister has noted the progress with the scheme in 1987. She is content for it to be extended into 1988, subject to any TSRB recommendations. She agrees, in the light of the explanations in your minute of 22 February, that Permanent Secretaries should be able to make awards to Grade 3s without prior notification to the centre provided these would not bring the percentage of the awards above 25 per cent or involve a second or third increment. She is content for Mr Luce to answer a written Parliamentary Question, in the terms of the draft attached to your first minute, on the operation of the scheme in 1987.

N.L. Wicks
24 February 1988

SENIOR STAFF IN CONFIDENCE

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

23 February 1988

CIVIL SERVICE NUMBERS: 1 JANUARY 1988

Thank you for your letter of 22 February. The Prime Minister has noted the figure for the number of Civil Servants in post at 1 January 1988 and the proposal to publish the figures in the normal way prior to tomorrow's debate on the Public Expenditure White Paper.

(PAUL GRAY)

Ms. Jill Rutter,
Chief Secretary's Office.

PRIME MINISTER

DISCRETIONARY PAY SCHEME FOR GRADES 2 AND 3

Robin Butler, in his minute at Flag A, reports on the first year of the Discretionary Pay Scheme for Grades 2 and 3, and seeks your approval for its continuation, subject to the change indicated in paragraph 7 of his minute.

The first year's progress looks to have been uneventful - certainly there has been no rush to use the full quota, awards to 25 per cent of the grade - only 20 per cent of grade 2s were given discretionary increments and 17 per cent of grade 3s.

The change proposed for next year's scheme is that Permanent Secretaries should be able to make awards for grade 3s without prior notification to the centre provided that this would not bring the percentage with awards above 25 per cent or involve a second or third increment. I have pointed out to Robin that the effect of this change would in effect be to give each Department a quota of 25 per cent of awards for its grade 3s, whatever the quality of performance of grade 3s in that Department. There would thus be a presumption of uniformity of quality in the Department concerned. Robin, in his reply at Flag B, justifies the change proposed on the grounds that experience so far shows that Permanent Secretaries are rigorous in applying the criteria for the scheme; that the centre will continue to review (but not decide) the awards made by Departments at grade 3 level; and that delegation to Departments is consistent with the Next Steps reform.

Are you content:

(i) for the scheme to be extended into 1988 (subject to any TSRB recommendations) with the change - no prior notification to the centre for grade 3s - suggested by Robin in paragraph 7 of his minute? and

(ii) for Mr Luce to announce the outcome of the 1987 scheme in terms of the draft Parliamentary Question and Answer attached to the minute at Flag A?

N.L.W.

Yes pls

N L WICKS
23 February 1988

001/4215

CCBG

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

Prime Minister

For information.

PRCG 22/2

Paul Gray Esq
Private Secretary
10 Downing Street
London
SW1

22 February 1988

Dear Paul,

CIVIL SERVICE NUMBERS: 1 JANUARY 1988

You may like to let the Prime Minister know that at 1 January 1988 there were 583,485 civil servants in post. This is a decrease of 1,585 since 1 October 1987 and some 9,750 below the target for 1 April 1988 published in Cmnd 288. Even allowing for some build up in numbers approved for the final quarter of 1987-88, it seems clear that departments will undershoot the final 1 April target with room to spare.

The new total is a reduction of 148,790 (20.3 per cent) since 1 April 1979.

Apart from the transfer of some 11,500 staff from the Manpower Services Commission to the Department of Employment in October 1987 following the establishment of the Employment Service, the largest changes in the quarter were in the Ministry of Defence (a reduction of 1137, mainly due to a high wastage rate) and in the Home Office (an increase of 662 mainly in the Prison Department for the Fresh Start scheme).

We propose to publish the figures in the normal way by means of an arranged PQ prior to Wednesday's debate on the Public Expenditure White Paper.

Yours,

Jill

JILL RUTTER
Private Secretary

/1 5309/44/ldn

DRAFT QUESTION

To ask Mr Chancellor of the Exchequer what was the number of staff in post in central government departments at 1 January 1988.

DRAFT ANSWER

On 1 January 1988 there were 583,485 staff in post in central government departments. Of these 508,628 were non-industrials and 74,857 were industrials.

Ref. A088/630

MR WICKS

Discretionary Pay Scheme for Grades 2 and 3

Thank you for your minute of 16 February in which you sought further advice about the proposal that Permanent Secretaries should be allowed to make awards at Grade 3 level without prior notification to the centre.

2. What you suggest implies more intervention from the centre in the awards to Grade 3s than happened last year or than is consistent with the details of the scheme placed in the library of the House of Commons in parallel with the Parliamentary announcement of 23 April 1987. This said only that awards to Grade 2s would be subject to approval by the Head of the Home Civil Service.

3. Our experience during the first round was that Permanent Secretaries generally have exercised the most rigorous application of the criteria laid down in the detailed guidance that we have provided for the operation of the scheme. Out of 494 Grade 3s in the Civil Service overall, only 86 were nominated for awards and of these 84 (17 per cent of the total) were endorsed by the Advisory Group set up to monitor the awards. Those disallowed were nominations by small Departments which would have exceeded the 25 per cent guideline.

4. We shall in any case continue to review the awards made by Departments at Grade 3 level and it will be open to us to think again if we find that the criteria or the quota are not being consistently applied. Experience so far does not suggest that

PAYABQ

this will be necessary. If we had to intervene, I am confident that we would not find that the rabbit had got irretrievably out of the 25 per cent hutch.

5. Given that situation, and given the general move to greater delegation and local responsibility in the Next Steps reforms announced last week, I would find it hard to justify being unwilling to relax central controls on Permanent Secretaries to this very limited extent. It was recommended by the Advisory Group and endorsed by Permanent Secretaries generally. In the circumstances, I hope the Prime Minister will agree with this small change in the present arrangements.

R.B.

ROBIN BUTLER

22 February 1988

CIVIL SERVICE: Cona Team Policy PT21



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

19 February 1988

The Prime Minister has seen the Chief Secretary's minute of 16 February with which he enclosed the second report on the implementation of the recommendations of the Multi-Department Review on Budgeting. She has noted the contents of this and is content with the proposal that it be published.

I am copying this to Eleanor Goodison (Office of the Minister for the Arts), Kate Jenkins (Efficiency Unit) and Trevor Woolley (Cabinet Office).

P.A. Bearpark

Ms Jill Rutter
HM Treasury.

OFFICE OF ARTS AND LIBRARIES
Horse Guards Road
London SW1P 3AL
Telephone 01-270 5929

From the Minister for the Arts

C88/1025

N Wicks Esq
10 Downing Street
LONDON
SW1A 2AL

19 February 1988

Dear Mr Wicks,

DISCRETIONARY PAY SCHEME FOR GRADES 2 AND 3

My Minister has seen Sir Robin Butler's minute of 15 February (Ref: A088/495). He is content to answer the written PQ if this is accepted as the way to proceed. The draft PQ has also been agreed.

Copies of this letter go to Alex Allen (PS/Chancellor of the Exchequer) and Trevor Woolley (PS/Sir Robin Butler).

Yours sincerely

MISS J A WRIGHTON
Assistant Private Secretary

CIVIL SERVICE: Long Term Management Pt 21



007/3292

FROM: CHIEF SECRETARY
DATE: 16 February 1988

PRIME MINISTER

BUDGETING IN DEPARTMENTS

My predecessor sent you the first progress report on budgeting following the 1986 Multi-Department Review on 3 February 1987. He promised you a further report in a year's time. This is attached to this minute, (top copy only).

2 The main report is in Volume I. I agree with the report's conclusion that departments are making good progress overall. It notes the departments which apply the four principles highlighted in your introduction to the original MDR report to all or nearly all of their running costs and programmes. The report finds that 13 of the 34 departments involved in this work meet that test at this stage. This is not out of line with the expectations in the report that John MacGregor sent you last year, bearing in mind that a number of departments had action plans extending well beyond 1987. The latest report shows that even where they have not yet met all four principles, most departments are making good progress.

3 You asked last year that the report should contain further action plans and specific dates by which those departments that had not yet implemented the four principles would have done so. These action plans are still being discussed with the departments concerned. But the report as it stands shows that real progress is being made, and I think that, as you agreed last year, it should be published. In a recent Treasury minute to the PAC on the FMI we undertook that this would be done in the Spring. When the further action plans have been settled with departments, they will be added to the report before publication. We shall consult you further about this nearer the time.

4 The report recommends that given the varying stages that departments have reached a further central report should not be prepared. I agree with that. But we shall need to be satisfied that the momentum is being maintained. I propose therefore to take stock of where the departments that have not yet met all four principles have got to in about a year's time with their revised action plans. I can then report to you on the further progress made on a more selective basis.

5 Last year you agreed with the emphasis on results. Departments were asked to submit examples of improvements arising from all the various management reforms, not just budgeting. Examples of these are included in Annex B of Volume II of the report. On their own some of them are unspectacular; but taken together they demonstrate that steady improvements are being made. There was further evidence in the recent Public Expenditure White Paper which contained many examples of improved performance. The cumulative effort of the improvements being achieved by managers right across the Civil Service on a day to day basis at all levels is both substantial and welcome.

6 However, as I said when the Public Expenditure White Paper was published, there is still much more to do. For example, a general weakness revealed in the attached report is that departments are continuing to have difficulty with output and performance measures for some areas of programme expenditure. There are intrinsic problems in measuring outputs in some programmes but further progress can be made. I am looking at how this can be encouraged in this year's Public Expenditure Survey.

7 I am copying this minute to Richard Luce, Sir Robin Butler and to Robin Ibbs.

J.M.

JOHN MAJOR

CIVIL SERVICE : Long Term
Policy Pt 21

FILE
DA

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBIN BUTLER

DISCRETIONARY PAY SCHEME FOR GRADES 2 AND 3

Before I show the Prime Minister your minute of 15 February about the discretionary pay scheme for Grades 2 and 3, I think it would be helpful to have further advice on the change to the arrangements, which is proposed in paragraph 7 of the minute. You suggest there that Permanent Secretaries should be able to make awards at Grade 3 level without prior notification to the centre provided that these would not bring the percentage with awards above 25 per cent or involve a second or third increment. I wonder whether this change is as small as the minute implies.

The effect of this change would, I assume, be to give each department a quota of 25 per cent. This figure would apply to every department, whatever the quality and performance of the generality of Grade 3s in that department. Thus, there would be a presumption of uniform quality between departments concerned.

I rather wonder whether this presumption about uniform quality is right. I would have thought that the "deservability" (if I might coin an ugly word) of Grade 3s will differ between departments; some departments' performance at Grade 3 level will be better than others.

I wonder therefore whether the centre should not keep some control over the arrangements so that the more "deserving" of departments can receive above the 25 per cent quota at the expense of the less "deserving". This could be achieved by delegating to departments power to make awards without prior notification to the centre provided these will not bring the percentage with awards above say 20 per cent or involve a second or third increment. Departments could, if they thought they had sufficiently worthwhile candidates, send bids to the centre which could be met from the 5 per cent set aside.

What do you think?

N.L.W.

(N.L. WICKS)

16 February 1988

R15/2

Ref. A088/495

MR WICKS

Discretionary Pay Scheme for Grades 2 and 3

On 23 April 1987 the Prime Minister announced, by Written Parliamentary Answer, the introduction of the discretionary pay scheme for Grades 2 and 3. Decisions on the first round of awards under the scheme have been made. This minute:

a. reports on the outcome of the 1987 round;

b. makes recommendations for the future; and

c. recommends the form of a public announcement about the outcome of the first-round of the scheme.

Outcome of the 1987 Round

2. The arrangements announced by the Prime Minister provided that awards to Grade 2s should be made by Grade 1 Heads of Department, subject to the approval of the Head of the Home Civil Service. Awards to Grade 3s were also to be made by Grade 1 Heads of Department, and monitored by the central Departments. Accordingly, Sir Robert Armstrong invited a number of senior colleagues (including Sir Peter Middleton and me), to act as an Advisory Group under his chairmanship to consider the departmental nominations for Grade 2 awards, and to monitor Grade 3 awards for consistency of standards and compliance with the framework of the scheme.

3. In the light of the Advisory Group's consideration of Departments' proposals, awards were made to 27 Grade 2s (20.0 per cent of the grade) and to 84 Grade 3s (17.0 per cent of the

grade). The Prime Minister will recall that, in accordance with the TSRB's recommendation, the expectation has been that no more than 25 per cent of the staff in each grade across the Service would be in receipt of one or more discretionary increments at any one time.

4. It was decided that in the first year of the scheme, no more than one discretionary increment should be awarded to any individual. The cost of the awards in the current financial year is £117,750, equivalent to £235,500 in a full year (or about one per cent of the annual pay bill for Grades 2 and 3), if all the awards remained in payment for the whole of the periods concerned. In practice, a small number of recipients may cease to receive their discretionary increments because of promotion or departure from the Service on retirement or for other reasons.

The Future

5. We made it clear at the outset that the discretionary pay scheme would be kept under review and that it might need to be modified as it develops in the light of experience. The TSRB have been taking a close interest in the operation of the scheme and are pleased at its satisfactory introduction. They may make further recommendations for the development of the performance related element in pay in their forthcoming report.

6. Subject to any further recommendations which the TSRB may make, we propose that the scheme should continue to apply next year. Permanent Secretaries who have been consulted about the operation of the scheme in their Departments have expressed some unease about the application of the 25 per cent quota and their concern that there should be sufficient headroom to allow awards in subsequent years to reward deserving high performers in demanding and heavily loaded posts. They recognise that a quota was necessary to ensure that the criteria recommended by the

TSRB were rigorously applied, but believe that it would have a demotivating effect in subsequent years if it were not possible to make new awards to deserving candidates because of the operation of an arbitrary limit. We have, however, retained a margin within the 25 per cent limit to allow for some fresh awards in subsequent years. This will need to be kept under review.

7. In order to establish general acceptance of the scheme, and the principle of linking pay and performance at lower grade levels, I believe (subject to any TSRB recommendations) that it is right that the existing broad framework of arrangements should continue to apply next year including the 25 per cent quota. I recommend, however, a modest change to the way in which awards to Grade 3s are handled. I propose that, at this level, Permanent Secretaries should be able to make awards without prior notification to the centre provided these would not bring the percentage with awards above 25 per cent or involve a second or third increment. I hope that the Prime Minister will agree with this small change.

Announcement of the Outcome of the First Round

8. When the Prime Minister made her announcement last April, it was explained that the names of individual recipients would not be disclosed but that the overall total number and value would be published annually. I therefore recommend that a further announcement be made, again by Written Parliamentary Answer. If the Prime Minister is content, the announcement could be made by the Minister of State, Privy Council Office. A draft Parliamentary Question and Answer is attached.

9. I am copying this minute to the Private Secretaries to the Chancellor of the Exchequer and the Minister of State, Privy Council Office.

F.E.R.B.

15 February 1988

ROBIN BUTLER

DRAFT WRITTEN PARLIAMENTARY QUESTION AND ANSWER ABOUT THE DISCRETIONARY PAY SCHEME FOR GRADES 2 AND 3

To ask the Minister for the Civil Service if he will make a statement about the Discretionary Pay Scheme for Grades 2 and 3 Staff in the Home Civil Service.

Draft Answer:

My Rt Hon Friend the Prime Minister announced on 23 April 1987 the introduction of a scheme of discretionary increments for staff in Grades 2 and 3 and said that the increments would be in payment with effect from 1 October 1987. Awards have been made to 27 Grade 2s and to 84 Grade 3s (respectively 20% and 17% of all those in each Grade). The cost of the awards in the current financial year is £117,750, equivalent to £235,500 in a full year or about one per cent of the annual pay bill for the grades concerned.

10 DOWNING STREET

From the Principal Private Secretary

SIR ROBIN BUTLER

I have shown the Prime Minister your minute of 4 February in which you ask whether the Prime Minister was content with your proposed reply to Mr Heseltine regarding his request to have the blank pro formas currently used for each of the Departmental MINIS and similar systems.

The Prime Minister is content for you to take the approach described in your minute.

N. L. WICKS
5 February 1988

Prime Minister

All very odd, but no harm in letting Mr Heseltine have the pro-formas. Content? N.L.W. 4.2

Ref. A088/406

MR WICKS

Yes ms

Mr Michael Heseltine has written to me about a study which he is doing with PA Management Consultants about the use of MINIS and similar systems in Departments and the scope for devising a standardised system. He has asked me if I can let him have the blank pro formas currently used for each of the departmental systems.

2. I have consulted other Permanent Secretaries and there is no difficulty about providing Mr Heseltine with these forms. Many Departments either make the information available to Select Committees or are willing to do so if asked. We are a bit sceptical about the use which Mr Heseltine can make of this material, and in sending it to him I would propose to say that experience suggests that Departments have different characteristics and therefore need different systems. I would also propose to discourage the idea that Departments should be put to a lot of trouble in answering further questions from PA Management Consultants.

3. I thought that the Prime Minister would like to know that Mr Heseltine has made this request and I should be grateful if you could let me know whether she is content that I should respond to it on the lines proposed above.

FE.R.B

ROBIN BUTLER

4 February 1988



file

GA

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

16 December 1987

Thank you for your letter of 15 December giving the Civil Service numbers as at 1 October. The Prime Minister has noted these.

(P. A. BEARPARK)

Ms. Jill Rutter,
HM Treasury.

Prime Minister 2

Treasury Chambers, Parliament Street, SW1P 3AG

3.4215

Andy Bearpark Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

15 December 1987

Dear Andy,

CIVIL SERVICE NUMBERS - 1 OCTOBER 1987

You may like to let the Prime Minister know that at 1 October 1987 there were 585,070 civil servants in post. This is an increase of 890 since 1 July, but a reduction of 147,205 (20.1 per cent) since April 1979. The new total is still some 5,400 below the target for 1 April 1988 published in Cm 56.

The largest increase was in the DHSS (2,303 for local offices in connection with implementation of the Social Security reforms); the largest decrease in the Inland Revenue (662, savings from the computerisation of PAYE).

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

Yours,

Jill.

JILL RUTTER
Private Secretary



file MJ2BRV

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

Thank you for sending me a copy of your letter to Chris France of 11 December about the letter from Robin Wendt concerning the responsibility of Ministers' Private Offices.

I have no difficulty with the draft reply attached to your minute. But I wonder whether all that is needed after the quotation from the Government's response to the Treasury and Civil Service Committee is:

> "It follows from this that a Ministerial Private Secretary is answerable to his or her Minister and any letters he or she writes or actions he or she undertakes on behalf of his or her Minister directly engages that Minister's responsibility."

I am afraid that I have a nasty suspicion that Mr Wendt's innocent question is not asked in a friendly spirit!

N.L.W.

N.L. Wicks

15 December 1987

DTS

M. Wicks

CP.

Let us all split

N L W

CABINET OFFICE

70 Whitehall London SW1A 2AS
01-270 0101

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

Sir Robert Armstrong GCB CVO

Ref. A087/3543

11 December 1987

Dear Chris,

I have had a letter from Robin Wendt (copy attached) asking me to tell him whether Ministers are responsible for the actions and activities of civil servants who hold positions in the Private Offices of Ministers.

I do not know what may lie behind this inquiry. It could have a Westland spin on it. But I recall that Wendt was Private Secretary to the Secretary of State for Social Services in the early 1970s when I was at 10 Downing Street, and I am wondering whether anything that arose during that time might lie behind the present inquiry.

I attach a copy of the draft of a letter which I am proposing to send to him, and should welcome your comments on it.

Yours ever

Robert

C W France Esq CB

28 Church Lane,
Upton-by-Chester,
Chester, CH2 1DJ
Tel. (0244) 382786

CABINET OFFICE
A 11762
26 NOV 1987
FILING INSTRUCTIONS
FILE No. .....

21 November 1987

Sir Robert Armstrong KCB
Cabinet Secretary
68 Whitehall
London SW1

c- Mr Spencer
Advice & draft reply please
CaM
26/11

Dear Sir Robert

In its reply to the Seventh Report of the House of Commons Committee on the Treasury and Civil Service, the Government re-affirmed the constitutional doctrine that Ministers are responsible (to Parliament) for the actions and activities of their civil servants. I would be glad to know whether this principle applies to civil servants who hold positions in the private offices of ministers. Thank you for your help

Kind regards

Yours sincerely

R Lowndt

(R G WENDT)

DRAFT LETTER FROM RTA TO R G WENDT ESQ, 28 CHURCH LANE, UPTON-BY-CHESTER, CHESTER, CH2, 1DJ

Thank you for your letter of 21 November.

What the Government's response to the Treasury and Civil Service Committee said was:

> "Ministers are responsible and accountable for all actions carried out by civil servants of their Departments in pursuit of Government politices or in the discharge of responsibilities laid upon them by Parliament".

That is of course related primarily to actions carried out by civil servants with policy or executive functions in their Departments. As you have the best of reasons for knowing, the functions of Private Secretaries to Ministers (and other civil servants working in Ministerial Private Offices) are different. They are there to help the Minister to carry out his official duties and to be channels of communication between the Minister and his Ministerial colleagues or departmental officials, and in that capacity are directly and personally answerable to their Minister for doing their job properly. They have no formal responsibilities for advising on particular departmental policies or executing particular departmental actions. All that being said, a Ministerial Private Secretary is directly answerable to his Minister, and any letters he writes or actions he undertakes on behalf of his Minister directly engages that Minister's responsibility.

CABINET OFFICE
OFFICE of the MINISTER
for the CIVIL SERVICE

CCBG

16pm

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

Horse Guards Road
London SW1P 3AL
Telephone: 01 -270 5929

C87/5423

Rt Hon Douglas Hurd MP
50 Queen Anne's Gate
LONDON SW1H 9AT

7 December 1987

Dear Douglas,

PROGRESS IN THE CIVIL SERVICE IN IMPLEMENTING EQUALITY OF OPPORTUNITY FOR PEOPLE OF ETHNIC MINORITY ORIGIN

I plan to publish three reports in attached folder. later this week on the employment of ethnic minorities in the Civil Service. The texts of these reports have been cleared at official level with all interested departments. The intention to publish was confirmed in the Government's reply to the Report from the Select Committee on Employment on 'Discrimination in Employment'. The main report covers the third phase of the staff-in-post surveys: reports on the previous phases were published in 1984 and 1986. Copies of ... the reports are attached together with a summary of the findings.

These reports demonstrate that the Civil Service is taking a lead in monitoring the effectiveness of its equal opportunities policy. The latest staff-in-post surveys show that black and Asian staff are adequately represented overall, but that we must improve the opportunities available at higher grades. The other reports list the positive steps being taken to encourage more black and Asian people to apply for Civil Service posts, and outline what departments are doing to monitor the recruitment process.

OMCS are co-ordinating the release of the three reports with an image building campaign run by the Civil Service Commission designed to present an attractive image of the Civil Service as an equal opportunities employer offering careers to able black and Asian candidates. We aim by adopting this co-ordinated approach to raise awareness of opportunities and attract more young black and Asian people.

I will be informing Parliament of my intention to publish through ... a written PQ on 8 December. I enclose a draft Press Release which I propose to issue on 9 December. Officials will also be

briefing selected journalists and are preparing detailed question and answer briefing. I have asked my Press Office to liaise with yours and those of other interested colleagues to coordinate the handling of any follow-up press enquiries. I have also asked my officials to get in touch with yours and other departments where the proportion of black and Asian staff is low or where there is a poor response rate to the surveys, to have talks about what will be done to improve matters.

I am sending copies of this letter to the Prime Minister, members of H Committee, other interested Ministers whose Departments are listed in the Report and to Sir Robert Armstrong.

Yours

Richard

RICHARD LUCE

ANNEX

Briefly, the three reports highlighted three main issues:

(i) the SCPR report shows that school pupils tend to have an inaccurate image of the Civil Service as an upper/middle class white male organisation.

(ii) the Trial Recruitment Survey shows up disparities between success rates of ethnic minority and white candidates for clerical posts.

(iii) the London and South East Staff in Post Survey of ethnic origin shows that while the overall numbers of ethnic minority staff are roughly in line with estimates of the economically active minority population, staff from the ethnic minorities tend to be lower grades. The report draws attention to variations in the percentage of ethnic minority respondents between departments. For example, in DHSS 13% of respondents are black and Asian compared with 10% in the DE Group; 6.4% in Customs and Excise and 2.2& in MOD

The findings from all the surveys to date show the same trends as the London and South East survey. These are as follows:

(i) overall 5.6% of respondents are black and Asian, with large departmental variation. The overall average proportion of black and Asian respondents varies from 5.2% in DHSS; 4.9% in Inland Revenue and DE Group, to 2.3% in the Home Office and 1.4% in MOD.

(ii) black and Asian staff are concentrated in lower grades.

CABINET OFFICE

OFFICE of the MINISTER for the CIVIL SERVICE

PRESS RELEASE

9 December 1987

GOVERNMENT WANTS MORE BLACK AND ASIAN CIVIL SERVANTS

Especially in higher grades

Black and Asian people are represented in the Civil Service in similar proportions to those in the population as a whole. But more needs to be done to make sure there is equal opportunity to reach higher grades.

This was stated by Civil Service Minister Richard Luce today when he announced publication of three reports (**listed on page 3**) on employment of ethnic minorities in the Service.

Mr Luce also announced that the Civil Service Commission is running an advertising campaign [starting this week] and aims to send more young civil servants into schools to raise awareness of opportunities in the Civil Service for men and women from all racial groups. These are two of several positive steps being taken to inform black and Asian people about careers in central government and encourage them to apply.

Employment

Ethnic origin surveys have now covered 65 per cent (330,000) of all non-industrial civil servants. Of these, about 236,000 responded: 13,000 (5.4 per cent) were black or Asian.

The first report out today covers the latest voluntary survey in which 7.4 per cent of civil servants in London and the South East who responded (73 per cent) classified themselves black or Asian. This is about the same as the proportion of economically-active black and Asian people in the region.

Mr Luce said: "Black and Asian people in the Civil Service tend to be younger than white colleagues. They are more likely to be women, in lower grades and have been employed for less time.

"The Civil Service is determined to ensure that black and Asian staff have every chance to reach higher grades. My officials are having talks with government departments and the Civil Service Unions on the positive steps they are taking."

These talks cover monitoring career and promotion rates and action to remove any barriers; training to improve promotion chances; and ways of increasing numbers of black and Asian applicants and recruits.

Recruitment

The second report out today is of a survey to test procedures before full-scale monitoring of departmental recruitment. It showed a larger proportion of white candidates were successful than black or Asian applicants in competitions for jobs as administrative officers - the second most junior administrative grade (formerly clerical officer). Valuable lessons were learned. Most departments began comprehensive monitoring in July this year and they will report to the Cabinet Office (OMCS) in February 1988. OMCS is preparing benchmarks for departments to measure the results of their recruitment.

Attitudes

A recent Social Community Planning Research report showed school leavers including those from ethnic minorities with little idea of Civil Service work. They see the Service as mainly a white, male, middle-class organisation.

Today's third report from the Cabinet Office responds by saying that the Civil Service intends to highlight the variety of careers and opportunities available to ethnic minorities. A leaflet aimed at school leavers has been distributed to support schools visits by civil servants.

Professional opportunities

Advertising by the Civil Service Commission [starting this week] aims to raise the awareness of professional opportunities in the Civil Service for black and Asian men and women. Young black and Asian civil servants will take the message into schools.

Adds Mr Luce: "We aim to show that the Government recruits and promotes its staff solely on the basis of ability to do the job. There are full and rewarding careers for people of all racial groups."

These are today's reports. All are published by the Cabinet Office (Office of the Minister for the Civil Service). Copies on request.

1. **The London and South East of England Staff-in-Post Survey**

2. **Report on a Trial Recruitment Survey**

3. **Response to a report by Social and Community Planning Research**

File DAS

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

MR WOOLLEY
CABINET OFFICE

THE DUTIES AND RESPONSIBILITIES OF CIVIL SERVANTS

The Prime Minister has seen Sir Robert Armstrong's minute of 5 November about the revisions to his note on the Duties and Responsibilities of Civil Servants.

She is content with the revisions suggested by Sir Robert in his minute. She would like to announce the publication of the revised note and agrees the Question and Answer annexed to Sir Robert's minute.

I understand that Sir Robert wishes to be in London when the question is answered. Please could you let me have a suitable date so that we can table the question the day before.

I am sending a copy of this minute to Mike Eland (Lord President's Office), Steven Wood (Lord Privy Seal's Office), Michael Saunders (Law Officers' Department), and Eleanor Goodison (Office of the Minister of State, Privy Council).

N.L.W.

N L WICKS
10 November 1987

AF 6

CF. Pps pl, esp my mute of last week to PM + SW RTAS recent mute.

1

MANAGEMENT IN CONFIDENCE

PRIME MINISTER

THE DUTIES AND RESPONSIBILITIES OF CIVIL SERVANTS

NLW

You asked whether the answer announcing the revised edition of Sir Robert Armstrong's Guidance could be tabled as a "Pursuant to" reply.

This is not possible. "Pursuant to" replies cannot be made in relation to answers given in a previous Parliament.

Agree therefore to answer yourself the PQ at Flag? (We will delay putting down the Question until Robert returns.)

Yes mo

N.L.W.

NLW

9 November 1987

CIVIL SERVICE

LONG TERM

PT 21

MANAGEMENT IN CONFIDENCE

PRIME MINISTER

THE DUTIES AND RESPONSIBILITIES OF CIVIL SERVANTS

The revised note of Guidance, Duties and Responsibilities of Civil Servants, attached to Sir Robert Armstrong's minute below, looks unexceptionable. I suggest that you agree the text.

Agree? Yes

The question then arises as to whom should answer an arranged Parliamentary Question and Answer announcing the revised note - Mr Luce or you. A draft Parliamentary Question and Answer is at Flag.

~~Mr Luce to answer~~? I see I answered the Parliamentary Question. Can we not do it as a 'Pursuant to' reply? not

N.L.W.

N L WICKS
5 November 1987

MANAGEMENT IN CONFIDENCE

DASADD

CC BS

Ref. A087/3169

PRIME MINISTER

Duties and Responsibilities of Civil Servants

In February 1985 I issued, with your agreement, a note of guidance on the duties and responsibilities of civil servants in relation to Ministers.

2. Subsequently the Treasury and Civil Service Committee, in their report "Civil Servants and Ministers: Duties and Responsibilities" (7th Report, Session 1985-86, HC 92) recommended:

i. that I enter into discussions with the unions with a view to producing an agreed text of my notes of guidance on the duties and responsibilities of civil servants of February 1985 (copy attached, Annex A); and

ii. that I should be prepared personally to consider appeals from officials whose crises of conscience have not been (in their opinion) adequately dealt with under the procedures set out in my February 1985 note.

3. The Government's reply (Cmnd 9841) noted that I had already agreed to discuss the terms of my February 1985 note with the unions, and that the arrangements and procedures for the recommended right of appeal to me (which was accepted in principle) should be covered in these discussions.

4. In the light of comments from the unions, and the Government's exchanges with the TCSC and the Defence Committee, I have thought it desirable to make the following main changes in the revised draft at Annex B:

i. the statement of Ministers' own responsibilities (paragraph 2) in the terms used in Cmnd 9841;

ii. the principles of accountability (paragraph 4) in the terms used in Cmnd 9916 (the Government's reply to the Defence Committee on Westland);

iii. a reference (paragraph 9) to the supplementary guidelines for officials giving evidence to Select Committees, prepared in the wake of Westland and issued in April this year;

iv. a further step in the procedures which civil servants may follow when they are unhappy about their work, so that the flow now runs from illegality (paragraph 11); to impropriety and related issues (paragraph 12); to matters which raise fundamental issues of conscience (paragraph 14) including a final right of appeal to the Head of the Service in such cases; I think this provides a clear scale of action which can be taken depending on the reason for the individual civil servant's concern.

But I have deliberately avoided change for change's sake, which the professional Civil Service watchers would no doubt try to analyse in depth.

5. The revised note has been discussed with Permanent Secretaries (including the Treasury Solicitor, since the note has to be consistent with the current legal view on civil servants' duty of confidentiality more generally); all are content.

6. The revised note goes some way to meet the points of concern to the Civil Service unions, but it has not been agreed with them, since their formal position is that they wish to have an independent appeals body in "conscience cases" (as opposed to

a right of appeal to the Head of the Service). But their public response seems likely to be low key: they regard the changes as improvements.

7. Robin Butler would prefer the note to issue from me, rather than from him after 1 January (which might risk the interpretation that he was seeking to challenge my earlier version). I should like therefore to issue the revised note on my return from overseas, and before the public statement on "Next Steps". When that statement is made, we shall need to be prepared to make clear that the underlying principles on accountability remain unchanged and as set out in the attached note, though the Next Steps approach may affect the way in which accountability to Parliament is discharged.

8. If you agree, I suggest the revised note should be made public via an arranged Question answered by you (draft at Annex C) at the same time as Permanent Secretaries disseminate it within Departments. If you preferred, the arranged question could be answered by the Minister of State, Privy Council Office, though it would need to be adapted to make clear that the note was being issued with your consent. This approach would be consistent with the fact that the revised note represents a tidying up operation, not a major new initiative.

9. I am sending copies of this minute to the Lord President, the Lord Privy Seal, the Attorney General and the Minister of State, Privy Council Office.

I see I answered myself, so must do it again.

RA

ROBERT ARMSTRONG

5 November 1987

DUTABO

ANNEX A

THE DUTIES AND RESPONSIBILITIES OF CIVIL SERVANTS IN RELATION TO MINISTERS

Note by the Head of the Home Civil Service

During the last few months a number of my colleagues have suggested to me that it would be timely to restate the general duties and responsibilities of civil servants in relation to Ministers. Recent events, and the public discussion to which they have given rise, have led me to conclude that the time has come when it would be right for me, as Head of the Home Civil Service, to respond to these suggestions. I am accordingly putting out the guidance in this note. It is issued after consultation with Permanent Secretaries in charge of Departments, and with their agreement.

2. Civil servants are servants of the Crown. For all practical purposes the Crown in this context means and is represented by the Government of the day. There are special cases in which certain functions are conferred by law upon particular members or groups of members of the public service; but in general the executive powers of the Crown are exercised by and on the advice of Her Majesty's Ministers, who are in turn answerable to Parliament. The civil service as such has no constitutional personality or responsibility separate from the duly elected Government of the day. It is there to provide the Government of the day with advice on the formulation of the policies of the Government, to assist in carrying out the decisions of the Government, and to manage and deliver the services for which the Government is responsible. Some civil

DRAFT

servants are also involved, as a proper part of their duties, in the processes of presentation of Government policies and decisions.

3. The civil service serves the Government of the day as a whole, that is to say Her Majesty's Ministers collectively, and the Prime Minister is the Minister for the Civil Service. The duty of the individual civil servant is first and foremost to the Minister of the Crown who is in charge of the Department in which he or she is serving. It is the Minister who is responsible, and answerable in Parliament, for the conduct of the Department's affairs and the management of its business. It is the duty of civil servants to serve their Ministers with integrity and to the best of their ability.

4. The British civil service is a non-political and disciplined career service. Civil servants are required to serve the duly elected Government of the day, of whatever political complexion. It is of the first importance that civil servants should conduct themselves in such a way as to deserve and retain the confidence of Ministers, and as to be able to establish the same relationship with those whom they may be required to serve in some future Administration. That confidence is the indispensable foundation of a good relationship between Ministers and civil servants. The conduct of civil servants should at all times be such that Ministers and potential future Ministers can be sure that that confidence can be freely given, and that the civil service will at all times conscientiously fulfil its duties and obligations to, and impartially assist, advise and carry out the policies of, the duly elected Government of the day.

5. The determination of policy is the responsibility of the Minister (within the convention of collective responsibility of the whole Government for the decisions and actions of every member of it). In the determination of policy the civil servant

RTAAAU

has no constitutional responsibility or role, distinct from that of the Minister. Subject to the conventions limiting the access of Ministers to papers of previous administrations, it is the duty of the civil servant to make available to the Minister all the information and experience at his or her disposal which may have a bearing on the policy decisions to which the Minister is committed or which he is preparing to make, and to give to the Minister honest and impartial advice, without fear or favour, and whether the advice accords with the Minister's view or not. Civil servants are in breach of their duty, and damage their integrity as servants of the Crown, if they deliberately withhold relevant information from their Minister, or if they give their Minister other advice than the best they believe they can give, or if they seek to obstruct or delay a decision simply because they do not agree with it. When, having been given all the relevant information and advice, the Minister has taken a decision, it is the duty of civil servants loyally to carry out that decision with precisely the same energy and good will, whether they agree with it or not.

6. Civil servants are under an obligation to keep the confidences to which they become privy in the course of their official duties; not only the maintenance of trust between Ministers and civil servants but also the efficiency of government depend on their doing so. There is and must be a general duty upon every civil servant, serving or retired, not to disclose, in breach of that obligation, any document or information or detail about the course of business, which has come his or her way in the course of duty as a civil servant. Whether such disclosure is done from political or personal motives, or for pecuniary gain, and quite apart from liability to prosecution under the Official Secrets Acts, the civil servant concerned forfeits the trust that is put in him or her as a servant of the Crown, and may well forfeit the right to continue in the service. He or she also undermines the

PMSBBII

confidence that ought to subsist between Ministers and civil servants and thus damages colleagues and the Service as well as him or herself.

7. The previous paragraphs have set out the basic principles which govern civil servants' relations with Ministers. The rest of this note deals with particular aspects of conduct which derive from them, where it may be felt that more detailed guidance would be helpful.

8. A civil servant should not be required to do anything unlawful. In the very unlikely event of a civil servant being asked to do something which he or she believes would put him or her in clear breach of the law, the matter should be reported to a superior officer or to the Principal Establishment Officer, who should if necessary seek the advice of the Legal Adviser to the department. If legal advice confirms that the action would be likely to be held to be unlawful, the matter should be reported in writing to the Permanent Head of the department.

9. Civil servants often find themselves in situations where they are required or expected to give information to a Parliamentary Select Committee, to the media, or to individuals. In doing so they should be guided by the general policy of the Government on evidence to Select Committees and on the disclosure of information, by any specifically departmental policies in relation to departmental information, and by the requirements of security and confidentiality. In this respect, however, as in other respects, the civil servant's first duty is to his or her Minister. Ultimately the responsibility lies with Ministers, and not with civil servants, to decide what information should be made available, and how and when it should be released, whether it is to Parliament, to Select Committees, to the media or to individuals. It is not acceptable for a serving or former civil servant to seek to frustrate policies or

PTAAAH

decisions of Ministers by the disclosure outside the Government, in breach of confidence, of information to which he or she has had access as a civil servant.

10. It is Ministers and not civil servants who bear political responsibility. Civil servants should not decline to take, or abstain from taking, an action merely because to do so would conflict with their personal opinions on matters of political choice or judgment between alternative or competing objectives and benefits; they should consider the possibility of declining only if taking or abstaining from the action in question is felt to be directly contrary to deeply held personal conviction on a fundamental issue of conscience.

11. A civil servant who feels that to act or to abstain from acting in a particular way, or to acquiesce in a particular decision or course of action, would raise for him or her a fundamental issue of conscience, or is so profoundly opposed to a policy as to feel unable conscientiously to administer it in accordance with the standards described in this note, should consult a superior officer, or in the last resort the Permanent Head of the department, who can and should if necessary consult the Head of the Home Civil Service. If that does not enable the matter to be resolved on a basis which the civil servant concerned is able to accept, he or she must either carry out his or her instructions or resign from the public service - though even after resignation he or she will still be bound to keep the confidences to which he or she has become privy as a civil servant.

ROBERT ARMSTRONG

Cabinet Office

25 February 1985

ANNEX B

Revision of 5 November

THE DUTIES AND RESPONSIBILITIES OF CIVIL SERVANTS IN RELATION TO MINISTERS

Note by the Head of the Home Civil Service

In February 1985, with the consent of the Prime Minister, I issued a note of guidance restating the general duties and responsibilities of civil servants in relation to Ministers. That note was reproduced in a Written Answer by the Prime Minister to a Parliamentary Question on 26 February 1985 (OR 26 February 1985, cols 130 to 132). In the light of subsequent discussion, including observations of the Treasury and Civil Service Select Committee and the Defence Committee of the House of Commons and comments from the Council of Civil Service Unions, I have expanded the note of guidance, and a revised version is now issued. As previously, the note is issued after consultation with Permanent Secretaries in charge of Departments and with their agreement. As with the earlier version, this revised version is issued with the consent of the Prime Minister, and will be reported by her to the House of Commons.

2. This note is concerned with the duties and responsibilities of civil servants in relation to Ministers. It should be read in the wider context of Ministers' own responsibilities, which were set out in the Government's reply to the Seventh Report from the Treasury and Civil Service Committee (Cmnd 9841):

> "The Government believes that Ministers are well aware of the principles that should govern their duties and responsibilities in relation to Parliament and in relation to civil servants. It goes without saying that these include the obligations of integrity. They include the duty to give Parliament and the public as full information as possible about the policies, decisions and actions of

the Government, and not to deceive or mislead Parliament or the public. In relation to civil servants, they include the duty to give fair consideration and due weight to informed and impartial advice from civil servants, as well as to other considerations and advice, in reaching policy decisions; the duty to refrain from asking or instructing civil servants to do things which they should not do; the duty to ensure that influence over appointments is not abused for partisan purposes; and the duty to observe the obligations of a good employer with regard to terms and conditions of service and the treatment of those who serve them."

3. Civil servants are servants of the Crown. For all practical purposes the Crown in this context means and is represented by the Government of the day. There are special cases in which certain functions are conferred by law upon particular members or groups of members of the public service; but in general the executive powers of the Crown are exercised by and on the advice of Her Majesty's Ministers, who are in turn answerable to Parliament. The Civil Service as such has no constitutional personality or responsibility separate from the duly constituted Government of the day. It is there to provide the Government of the day with advice on the formulation of the policies of the Government, to assist in carrying out the decisions of the Government, and to manage and deliver the services for which the Government is responsible. Some civil servants are also involved, as a proper part of their duties, in the processes of presentation of Government policies and decisions.

4. The Civil Service serves the Government of the day as a whole, that is to say Her Majesty's Ministers collectively, and the Prime Minister is the Minister for the Civil Service. The duty of the individual civil servant is first and foremost to the Minister of the Crown who is in charge of the Department in

which he or she is serving. The basic principles of accountability of Ministers and civil servants are as set out in the Government's response (Cmnd 9916) to the Defence Committee's Fourth Report of 1985-86:

- Each Minister is responsible to Parliament for the conduct of his Department, and for the actions carried out by his Department in pursuit of Government policies or in the discharge of responsibilities laid upon him as a Minister.

- A Minister is accountable to Parliament, in the sense that he has a duty to explain in Parliament the exercise of his powers and duties and to give an account to Parliament of what is done by him in his capacity as a Minister or by his Department.

- Civil servants are responsible to their Ministers for their actions and conduct.

5. It is the duty of civil servants to serve their Ministers with integrity and to the best of their ability. In their dealings with the public, civil servants should always bear in mind that people have a right to expect that their affairs will be dealt with sympathetically, efficiently and promptly.

6. The British Civil Service is a non-political and professional career service subject to a code of rules and disciplines. Civil servants are required to serve the duly constituted Government of the day, of whatever political complexion. It is of the first importance that civil servants should conduct themselves in such a way as to deserve and retain the confidence of Ministers, and to be able to establish the same relationship with those whom they may be required to serve in some future Administration. That confidence is the indispensable foundation of a good relationship between Ministers and civil servants. The conduct of civil servants

should at all times be such that Ministers and potential future Ministers can be sure that that confidence can be freely given, and that the Civil Service will at all times conscientiously fulfil its duties and obligations to, and impartially assist, advise and carry out the policies of, the duly constituted Government of the day.

7. The determination of policy is the responsibility of the Minister (within the convention of collective responsiblity of the whole Government for the decisions and actions of every member of it). In the determination of policy the civil servant has no constitutional responsibility or role distinct from that of the Minister. Subject to the conventions limiting the access of Ministers to papers of previous Administrations, it is the duty of the civil servant to make available to the Minister all the information and experience at his or her disposal which may have a bearing on the policy decisions to which the Minister is committed or which he is preparing to make, and to give to the Minister honest and impartial advice, without fear or favour, and whether the advice accords with the Minister's view or not. Civil servants are in breach of their duty, and damage their integrity as servants of the Crown, if they deliberately withhold relevant information from their Minister, or if they give their Minister other advice than the best they believe they can give, or if they seek to obstruct or delay a decision simply because they do not agree with it. When, having been given all the relevant information and advice, the Minister has taken a decision, it is the duty of civil servants loyally to carry out that decision with precisely the same energy and good will, whether they agree with it or not.

8. Civil servants are under an obligation to keep the confidences to which they become privy in the course of their work; not only the maintenance of the trust between Ministers and civil servants but also the efficiency of government depend on their doing so. There is and must be a general duty upon

every civil servant, serving or retired, not without authority to make disclosures which breach that obligation. This duty applies to any document or information or knowledge of the course of business, which has come to a civil servant in confidence in the course of duty. Any such unauthorised disclosures, whether for political or personal motives, or for pecuniary gain, and quite apart from liability to prosecution under the Offical Secrets Acts, result in the civil servant concerned forfeiting the trust that is put in him or her as an employee and making him or her liable to disciplinary action including the possibility of dismissal, or to civil law proceedings. He or she also undermines the confidence that ought to subsist between Ministers and civil servants and thus damages colleagues and the Service as well as him or herself.

9. Civil servants often find themselves in situations where they are required or expected to give information to a Parliamentary Select Committee, to the media, or to individuals. In doing so they should be guided by the policy of the Government on evidence to Select Committees, as set out in memoranda of guidance issued from time to time, and on the disclosure of information, by any specifically departmental policies in relation to departmental information, and by the requirements of security and confidentiality. In this respect, however, as in other respects, the civil servant's first duty is to his or her Minister. Thus, when a civil servant gives evidence to a Select Committee on the policies or actions of his or her Department, he or she does so as the representative of the Minister in charge of the Department and subject to the Minister's instructions*, and is accountable to the Minister for the evidence which he or she gives. As explained in paragraph 2, the ultimate responsibility lies with Ministers, and not with civil servants, to decide what information should be made available, and how and when it should be released, whether it is to Parliament, to Select Committees, to the media or to individuals. It is not acceptable for a serving or former civil

servant to seek to frustrate policies or decisions of Ministers by the disclosure outside the Government of information to which he or she has had access as a civil servant.

10. The previous paragraphs have set out the basic principles which govern the relations between Ministers and civil servants. The rest of this note deals with particular aspects of conduct which derive from them, where it may be felt that more detailed guidance would be helpful.

11. A civil servant should not be required to do anything unlawful. In the very unlikely event of a civil servant being asked to do something which he or she believes would put him or her in clear breach of the law, the matter should be reported to a senior officer or to the Principal Establishment Officer, who should if necessary seek the advice of the Legal Adviser to the Department. If legal advice confirms that the action would be likely to be held to be unlawful, the matter should be reported in writing to the Permanent Head of the Department.

12. There may exceptionally be circumstances in which a civil servant considers that he or she is being asked to act in a manner which appears to him or her to be improper, unethical or in breach of constitutional conventions, or to involve possible maladministration, or to be otherwise inconsistent with the standards of conduct prescribed in this memorandum and in

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*A Permanent Head of a Department giving evidence to the Committee of Public Accounts does so by virtue of his duties and responsibilities as an Accounting Officer as defined in the Treasury memorandum on The Responsibilities of an Accounting Officer; but this is without prejudice to the Minister's responsibility and accountability to Parliament in respect of the policies, actions and conduct of his Department.

the relevant Civil Service codes and guides. In such an event the matter should be reported to a senior officer, and if appropriate to the Permanent Head of the Department.

13. Civil servants should always recall that it is Ministers, and not they, who bear political responsibility. A civil servant should not decline to take, or abstain from taking, an action because to do so would conflict with his or her personal opinions on matters of political choice or judgment between alternative or competing objectives and benefits; he or she should consider the possibility of declining only if taking or abstaining from the action in question is felt to be directly contrary to deeply held personal conviction on a fundamental issue of conscience.

14. A civil servant who feels that to act or to abstain from acting in a particular way, or to acquiesce in a particular decision or course of action, would raise for him or her a fundamental issue of conscience, or is so profoundly opposed to a policy as to feel unable conscientiously to administer it in accordance with the standards described in this note, should consult a senior officer. If necessary, and if the problem cannot be resolved by any other means, the civil servant may take the matter up with the Permanent Head of the Department and also has a right, in the last resort, to have the matter referred to the Head of the Home Civil Service through the Permanent Head of the Department; detailed provisions for such appeals are included in the Civil Service Pay and Conditions of Service Code. If the matter still cannot be resolved on a basis which the civil servant concerned is able to accept, he or she must either carry out his or her instructions or resign from the public service - though even after resignation he or she will still be bound to keep the confidences to which he or she has become privy as a civil servant.

November 1987

Draft of 5 November 1987

Draft paragraphs for Code and Guide

RIGHT OF APPEAL TO THE HEAD OF THE HOME CIVIL SERVICE IN CRISIS OF CONSCIENCE CASES

There may exceptionally be occasions when a civil servant is asked or instructed by his or her senior management or a departmental Minister to do (or refrain from doing) something which raises a fundamental issue of conscience for the individual concerned. The procedures to be followed in such cases are set out in the note on the duties and responsibilities of civil servants in relation to Ministers which was issued by Sir Robert Armstrong on 25 February 1985 . In the event that such a crisis of conscience is not resolved under those arrangements, the individual concerned has the right to appeal to the Head of the Home Civil Service.

2. Appeals to the Head of the Home Civil Service should be submitted through the permanent Head of Department concerned or, if in a particular case that is either impracticable or inappropriate, the Principal Establishment Officer. Appeals should in all cases be forwarded to the Head of the Home Civil Service unless the Head of Department or the Principal Establishment Officer submitting the appeal is satisfied that an appeal is vexatious or frivolous. The Head of Department or the Principal Establishment Officer may add comments in a covering note but should not seek to amend the appeal itself.

3. It may exceptionally not be possible to follow this procedure in a situation which develops rapidly. In such circumstances, the individual should carry out the request or instruction which he or she has received and immediately

DUTABN

afterwards formally record in writing the dissent and the reasons for it. Copies should be passed to the Head of Department or the departmental Minister or both as appropriate.

4. In all other situations Heads of Department remain the final authority for appeals made under Code paragraph 9973.

DUTABN

ANNEX C

DRAFT PQ AND ANSWER

Q. To ask the Prime Minister what further guidance is being given to civil servants about their duties and responsibilities.

A. In the light of comments made by the Treasury and Civil Service Committee, the Defence Committee and the civil service unions the Head of the Home Civil Service has revised the note of guidance on the duties and responsibilities of civil servants in relation to Ministers which he issued in February 1985. With my consent, he has issued the revised note today. A copy is ~~attached~~ annexed to this answer.

CIVIL SERVICE long term policy.

File

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

22 October 1987

PAC REPORT ON THE FMI

Thank you for your letter of 12 October with which you enclosed a summary of the main findings and conclusions of the PAC's report, and the proposed Treasury reply. The Prime Minister has seen this, and noted it without comment.

P. A. Bearpark

M. C. Felstead, Esq.,
Office of the Chief Secretary,
H.M. Treasury.

CONFIDENTIAL

ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL

01-936 6201

14 October 1987

The Hon Peter Brooke MP
Paymaster General
Treasury Chambers
Parliament Street
LONDON SW1P 3AG

Dear Peter.

THE STATUS OF CIVIL SERVANTS

You copied to me your letter of 6 October to Norman Fowler and sought my confirmation that the inclusion in the forthcoming Employment Bill of the clause proposed in relation to Crown employees would not undermine the Government's arguments in the Peter Wright proceedings in Australia.

The proposed clause is drafted in such a way as to avoid any assumption that there is generally no contractual relationship between a civil servant and the Crown, and instead seeks to deem the existence of a contract, for limited purposes, only in those cases where the relationship is found not to be a contractual one. I therefore confirm my view that the inclusion of the clause as drafted would be unlikely to prejudice our position in the "Spycatcher" proceedings before the High Court of Australia.

I am sending a copy of this letter to the Prime Minister, the Lord Chancellor, the Home Secretary, the Secretary of State for Employment, the Lord Advocate, the Minister for the Civil Service and Sir Robert Armstrong.

Yours ever,

Michael

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CIVIL SERVICE: Long Term PT21



009/4215

cc BG

Prime Minister 2.

Treasury Chambers, Parliament Street, SW1P 3AG

Andrew Bearpark Esq
Private Secretary
10 Downing Street
London
SW1

12 October 1987

Dear Andy.

PAC REPORT ON THE FMI

In their 13th Report published last July the PAC reviewed the progress being made by departments with the FMI. I enclose the summary of their main findings and conclusions. The Chief Secretary thought that the Prime Minister would wish to be aware of the terms of the attached Treasury Minute that we propose to publish at the end of October in reply to the PAC Report. Departments have been consulted about the draft.

The reply does not make any reference to the recent report by the Efficiency Unit on the "Next Steps". Ministers have not yet taken decisions on that report, and such decisions would need very careful presentation. This reply to the PAC would not be the appropriate vehicle for them, and it is therefore better to get it out of the way first, within the deadline for replies **of this kind.**

Yours sincerely

Mark Felstead

M C FELSTEAD
Private Secretary

SUMMARY OF MAIN FINDINGS AND CONCLUSIONS

44. (a) We think that central departments were probably right to take an advisory and encouraging role rather than a prescriptive role for FMI (paragraph 10).

(b) We consider it clearly necessary that central departments should have an accurate picture of departments' progress in implementing FMI across the board (paragraph 11); and we recommend that the Treasury should keep under review their current arrangements for monitoring FMI progress (paragraph 12).

(c) Not all departments have progressed at the same pace with FMI, and for some full implementation of the Initiative is still many years away; a major effort is needed to speed implementation (paragraph 20).

(d) We consider that the amount of FMI development work still to be done points to the need for a central action plan to be agreed with each department and thereafter to be used to monitor progress (paragraph 13).

(e) We place great importance on the requirement for new policy initiatives and reviews of existing policies to set objectives in terms of "what will be achieved, by when, and at what cost". We stress that, as part of this approach, departments should be concerned with the need for activities, how best to achieve policy objectives, and the quality of services provided (paragraph 29).

(f) We are concerned that departments' progress in establishing objectives for administrative running costs amounting to about £13 billion a year has not been matched on programme activities costing £87 billion a year; and we welcome the Treasury's recognition that this is a legitimate area for FMI (paragraph 30).

(g) We consider that the setting of clear and preferably quantified objectives is necessary *in all areas* to give a clear sense of direction and purpose to staff carrying out the work, and to provide yardsticks against which to measure performance (paragraph 30).

(h) We emphasise the importance we place on providing managers at all levels with information enabling them to measure outputs and consider the value for money aspects of their operations (paragraph 33).

(i) We recommend that high priority is given to examining how departments can delegate to line managers more effective responsibility for the resources they control; and give them more incentive to use such resources economically, efficiently and effectively (paragraph 38).

(j) We trust that the ending of overall manpower ceilings will allow departments to give greater flexibility to line managers on staffing matters (paragraph 39).

(k) We are concerned that scepticism and mistrust of FMI seems to be widespread among middle and lower management grades (paragraph 42).

(l) We stress the importance of keeping up the momentum of the FMI. This will involve not only the further education and training of staff. It will also mean a commitment on the part of top management, and a willingness to make any organisational and management changes needed to enable FMI to take root and flourish (paragraph 43).

Thirteenth Report

HM Treasury

Cabinet Office (OMCS)

The Financial Management Initiative

1. The Government notes the comments and recommendations of the Committee.

Role of the central departments

2. The Government welcomes the Committee's conclusion that the central departments were right to take an advisory and encouraging role rather than a prescriptive role for the FMI. The Government agrees that it is necessary for the central departments to have an accurate picture of department's progress in implementing the FMI. It accepts the Committee's recommendation that current arrangements for monitoring FMI progress should be kept under review. Since the Committee reported the Government has announced the transfer to the Treasury of those functions of the MPO bearing, inter alia, on financial management. This will help the Treasury to pursue a concerted approach on all financial management matters.

Overall progress by departments

3. The Government notes the Committee's comment that not all departments have progressed at the same pace and that for some full implementation is still many years away. When the FMI was launched it was acknowledged that departments were starting from different positions. As the Committee has noted in its Report, departments have widely differing activities. Account

must also be taken of the major differences in the scale and complexity of these activities. These factors affect the nature and direction of the changes in management practice required in individual departments and the pace at which they can be implemented. Although improved systems are a cornerstone of the FMI it is important in the Government's view that progress should not be measured solely by new systems. Value for money achievements from continuing improvements in management are the true indicator of success.

4. Overall, the C & AG's broad conclusions were that real progress was being made in the development of suitable systems and that there were no serious shortcomings in the departments examined by NAO. Relative to the scale of the task this remains the Government's view. The Government intends therefore to maintain the present emphasis on sustained effort. This approach also recognises that although the basic principles to which departments are working are common, the systems and procedures required will continue to develop according to the changing requirements of the different "businesses" in which departments are engaged. In the Government's view therefore progress is best judged by reference to year-on-year improvements by individual departments across the whole field of their activities rather than by absolute comparisons between departments.

5. In relation to individual departments, Treasury expenditure divisions, supported by the central specialist staffs, will continue to review with departments the progress they are making. Through their contacts with departments and the review of departments' spending plans the expenditure divisions are able to reinforce and encourage the steps which departments are taking to impove financial management on a day-to-day basis. They are also able to tailor their monitoring according to the needs of individual departments.

6. The Governnment notes the Committee's view that the work still to be done points to the need for a central action plan to be agreed with each department. Departments already prepare

and update action plans as a basis for monitoring progress with the implementation of the Multi-Department Review of Budgeting. It is the intention to publish a progress report next Spring. This work covers the key system elements of the FMI as well as the principles set out by the Prime Minister in her foreword to the 1986 report on budgeting. The Government considers that this work, together with the arrangements described in paragraph 5, meets the need which the Committee identified.

Objectives and budgetary control

7. The Government welcomes the emphasis that the Committee places on the importance of setting clear objectives for new policy initiatives and in reviews of existing policies. It agrees also that departments should be concerned with the need for activities, the best means of achieving policy objectives and quality of service provided. The Joint Management Unit has been working with departments to try to ensure that policy evaluation is understood and accepted by key managers, that good methods are used and better ones developed, and that evaluation is built into the actual work.

8. The Committee comments that progress in establishing objectives for administrative running costs has not been matched on programme expenditure. In many areas of programme expenditure the setting of quantified objectives and measuring output can present particular problems; and it can also be more complicated where the final expenditure is incurred by other parts of the public sector and where a variety of factors influence final output. Nevertheless, the Government reaffirms that the FMI is intended to apply across the whole range of public expenditure, including programme expenditure. The work that has been undertaken in recent years on policy evaluation has been concerned primarily with programme costs. The importance the Government attaches to this is underlined by the continuing effort to improve the quality of information on aims and objectives in the annual Public Expenditure White Paper.

9. The Committee considers that clear and preferably quantified

objectives are necessary in all areas to give a clear sense of direction and purpose to staff and to provide a basis against which to measure performance. The Committee also emphasises the importance it attaches to managers at all levels being provided with information to enable them to measure output and consider value for money aspects of their operations. Both of these points continue to be central to the FMI. They are reflected in the work on budgeting and in personnel management policies. Subject to the comment in paragraph 8 above about the problem of measuring output in some activities, the Government fully endorses the Committee's views on these points.

10. As recommended by the Committee, the Government is giving high priority to delegating more authority and responsbility to line managers for the effective control of resources. Increased delegation, both from the central departments and within departments has to go hand in hand with improved systems if control is to be maintained. A good deal has been achieved in recent years in a number of departments. The Treasury is ensuring that information about these developments is disseminated to all departments.

Incentives and staff attitudes

11. The Government agrees that incentives have an important role to play in encouraging line managers to use resources economically, efficiently and effectively. Incentives take a number of forms. Involving managers in setting priorities and objectives within a budgetary framework enables them to operate with greater flexibility and therefore with a greater sense of control in order to achieve agreed targets. As the Committee notes, ending overall manpower ceilings and placing greater reliance on running cost ceilings, affords departments the opportunity to give line managers greater flexibility on staffing matters. There are also personal incentives such as promotion and performance pay which has been introduced for certain civil service grades.

12. The Government notes the Committee's concern that "scepticism

and mistrust" of the FMI seems to be "widespread" among middle and lower management grades. The NAO found that managers generally welcomed a clearer view of their responsibilities and objectives but "some" managers at middle and lower levels had reservations about the benefits of the new arrangements. These reservations mainly appeared to reflect the extent of their power to control costs. The introduction of fundamental change across all departments has been, and continues to be, a major operation. It was to be expected that there would be apprehension in some quarters. This is partly because of the lead time before new systems and procedures become fully effective, particularly as an aid to lower management levels. But the Government believes that as departmental systems are refined and consolidated and as managers secure greater responsibility these doubts will recede.

13. The Government intends, as the Committee stresses, that the momentum of the FMI will be maintained in accordance with its overall programme to ensure value for money. The FMI continues to have the top management commitment to which the Committee rightly refers. Top management of departments is committed to ensuring that any remaining doubts which staff may have are dispelled by demonstrating their own commitment to the FMI, by ensuring adequate training and education for staff on FMI matters, and by good communication with them about FMI developments generally.

cc BG

SECRETARY OF STATE FOR SCOTLAND

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

The Hon Peter Brooke MP
Paymaster General
Treasury Chambers
Parliament Street
SW1P 3AG

6 October 1987

Dear Peter,

STATUS OF CIVIL SERVANTS

Your letter of 25 September proposed that Parliamentary Counsel should be instructed to draft a provision, for inclusion in the forthcoming Employment Bill, which would have the effect of treating the terms of employment of a person in Crown employment as if they constituted a contract of employment.

I am content to support this proposal.

I am copying this letter to recipients of yours.

Yours ever,

MALCOLM RIFKIND

B04279A1

SCOTTISH OFFICE
WHITEHALL

CIVIL SERVICE

LONG TERM

PT 21



CONFIDENTIAL

CCBG

nbpm

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Norman Fowler MP
Secretary of State
Department of Employment
Caxton House
Tothill Street
LONDON SW1H 9NF

6 October 1987

Dear Secretary of State

STATUS OF CIVIL SERVANTS

Thank you for your letter of 27 September.

Given the likely delay on the Bruce case, I agree that the provision should be included in the Employment Bill at its introduction. I am aware of the awkwardness of legislating in an area which is to come before the courts, but the clause in question is related to a relatively narrow issue and I am advised that there is no great danger of this prejudicing the **Bruce** case in the Appeal Court or any subsequent case. I believe that the view has also been taken that there is no great danger of the provision impinging on the current proceedings in the **Wright** case. Perhaps the Attorney General can confirm that he agrees with this understanding.

We had first conceived this idea as being concerned only with the narrow issue of industrial relations and of restoring, in respect of civil servants and their unions, the same legal constraints on industrial action as applied to other employees and which were thought to exist prior to the Bruce judgement. I have been advised, however, that mainly because of drafting difficulties, it is most likely that the provision will also cover the inducing of <u>other</u> breaches of contract by civil servants. (There is, of course, no question of covering the fundamental question of civil servants' contracts **per se**, which is at the heart of our interest in the Bruce case.) Although there might be some risk that this wider clause would extend debate and conceivably lead to some misleading connections being made with the Wright case as to why this is being done, I understand that the provision would simply have the effect of restoring the

original position of civil servants in this regard prior to the Bruce case. I have no objection to this and I am told that the Office of the Minister for the Civil Service is also content. However, I should be glad to know that this would be acceptable to you.

There is another point on which I would welcome your views. I believe there are sound arguments in favour of my officials informing the Council of Civil Service Unions that the Government intends to include this measure in the forthcoming Employment Bill. It is the only aspect of the Bill directed solely at civil servants, and the CCSU, which has taken a very close interest in the Bruce case, might be tempted to misconstrue our intentions. Indeed I understand that the CCSU has recently written formally seeking an early meeting with the Head of the Home Civil Service. In any case, they may well try to make capital out of the measure and probably will be more inclined to do so if they only find out by accident, as it were, from reading the Bill. Since the unions are likely to want to brief the Press, my inclination is to apprise the unions of our intentions before publication and - if you agree - my officials will be in touch with yours on the precise timing.

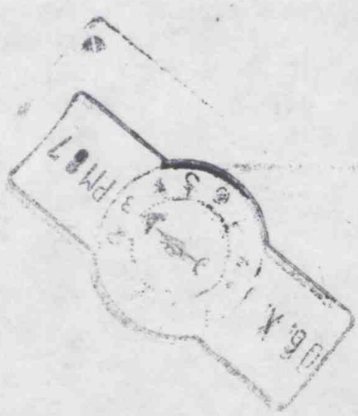
I am sending copies of this letter to the Prime Minister, the Lord Chancellor, the Attorney General, the Lord Advocate, the Home Secretary, the Minister for the Civil Service, and Sir Robert Armstrong.

Yours sincerely

PETER BROOKE

(Approved by the Paymaster Genral and signed in his absence)

CIVIL SERVICE
LONG TERM
PT 21



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The Hon Peter Brooke MP
Paymaster General
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

27 September 1987

Dear Peter

STATUS OF CIVIL SERVANTS

Your letter of 25 September proposed that Parliamentary Counsel should be instructed to draft a provision along the lines agreed between us in August to resolve the problem raised by the Bruce Judgment. I have been kept in touch with the progress of work on this point and I agree that drafting should now proceed as a matter of urgency.

I share your view on transitional provisions that the new measure should take effect in respect of tortious acts committed after its enactment. On the other hand, I strongly believe that we should include this measure in the Bill when it is introduced. As your letter makes clear, we can have little confidence that the issue will have been resolved on appeal within the foreseeable future. That of itself reduces the potential for embarrassment which might arise if we were arguing in the Appeal Court during the passage of the Bill that civil servants already have contracts, and I now believe that the measure can be drafted in such a way as to eliminate the conflict. It appears unlikely, however, that the scope of the Bill will permit the introduction of this measure by amendment.

I am concerned to ensure that the Employment Bill is introduced as planned on 22 October. I see no reason why this objective should be jeopardised if we decide to include the provision on the status of civil servants, but I must urge my colleagues to resist any suggestion of further additions.

I am copying this letter to the recipients of yours.

NORMAN FOWLER



CIVIL SERVICE

LONG TERM

PT 21

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cc BG.

nbpm

PAYMASTER GENERAL

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Norman Fowler MP
Secretary of State
Department of Employment
Caxton House
Tothill Street
LONDON SW1H 9NF

25 September 1987

Dear Norman,

STATUS OF CIVIL SERVANTS

I wrote to you on 7 August seeking your agreement to a proposal that, in the wake of the judgement in the Bruce case, some contingency planning should be put in hand to enable us (if need be) to resolve the problem of whether civil servants have contracts of employment. My proposal was that, in case the matter should not be - or appear likely to be - resolved satisfactorily in the courts, a Government amendment should be prepared to the forthcoming Employment Bill which would have the effect of deeming the terms of employment of Crown employees to constitute a contract of employment. In your absence, John Cope replied on 20 August confirming that your Department would be content to proceed in this way, if legislation were seen to be necessary and the proposed amendment was thought to be appropriate for inclusion in an industrial relations Bill.

Since my earlier letter it has become evident that the prospects of resolving this issue quickly via an appeal by Mr Bruce are not promising. Initially there was some cause to hope that his proposed appeal, if lodged, might be heard in October, but I understand that it is now highly improbable that any appeal will be before the courts until some time next year. Even then there would be no cast-iron guarantee that the contractual problem would be resolved definitively. I am therefore forced to conclude that we should now press ahead with the preparation of legislation, while of course keeping a weather eye on developments in the Bruce case.

Your officials have agreed with mine draft instructions for Parliamentary Counsel (copy attached), and I understand that - subject to some thought being given to **transitional provisions** - the Attorney General is content with these. Consideration is also needed on the **timing** of the proposed amendment. I have

no firm views as yet on either of these issues. My present inclination on the **former** is that any statutory provision should take effect in respect of a tortious act committed after the enactment of the provision - although it might be more appropriate for the provision to take effect from the date when the Bill or amendment is published. On the **latter**, I am content to be guided by views of colleagues - and would be interested to hear them. While I recognise the possible difficulties, I see merit in the provision being introduced by amendment at Committee or Report stage, rather than on introduction. This would be the better course presentationally, and would enable us to drop the provision should the contractual issue be satisfactorily resolved in the courts in the meantime.

The main concern at present however is to give Parliamentary Counsel the necessary drafting authority to proceed, and to that end I would be very grateful if you and copy recipients would confirm that you are content by close of play on Tuesday, 29 September.

I am copying this letter with the draft instructions to the Lord Chancellor, the Attorney General, the Lord Advocate, the Minister of State (Privy Council Office) and to members of E(A) and QL Committees.

Yours ever

Peter

PETER BROOKE

CONFIDENTIAL

EMPLOYMENT BILL

Draft Instructions to Parliamentary Counsel

The status of civil servants for the purposes of the industrial torts and trade union legislation

1. Counsel will recall receiving, with the initial batch of Instructions on Part I of the Bill sent on 3 July, a copy of the transcript of judgment of the Queen's Bench Divisional Court in the case of R v Civil Service Appeal Board, ex parte Bruce. Instructing Solicitor stated that consideration was to be given to the implications of the decision, so far as concerns the employment status of civil servants, particularly for Part II of the Trade Union Act 1984 (c.49) and the connected legislative proposal dealt with in item 1 of the Instructions (right of members to a ballot before industrial action). The following Instructions represent the outcome of that consideration which has received Ministerial approval. However, paragraphs 29 to 32 below raise questions of contingency and timing which Counsel should bear in mind in drafting a provision and on which Counsel's advice and assistance would be welcome.

The "Bruce Judgment"

2. In a Joint Opinion of the Law Officers and Treasury Counsel dated 19 May 1986 (copy attached), advice was given that civil servants are employed under contracts of employment with the Crown. It had been hoped that the Opinion resolved finally a longstanding uncertainty on the issue of the relationship between the Crown and its servants. However, a contrary view of the status of civil servants has been taken by the Divisional Court (May LJ and Roch J) in the very recent "Bruce Judgment", with wide implications.

3. The litigation concerned a former member of staff in the Inland Revenue. Mr Bruce had appealed against his dismissal by that Department for unsatisfactory

performance to the Civil Service Appeal Board. The Board upheld the Department's decision and Mr Bruce then sought judicial review of the CSAB's decision on the ground that they had acted unfairly in failing to give reasons for it. The High Court identified two questions arising from the application: (1) was the Board's decision subject to judicial review, and (2) if it was, should Mr Bruce be granted relief?

4. The answer to the first question posed by the Court turned upon whether or not an issue of public law was involved. The Court considered that a material consideration was whether or not the applicant had a contract of employment (that is, a contract of service) with the Crown. The Attorney-General had intervened in the proceedings through Treasury Counsel in order to address the Court on the nature of the relationship between the Crown and its civil servants based upon the Law Officers' 1986 Opinion. Counsel will see the arguments put forward on both sides from the transcript of judgment supplied earlier.

5. The Divisional Court concluded that, although the Crown was capable of entering into contracts of employment with its civil servants, on the basis of the law and the evidence in the case it had not done so. The Court asserted that the "critical question" was "whether there was indeed an intent to create legal relations, namely, in the context of the present case, a contract between the Crown and the applicant which was to be enforceable in the Courts". The Court found that it had not been shown "that prior to about 1985 the Crown intended that civil servants should have contracts of employment". In the result, in the absence of a contract of employment, it was held that there was a sufficient public law element behind the applicant's dismissal and the hearing of his appeal by the CSAB to entitle him to apply for judicial review.

Nevertheless, the Court refused to exercise its discretion to grant Bruce's application on the basis that it would be more appropriate for him to seek a resolution of his dismissal dispute before an industrial tribunal. Mr Bruce is to appeal against the decision of the Divisional Court and, in that connection, the Crown has offered to indemnify him in respect of his legal costs; but more of this in relation to the contingency and timing aspects of this matter discussed later in these Instructions.

Implications of the "Bruce Judgment" for the industrial torts and industrial relations legislation

6. Clearly the "Bruce Judgment" has very wide and important implications for the Crown in respect of its relationship with civil servants. The decision has reactivated doubts and uncertainties which an appeal may or may not resolve. In particular, the judgment casts into doubt the applicability of general industrial relations legislation to civil servants and to the trade unions of which they are members. This is because the Divisional Court decision implicitly calls into question the basis of common law liability in tort for the organisation of industrial action.

7.

As Counsel appreciates, when a trade union or other person calls upon an individual to participate in a strike or other industrial action, it normally involves the member in a breach of his contract of employment and the trade union or other person in prima facie liability for the tort of inducing a breach of contract (or, perhaps more problematically, inducing a person to interfere with the performance of a contract). The judges in the "Bruce Judgment" have adopted the view that there is no contractual relationship between the Crown and its civil servants, whether in the form of a contract of

employment or otherwise. Seemingly, civil servants are appointed to an office in the service of the Crown. It appears to follow that, if civil servants are not engaged under contracts, they cannot be in breach of contract or be interfering with the performance of a contract to which they are a party by taking part in a strike or any other form of industrial action falling short of a strike (and which might otherwise involve an "ordinary" employee in a breach of his contract of employment). As an inevitable consequence of this position, it would seem that trade unions which number civil servants in their membership cannot be liable to the Crown at common law by calling upon civil servants to participate in industrial action; the otherwise generally applicable torts in this context would not be satisfied in the absence of an essential ingredient, namely an induced breach of contract. It is difficult to see what other legal cause of action the Crown might have against such trade unions in these circumstances (though the Crown may retain certain disciplinary remedies against individual civil servants in respect of particular forms of industrial action other than in relation to their own terms of employment). It is not considered productive to take account of certain vague but apparently developing torts, given some judicial recognition in recent cases, such as inducing a breach or otherwise interfering with the performance of a statutory duty: see Barretts & Baird v IPCS (1987) IRLR3.

8. If, in a trade dispute situation, trade unions representing civil servants cannot be liable at common law for organising them to take industrial action, the unions concerned would (in any attempted legal challenge) have no need to rely upon the immunity against action in tort provided by section 13(1) of the Trade Union and Labour Relations Act 1974 (c.52), as amended by section 3(2) of the Trade Union and Labour Relations (Amendment) Act 1976 (c.7), in respect

of certain acts done in contemplation or furtherance of a trade dispute. Even in the absence of a "trade dispute", as defined in section 29(1) of the 1974 Act (as amended by section 18(1) of the Employment Act 1982 (c.46)), for example a purely politically motivated strike, there would be no basic common law right of action by the Crown against the trade union concerned.

9. As Counsel is aware, provisions made in recent industrial relations legislation may operate to withdraw the otherwise applicable immunity in section 13 of the 1974 Act (as amended by the 1976 Act, section 17 (8) of and Schedule 2 to the Employment Act 1980 (c.42) and section 19(1) of and Schedule 4 to the Employment Act 1982)in certain specified circumstances. Of particular concern in the present context is the doubt raised necessarily about the applicability of Part II of the Trade Union Act 1984 (c.49) which relates to secret ballots before industrial action. Section 10 of the 1984 Act provides for the withdrawal of section 13 immunity where an act done by a trade union has induced a person to break his contract of employment or to interfere with its performance in circumstances where the union has authorised or endorsed the industrial action involved without the support of a secret ballot carried out in accordance with section 11 of that Act. Clearly, if trade unions representing civil servants have no need to rely on any statutory immunities, for the reasons given, to combat an action by the Crown in tort, any legislative qualifications on such immunities are entirely irrelevant. There is further anxiety concerning the proposed right of trade union members to a secret ballot before being called upon to take industrial action, as set out in item 1 of the Instructions on Part I of the Bill and in respect of which Counsel has drafted a clause. Although the draft provision is framed in terms of a new statutory right, and the High Court is empowered under it to make an order

irrespective of whether the act done by the trade union is or would be actionable in tort (or delict) at the instance of any person, the act in question relates to the inducement or likely inducement of union members to break or interfere with the performance of their contracts of employment. In the absence of any contractual relationship between the Crown and its civil servants, such a provision would be incapable, without more, of giving the new right to civil servant trade unionists.

The legislative proposal in outline

10. A number of legislative options have been examined to deal with what are perceived to be the implications of the "Bruce Judgment". Those implications may be extensive and consequently wide-ranging alternatives have been discussed. However, in the final analysis, consideration has been limited to what remedy might be capable of being achieved bearing in mind questions of scope and what might be appropriately included in the Employment Bill to be introduced immediately after Parliament reassembles in October. Options had been considered ranging through broad declarations that civil servants are employed under contracts of employment, the creation of a new statutory tort imposing liability on any person inducing civil servants to interrupt the normal performance of their duties to more limited statutory duties on trade unions to hold ballots before organising industrial action by civil servants or merely to modify the proposal in item 1 of Part I of the Instructions on the Bill.

11. Very broadly put, the option which has recommended itself to the approval of Ministers is to deem civil servants to have contracts of employment with the Crown for the purpose of establishing certain liability in tort and for the purpose of applying any relevant provisions in industrial relations legislation. The clear objective of the proposal is to accomplish no more than

return the legal position on the status of civil servants in the context of the industrial torts and applicable provisions of industrial relations legislation to what it was considered to be before the "Bruce Judgment" and as confirmed in the Law Officers' Opinion.

12. The effect of the preferred option is to deem a certain state of affairs to exist for the purposes of certain statutory provisions but, primarily and in addition, to deem a certain state of affairs to exist for the purposes of certain common law torts. As Counsel will know, certain Crown application provisions in employment legislation in effect deem civil servants to have contracts of employment for the purpose of enabling them to exercise particular individual employment rights such as the right not to be unfairly dismissed: section 138 of the Employment Protection (Consolidation) Act 1978 (c.44). I am not aware of any precedents in trade union, industrial relations or employment legislation (or in any other area of statute law) relating to the invention of an artificial element for the purposes of a liability in tort at common law. However, it is difficult to see what "technical" legal objections there might be in view of what may be regarded as an analogous situation concerning the application of certain enactments to Crown employment.

The relevant torts and industrial relations enactments

13. The relevant industrial torts: Since the middle of the nineteenth century C has enjoyed a legal right of action against A where A has induced B to break his contract with C to the damage of C: Lumley v Gye (1853)2 E & Bl 216. The essential ingredients of this tortious liability at common law are a degree of knowledge (of the contract) and intention (to procure its breach) in A

(ingredients gradually weakened over the years in industrial dispute cases), an inducement, a breach of contract, a causal link between the inducement and the breach of contract, damage and the absence of justification (an extremely limited defence element in the tort). The applicability of the tort to persons who organised industrial action in breach of the employees' contracts of employment was soon perceived: and the basic tort liability evolved and developed largely in the context of industrial dispute litigation. Perhaps the first modern authority in this process was Thomson v Deakin (1952)Ch 646 in which the Court of Appeal established the distinction between the "direct" and "indirect" forms of the tort. The landmark case of Rookes v Barnard (1964) AC 1129, a House of Lords decision, held that a threat to break or to induce a breach of a contract (of employment) gave rise to a liability in tort for civil intimidation. In Torquay Hotel Co v Cousins (1969) 2 Ch 106, in a Court of Appeal judgment recently affirmed by the House of Lords in Merkur Island Shipping Corporation v Laughton (1983) ICR 490, Lord Denning MR propounded an extention to the Lumley v Gye tort so as to create a liability in tort for interference with the performance of a contract falling short of a breach. In the Torquay case (as in the Merkur Island case) a force majeure clause in a commercial contract protected a party from an action in damages for non-performance of the primary obligation under it. On the assumption that in such circumstances there was no breach of contract, a third party inducing such non-performance could not take the benefit of the clause and was liable in tort to the party suffering loss. It is thought true to state that the extended tort liability has not arisen in industrial relations litigation other than in the context of an action relating to a commercial contract containing such an exemption clause.

14. The relevant industrial relations enactments: Section 13 of the 1974 Act, as amended, contains the basic immunity against action in tort and is a reflection of the earlier such immunities contained in the Trade Disputes Act 1906 (c.47) and the Trade Disputes Act 1965 (c.48) but modernised to take account of common law developments of the so-called "economic" or "industrial" torts. Section 13(1) provides that -

> "An act done by a person in contemplation or furtherance of a trade dispute shall not be actionable in tort on the ground only -
>
> (a) that it induces another person to break a contract or interferes or induces any other person to interfere with its performance; or
>
> (b) that it consists in his threatening that a contract (whether one to which he is a party or not) will be broken or its performance interfered with, or that he will induce another person to break a contract or to interfere with its performance".

The 1976 Act amendment extended the immunity to cover any contract as opposed to contracts of employment and included protection for the tort of interference with the performance of a contract (previously given statutory recognition in section 132 of the Industrial Relations Act 1971 (c.72)). Section 13(1) affords immunity for both the "direct" and "indirect" forms of the torts which it specifies (the latter form requiring proof of "unlawful means"); in Hadmor Productions Ltd v Hamilton (1983) AC 191, the House of Lords affirmed that the acts which section 13(1) declares to be not actionable in tort cannot amount to unlawful means for the purpose of any liability in tort. (For completeness, mention is made of section 13(4) which provides that an "agreement or combination by two or more persons to do or procure the doing of any act in contemplation or furtherance of a trade dispute shall not be actionable in tort if the act is one which, if done without any such agreement or combination, would not be

actionable in tort" In effect, it protects conspiracies to do an act within section 13(1) or amounting to a breach of contract.)

15. Section 29, as amended, provides the definition of "trade dispute"; that is, a dispute between "workers" and their employer which relates wholly or mainly to one or more of certain specified subject-matters. Subject to the special gloss on the meaning of "worker" in section 29(6), as amended, "worker" is defined in section 30(1) to include a person who works -

> " ... in employment under or for the purposes of a government department (otherwise than as a member of the naval, military or air forces of the Crown or of any women's service administered by the Defence Council) in so far as any such employment does not fall within"

certain specified categories of employment, that is contracts of employment and certain contracts for services. Thus civil servants falling within the quoted definition can be parties to a "trade dispute"; and, by virtue of that definition, an organisation consisting wholly or mainly of civil servants can satisfy the definition of "trade union" in section 28(1)(a) of the 1974 Act.

16. Counsel's attention is drawn to paragraph 33(1) in Part IV of Schedule 1 to the 1974 Act. This provision, which relates to employment under the Crown, is a re-enactment of section 162 of the Industrial Relations Act 1971. It provides that, subject to the provisions of the paragraph, the provisions of the 1974 Act "shall have effect in relation to Crown employment and to workers in Crown employment as they have effect in relation to other employment and to other workers". Paragraph 33(2) defines "Crown employment" to mean "employment under or for the purposes of a government department or any office or body exercising on behalf of the Crown functions conferred by any enactment, otherwise than as a member of the naval, military or air forces of the Crown or of any women's

service administered by the Defence Council". Paragraph 33(3)(a) provides that "for the purposes of the application of the provisions of this Act in relation to Crown employment in accordance with" paragraph 33(1) "any reference to an employee shall be construed as a reference to a Crown employee" (that is, by virtue of paragraph 33(2), "a person who is for the time being in Crown employment or (where it has ceased) was in Crown employment"). It is believed that the primary reason for paragraph 33 was its application to the provisions on unfair dismissal which, at that time, were contained (as re-enactments of the 1971 Act provisions) in Part II of Schedule 1 to the 1974 Act. However, although the unfair dismissal provisions are now consolidated in the 1978 Act, paragraph 33 (as amended) remains. Nevertheless, it is considered that there must be real doubt as to whether that provision affords support for a contention that the immunity in section 13(1) of the 1974 Act has effect in relation to an inducement to break or otherwise interfere with the terms of service of a civil servant as it has effect in relation to an inducement to break or otherwise interfere with a contract of employment.

17. As mentioned above, industrial relations legislation placed on the Statute Book during this decade has made provision for the removal of the immunity afforded by section 13 of the 1974 Act in certain specified circumstances. Such provision is made in the following enactments -

(a) Section 16(2) of the Employment Act 1980;

(b) Section 17 of that Act;

(c) Section 14(1) of the Employment Act 1982;

(d) Section 14(2) to (4) of that Act; and

(e) Section 10 of the Trade Union Act 1984.

The provisoon in (a) relates to secondary picketing: that in (b) relates to secondary industrial action; that in (c) and (d) relates to pressure to impose union membership or recognition requirements; and that in (e) relates to ballots before industrial action. All of these provisions relate to section 13 of the 1974 Act. All of these provisions thus have a relationship with some or all of the torts specified in that section. All of these provisions therefore have a potential bearing on the current problem; though the most important might be said to be section 10 in Part II of the 1984 Act.

18. Whilst the secondary picketing provisions may well be of relevance in respect of industrial action by civil servants, it is unlikely that a trade dispute between civil servants and the Crown could give rise to a secondary industrial action situation, the Crown engaging (to use a neutral term) all civil servants. Again, although the applicability of the provisions referred to in paragraph 17(c) and (d) above to Civil Service disputes might have been difficult to envisage, it is necessary to bear in mind now the proposal in item 16 of the Instructions on Part I of the Bill to apply section 12 of the 1982 Act to the Crown.

19. It is perhaps worth mentioning here that section 14 of the 1974 Act, which provided trade unions with a virtual blanket immunity against action in tort, was repealed by the Employment Act 1982. The immunity of trade unions against action in tort is now the same as in relation to any other person under section 13 of the 1974 Act as amended and qualified by subsequent enactments. Section 15(2) et seq of the 1982 Act, as Counsel knows, provides a means for determining the tortious liability of a trade union where proceedings are brought against it by reference to a ground specified in paragraph (a) or (b) of section 13(1) of the 1974 Act.

20. Finally in this Section of these Instructions, reference is made to section 138 of the 1978 Act mentioned in paragraph 12 above. Section 138(1) provides that, subject to the provisions of the section, certain parts of the 1978 Act "shall have effect in relation to Crown employment and to persons in Crown employment as they have effect in relation to other employment and to other employees": see section 138(2), (3) and (4) for the meaning of "Crown employment". Section 138(7) provides that, for the purposes of the application of the provisions of the 1978 Act in relation to Crown employment in accordance with section 138(1), "any reference to an employee shall be construed as a reference to a person in Crown employment" and "any reference to a contract of employment shall be construed as a reference to the terms of employment of a person in Crown employment". Counsel for Mr Bruce submitted that this and similar provision in other legislation was evidence that Parliament has taken the view that no contract of employment exists between the Crown and its civil servants. It is understood that in reality these enactments, and earlier similar provisions, were designed to maintain a neutral stance in statute law as regards the status of civil servants and to be without prejudice to the true legal nature of their relationship with the Crown today: and see also the end words of paragraph (c) of the definition of "worker" in section 30(1) of the 1974 Act.

The Instructions

21. Counsel is requested to draft a provision which will have the effect of treating the terms of employment of a person in Crown employment as if they constituted a contract of employment for the purposes of ensuring that -

(a) third persons are liable in tort as indicated below; and

(b) certain statutory provisions, as also indicated below, apply in relation to such potential tort liability.

22. The expression "terms of employment of a person in Crown employment" is taken from section 138(7) of the 1978 Act. The expression "a person in Crown employment" is intended to mean "a person in employment under or for the purposes of a government department or any officer or body exercising on behalf of the Crown functions conferred by any enactment otherwise than as a member of the naval, military or air forces of the Crown or of any women's service administered by the Defence Council".

23. The expression "contract of employment" would presumably bear the same meaning as in section 30(1) of the 1974 Act.

24. As regards the purpose enunciated in paragraph 21(a) above, it is intended that a third person (including a trade union) who induces a person in Crown employment to break his terms of employment or to interfere with the performance of such terms is to be treated as if he had induced that person in Crown employment to break a contract of employment or to interfere with its performance provided all other necessary elements of these torts are satisfied but subject to the application of any immunity contained in section 13 of the 1974 Act as amended and qualified. A similar treatment is requested in relation to a threat by the third person to do any of the acts in question.

25. Section 13(1) of the 1974 Act, when broken down, is found to contain references to seven separate tortious acts. In relation to the potential liability in tort which it is intended to impose on third persons by reference

to the contractual element in the tort, regard is had to the kinds of torts which would be committed where a trade union calls upon ordinary employees to participate in industrial action. Section 10(1) of the 1984 Act is of particular significance here; and Counsel will note that the subsection refers to two separate torts, namely inducing a person to break his contract of employment and inducing a person to interfere with its performance. Although (for policy reasons) section 10(1) does not extend to threats to commit such acts, it is intended that the liability in tort referred to in paragraph 21(a) above should, as indicated in paragraph 24 above, extend to threats (which would give rise to a potential liability in tort for civil intimidation).

26. It is considered that treating the terms of employment of a person in Crown employment as a contract of employment for the purpose of certain tort liabilities would (at least arguably) not in itself be sufficient to apply section 13(1) of the 1974 Act and what may be called its "associated provisions" in respect of the artificially created tort liabilities. The statutory provisions in question refer to actual and subsisting contracts (of employment). It therefore seems necessary also to ensure that the terms of employment of a person in Crown employment are treated as if they constituted a contract (of employment) for the purposes of section 13(1) of the 1974 Act; cf. in addition, specific references to "a contract of employment" in section 17(1)(a), (2), (3), (4)(d) (though application of the provision to the civil service situation very doubtful); in section 14(2) and (4) - it is noted that Instructions on Part I of the Bill propose amendment - though application unlikely in the civil service situation; and in section 10(1) and 11(1)(a) and (4)(a) and (b) of the 1984 Act; and also in the Bill, draft clause 1(1).

27. As noted earlier, the general aim of the proposal is to ensure that the Crown (and possibly other parties where commercial contracts may be involved) have a cause of action in tort against trade unions which organise industrial action by civil servants subject to any applicable statutory immunities. It is not intended to place such potential defendants in any different legal position viz-a-vis the common law or the relevant industrial relations legislation to that which had been considered to exist prior to the "Bruce Judgment".

28. Counsel is requested to draft accordingly an appropriate provision, bearing in mind the considerations set out in the next and final Section of these Instructions.

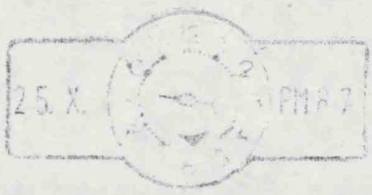
The timing considerations

29. As mentioned earlier in these instructions, Mr Bruce has decided to appeal against the Divisional Court decision and the Treasury Solicitor's Litigation Division are in touch with his Solicitors about his legal costs. It is intended that the Notice of Appeal is so drawn as to clearly raise the issue which is of concern to the Government and that it is fully argued by Treasury Counsel before the Court of Appeal in the hopeful expectation that it will be decided one way or the other. If the Notice of Appeal, now being settled by Mr Bruce's Counsel, is acceptable to the Treasury Solicitor's Department, a firm arrangement can then be concluded with Mr Bruce's Solicitors concerning the costs of the appeal. Of course, there can be no cast iron guarantee that the point concerning the status of civil servants will be directly addressed and decided upon by the Court in its judgment.

30. Although at one stage it was thought that the appeal might come on in the Autumn, it is now considered doubtful whether it will be heard before the new year. That is, unless an application (the likely success of which is somewhat doubted) to expedite the hearing of the appeal is made to the Court, presumably on the ground that serious difficulties arise in view of the continuing uncertainty about the true legal nature of the relationship between the Crown and its civil servants. In any event, it is quite clear that the appeal will not be heard before the proposed time of introduction of the Employment Bill immediately after Parliament resumes in October.

31. Ideally, the Government would not wish to introduce this legislative proposal if the Court of Appeal decided that civil servants do have contracts of employment. It would be awkward and embarrassing to have included a provision in the Bill on introduction and shortly afterwards to hear the Government arguing in the Courts that civil servants now have contracts of employment.

32. However, if the Court of Appeal clearly decided against the Government's contention or does not satisfactorily deal with the issue in question, does Counsel consider that there would be any difficulties about introducing the legislative proposal by an amendment (bearing in mind the possibility, at least, that the appeal hearing and judgment may arise when the Bill is in the House of Lords)? Presumably, there could be problems if the proposal is considered to be out of scope and not relevant to the subject-matter of the Bill. Counsel's views on this matter would be particularly welcome at this stage. If the view was taken that there might be difficulties about including the provision in the Bill by amendment, consideration would clearly need to be given to including the provision in the Bill on its introduction, despite the



awkwardness and embarrassment mentioned above and the unusual nature of such an important legislative amendment based as it would be on the views of a Divisional Court. In this connection, perhaps Counsel could also make reference to the Parliamentary procedure whereby an instruction may be given by the House of Commons to a Standing Committee to consider an amendment to a Bill which otherwise would be outside its scope. If a provision were to be included in the Bill on its introduction and the Court of Appeal decided in favour of the Government's contention on the status of civil servants, presumably consideration would need to be given to removing the clause concerned.

Treasury Solicitor's Department
Department of Employment Division
September 1987.

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

7 September 1987

CIVIL SERVICE NUMBERS

The Prime Minister has seen your minute of 2 September to Andy Bearpark here, which she has noted without comment.

M. E. Addison

Ms. Jill Rutter,
H.M. Treasury.

005/4206

Prime Minister (2)

MEA 2/9

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

Andrew Bearpark Esq
Private Secretary
10 Downing Street
London
SW1

2 September 1987

Dear Andy

CIVIL SERVICE NUMBERS: 1 JULY 1987

You may like to let the Prime Minister know that at 1 July 1987 there were 584,180 civil servants in post. This is a reduction of 13,634 since 1 April and is 148,095 (20.2%) below 1 April 1979.

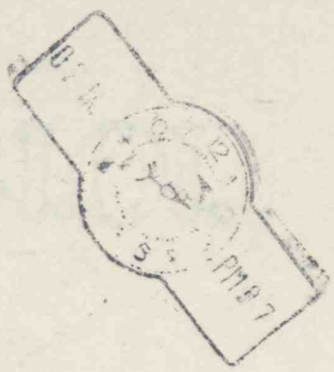
A large net reduction had been expected in the April-June quarter, which saw the introduction of commercial management at the Rosyth and Devonport dockyards; this factor reduced MOD's numbers by around 16,500. The quarter also saw a sharp rise in DHSS numbers - some 4,200, reflecting increased recruitment for local offices in respect of (a) the Complement Review and (b) the implementation of the social security reforms.

We propose to publish the 1 July figures within the next week by means of a Treasury Press Notice.

Yours,

Jill Rutter

JILL RUTTER
Private Secretary



PRIME MINISTER

DOE ACHIEVEMENTS

I am not sure when you intend to refer to the DOE achievements which Mr. Ridley mentioned to you. But they were:

- new UDCs getting underway, with those in the Black Country and Trafford Park going particularly well;

- Canary Wharf agreement reached;

- housing policy sorted out;

- mini-UDCs beginning to get underway;

- agreement reached on the untying of most departments from PSA;

- radical proposals being developed on the Crown Suppliers;

- Hampton Court (seems too small to mention).

DAVID NORGROVE

29 July 1987

VC2APP

file
DAISLE

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

DIRECT ENTRY GRADE 7 (PRINCIPAL) RECRUITMENT

The Prime Minister has seen your minute of 23 July about a Direct Entry Grade 7 (Principal) Competition.

The Prime Minister agrees that such a competition should be held and she would like the necessary arrangements to be made urgently

She was surprised to see the reference in your letter to the shortage of staff at Grade 7 level in the Department of Trade and Industry, and the preliminary bid from that Department of ten posts. She believes that the DTI has far too many staff and has asked whether some might not be transferred to other Departments. She cannot believe that the Secretary of State has agreed the bid for ten additional posts.

N. L. WICKS
24 July 1987

Ref. A087/2208

PRIME MINISTER

Direct Entry Grade 7 (Principal) Recruitment

You asked me to consider whether we should hold a Direct Entry Grade 7 (Principal) competition. The short answer is that I think we should, for the reasons set out below.

2. There is strong, in some cases urgent, support for such a scheme in a number of Departments. I attach a table which sets out their preliminary bids; these show a total shortfall of some sixty places after taking account of some interchange of staff between Departments and of likely promotions from more junior grades inside the Service. If the competition goes ahead, these figures will need to be refined, but they give a reasonable indication of the size of the demand.

3. Much of the demand arises in Departments which are at the forefront of major Government initiatives. Sir David Hancock has told me that the Department of Education and Science is attempting to cope with a dramatic increase in work with no increase in staff: it has managed so far by various desperate devices (and by some imports) but cannot keep it up much longer. The Department of the Environment, which has the largest shortfall, says that it reflects the additional demand which has been created by the priority the Government is giving to legislation on housing, local government and water privatisation and to the inner cities initiative. The Department of Trade and Industry and the Treasury are among other Departments who are very short of staff at Grade 7. Against this background a direct entry competition might well provide Departments with modest extra resources which they badly need at a time of particularly heavy pressure.

4. It would be important to ensure that the competition, if held, was not at the expense of bringing on internal talent. Departments

do not believe that this would be the case. The number of resignations, retirements and promotions of administrative Grade 7s in recent years has been higher than the number of staff promoted from lower levels (an average of 528 per year compared with 499 per year). In particular, wastage of fast stream staff at Grade 7 has risen from an average of some 2 per cent per year (under 20 resignations) until and including 1984 to over 4 per cent in the last two years: a loss of 40-50 staff each year. Some of this shortfall has been filled by transferring staff from specialist areas and there has been a steady drive for some years to bring on the more talented junior civil servants and to use them more effectively. The proposed competition would permit civil servants in more junior grades to compete on equal terms with external applicants. I therefore see no diminution in opportunity for talented junior staff.

RTA

ROBERT ARMSTRONG

23 July 1987

PRELIMINARY BIDS FROM DEPARTMENTS

Cabinet Office	2
Department of Education and Science	6
Department of Employment	5
Department of Energy	2
Departments of Environment and Transport	12
Department of Health and Social Security	5
Home Office	2
Inland Revenue	4
Lord Chancellor's Department	1
Ministry of Agriculture, Fisheries and Food	1
Department of Trade and Industry	10
HM Treasury	6
Welsh Office	3
Total	59

No-cost
= David
Yong.

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

14 July 1987

The Prime Minister has seen and noted your letter of 10 July about Civil Service numbers as at 1 April 1987.

P.A. Bearpark

Miss Jill Rutter
HM Treasury.

003/4206

Prime Minister 2

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

P A Bearpark Esq
Private Secretary
10 Downing Street
London
SW1

10 July 1987

Dear Andy,

CIVIL SERVICE NUMBERS: 1 APRIL 1987

You may like to let the Prime Minister know that on 1 April 1987 there were 597,814 civil servants in post. This is lower by some 7,500 than the White Paper target of 605,300 because departments have been prevented by running cost limits and recruitment difficulties from filling their complements. The number of staff fell by 1,626 in the three months from 1 Janury 1987.

The reduction since 1979 is now 134,500 (18.4 per cent).

We propose to publish the 1 April 1987 figures within the next week through an arranged PQ.

Yours sincerely,

Jill Rutter

JILL RUTTER
Private Secretary


13. VII
AM

From: THE PRIVATE SECRETARY

CC BG.
CC BT

NORTHERN IRELAND OFFICE
WHITEHALL
LONDON SW1A 2AZ

Prime Minister

M Eland Esq
PS/The Lord President of the Council
Privy Council Office
Whitehall
LONDON SW1

10 July 1987

Dear Mike,

EQUALITY OF OPPORTUNITY IN EMPLOYMENT

You will recall that H Committee agreed in July 1986 to my Secretary of State publishing a consultation paper which set out proposals for strengthening, through new legislation, the arrangements for preventing discrimination in employment in Northern Ireland. The paper was published last September and, as had been agreed by H, put forward two separate structural options: a single body covering discrimination on grounds of religious and political belief, sex and disability; and the restructuring only of the existing body dealing with religious/political discrimination, while leaving untouched the system dealing with discrimination on grounds of sex or disability.

In the light of comments received on the Consultation Paper, and taking account of the discussion in H Committee, my Secretary of State proposes to proceed with taking measures to deal with religious discrimination by itself.

The consultation period ended on 31 March. The issue of religious discrimination is of major importance in Northern Ireland. Growing pressure in the United States, based on the "MacBride Principles", is likely to deter the fresh American investment which Northern Ireland greatly needs.

My Secretary of State now intends to make an interim statement, announcing his decision to proceed with measures on religious discrimination alone, and listing some specific interim measures which can be taken in advance of legislation. The Foreign and Commonwealth Office has suggested that such a statement would be

very helpful to our efforts to counter the MacBride Principles in the United States. I attach the text of a planned Parliamentary answer, to be given in the next few days.

I am copying this letter to the Private Secretaries of the Prime Minister, members of H Committee, the Foreign and Commonwealth Secretary and of Sir Robert Armstrong.

Yours sincerely,
Alan Masefield

R MASEFIELD
Private Secretary

To ask the Secretary of State for Northern Ireland, what action he proposes to take in the light of the responses to the Consultative Paper "Equality of Opportunity in Employment in Northern Ireland"?

There has been a general welcome and a substantial number of responses to our Consultative Paper. Further consultation is proceeding and we expect to receive shortly a report on the outcome of the current review of anti-discrimination legislation being undertaken by the Standing Advisory Commission on Human Rights. In the light of these I wish to proceed as quickly as possible to bring new measures into effect.

A Major issue raised in the Consultative Paper was whether change should concentrate on the single dimension of religion, or also encompass sex and disability. In the light of the comments received, I have decided to concentrate legislative and other action on the vital religious issue. The promotion of equality of opportunity in relation to sex and disability will continue to be addressed in the same way as in the rest of the United Kingdom.

Work has now started on the preparation of new measures. It will proceed in parallel with further consultations, and consideration of the Standing Advisory Commission's report. Detailed proposals will be brought forward as soon as practicable.

Pending the new measures, action is now being taken, in respect of the religious dimension, to strengthen the promotion of equality of opportunity in employment. A new Guide to effective practice will be published in September. It will make clear our commitment to ensuring the recruitment, selection and promotion take place solely on the basis of merit; and to the active promotion of employment equality through "affirmative action" measures where necessary. We shall also be introducing a support scheme to assist employers to improve the practice of employment equality in the private sector. Educational initiatives, in both the public and private sectors, will be carried forward over the next few months by the Departments of Finance and Personnel, and Economic Development. In advance of the wider changes to its role which we envisage, the Fair Employment Agency will be provided with additional resources, and we shall discuss with the Agency how they can best be deployed.

The Government is totally committed to equality of employment opportunity for both communities in Northern Ireland. These measures demonstrate the further progress we will be making to fulfil that commitment.



10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

I have shown the Prime Minister your minute of 13 May about the gathering on Friday 5 and Saturday 6 June at the Civil Service College at Sunningdale which is to be attended by 15 Permanent Secretaries and 15 Chairman and Chief Executives of industrial and commercial firms.

The Prime Minister agrees that this confabulation can proceed, even though the General Election is imminent.

N.L. WICKS

14 May 1987

Prime Minister

Agree that this congratulation can proceed, despite the Election?

N.L.W 13.5

Ref. A087/1353

MR WICKS

Yes

Every year, for many years now, we have held a two day gathering at the Civil Service College at Sunningdale which is attended by 15 Permanent Secretaries and 15 Chairmen and Chief Executives of industrial and commercial firms. Lord Pennock and I are the joint Chairmen of this annual gathering, which is designed to bring about closer relations and understanding between senior members of the public service and senior people in industry and commerce. For this purpose the informal conversations which take place in the margins of the meeting are as important as the formal discussion sessions which constitute the programme.

2. This year's meeting is due to take place on Friday 5 and Saturday 6 June. I have been considering with Lord Pennock whether we need to cancel the gathering - it certainly would not be possible to find another weekend - because of the General Election. I hope that the Prime Minister will agree with our conclusion that we need not do so.

3. This is an annual event, which has taken place every year for many years, when both Conservative and Labour Governments have been in power. It has no political purpose or significance. It has never attracted any publicity, and is a totally confidential occasion. If it were to attract any questions on this occasion because of its proximity to the General Election, it would be possible to say with perfect truth that this was a long established, non-political, annual fixture and that the date for this year had been arranged months before the Prime Minister announced the decision to call a General Election for 11 June.

RA

ROBERT ARMSTRONG

13 May 1987


13. V.
PM

MANAGEMENT IN CONFIDENCE

Ref. A087/1112

MR NORGROVE

NBPM.

Discretionary Pay at Grades 2 and 3

Thank you for your minute of 22 April. — at flap

2. You will presumably arrange for a Question to be put down on the Order Paper today, so that the Written Answer can be given tomorrow.

3. I have discussed with Mr Kemp the Prime Minister's question about the phrase "mark-time basis" in the second paragraph of the draft Answer. The concept of "mark-time" is well established in relation to Civil Service pay, and both of us are confident that it would be perfectly well understood by those affected: indeed, anything else might be less well understood. It means in effect that, if a decision is taken to withdraw somebody's discretionary increment, it is frozen, not increased as a result of any annual pay review, and is eroded as pay increases to the basic rate catch up with it and finally overtake it.

4. I am satisfied that the draft Answer can and should stand on this point as drafted.

5. I am sending copies of this minute to the Private Secretaries to the Chancellor of the Exchequer and the Minister of State, Privy Council Office.

RTA

ROBERT ARMSTRONG

22 April 1987

MANAGEMENT IN CONFIDENCE

PAYAAT

Civil Service. Pay PT17



file D13190

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

SIR ROBERT ARMSTRONG

DISCRETIONARY PAY AT GRADES 2 AND 3

The Prime Minister has seen your minute of 21 April about the proposed scheme for discretionary pay at grades 2 and 3.

The Prime Minister is content, subject to the views of colleagues, that the scheme should be announced tomorrow by means of a Written Answer (provided the Review Body announcements are also made tomorrow), and that discretionary increments should be fully pensionable. She had only one comment on the draft Answer, which was to question whether the phrase "mark-time basis" in the second paragraph would be understood.

I should be grateful if you could arrange for a draft Answer, revised to meet this point, to be sent to me today.

I am copying this minute to Alex Allan (HM Treasury) and Michael Stark (Office of Arts and Libraries).

D R NORGROVE
22 April 1987

FILE
DA

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

6 April 1987

Dear Jeanie

EQUAL OPPORTUNITIES IN EMPLOYMENT IN THE DEPARTMENT OF EMPLOYMENT GROUP

The Prime Minister has seen your letter of 6 April. She is content with the Paymaster General's modified approach, although she personally doubts whether many managers will really be able to make out a very good case for extra resources.

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

Yours ever

Andy

(P.A. BEARPARK)

Ms. Jeanie Cruickshank,
Paymaster General's Office.

Cc BG

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

Prime Minister!

Mr Clarke's proposed compromise whereby management do this but are strengthened if necessary seems sensible.

Content?

Yes - but doubt whether many managers will really make out a "good case"

PAB 1/4

P A Bearpark Esq
Private Secretary to
The Prime Minister
10 Downing Street
London SW1A

6 April 1987

Dear Andy,

EQUAL OPPORTUNITIES IN EMPLOYMENT IN THE DEPARTMENT OF EMPLOYMENT GROUP

Thank you for your letter of 23 March. at Hup Pt 20

The Paymaster General recognises the Prime Minister's concerns about the establishment of 11 HEO posts to assist equal opportunity officers. These proposed appointments would not have imposed an additional bureaucratic layer in the way that advisers in some local authorities have done, but would have provided practical support for line and personnel managers in adapting the Department's policies and procedures to ensure fair job opportunities for people from ethnic minorities. He acknowledges however that the appointment of individuals to separate and specially identified posts could be misrepresented in public debate and he is content on reflection not to make such appointments.

The Paymaster General nevertheless remains convinced that this Department - in the lead for Government in promoting equal opportunities across the whole employment field - must be seen to make better progress than it has so far done. He would want to demonstrate that there is a sensible alternative to the policies of radical local authorities and he wishes to dispel the impression that the Government has no alternative and is merely passive on the subject. The small number of ethnic minority people in positions of senior responsibility in the Civil Service is, in his view, an embarrassment, and a lever for critics. Delivery of services in inner city areas, where ethnic minorities are concentrated, will moreover be more effective and credible if our approach to equal opportunities is plainly fair and our practices command confidence locally. We cannot claim that this is entirely the case as yet.

Achieving the necessary improvement demands fresh effort from management in areas like training and communications. Present personnel and line management resources, already stretched by

the demands of major new employment programmes like RESTART and New JTS and of Service-wide management initiatives, cannot as they stand be relied upon to provide this additional effort consistently enough. They may well need some filling out if the key managers are to be able to pay proper attention to this subject. The Paymaster General therefore envisages that - within the Department's existing total budget and manpower provision and by a modest adjustment of priorities - we should be prepared to make available a limited extra amount of staff resource if managers made a good case for it in their particular circumstances. This would not entail designating particular full-time posts as related to ethnic minority work. Any extra resource would be integrated within existing line or personnel management structures and functions. As a practical matter, however, it would be allocated primarily to strengthen the backing of managers in inner city areas.

Mr Clarke hopes the Prime Minister will agree that this modified approach improves the prospect of a needed change in attitudes and practices, but without the risk of misinterpretation or appearing to detract from line management responsibility for implementing equal opportunities policies and initiatives. He is convinced that we will see no change at all in the present position on the ground unless there is some re-allocation of staff resources.

He would, of course, be happy to discuss with the Prime Minister if she would like further clarification of what is involved.

I am copying this letter to Andrew Lansley (Office of the Chancellor of the Duchy of Lancaster), Jill Rutter (Chief Secretary's Office) and Michael Stark in Mr Luce's office.

Yours,

Jeanie Cruickshank

JEANIE CRUICKSHANK
Private Secretary

CIVIL SERVICE - Long Term Policy

PE21



nbpm

QUEEN ANNE'S GATE LONDON SW1H 9AT

6 April 1987

Dear Kenneth,

EQUAL OPPORTUNITIES IN EMPLOYMENT IN THE DE GROUP

I have followed closely your correspondence with Norman Tebbit and John MacGregor about your proposals for improving equal opportunities in the DE group.

Equality of opportunity in employment is still a goal to be sought after, not something we have yet achieved. In the economy at large, it remains true that people from ethnic minorities are disadvantaged when seeking work. The 1984 Labour Force survey showed that it is not only members of ethnic minorities without marketable qualifications who experience discrimination, but - even more - those who have worked to equip themselves with qualifications. Departments must therefore take the necessary action, with due regard to resources, to ensure that they themselves are fully implementing the Government's equal opportunities policies and avoiding discrimination, both direct and indirect.

The key role of the DE group in this whole area is clear. When working with outside employers to secure equal opportunities in all its training and employment programmes it needs to be able to demonstrate that equal opportunities policies are thoroughly understood and put into practice throughout its very broad and varied workforce. Whether you need as many as eleven full-time HEO posts is not for me to judge. No doubt you are considering whether the objective can be achieved using fewer resources. What I am concerned about is that the vigorous action which we must take to oppose the damaging "anti-racist" policies pursued by some few local authorities of the far left should not damage responsible action to widen recruitment fields and improve employment practice and service delivery so as to ensure real equality of opportunity.

It is not enough that we have legislation in place; a lack of willingness to take active steps to eliminate discrimination will in the longer term damage our hopes of tackling the complex problems of our inner cities and maintaining a socially cohesive society. An increasing number of private sector firms and bodies like the Metropolitan Police are working responsibly to make their equal opportunities policies a reality. If there are doubts about the effectiveness of equal opportunities policies on the ground in the DE group (and I understand that the Race Relations Employment Advisory Service report has raised some such doubts), then it is important

The Rt Hon Kenneth Clarke, QC., MP.

/over....

CIVIL SERVICE: Long Term Policy Pt 2 /

that you should be seen to take steps designed to remedy the situation. Even if, on reflection, you decided to modify your original proposals, I very much hope that any revised plan will be capable of fulfilling your original intention of ensuring that the Government's declared policy on equal opportunities is fully realised in the DE group.

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



Yours,

Douglas

jvp/33

CONFIDENTIAL

CCBS

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

PAB o/r
I had a word with PBng.
Can we have a word too?
MGA

Letter in draw.
Await next attempt.

P A Bearpark Esq
Private Secretary
to the Prime Minister
10 Downing Street
LONDON
SW1A 2AA

1 April 1987 3/4

Dear Andy,

EQUAL OPPORTUNITIES IN EMPLOYMENT IN THE DEPARTMENT OF EMPLOYMENT GROUP

Thank you for your letter of 23 March.

The Paymaster General has considered the Prime Minister's concerns about the establishment of 11 HEO posts to assist equal opportunity offices (HEOs) and appreciates the reasons for these. He does not believe that these apppointments would impose an additional bureaucratic layer in the way that advisers in some local authorities have done. He sees their function as providing sensible support for line and personnel managers to assist them to adapt the Department's policies and procedures to ensure fair opportunities in employment for people from ethnic minorities. He acknowledges, however, that their functions could be misrepresented; and on reflection he agrees that we should not make such appointments.

The Paymaster General is however convinced that this Department has to make more progress in this as it has the lead for the Government in promoting equal opportunities across the whole employment field. He would want to demonstrate that it is possible to have a sound alternative to the controversial policies of radical local authorities and wishes to dispel the impression that the Government has no alternative and is inactive on the subject.

The small number of black or Indian people in positions of responsibility in the Civil Service is in his view a source of embarrassment and a useful cause to troublemakers and critics. Delivery of services in inner city areas, where ethnic minorities are concentrated, will be more effective and credible if our approach to equal opportunities is demonstrably fair and our recruitment practices have the confidence of the local population.

The Paymaster General's view is that existing personnel and line management resources are insufficient for the purpose. Having firmly rejected the idea of quotas, he considers it essential that we provide a limited amount of extra staff time within existing budget and manpower provision by a modest reallocation of priorities. He will instruct Management in each part of the DE Group to deploy these resources without designating new full-time posts of the kind he first proposed. The principles he will expect management to apply will be that any extra resource would be concentrated in inner city areas and would be integrated into existing line or personnel management structures.

Mr Clarke hopes the Prime Minister would agree that his modified approach improves the prospect of a change in attitudes and practices without the risk of misinterpretation or appearing to detract from line management responsibility for implementing equal opportunities policies and initiatives. He is convinced that we will see no change at all in the present position on the ground if we make no change in the use of staff resources.

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,

Jeanie Cruickshank

JEANIE CRUICKSHANK
Private Secretary

CIVIL SERVICE

LONG TERM

PT 20



PART 20 ends:-

AS TO EMP 23.3.47

PART 21 begins:-

EMP TO AS 1.4.47



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