PREM 19/3629

Part 22.

MT.

Confidential Filing.

Long Term Management and Manpower Policy.

Financial Management

Slimming Down of Local Authority Staff

Staff Performance-Related Pay.

Departmental Annual Reports – in folder. Made to measure

CIVIL SERVICE

Part 1: March 1979.

Part 22: Jan 1989.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~5.1.89.~~							
~~12.1.89~~							
~~23-3-89~~							
~~5/4/89~~							
~~7.4.89~~							
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~~14.6.89~~							
~~14.9.89~~							
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~~28.11.91~~							
~~16.1.92~~							
12.3.92							

PREM 19/3629

NOT TO BE DESTROYED
HISTORICAL VALUE

CLOSED

PART 22 ends:-

COL to SSINI 26.92

PART 23 begins:-

Mf to PM. 9.7.92

MANAGEMENT IN CONFIDENCE

CABINET OFFICE
70 Whitehall, London SW1A 2AS
Telephone 071-270 0400

Chancellor of the Duchy of Lancaster

Kb4121

Rt Hon Sir Patrick Mayhew QC MP
Secretary of State
Northern Ireland Office
LONDON
SW1A 2AZ

2 June 1992

Dear Paddy,

DELEGATION OF RESPONSIBILITY FOR MANAGEMENT IN THE CIVIL SERVICE

Thank you for your letter of 26 May about this, which Tommy Arran and Robert Jackson discussed at LG this morning.

I understand that, as LG requested, you have now received policy clearance from the Prime Minister, Tony Newton and Treasury Ministers to add a clause which will enable you to reproduce the delegation powers of the Bill in a new Northern Ireland Order in Council under the negative resolution procedure. I too am content for the clause to form part of the Bill.

As you know, our officials had already arranged for a suitable clause to be drafted by Parliamentary Counsel against this possibility. My officials will be in touch with yours for any necessary briefing.

I am copying this letter to the Prime Minister, Norman Lamont, and Tony Newton; and to Sir Robin Butler and First Parliamentary Counsel.

Yours ever,

WILLIAM WALDEGRAVE

MANAGEMENT IN CONFIDENCE

CIVIL SERVICE:
Long Term Pol Pill

Chancellor of the Duchy of Lancaster

CABINET OFFICE
70 Whitehall, London SW1A 2AS
Telephone 071-270 0400

Kb4075

William Fittall Esq
Private Secretary to
the Secretary of State
for Northern Ireland
Northern Ireland Office
LONDON
SW1A 2AZ

28 May 1992

Dear William.

CIVIL SERVICE (MANAGEMENT FUNCTIONS) BILL

Your Secretary of State wrote to the Chancellor of the Duchy of Lancaster on 26 May seeking agreement to the inclusion of a clause in the Civil Service (Management Functions) Bill to enable Orders in Council relating to the management of the Northern Ireland Civil Service to be made under the negative resolution procedure.

LG Committee will be considering the draft Bill at its meeting on 2 June and assessing its suitability for early introduction in the Lords. This does not leave sufficient time to gain policy approval for your Secretary of State's proposal before LG but I understand that one of your Ministers hopes to attend the meeting and to raise the question in discussion.

As you may know, an appropriate clause has already been drafted in an alternative version of the Bill. However, LG will need to be satisfied that the inclusion of the Northern Ireland clause will not affect the handling of the Bill. In particular Ministers will want to assess the extent to which the proposal might influence the reception of the Bill in the House and any other political factors that may arise before reaching a final conclusion.

I am copying this to the Private Secretaries whose Ministers received copies of yours; and to Sir Robin Butler and the First Parliamentary Counsel.

Yours sincerely,

A T CAHN
Principal Private Secretary

Northern Ireland Office
Stormont Castle
Belfast BT4 3ST

The Rt Hon William Waldegrave MP
Chancellor of the Duchy of Lancaster
Cabinet Office
Horse Guards Road
LONDON
SW1P 3AL

26 May 1992

Dear William:

DELEGATION OF RESPONSIBILITY FOR MANAGEMENT IN THE CIVIL SERVICE

The purpose of this letter is to seek agreement to the inclusion of an enabling clause in the Civil Service Management (Delegation of Functions) Bill to permit a Northern Ireland Order in Council for "corresponding purposes" under the negative resolution procedure. I understand that, subject to LG committee agreement, the Bill could be introduced in the House of Lords before or immediately following the Recess.

I appreciate that this is rather short notice but although there has been regular contact between our officials we had, until the last week or so, believed that any change in the Northern Ireland position (which is governed by the Civil Service (Northern Ireland) Order 1986) to mirror GB could have been effected by a prerogative order without Parliamentary procedure.

We have since had legal advice which indicates that this is no longer tenable and that to put delegation of management functions in Northern Ireland beyond legal challenge by NICS Trade Unions, and to provide the same sort of administrative flexibility as is envisaged in GB, it would be prudent to proceed by primary legislation. Obviously we could do this by way of a Northern Ireland Order in Council using the normal procedure but this is a lengthy process

which would leave us out of step with GB for a period during which Northern Ireland Trade Unions, alerted by the passage of the GB legislation, might attempt to make mischief. The other consideration, of course, is that we only learned of the acceleration of the timetable for the GB legislation on 8 May.

Given the merits of remaining in step with GB, I believe that it would be desirable, if at all possible, to insert an enabling clause in the GB Bill to allow us to legislate to the same effect in Northern Ireland immediately following the GB legislation. Like you, I regard the measure as essentially technical and do not consider the use of the negative resolution procedure in this case to be controversial in Northern Ireland terms.

If you and copy recipients are content with this proposal, Northern Ireland Parliamentary Counsel will liaise with GB Counsel on the enabling clause.

Copies of this letter go to the Prime Minister, the Chancellor of the Exchequer and the Lord President, and to Sir Robin Butler and First Parliamentary Counsel.

pso.jl/Burns/2.22.5.92

cc PO

HM Treasury

Parliament Street
London SW1P 3AG
Telephone 071-270 4360

Cf. Butler
Barry (o/r)
- to note

Sir Terence Burns
Permanent Secretary

PERSONAL AND MANAGEMENT IN CONFIDENCE

Sir R Butler KCB CVO
Cabinet Office
70 Whitehall
LONDON
SW1

22 May 1992

Dear Robin,

THE FUTURE OF FORWARD: CIVIL SERVICE CATERING

Hayden Phillips wrote to you on 17 February and the Economic Secretary subsequently wrote to the Prime Minister recommending that the proposed sale of Forward: Civil Service Catering should be brought forward from mid-1993 to mid-1992.

We have recently received a report from the Treasury's Head of Internal Audit which has identified a number of irregularities in Forward's South East operating region. These include stock losses and excessive claims for motor mileage allowance and there is sufficient prima facie evidence of fraud that we have decided to take the matter to the Police. It is possible that losses amount to £70,000. Brian Fox is meeting with the police today.

It is not clear at the moment whether the problems are restricted to one region or whether there is the possibility of similar irregularities in Forward's six other operating regions. However, we believe that we must get to the bottom of this particularly in view of the plans to privatise Forward. We are, therefore, in the process of engaging a firm of accountants to undertake an investigation on our behalf. We expect this work to take about eight weeks.

All of this clearly has implications for the timing of the sale. We are recommending to the Chancellor that the decision taken immediately before the Election to proceed with the sale as soon as possible should be put on hold pending the outcome of this investigation. At the very least this looks like delaying the sale by three months and possibly longer, depending on what the auditors find. I will let you know how things develop, but I thought it right to let you know immediately what has happened and the need to defer the sale.

I am sending a copy of this letter to Alex Allan at No 10.

Yours ever,

Terry

T BURNS

CIVIL SERVICE : Long [redacted]
Pblicy Pt 22

MANAGEMENT AND COMMERCIAL IN CONFIDENCE

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

12 March 1992

Dear Janet

THE FUTURE OF FORWARD - CIVIL SERVICE CATERING

The Prime Minister was grateful for the Economic Secretary's minute of 10 March indicating that he wished to plan for the sale of Forward, probably by means of a trade sale, later this year. No public announcement of the plan would be made at this stage.

The Prime Minister is content for the Economic Secretary to develop his plans for the sale of Forward as proposed.

I am copying this letter to Jeremy Heywood (H M Treasury) and Sonia Phippard (Cabinet Office).

Yours,

Barry

BARRY H. POTTER

Miss Janet Bailey,
Economic Secretary's Office,
H. M. Treasury

MANAGEMENT AND COMMERCIAL IN CONFIDENCE

Ref. A092/750

MR TURNBULL

The Future of Forward - Civil Service Catering

The Economic Secretary's minute of 10 March to the Prime Minister recommends that the privatisation of the Civil Service Catering Organisation (now trading as Forward) should go ahead after the Election.

2. This proposal is in line with earlier decisions taken on the future of Forward (Mr Potter's minute of 26 March 1991 recorded the Prime Minister's agreement to the reorganisation of CISCO prior to privatisation). The timescale agreed for the reorganisation provided for its completion by March 1993, with a view to sale shortly afterwards. The Economic Secretary now recommends that the date of sale should be advanced into 1992. This is based on advice from Price Waterhouse, which suggests that, in the light of longer term uncertainty about Forward's business, the price which might be raised from sale may fall between now and mid-1993.

3. The Economic Secretary recommends that work should be set in hand to prepare for an early sale (the earliest date at which an invitation to tender could be made is May 1992) but that no formal public announcement should be made at this stage. The decision to go ahead with the sale would then be announced as soon as possible after the Election.

4. I am satisfied that the arguments for bringing forward the sale are well based. I think that it also right to delay the announcement of the earlier sale until after the Election so that if a new Government were to wish to reconsider it, we should not have created extra uncertainty and possibly damaged Forward's prospects, whether in the public or private sector. I therefore recommend that the Prime Minister endorses the Economic Secretary's proposals.

F.E.R.B.

ROBIN BUTLER

11 March 1992

11.00
PM 32

47a/2 est.vd/docs/est.pm

FROM: ECONOMIC SECRETARY
DATE: 10 MARCH 1992

PRIME MINISTER

Prime Minister
Content to allow EST to plan for sale of Forward (ex CISCO) later this year. No public announcement would be made at this stage.
11/3

THE FUTURE OF FORWARD - CIVIL SERVICE CATERING

This minute recommends that the privatisation of CISCO (now trading as Forward) should go ahead after the Election. This would be earlier than planned.

2. You will recall that the Chancellor announced in March last year that he had decided that Forward should be reorganised with the aim of its transfer to the private sector. An immediate sale was not considered practicable at that time in view of the high redundancy costs involved, and because the lack of specified contracts between Forward and its customers meant that it was difficult to define the business for sale. A strategy for tackling these problems and for reducing Forward's overheads was put in place and it was announced that the reorganisation was expected to be completed by March 1993, with a view to sale shortly afterwards.

3. Despite good progress on the restructuring of Forward, with the appointment of a new Chief Executive and his deputy and the development of a cost reduction programme, I have concluded that the date of sale should be advanced into 1992. Staff turnover has slowed and the plans to replace departing permanent staff with agency staff have not progressed as quickly as expected. Uncertainty about Forward's future and our own drive to encourage market testing have deterred departments from entering into long term commitments. To date contracts have been put in place for only about 10 per cent of Forward's operations.

4. We therefore asked Price Waterhouse to review progress on efficiency improvements and advise on the sale value of the business, both on the original timetable ie mid-1993 and an earlier date in 1992. Their conclusion is that the current value of Forward is around £2.5 million: Price Waterhouse's view of what a prospective purchaser might be prepared to pay for the margin they could earn from running Forward's business for about a year, coupled with the prospect of retaining some departmental business in subsequent competitive tenders. Their view is that this may decrease between now and mid-1993.

5. Keeping to the original timetable has the advantage that it would allow the planned programme of efficiency improvements and other changes to feed through. However, these improvements are, in Price Waterhouse's view, unlikely to increase Forward's sale value. Delaying the sale also carries with it the danger that in the intervening period Forward's business will decline further, possibly to the point that it will no longer be viable. The only option then would be closure, with the Exchequer meeting the full cost of redundancy without offsetting sale proceeds.

6. The advice I have received is that the uncertainty about the longer term prospects for the business means that there are strong arguments on commercial grounds for going ahead with an early sale. On balance my view is that this is the right course of action. The most likely method of disposal is a trade sale to one of the large private sector catering firms. The Chief Executive has indicated that he would be interested in mounting an MBO. I see no objection to considering an MBO alongside bids from other prospective purchasers. However Price Waterhouse have expressed doubts about whether the management team will be able to raise the necessary finance.

7. There has been no legislation on Forward, and we have not therefore, as we usually do in large privatisations, been able to

eliminate the possibility that unjustified redundancy payments may be claimed by staff because of the interaction of the TUPE regulations with the rules of the Principal Civil Services Pension Scheme. There is no time for special legislation for an early sale, and the projected Employment Bill, which will amend the TUPE regulations and eliminate the problems, will not be enacted in time. It is therefore possible that so-called 'technical' redundancy payments may be claimed by staff: if this was successful, the total cost would be £8.5 million. (The Law Officers take the view that the Courts are not likely to agree, but cannot rule it out until the matter has been tested.) The risk may be less if we provide a guarantee of redundancy entitlements for a limited period after the sale, as we have agreed to do in other cases in order to secure staff co-operation.

8. The trade unions, whilst remaining opposed in principle, have now accepted the inevitability of privatisation and are seeking to obtain the most favourable outcome for staff. My own view is that a prospective purchaser is likely to want the sale agreement to provide for a substantial proportion of the redundancies and that we will have to meet a large part (if not all) of the £8.5 million redundancy costs as part of the sale. This would, however, be preferable to forced closure in a year or 18 months time, when these costs would have to be met with no offsetting sale proceeds.

9. The work required to prepare for a sale in 1992 will take some months to complete. The earliest date at which an invitation to tender could be made is May 1992. I therefore propose that work should be set in hand now to prepare for an early sale, but that no formal public announcement should be made at this stage. A decision to go ahead with the sale would then be announced as soon as possible after the election. I intend to retain Price Waterhouse to act as our advisers on the sale. As a further step in preparation for private sector competition I have agreed to an extension of Forward's market boundaries from Government Departments and to the wider public sector ie to include local

authorities and other public sector bodies. Once privatisation had been announced they would be allowed to compete in the private sector as well.

10. I should be grateful to know if you are content to proceed on this basis.

11. I am sending a copy of this minute to the Chancellor and to Sir Robin Butler.

J.M.

JOHN MAPLES

MANAGEMENT IN CONFIDENCE

A/EC0N/CIVIL

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

16 January 1992

CIVIL SERVICE MANPOWER

Thank you for your letter of 15 January giving the latest biannual report on the numbers of civil servants.

I submitted your letter to the Prime Minister yesterday evening. I can confirm that the Prime Minister is content for the staff in post figures to be announced by Parliamentary Written Answer.

BARRY H. POTTER

N.I. Holgate, Esq.,
H.M. Treasury.

MANAGEMENT IN CONFIDENCE

cst.ps/let/7dm14.1

MANAGEMENT IN CONFIDENCE

CCPS

Prime Minister
Content to let normal PQ to Answer go ahead?

BHP
15/1

Treasury Chambers, Parliament Street SW1P 3AG
071-270 3000
Fax 071-270 5456

Barry Potter Esq
Private Secretary
10 Downing Street
London
SW1A OAA

15 January 1992

Dear Barry,

CIVIL SERVICE MANPOWER

I am writing to give the biannual report on numbers of civil servants.

2. There were 561,903 civil servants in post on 1 October 1991, an increase of about 5,400 since 1 April 1991. In addition another 2,600 staff entered the manpower count having been omitted in error by departments from their previous returns. The number of civil service staff in post has now fallen by 170,372 since 1 April 1979, a reduction of 23.3 per cent.

3. The increase in staff numbers represents a cyclical increase in line with changes in the labour market and can be expected to be reversed when unemployment falls. (The Chief Secretary addressed this point in his letter of 18 November to ministers in charge of departments.)

4. The largest increase in staff numbers was recorded by the Department of Employment (3,730) due to the increased level of unemployment. Other notable increases were recorded by the Inland Revenue (1,570), the result of new work arising from the abolition of composite tax on bank and building society interest, an increase in self employed accounts and increases in both the number of higher rate tax payers and people receiving benefits in kind; and by the Home Office (1,590) which was mainly due to a large increase in the number of applications for political asylum. The Home Office also now includes about 2,100 secondees who were wrongly omitted from their previous returns; and MOD now includes about 500 staff on paid leave who were previously excluded.

MANAGEMENT IN CONFIDENCE

5. The largest reduction in the six months to the end of September was recorded by the Department of Social Security (1,140). This was due to the implementation of the Operational Strategy in the Benefits Agency. Other parts of DSS showed increases in staff due to higher workload. Another sizeable reduction was recorded by Property Services Agency Services (840) in preparation for privatisation.

6. It is customary to announce the staff in post figures in a Parliamentary Written Answer, which we propose to do along the lines of the attached draft. I should be glad to know if you are content.

Yours ever,

Nicholas

N I HOLGATE
Private Secretary

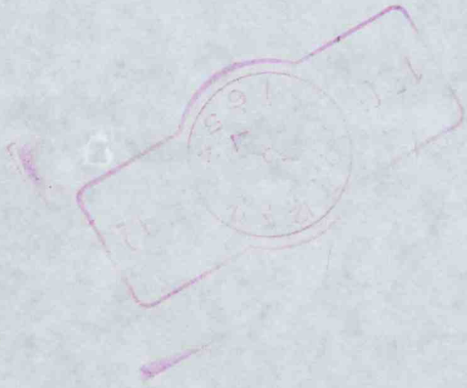
ANNEX

DRAFT WRITTEN PARLIAMENTARY QUESTION

To ask Mr Chancellor of the Exchequer, what was the number of staff in post in central government departments at 1 October 1991.

Draft Reply

On 1 October 1991 there were 561,903 staff in post in central government. Of those 498,735 were non-industrials and 63,168 were classified as being in industrial work.



CABINET OFFICE

OFFICE of the MINISTER for the CIVIL SERVICE

PRESS RELEASE

EMBARGOED UNTIL 1200 HOURS (NOON), FRIDAY 13 DECEMBER 1991

OMCS 12/91

13 December 1991

PUBLIC BODIES 1991

There was a further reduction in the number of non-departmental public bodies in the year up to April 1991, Civil Service Minister Tim Renton said today.

In reply to a written Parliamentary question from Andrew Mitchell, MP (Gedling) Mr Renton said:

"On 1 April 1991 there were 375 executive bodies, 1 more than last year; 874 advisory bodies, 97 less than last year; 64 tribunals, 2 less than last year; and 131 boards of visitors, 3 more than last year. In total there are 1,444 non-departmental public bodies - a fall of 95 over last year. Details can be found in *'Public Bodies 1991' published today. A copy has been placed in the Library of the House."

---

* 'Public Bodies 1991'. HMSO. Price £11.00. ISBN 0 11 430064 X.

Notes to Editors:

1. The numbers and cost effectiveness of non-departmental public bodies (NDPBs) continue to be kept under scrutiny. In January 1988 the then Prime Minister announced that the Government will continue to resist proposals for new NDPBs unless it can be clearly demonstrated that they are the most appropriate and cost effective solution, and that existing bodies will be subject to review.

2. 'Public Bodies 1991' is the tenth report in an annual series giving key statistics for a wide variety of public sector bodies including National Health Service bodies and nationalised industries as well as NDPBs. It includes the following information:

i) **Non-departmental bodies and NHS bodies**

- number of staff employed
- gross expenditure of body
- amount of expenditure funded by government
- (where available) expenditure by the body's sponsoring department in acting as a 'sponsor'
- appointments to boards (men and women shown separately).

ii) **Nationalised industries and public corporations**

- details of appointments to the board (men and women shown separately)
- address
- availability of the body's annual report

3. It also includes, for the first time, a set of charts showing:

- The number of Non-Departmental Public Bodies in 1979 and then annually from 1982 to 1991.

- Appointments to Non-Departmental Public Bodies by sex annually from 1987 to 1991.

- Total appointments by department and by sex for 1991.

- Gross Expenditure of Executive Bodies in 1979 and then annually from 1987 to 1991.

- Number of staff in Executive Bodies in 1979 and then annually from 1987 to 1991.

4. Twenty new executive bodies were set up in 1991 and 19 abolished; 6 new advisory bodies with 103 being abolished; and no new tribunals with 2 being abolished. There are now 1,444 non-departmental bodies compared with 1,539 in 1990.

5. Details are also given of the number of public appointments held by women. Of the 39,122 appointments to all public bodies, including NDPBs, nationalised industries, public corporations and National Health Service bodies, 29,987 (77%) are men and 9,135 (23%) are women. 14% of chairmen are women.

The Government wishes to see an increase in the proportion of women holding public appointments and in a recent initiative the Prime Minister wrote to Cabinet colleagues on 21 October asking Ministers;

* To appoint a Minister to take personal responsibility and to set appropriate but testing objectives and ensure that they are met. All departments have now appointed responsible Ministers.

* For names of women to be included on every shortlist for public appointment or good reasons to be given for their absence. A report back will be made to the Prime Minister in a year's time on progress.

6. Next Steps Agencies are part of the Civil Service and are not covered in 'Public Bodies'. Details can be found in 'Improving Management in Government: The Next Steps Review 1991' Cm. 1760. ISBN 0 10 117602.

Issued by:

Information Services Division
Cabinet Office (OMCS)
Government Offices
Horse Guards Road
London
SW1P 3AL

Tel: 071 270 6356

cc PM

The Rt. Hon. Peter Lilley
Secretary of State for Trade and Industry

N.S.P.M.
BHP
28/11

The Rt Hon David Mellor QC MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

Department of Trade and Industry

Ashdown House
123 Victoria Street
London SW1E 6RB

Direct line
071-215 4440

DTI Enquiries
071-215 5000

28 November 1991

Dear David

CIVIL SERVICE MANPOWER

I have seen a copy of your letter of 18 November to Tony Newton about planned increases in civil service manpower.

In the case of my own Department, the Insolvency Service has seen the annual rate of insolvencies and bankruptcies going up from under 12,000 to 28,500 this year - and the number is still rising. The Service has therefore had to improve its efficiency dramatically to handle this workload. In addition I am setting the Service a tough efficiency target for the coming year and absorbing some of the extra costs by improving efficiency elsewhere in the Department. I will certainly make this point, as you suggest, when our manpower plans published.

I am copying this letter to Sir Robin Butler.

Yours ever

Peter

PE12008

Recycled Paper

CIVIL SERVICE: POLAR PTZ2.

cst.ps/dr/ldm18.11

CONFIDENTIAL

Treasury Chambers, Parliament Street SW1P 3AG
071-270 3000
Fax 071-270 5456

The Rt Hon Tony Newton MP
Secretary of State for Social Security
Department of Social Security
Richmond House
79 Whitehall
London
SW1A 2NS

18 November 1991

Dear Secretary of State,

CIVIL SERVICE MANPOWER

The running costs settlements agreed in the Survey were tough, in large part because we clawed back over-provision for pay in 1991-92. But, in aggregate, departments' plans would increase the size of the civil service by around 10,000 between 1991-92 and 1992-93.

2. I would be grateful if you and colleagues could ensure the size of any increase in their department's manpower plans published next February reflects underlying needs. The increase in planned manpower between 1991-92 and 1992-93 for Social Security, Employment and Home Office together is around 20,000 offset by net reductions of 10,000 on other departments. Much of the increase is of course cyclical and can be reversed when unemployment falls again. Our expenditure and manpower plans reflect the stylised unemployment assumption which is flat by convention. But it will be important for you and Michael Howard to ensure that the increase in the size of the civil service to administer larger numbers of unemployment benefit claims and associated work can be readily reversed when unemployment falls. We will need to make this point clear when the manpower plans are published.

3. We also need to ensure our plans do not overstate the likely increase in the size of the civil service. Departments' manpower plans generally exceed their staff in post figures by around 2 per cent. It would be very helpful if, within the running cost provision agreed in the Survey, colleagues could pare back their

department's manpower complements to strip out any unrealistic manpower planning assumptions and ensure that the increase between the present size of the civil service (staff-in-post) and the size planned for the future years can explained as a measured response to emerging needs. Where the proposals in the White Paper on Market Testing and Contracting Out are likely to lead to more contracting out that should help reduce manpower further.

4. Finally departments will need to take account of our tough decisions on running costs for 1992-93 and later years when taking decisions on spending in the remainder of 1991-92. The 1991 pay settlements were over 1 per cent lower than provided for in the 1990 Survey. I have not sought to claw back that over provision in-year. But we have taken account of it in reaching settlements for 1992-93 onwards. Departments will need to take steps now to ensure the 1991-92 underspend is not used to increase manpower or other recurrent spending to a level that cannot be sustained in 1992-93. Instead the windfall gain should be surrendered or used to finance one off spending which will relieve pressure on running costs in later years.

5. I am copying this letter to Ministers in charge of departments and to Sir Robin Butler.

Yours sincerely

Nicholas Lyell

DAVID MELLOR

(Approved by the Chief Secretary and signed in his absence)

MANAGEMENT IN CONFIDENCE

file SCW

bc: P.U.

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

15 July 1991

Dear Nicholas,

CIVIL SERVICE MANPOWER

Thank you for your letter of 12 July, covering a proposed Parliamentary Written Q & A on the number of staff in post in central Government departments at 1 April 1991.

I submitted your letter, plus attachment, to the Prime Minister over the weekend. The Prime Minister is content for the Parliamentary Written Answer to be given as drafted.

Yours ever,

Barry

(BARRY H. POTTER)

Nicholas Holgate, Esq.,
Chief Secretary's Office.

MANAGEMENT IN CONFIDENCE

cst.ps/dr/11dm8.7

MANAGEMENT IN CONFIDENCE

Prime Minister
Content with announcement proposed at 'x'.
BHP
12/7

Treasury Chambers, Parliament Street SW1P 3AG
071-270 3000
Fax 071-270 5456

Barry Potter Esq
Private Secretary
10 Downing Street
London
SW1

12 July 1991

Dear Barry,

CIVIL SERVICE MANPOWER

You may like to inform the Prime Minister that there were 553,863 civil servants in post on 1 April 1991, a reduction on 2,387 since 1 October 1990. The number of civil service staff in post has now fallen by 178,400 since 1 April 1979, a reduction of 24.4 per cent.

2. Over the six months to April, the largest cut in manpower was made by Property Services Agency Services (2,096), largely due to the transfer of surplus staff to other departments and the introduction of a voluntary early retirement/severance scheme in preparation for privatisation. Other sizeable reductions were made by Department of Social Security (1,681), mainly due to fixed term contracts in the regional organisation (now the Benefits Agency) not being renewed in order to keep within running cost limits; and Department of Health (563), mainly attributed to the transfer of the Regional Medical Services to DSS and the closure of the Disablement Services Authority in January.

3. The largest increases in staff were recorded by the Home Office (821), largely due to continuing expansion of the Prison Service and by Inland Revenue (661), in preparation for the abolition of Composite Tax on Banks and Building Society Interest.

4. It is customary to announce the staff in post figures in a Parliamentary Written Answer, which we propose to do along the lines of the attached draft. We should be glad to know if you are content.

Yours ever.
Nicholas

N I HOLGATE
Private Secretary

cst.ps/dr/11dm8.7

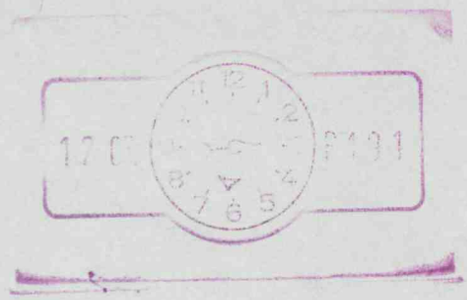
MANAGEMENT IN CONFIDENCE

Draft Question

To ask Mr Chancellor of the Exchequer, what was the number of staff in post in central government departments at 1 April 1991.

Draft Reply

On 1 April 1991 there were 553,863 staff in post in central government. Of those 490,041 were non-industrials and 63,822 were classified as being in industrial work.



NBPM RT CC PM

OFFICE OF ARTS AND LIBRARIES
Horse Guards Road
London SW1P 3AL
Telephone: 071-270 5929
Fax No: 071-270 6026

From the Minister for the Arts
THE RT HON TIM RENTON MP
C91/Waldegrave

The Rt Hon William Waldegrave MP
Secretary of State
Department of Health
Richmond House
79 Whitehall
LONDON
SW1A 2NS

29 May 1991

Dear Secretary of State,

DELEGATION OF RESPONSIBILITIES FOR MANAGEMENT IN THE CIVIL SERVICE

Thank you for your recent letter commenting on my letter of 18 April about the proposal to introduce legislation on the delegation of responsibilities for management in the Civil Service.

You and one or two other colleagues raised questions about the form and intended effect of the proposed legislation. We will, of course, consult departments and agencies as we develop our proposals. However, I can confirm that our intention is that the legislation should have the effect that any non-statutory functions held by any Minister by virtue of a Transfer of Functions Order, and which relate to the control and management of the Civil Service, may be delegated to any other Minister or Officer of the Crown. This approach would certainly allow for departments and agencies to be given complete responsibility for any aspect of the management of their staff which it was agreed should be so delegated, the point on which you sought specific assurance in your letter; and, of course, it would also allow for delegation direct to Chief Executives, as suggested by Michael Howard in his letter of 4 May.

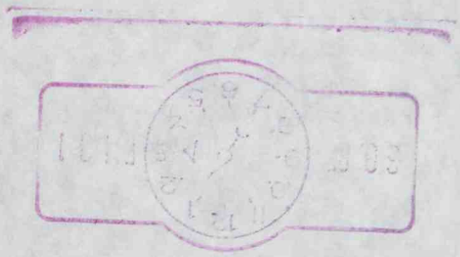
I am copying this letter to Gillian Shephard and to all the other recipients of my letter of 18 April.

Yours sincerely

Jayne Colquhoun

TIM RENTON

pp (Approved by the Minister and signed in his absence)



CIVIL SERVICE: Long Term
Planning Pt 22

RESTRICTED

NDPA SCPA

AT 15/5

CABINET OFFICE
OFFICE of the MINISTER
for the CIVIL SERVICE

THE RT HON TIM RENTON MP
The Minister of State
Privy Council Office

Horse Guards Road
London SW1P 3AL
Telephone: 071-270 5929

C91/2185

Rt Hon John MacGregor OBE MP
Lord President of the Council
Privy Council Office
68 Whitehall
LONDON
SW1A 2AT

15 May 1991

Dear Lord President,

DELEGATION OF RESPONSIBILITIES FOR MANAGEMENT IN THE CIVIL SERVICE

As you will have seen from the responses to my letter of 18 April to Gillian Shephard, the proposal that we should seek to introduce a minor piece of legislation on the delegation of responsibilities for management in the Civil Service has been welcomed by colleagues. I will be replying separately to colleagues who have raised points of detail on my letter; but none of these go against the principle of the proposed legislation, and in the absence of any objections I believe we can claim policy approval for the proposal.

The purpose of this letter is:

(i) to seek formal approval for the drafting of this legislation; and

(ii) to ask you to take this proposed legislation into account in the pending review of the legislative programme for 1991-92, in which it was agreed at Cabinet on 28 February that FLG should look at progress on policy clearance and drafting of fifth session candidates and on the identification of first session candidates.

As I said in my letter of 18 April, we would expect the proposed legislation to take the form of a one clause Bill, or of a single clause tacked on to another piece of legislation if a suitable Bill were available. I hope that

it will be possible to look favourably on the possibility of fitting this measure into the 1991-92 programme one way or another. As Gillian Shephard said in commenting on my letter, we will need to prepare the ground carefully before introducing legislation on the management of the Civil Service; and I agree with her that we may need to consider consulting the Opposition in advance. I remain confident that it should be possible to present the measure in a positive light, as consistent with our current emphasis on management reform in the Civil Service and in the public sector generally.

I will not rehearse again in this letter the difficulties and inhibitions we will face in respect of managing the Civil Service unless it is possible to introduce early legislation on the lines proposed. But on merits and on general presentational grounds I believe such a measure would represent a modest but valuable addition to a fifth Session programme - and indeed one which could usefully be ready for early introduction in a first Session.

I am copying this letter to the Prime Minister, other members of FLG and LG and to Sir Robin Butler, First Parliamentary Counsel and First Scottish Parliamentary Counsel.

Yours sincerely

Jayne Colquhoun

pp TIM RENTON

(Approved by the Minister and signed in his absence)

CIVIL SERVICE: Long Term Policy Pt 27

GO/4176p+

Richmond House
79 Whitehall
London SW1A 2NS
Telephone 071 210 3000
From the Secretary of State for Health

The Rt Hon Tim Renton MP
Minister of State
Privy Council Office

Dear Tim,

DELEGATION OF RESPONSIBILITIES FOR MANAGEMENT IN THE CIVIL SERVICE

Thank you for letting me see your letter of 18 April.

I quite agree that TFOs are a cumbersome device ill suited to our needs. I have no objections in principle to the alternative approach based on administrative action, but I am slightly concerned over the practical consequences.

In your letter, you say that the secondary legislation route is capable of delivering complete responsibility to departments and agencies for any aspects of management of their staff. I would like your assurance that the route now proposed is similarly capable of delivering "complete responsibility". My concern is that any primary enabling legislation - and importantly the administrative action taken in pursuance of it - should not be so restrictive as to negate the policy intentions of Ministers.

This is no doubt something which we can get right in the drafting of amending legislation or of guidance on its implementation. On this basis I support your proposal.

I am copying this letter to recipients of yours.

Yours,

WILLIAM WALDEGRAVE

CIVIL SERVICE: MANPOWER #22

MANAGEMENT IN CONFIDENCE

CCP
N.S.P.M
BTP
7/5

The Rt. Hon. Peter Lilley MP

The Rt Hon Tim Renton MP
Minister of State
Office of the Minister for the Civil Service
Horse Guards Road
LONDON
SW1P 3AL

Department of Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Enquiries
071-215 5000

Telex 8811074/5 DTHQ G
Fax 071-222 2629

Direct line 071-215 5623
Our ref PE4375
Your ref
Date 1 May 1991

Dear Minister,

DELEGATION OF RESPONSIBILITIES FOR MANAGEMENT IN THE CIVIL SERVICE

WILL REQUEST IF REQUIRED

I was interested to see a copy of your letter to Gillian Shepherd of 18 April about the delegation of responsibilities for management in the Civil Service.

Although the proposals may not be universally welcomed by the Civil Service Trade Unions, I agree it is important that we should take action as soon as practical to eliminate any unnecessary impediments to the best possible management in the Civil Service. I therefore welcome your suggestion of replacing the present Order in Council by a more flexible measure, and I hope your officials will keep closely in touch with mine as your plans develop.

I am copying this letter to the Prime Minister, the Lord President, the Attorney General, other Ministers in charge of Departments, and the Minister of State, HM Treasury; and to Sir Robin Butler and First Parliamentary Counsel.

Yours sincerely

Peter Lilley

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

dti
the department for Enterprise

Recycled Paper

07.05.
PM91

em

MANAGEMENT IN CONFIDENCE

Department of Employment
Caxton House, Tothill Street, London SW1H 9NF

Telephone 071-273 . . . 5803
Telex 915564 Fax 071-273 5821

Secretary of State

The Rt Hon Tim Renton MP
Minister of State
Privy Council Office
Horse Guards Road
London
SW1P 3AL

4th May 1991

Dear Tim

DELEGATION OF RESPONSIBILITIES FOR MANAGEMENT IN THE CIVIL SERVICE

Thank you for copying me your letter of 18 April to Gillian Shephard, in which you advise her of your intention to seek a way round the constraints on delegation imposed by the Civil Service Order in Council.

This is a welcome initiative. It is clear that the constraints imposed by the Order in Council will have to be removed, if we are going to make delegation meaningful, and allow departments and agencies to tailor their terms and conditions to suit their particular circumstances.

Your letter does not set out your views on the form which the delegation by administrative action will take. This will, of course, be of interest to all departmental Ministers. It may be, for example, that you are considering taking the power to delegate to persons other than Ministers; I imagine that it would be possible to delegate by administrative action direct to Chief Executives.

These matters go to the heart of the relationship between OMCS, Treasury, departments and agencies. It is important, therefore, that your final proposals are given wide consideration and that Ministers with departmental responsibilities have the opportunity to comment on the draft Bill or clause.

MANAGEMENT IN CONFIDENCE

Secretary of State
for Employment

I am copying this letter to the Prime Minister, the Lord President, the Attorney General, all other Ministers in charge of departments, Sir Robin Butler and First Parliamentary Counsel.

Yours ever

Michael

MICHAEL HOWARD

GO/284t+

DEPARTMENT OF SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 071-210 3000
From the Secretary of State for Social Security

MANAGEMENT IN CONFIDENCE

NOTM AF 2/5

The Rt Hon Tim Renton MP
Minister of State
Privy Council Office
Cabinet Office
Office of the Minister for the
Civil Service
Horse Guards Road
LONDON
SW1P 3AL

2 May 1991

Dear Tim,

DELEGATION OF RESPONSIBILITIES FOR MANAGEMENT IN THE CIVIL SERVICE

Thank you for copying to me your letter of 18 April to Gillian Shephard.

The number and size of my Department's Executive Agencies gives me a particular interest in the delegation of management powers from central Departments, and I therefore warmly welcome your proposal. The legal basis which you propose giving to such delegations will make it easier for all concerned to deal sensibly with the questions of devolution that will naturally arise as agencies become longer-established and clearer about the freedoms and flexibilities which they need to carry out their functions more effectively.

I am copying this letter to recipients of yours.

Yours ever,
Tony

TONY NEWTON

Gouffrachi: Futur
J CJS
R7

D.M.

CABINET OFFICE
OFFICE of the MINISTER
for the CIVIL SERVICE

THE RT HON TIM RENTON MP
The Minister of State
Privy Council Office

Horse Guards Road
London SW1P 3AL
Telephone: 071-270 5929

C91/1746

Mrs Gillian Shephard MP
Minister of State
HM Treasury
Parliament Street
LONDON
SW1P 3AG

18 April 1991

Dear Gillian.

DELEGATION OF RESPONSIBILITIES FOR MANAGEMENT IN THE CIVIL SERVICE

As you know your officials and mine have identified a need for a minor piece of primary legislation to remove an increasingly anomalous and irksome constraint on the ability of the Treasury and the OMCS to delegate management functions to departments and agencies. The purpose of this letter is to rehearse briefly the arguments for the proposed legislative provision for the benefit of colleagues and to seek their policy agreement to it. This will pave the way for the drafting of the necessary legislation and I will approach the Lord President separately about that and about the prospects of finding a place for this measure in a future legislative programme.

The need for the legislation derives from the rigidity of the present legal framework underpinning the management of the Civil Service. In brief, the Treasury and OMCS cannot lawfully delegate their responsibilities under the Civil Service Order in Council for the management of the Civil Service. Departments and agencies can be given a certain amount of discretion to manage their own staff - but only so long as it can be properly asserted that the relevant central department has made regulations or given instructions within which departmental discretion is exercised.

It will be evident that this inhibition cuts across what we are seeking to achieve through the management process in general and the Next Steps process in particular and has already caused:

(i) a more limited approach to delegation in some instances than is desirable; and

(ii) a concern that the discretions that have been - and are continuing to be - given to departments and agencies, are pressing at the margins of what is lawful, leaving us potentially vulnerable to legal challenge.

Although we have so far worked within the constraints imposed by the legal position as creatively as possible, it will only be a matter of time before they present a serious obstacle to the continuing process of management reform.

Departments and agencies could be given complete responsibility for any aspect of management of their staff by means of secondary legislation in the form of Transfer of Functions Orders (TFOs) and associated amendments to the Order in Council. But this is an impractical solution to the problem we are facing, given that the numbers of delegations may be large and require frequent amendment. We have concluded that the situation can only be put right by primary legislation, the effect of which would be to allow for delegation by administrative action. Although the views of Parliamentary Counsel have not yet been sought we believe it should be possible to achieve this either by way of a one clause Bill, or a single clause tacked onto another piece of legislation. Such a limited measure should be uncontroversial and, indeed, it should be possible to present it in a wholly positive light as a natural development of the current process of management reform in the Civil Service.

This would be an enabling measure and would itself have no financial implications. Nor would there be any ECHR implications.

Subject to the views of colleagues we would like to press on quickly with drawing up the proposed legislation. I would be grateful for any comments on the proposed measure, if possible by Friday 3 May. Perhaps I could assume the assent of any colleague from whom I have not heard by then.

I am copying this letter to the Prime Minister, the Lord President, the Attorney General, all other Ministers in charge of departments, Sir Robin Butler and First Parliamentary Counsel.

Yours

Tim

TIM RENTON

MINISTER OF STATE
PRIVY COUNCIL OFFICE

~~COUT MARCH~~.

CIVIL SERVICE: Manpower
Pt 82

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

6 February 1991

Dear Neville,

MARKET TESTING IN THE CIVIL SERVICE: PROGRESS REPORT FOR 1989-90

The Prime Minister was grateful for the Minister of State's minute, covering the Central Unit on Purchasing's (CUP) annual report on the progress made by departments in 1989-90 in response to the market testing initiative.

The Prime Minister has noted that, while the total value of work market tested shows a disappointing decrease from previous years, the initiative continues to achieve average savings of 25 per cent of pre-test costs. He has also noted that significant new market testing exercises are either planned or underway.

The Prime Minister has commented, however, that Ministers and senior officials with responsibility for this area of work should continue to give the highest priority to the market testing of all activities which could be contracted out. The Minister will wish to ensure that adequate resources are available within CUP to pursue this initiative with great vigour.

I am copying this letter to Private Secretaries to members of Cabinet, to Martin Le Jeune (Privy Council Office), Suma Chakrabarti (Overseas Development Administration), Juliet Wheldon (Law Officer's Department), Alan Maxwell (Lord Advocate's Department), Sonia Phippard (Cabinet Office) and to Don Brereton (Efficiency Unit).

Yours,

Barry

BARRY H. POTTER

Neville Trout, Esq.,
HM Treasury

PRIME MINISTER

MARKET TESTING IN THE CIVIL SERVICE: PROGRESS REPORT FOR 1989-90

Attached is Gillian Shephard's minute describing the Central Unit on Purchasing's (CUP) annual progress report on market testing. At Flag B is a note from Policy Unit.

The basic message is straightforward:

- last year the total value of work market tested fell to £24 million against £40 million in 1988-89;
- but the initiative continues to achieve savings of around 25 per cent on pre-test costs;
- new market testing exercises are planned or under way.

The Policy Unit note questions whether market testing is being taken forward with sufficient vigour. It commends a minute from No 10 urging Ministers and senior officials to give high priority to market testing. It also suggests that the CUP within the Treasury might be strengthened.

A No 10 minute seems well worthwhile. And Policy Unit's second point might be covered by asking Treasury to ensure that adequate resources are available within CUP to pursue this initiative with greater vigour.

i) Content for me to minute out on this basis? Yes.

ii) Or, if you wish to adopt a higher profile,

would you like a draft minute for your signature?

BHP

BARRY H POTTER

5 February 1991 c:\economic\market.eam

PRIME MINISTER 5 February 1991

CONTRACTING OUT

THE 1989/90 REPORT ON MARKET TESTING

You have identified contracting out as an important aspect of the policy of limiting Government's role and giving the taxpayer value for money.

Market Testing in 1989/90

The report prepared by the Central Unit on Purchasing shows that Departments market tested activities with previous annual costs of £24.1m and savings were achieved of £5.8m (24%) of which £5.6m relate to activities contracted out and £0.2m to activities kept in-house.

In the previous year (1988/89) services costing £39.9m had been tested and, although there are some large projects in hand, the substantial fall is described as disappointing. However, the savings continue to average 25% and Departments are beginning to look at activities far removed from the original mandatory areas of maintenance, catering, cleaning, laundry and security guarding. For example, the Northern Ireland Civil Service is looking at its central computer services.

But the overall conclusion is that many Departments are failing to pursue market testing as diligently as they should. The Next Steps Agencies are only now beginning to think about market testing; with hindsight, it would have been far better to market test many of their activities before they were set up.

The need for a new initiative

An extended programme of market testing may not produce 25% savings. But it would certainly generate important (and welcome) savings.

This year's figures demonstrate a loss of momentum behind the campaign, partly because the Next Steps Agencies have slipped through the net.

At the very least, a minute is needed from you, urging Ministers and senior officials to give the highest priority to the market testing of all activities which could be contracted out.

You may also wish to ask whether the Central Unit of Purchasing has the resources which it needs from the Treasury to support a much more vigorous programme which gives market testing and contracting out a much higher "profile" in Whitehall.

Howell Harris Hughes

HOWELL HARRIS HUGHES

hhh120

mst/to/GShephard/3.30.1

cc PO
(letter only)

MINISTER OF STATE TREASURY

PRIME MINISTER

MARKET TESTING IN THE CIVIL SERVICE: PROGRESS REPORT FOR 1989-90

I attach the Central Unit on Purchasing's annual report on the progress made by departments in 1989-90 in response to the market testing initiative. The Government announced in 1980 its policy to subject as much work as possible to competition, and to contract work out whenever it would be commensurate with sound management and good value for money to do so. The 1986 Efficiency Unit report "Using Private Enterprise in Government" recommended that departments should review all their activities for possible market testing and draw up rolling programmes which take account of the scope for improving value for money.

2. The total value of work market tested in 1989-90 shows a disappointing decrease from previous years - £24 million against £40 million for 1988-89. However, significant new market testing exercises are either planned or under way; and the initiative continues to achieve impressive average savings in the order of 25% of pre-test costs.

3. It is worthwhile noting two key conclusions from the 1986 Efficiency Unit Report:

- To be successful, Departments will need to clear away the obstacles to contracting out and to ensure that projects, when identified, are thoroughly and correctly tested.

- It is important that Ministers and top management should give a lead by allowing their support for the policy to be well known in their Departments.

4. I know that colleagues will wish to realise the potential benefits and will ensure that the initiative is being energetically supported in their Departments. For its part, CUP is writing to senior officials in departments reminding them of the benefits to be gained from market testing.

5. I am copying this minute and the enclosures to members of the Cabinet, Tim Renton, Lynda Chalker, Sir Patrick Mayhew and Lord Fraser of Carmyllie, and to Sir Robin Butler and Sir Angus Fraser.

Gillian Shephard

GILLIAN SHEPHARD
4 February 1991

mst.to/gh/6.15.1

NSPM

AT 16/1

MANAGEMENT IN CONFIDENCE

Treasury Chambers, Parliament Street, SW1P 3AG

Mr Martin Le Jeune
Private Secretary to Tim Renton MP
Minister of State
Privy Council Office
Horseguards Road
LONDON
SW1P 3AL

15 January 1991

Dear Martin,

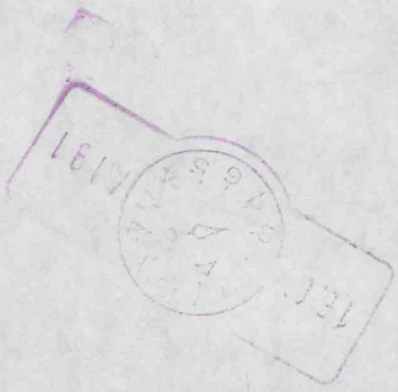
CHARGES IN CIVIL SERVICE RECRUITMENT

As the Prime Minister has agreed to your Minister's minute to him of 3 January, I am writing to confirm that Mrs Shephard was also content with the proposed transfer of functions between the Minister for the Civil Service and the Treasury.

Copies of this letter go to No.10 and to Sonia Phippard.

Yours sincerely,
Gina Haskins

GINA HASKINS
Private Secretary



A: RECRUITMENT

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

11 January 1991

CHANGES IN CIVIL SERVICE RECRUITMENT

The Prime Minister has seen your Minister's minute of 3 January. He was content with the proposals for a new Civil Service Order in Council to provide a new legal basis for changes in Civil Service recruitment and for a Transfer of Functions Order to bring into line with current practice the legal split of functions relating to recruitment between the Treasury and the OMCS.

I am copying this letter to Gina Haskins (Office of the Minister of State, H.M. Treasury) and to Sonia Phippard (Cabinet Office).

ANDREW TURNBULL

Martin Le Jeune, Esq.,
Privy Council Office.

MANAGEMENT IN CONFIDENCE

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

9 January 1991

CIVIL SERVICE MANPOWER

Thank you for your letter of 7 January covering a draft written PQ and Answer setting out the Civil Service staff in post figures as at 1 October 1990.

The Prime Minister is content for the Parliamentary Written Answer to be given as drafted.

(BARRY H. POTTER)

Stephen Bowden, Esq.,
Chief Secretary's Office,
H.M. Treasury.

MANAGEMENT IN CONFIDENCE

010 cst.ps/let/9sb7.1

cc PM

MANAGEMENT IN CONFIDENCE

Prime Minister (1)
Content for Treasury
to announce latest
Civil Service numbers
by written P.Q.?

BthP
8/1

Yes. P.L.

Treasury Chambers, Parliament Street, SW1P 3AG

Barry Potter Esq
Private Secretary
10 Downing Street
London
SW1

7 January 1991

Dear Barry,

CIVIL SERVICE MANPOWER

You may like to inform the Prime Minister that there were 556,250 civil servants in post on 1 October 1990, a reduction of 6,138 since 1 April 1990. The number of civil service staff in post has now fallen by 176,000 since 1 April 1979, a reduction of 24 per cent.

2. Over the six months to October, the largest cut in manpower was made by the Department of Employment (3,465), largely due to the privatisation of the Skills Training Agency. Other sizeable reductions were made by Inland Revenue (1,000), following the transfer of PAYE work to the provinces with a temporary reduction in recruitment of permanent staff in the South East; and Ministry of Defence (857) due to a recruitment ban and large outflow of industrial staff. The main increase was in the Home Office (556), reflecting continued expansion of the Prison Service.

3. It is customary to announce the staff in post figures in a Parliamentary Written Answer, which we propose to do along the ... lines of the attached draft. We should be glad to know if you are content.

Yours sincerely

Steph

STEPHEN BOWDEN
Assistant Private Secretary

ANNEX D

Draft Question

To ask Mr Chancellor of the Exchequer, what was the number of staff in post in central government departments at 1 October 1990.

Draft Reply

On 1 October 1990 there were 556,250 staff in post in central government. Of those, 491,032 were non-industrials and 65,218 were classified as being in industrial work.

O.E.C.D.
A/131

35/1 rc.pq/dw.3.19.12

ANNEX D

Draft Question

To ask Mr Chancellor of the Exchequer, what was the number of staff in post in central government departments at 1 October 1990.

Draft Reply

On 1 October 1990 there were 556,250 staff in post in central government. Of those, 491,032 were non-industrials and 65,218 were classified as being in industrial work.

DIC

Prime Minister
Content?
PT 9/1

CCK

MINISTER OF STATE, PRIVY COUNCIL OFFICE

PRIME MINISTER

Content

CHANGES IN CIVIL SERVICE RECRUITMENT

This minute seeks your authority for the submission to the Privy Council in time for its meeting on 5 February of:

- a new Civil Service Order in Council, designed to provide the legal basis for changes in Civil Service recruitment; and

- a Transfer of Functions Order, designed to bring into line with current practice the legal split of functions relating to recruitment as between the Treasury and the OMCS.

The effect of these is to implement decisions made and announced by Mr Luce, with Mrs Thatcher's agreement, in April 1989.

Background

2. As part of the developments in Civil Service management under the Next Steps initiative it was announced in April 1989 that the part of the Civil Service Commission that handles the recruitment process will become a separate agency on 1 April 1991. On the same day departments and agencies will no longer be obliged to use the Commission for their recruitment to grades below Grade 7 (except for the fast stream feeders to the Open Structure). The Civil Service Commissioners will remain responsible for the recruitment of staff to the more senior posts (ie Grade 7 and above) and to the fast streams and they will normally ask the new agency to carry out this recruitment. But in the areas that newly become the responsibility of departments and agencies the recruitment agency will have to compete for business on full repayment terms with the departments themselves and with outside recruitment agencies.

3. The basic principle of selection solely on merit by fair and open competition, on which all Civil Service recruitment is based (with certain clear exceptions), will be protected in the Commissioners' area by the Commissioners themselves. But where

departments and agencies recruit, including those cases where they use the new agency, the basic proprieties will be protected by rules laid down by the Minister for the Civil Service; and by continuing to place the final responsibility for all selection decisions on the Permanent Head of Departments. The Commissioners will advise the Minister on the rules and will monitor independently their application by departments and agencies.

The New Order in Council

4. All the basic legal powers needed by the parties concerned, including the Commissioners, the Minister, departments and agencies, and the Treasury, to carry out these new arrangements have to be set out in a new Order in Council, to replace the present dated one. This has been prepared, and, subject to possible further tidying up, I am satisfied that it faithfully carries out the policy announced 18 months ago. I should be glad to know that you are content for me to approve its submission to the Privy Council on your behalf. It is a prerogative instrument not subject to any Parliamentary procedure. A parallel Order in Council will be made by the Secretary of State for Foreign and Commonwealth Affairs in respect of the Diplomatic Service.

Transfer of Functions Order

5. However, there is a complicating factor. The work on preparing the new Order in Council revealed that the legal distribution of functions between the Treasury and the Office of the Minister for the Civil Service does not represent practice as intended in 1987. But to get the legal position right the Order in Council will have to be preceded by a separate Transfer of Functions Order (TFO). Both I and Treasury Ministers are agreed that this must be made. Though the issue by itself is relatively small - while being important in its context - it amounts to a change in the machinery of government. Accordingly we need your authority to make the change via a TFO. The TFO is subject to negative resolution procedure.

I am copying this minute to the Minister of State, Treasury and Sir Robin Butler.

Tim Renton

TIM RENTON
3 January 1991

07.0.
A191

CONFIDENTIAL

NBPM

QUEEN ANNE'S GATE LONDON SWIH 9AT

17 December 1990

CIVIL SERVICE NATIONALITY RULES AND ARTICLE 48 OF THE TREATY OF ROME

David Mellor copied to me his letter to Douglas Hurd of 14 November proposing an amendment to the Aliens Employment Act 1955 by an Order in Council, to admit EC nationals to Civil Service posts not regarded as "public service" posts.

My specific interest relates to the Aliens Restriction (Amendment) Act 1919, which makes it an offence to employ aliens in the Civil Service, except as provided by the Aliens Employment Act. More generally, the Home Office - together with other government departments - will benefit from being able to recruit EC nationals, to suitable posts.

I have no objection to the course proposed in David's letter. Clearly, further consideration will need to be given to defining "public service" posts, and we shall then need to decide whether further legislation is required.

I am copying this letter to the recipients of David's letter.

The Rt Hon Tim Renton MP
Privy Council Office
Whitehall
London SW1

CONFIDENTIAL

CIVIL SERVICE
LONG TERM POLICY PAPERS.

CONFIDENTIAL

NBPM

CABINET OFFICE
OFFICE of the MINISTER
for the CIVIL SERVICE

THE RT HON TIM RENTON MP
The Minister of State
Privy Council Office

Horse Guards Road
London SW1P 3AL
Telephone: 071-270 5929

C90/6798

The Rt Hon John MacGregor MP
The Lord President of the Council
Privy Council Office
68 Whitehall
LONDON
SW1A 2AT

12 December 1990

Dear John.

CIVIL SERVICE NATIONALITY RULES AND ARTICLE 48 OF THE TREATY OF ROME

David Mellor wrote on 14 November to Douglas Hurd and to members of OPD(E), the Prime Minister, the Home Secretary and the Secretary of State for Employment on a problem which has arisen on the application of Article 48 of the Treaty of Rome to the employment of EC nationals in the Civil Service and the domestic legislation governing such employment. He proposed that in connection with a case (Hansen) which is due to be heard on Monday 17 December, the Government should be prepared to make an announcement of its willingness to amend the legislation which governs the employment of aliens in the Civil Service to make it consistent with Article 48.

Those colleagues who responded have agreed generally with what David proposed. Nick Lyell has, however, set out the case for making the announcement in advance of the Hansen hearing. If we are to meet this target, a written Question will need to be tabled and answered before the weekend. I attach a draft of both the Question and the proposed Answer. Since this commits us to amending primary legislation, initially by Order in Council (which should be approved by both Houses, probably by affirmative resolution), I thought that you and the colleagues most immediately concerned should be aware of the action that I propose to take. Nick Lyell can be assured that guidance will be given to departments on how to handle cases between the announcement and the amendment of our legislation.

I should be very glad to know first thing tomorrow morning, if at all possible, whether you or any other colleagues have difficulty with what I propose. I should add that there is still a possibility that the Hansen case may be settled out of court - in which case the announcement need not be made in such a hurry. We shall know how the land lies tomorrow.

CONFIDENTIAL

I am copying this letter and the draft Answer to those to whom David Mellor circulated his letter of 14 November, including Sir Robin Butler.

Yours

Tim.

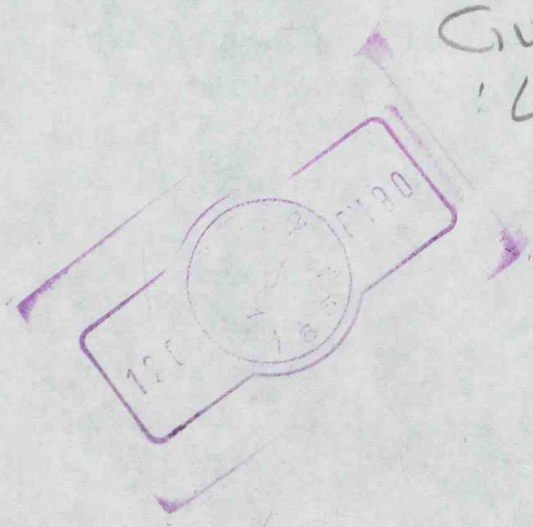
TIM RENTON

CONFIDENTIAL

QUESTION: To ask the Minister for the Civil Service if he plans to make changes to the legislation which governs the employment in the Civil Service of nationals of other Member States of the European Community?

ANSWER: The Government has been reviewing for some time the implications of Article 48 of the Treaty of Rome for employment in the Civil Service of nationals of other Member States and for the domestic legislation governing such employment. Article 48 provides for the freedom of movement of workers in the European Community. Even though, under Article 48(4) these provisions do not apply to employment in the public service, the Government has concluded that United Kingdom domestic legislation and the Civil Service nationality rules are not entirely consistent with Article 48 and should be amended as soon as is practicable.

CONFIDENTIAL



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FCS/90/217

MINISTER FOR THE CIVIL SERVICE

Civil Service Nationality Rules and Article 48 of the Treaty of Rome

1. David Mellor wrote to me on 14 November about an amendment to the Aliens' Employment Act 1955. I have also seen a copy of Nicholas Lyell's letter to you of 30 November.

2. I agree that the relevant domestic legislation should be amended as you propose by an Order in Council under Section 2(2) of the European Communities Act 1972.

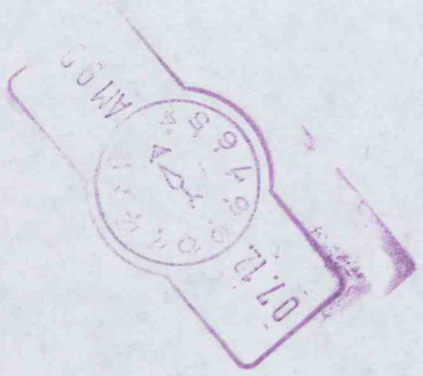
3. I am copying this minute to the Prime Minister, members of OPD(E) and to Sir Robin Butler.

DH.

(DOUGLAS HURD)

Foreign and Commonwealth Office
7 December 1990

CIVIL SERVICE: Long Term Policy 1972



ps

NBPM

Department of Employment
Caxton House, Tothill Street, London SW1H 9NF

Telephone 071-273 5803
Telex 915564 Fax 071-273 5821

Secretary of State

The Rt Hon Tim Renton MP
The Minister of State
Privy Council Office
Horse Guards Road
London
SW1P 3AL

30th November 1990

Dear Tim

CIVIL SERVICE NATIONALITY RULES AND ARTICLE 48 OF THE TREATY OF ROME

David Mellor copied to me his letter of 14 November to Douglas Hurd about the proposal to amend the Aliens Employment Act 1955 to give access to EC nationals and certain members of their families to employment in "non-public service" posts in the civil service.

I agree with the proposal, and I am also content for an announcement to be made during the Judicial Review of the Hansen case. It is in our interests to support measures to remove such barriers to the free movement of workers. There is some evidence that the restrictions operated by most other member states are a greater barrier to our own nationals than those which we apply to nationals of other member states. My Department has received complaints recently about British citizens being refused employment in the "public services", such as teaching, in other member states. If we put our own house in order in the way David suggested, it would put us in a strong position to back Commission efforts to ensure that our citizens are not wrongfully excluded from employment in other member states. That would reinforce our reputation as Community members who want practical action to realise Treaty provisions in employment and social affairs, rather than mere rhetoric.

Secretary of State
for Employment

I note what David said about protection of the central functions of the civil service and that guidance to departments to determine what constitutes "public service" within the meaning of Article 48(4) is being prepared. I am concerned about the extent to which agencies such as the Employment Service will be covered and I suggest that this will need to be addressed in the guidelines. It would be helpful if these could be circulated for comments before they are finalised.

I am copying this letter to the Prime Minister, the Home Secretary, members of OD(E) and to Sir Robin Butler.

Yours ever

Michael

MICHAEL HOWARD

CIVIL SERVICE
Policy

cc PC

SOLICITOR GENERAL

9 BUCKINGHAM GATE
LONDON SW1E 6JP

071-828 1558

NBPM

The Rt. Hon. Tim Renton MP
The Minister of State
Privy Council Office
Office of the Minister for the
Civil Service
Horseguards Road,
London,
SW1P 3AL.

30 November 1990

Dear Tim,

CIVIL SERVICE NATIONALITY RULES AND ARTICLE 48
OF THE TREATY OF ROME

I have seen a copy of David Mellor's letter of 14 November to Douglas Hurd, received in this Office on 20 November.

Article 48 of the EEC Treaty provides for the freedom of movement of workers and entails the abolition of any discrimination based on nationality between workers of the Member States as regards employment, remuneration and other conditions of work and employment. This right is subject to the exceptions in Article 48(4) (the provisions of Article 48 are not applicable to "employment in the public service") and 48(3) (limitations justified on grounds of public policy, public security or public health). It is Article 48(4) which is relevant for present purposes.

Whilst it is true that the guidance of the Court of Justice on the meaning of "public service" is in general terms, you will appreciate that, as a derogation from Treaty freedoms, Article 48(4) has to be construed narrowly. I have no doubt therefore that the restrictions on the employment of aliens contained in the relevant provisions of domestic law (section 6 of the Aliens'

SOLICITOR GENERAL

Restriction (Amendment) Act 1919, read with section 1 of the Aliens' Employment Act 1955) are incompatible with Article 48. This is because the domestic provisions do not permit EC nationals who fall outside the scope of the exception in Article 48(4) to be employed in the Civil Service unless they are granted a certificate under section 1(1)(b) of the 1955 Act. It has to be said that, even if EC nationals could in theory avail themselves of the certification route, the very fact that a certificate was necessary would in itself constitute discrimination contrary to Article 48.

In the circumstances I agree that the relevant domestic legislation should be amended as suggest in the second complete paragraph on page 2 of your letter. Since the amendment would concern primary legislation, your officials would doubtless consult Parliamentary Counsel on the drafting of the Order in Council.

As to the question of an announcement of the Government's intention to propose subordinate legislation under section 2(2) of the European Communities Act in order to amend the 1955 Act, I am satisfied that it would not be improper for counsel to make the announcement during the Hansen case if it became necessary to do so in the Crown's best interests in the litigation. But I doubt whether such a course would be appropriate for a number of reasons. First it seems to me to be more appropriate for the Minister responsible for laying the draft Order in Council before Parliament under paragraph 2 of schedule 2 to the European Communities Act to make the announcement, particularly given that the Order would amend primary legislation. Secondly, an announcement by counsel could not deal with the administrative issues (ie, the guidelines to departments) which would be needed to underpin the amended legislation. That would also be a matter

SOLICITOR GENERAL

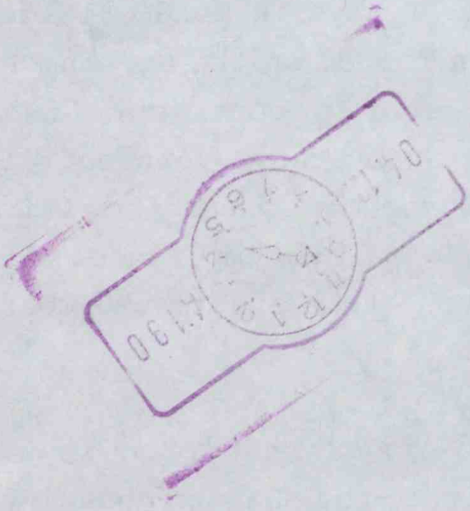
better dealt with by the responsible Minister. Thirdly, if an announcement were made during the hearing by counsel, this could leave the Government open to criticism. I have in mind criticsm to the effect that a concession had been forced on the Government by the exigencies of court proceedings. In contrast, if an announcement were made before the hearing by the Government, it could be effectively presented as the Government taking positive action to ensure that domestic law was in compliance with Community law, and counsel could of course then inform the Court of the steps announced.

For the reasons given above, I would suggest that you should consider making an announcement before the Hansen hearing. Whenever an announcement is made, it would of course be necessary to bear in mind the likely hiatus between the announcement and the making of an Order in Council. Departments would therefore need to be given guidance as to how to handle cases in the hiatus period since there could then be no question of reliance (as has hitherto been the case) being placed on the provisions of domestic law. Finally care would have to be taken to ensure that the Order in Council was not brought into force until such time as the guidelines had been finalised.

I am copying this letter to the Prime Minister, the Home Secretary, other members of OD(E) and to Sir Robin Butler.

Yours ever

Nick.



CIVIL SERVICE

Long Term Policy

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CAB

CABINET OFFICE
OFFICE of the MINISTER
for the CIVIL SERVICE

THE RT HON DAVID MELLOR QC MP
The Minister of State
Privy Council Office

Horse Guards Road
London SW1P 3AL
Telephone: 071-270 5929

C90/6206

Rt Hon Douglas Hurd CBE MP
Secretary of State for Foreign
and Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
London
SW1A 2AL

14 November 1990

CIVIL SERVICE NATIONALITY RULES AND ARTICLE 48 OF THE TREATY OF ROME

Article 48 of the Treaty of Rome (Annex A) provides for the freedom of movement of workers in the European Community and for the abolition of any discrimination based on nationality between workers of the Member States as regards employment, remuneration and other conditions of work and employment. Under Article 48(4), these provisions do not apply to employment in the public service. The Treaty provides no definition of "public service", but the term has been defined by the European Court of Justice in a series of cases relying on Article 48(4). Unfortunately, the definition is in very general terms and is difficult to apply in practice. The European Commission (EC) has not yet brought a case against Great Britain concerning a post in the Civil Service. It is believed, however, that the UK legislation is incompatible with Community law since we cannot be confident of relying on the "public service" exclusion in respect of all Civil Service posts.

Under UK legislation it is an offence to employ aliens in the Civil Service under the Aliens Restriction (Amendment) Act 1919 unless an alien's certificate is granted under the Aliens Employment Act 1955. (An alien's certificate can be issued only in the exceptional circumstances where no suitably qualified person who meets the nationality requirement is available for employment, or where the alien possesses exceptional qualifications or experience.) This means that EC nationals have no general access to 'non-public service posts' in the

Civil Service within the meaning of Community law. This is a breach of Article 48, and the incompatibility of UK law with EC legislation leaves the UK Government open to challenge. Cases under EC legislation have already arisen domestically but have been settled out of court.

These matters have been considered by EQ(O) - The Official Committee on European Questions. It has been agreed that the 'central' functions of the Civil Service are protected by Article 48 (4) but that, in a number of areas, the boundaries of which are difficult to define precisely, the application of current UK law is at odds with Treaty obligations. The Civil Service Commission has been charged by EQ(O) with recommending the amendment of existing legislation to bring it into line with Community law and with drawing up guidelines to enable departments to determine what constitutes 'public service' posts under Article 48(4). A Working Party including departmental representatives and lawyers, is currently seeking to produce draft guidelines.

It is proposed to amend the existing legislation by extending the exception in the Aliens Employment Act 1955 to give access to EC nationals and certain members of their families to those posts which are not 'public service'. This can be done by means of an Order in Council under Section 2(2) of the European Communities Act 1972, supported by guidance to departments on the definition of 'public service'.

While this proposal provides an immediate way forward, it can only be an interim measure given that it goes only part of the way to meeting the EC problem. The following difficulties remain:

a. The Order will do no more than provide a further exception to the basic rule (set out in the Aliens Restriction (Amendment) Act 1919) that aliens may not be employed in the Civil Service. The exception will allow EC nationals and their non-EC spouses and dependents to be employed in the Civil Service in 'non-public service' posts. If EC nationals were to be employed in <u>public service posts</u> (as defined by EC law), there would be a breach of the 1919 Act and such a breach is a criminal offence by virtue of Section 13 of the Act. If a narrow definition of public service were to be applied and, in effect, many Civil Service posts were opened up to EC nationals, the risks of an offence being committed under Section 13 of the 1919 Act must

be high. The difficulty does not stem from Article 48(4): this allows Member States to avail themselves of an exception, and if they do not do so within the meaning of "public service" there is no breach of the Treaty. It arises from the fact that it is the limits of an exception to the 1919 Act which are defined by the meaning of 'public service'. If those limits are breached there is an offence under the 1919 Act. It has been recognised in EQ(O) that it would be desirable to abolish the offence in the 1919 Act; this would require primary legislation.

b. Public service posts are still open to Commonwealth and Irish citizens (because the definition of "alien" under the Civil Service Nationality Rules does not include them). It would be extremely difficult to defend any post as a public service post under Article 48(4) if it is or has been held by a Commonwealth or, in particular, an Irish citizen.

c. At present GB law is inconsistent with Northern Ireland law, since the Northern Ireland Civil Service Regulations do not allow the employment of Irish citizens except in exceptional circumstances. These Northern Ireland Regulations are to be changed to comply with the proposed Order in Council, which is being drafted to provide for the Northern Ireland Civil Service to employ EC nationals in non-public service posts. However, the Regulations will not be changed to allow Irish citizens to employed in public service posts. Thus the internal inconsistency in UK law will be perpetuated.

Officials are still considering these problems, but it is likely that primary legislation will be necessary since the scope of Section 2(2) of the European Communities Act 1972 is not sufficiently wide to allow the more fundamental changes that are required.

There have been two cases recently which raise the Article 48(4) point. They are summarised at Annex B. Case 1 has now been settled out of court. In relation to Case 2, the Hansen case, it would be helpful if during the Judicial Review hearing the Civil Service Commission could make clear that the Government intends to amend the current legislation to bring it in line with European law.

I am thus seeking your agreement that steps should be taken to amend the Aliens Employment Act 1955 by an Order in Council. I would also like to know that you are content for an announcement to be made during the Judicial Review of the Hansen case on 17 December 1990 that this is being done.

I am copying this letter to other members of OD(E), to the Prime Minister, to the Home Secretary (who has responsibility for the Aliens Restriction (Amendment) Act 1919), to the Secretary of State for Employment (who has responsibility for The Aliens Employment Act 1955), and to Sir Robin Butler.

DAVID MELLOR

ANNEX A

ARTICLE 48 OF THE TREATY OF ROME

1. Freedom of movement for workers shall be secured within the Community by the end of the transitional period at the latest.

2. Such freedom of movement shall entail the abolition of any discrimination based on nationality between workers of the Member States as regards employment, remuneration and other conditions of work and employment.

3. It shall entail the right, subject to limitations justified on grounds of public policy, public security or public health:

a. to accept offers of employment actually made;

b. to move freely within the territory of Member States for this purpose;

c. to stay in a Member State for the purpose of employment in accordance with the provisions governing the employment of nationals of that State laid down by law, regulation or administrative action;

d. to remain in the territory of a Member State after having been employed in that State, subject to conditions which shall be embodied in implementing regulations to be drawn up by the Commission.

4. The provisions of this Article shall not apply to employment in the public service.

ANNEX B

CASE 1

The Northern Ireland Civil Service Commission were faced with an action in the Belfast High Court on 25 October 1990 in which the Northern Ireland Civil Service (NICS) nationality rules were being challenged under Article 48 of the Treaty of Rome. The case concerned a temporary post of general forest worker in the Department of Agriculture, Northern Ireland (DANI) and involved an Irish national, Mr Noel Pepper, who was rejected by DANI on nationality grounds. The NICS believed there was no defence under Article 48(4) and the case raised fairly and squarely the incompatibility of domestic law with Article 48(4). The case has been settled out of court with a compensation payment of £9,000.

CASE 2

The second case concerns a Danish national, Mr Hansen, who was taking a one year research degree course (Diploma of Legal Studies) at Cambridge University. To gain practical experience, Mr Hansen applied for temporary employment with the Crown Prosecution Service (CPS) during the Summer vacation. Having studied Mr Hansen's curriculum vitae, the CPS informed him that he was not eligible under the Civil Service nationality rules for a post in the Civil Service.

In his application to an Industrial Tribunal (15 August 1989), Mr Hansen claimed that the CPS and/or the Civil Service Commission had unlawfully discriminated against him (whether pursuant to section 1(1)(a) or, alternatively, pursuant to section 1(1)(b) of the Race Relations Act 1976). He further submitted that the application of the rules was in breach of Article 7 and/or Article 48 of the Treaty of Rome.

Mr Hansen has also made an application for Judicial Review of his case and this is due to be heard on 17 December 1990. Legal advice is that it is likely that it will be appropriate to argue that the employment fell within Article 48(4) of the Treaty of Rome and, thus, that it was proper to rule him ineligible for the post.

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CABINET OFFICE
OFFICE of the MINISTER for the CIVIL SERVICE

The Minister of State
Privy Council Office

Horse Guards Road
London SW1P 3AL
Telephone: 071-270 5929

C90/5264

Ms Caroline Slocock
10 Downing Street
London
SW1A 2AA

26 September 1990

Dear Caroline

MONITORING OF COMMUNITY BACKGROUND OF HOME CIVIL SERVANTS IN NORTHERN IRELAND

The Prime Minister agreed to be specified, as Minister for the Civil Service, as a public authority in an Order under the Fair Employment (Northern Ireland) Act 1989, so that home civil servants in Northern Ireland can be treated as employees of the Minister for the Civil Service for the purpose of monitoring the community background of employees under the Act. The point was to make an aggregated monitoring return to safeguard the security of individuals.

The Prime Minister may like to be aware that the first return to the Fair Employment Commission on home civil servants in Northern Ireland has now been made; the figures showed 62.5% Protestant, 28% Catholic and 9.5% non-determined. This approximates to the proportionate distribution of economically active Protestants and Roman Catholics in the labour force in Northern Ireland. The FEC has not yet analysed the figures in detail, but their preliminary view is that the figures are much as they expected and have given them no cause for concern.

Home Civil Service departments with staff in Northern Ireland are looking at their own returns in detail. OMCS staff have stressed to them the need also to give careful consideration to the requirement, under the Act, to undertake a review of their personnel practices and procedures every three years, and have provided guidance material to help with this. We have also encouraged one or two of the bigger departments in Northern Ireland to make an early start on their reviews, and OMCS staff will keep alongside them in this with a view to spreading best practice.

You may like to know that it emerged that the practical effect of the Order extended the Prime Minister's responsibility to making returns from Northern Ireland civil servants working in the Northern Ireland Office and for the Northern Ireland Prison Service. We understand, however, that the Secretary of State for Northern Ireland has now agreed in principle to the Order being amended (subject to being satisfied with the text of any amendment) so as to remove these two areas from the return submitted by the OMCS, and we hope that this can be done as soon as possible. In the meantime, OMCS submitted a second aggregated return in respect of these two elements. There was a higher proportion of Protestants (77%), reflecting the proportions in the Northern Ireland Prison Service.

A copy of this letter goes to the Private Secretary to the Secretary of State for Northern Ireland and to Sir Robin Butler.

Yours sincerely

Andrew Brewster

JAYNE COLQUHOUN
Assistant Private Secretary

MANAGEMENT IN CONFIDENCE

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

4 July 1990

Dear Isleen,

CIVIL SERVICE MANPOWER 1 APRIL 1990
STAFF IN POST FIGURES

Thank you for your letter of 3 July giving the latest figures on numbers of civil servants in post.

The Prime Minister is content for the Chancellor to announce the figures by means of a Parliamentary Written Answer. She has however suggested that the last sentence of the draft answer should be amended to read as follows:

> "Of these 67,155 were in industrial work".

Yours ever,

Barry

(BARRY H. POTTER)

Ms. Isleen Campbell,
HM Treasury.

MANAGEMENT IN CONFIDENCE

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MANAGEMENT IN CONFIDENCE

Prime Minister
Content?
BHP
3/7

①

Yes Thankyou

Treasury Chambers, Parliament Street, SW1P 3AG

Barry Potter Esq
Private Secretary
10 Downing Street
London
SW1

3rd July 1990

Dear Barry,

CIVIL SERVICE MANPOWER: 1 APRIL 1990 STAFF IN POST FIGURES

You may like to inform the Prime Minister that there were 562,388 civil servants in post on 1 April 1990, a reduction of 2,687 since 1 October 1989. The number of Civil Service staff in post has now fallen by 169,900 (23.2 per cent) since 1 April 1979.

2. The largest decrease was recorded by the Department of Health (3,282), following the transfer of staff in the special hospitals to the NHS. Other sizeable reductions were recorded (mainly before January) by Department of Employment (1,109) as unemployment continued to decrease, and by Inland Revenue (522) reflecting reduced recruitment. The main increases were recorded by Ministry of Defence (1,039) reflecting improved recruitment, Department of Transport (674) for increased recruitment in the Executive Agencies and for the expanded road programme, and Home Office (640) due to increased recruitment in the Prison Service.

3. Over the same period last year the reduction was nearly twice as large (4,676), and only the transfers to the NHS prevented the figures showing an overall increase this time.

4. It is customary to announce the staff in post figures in a Parliamentary Written Answer, which we propose to do along the lines of the attached draft. We would be glad to know if the Prime Minister is content.

Yours sincerely

Isleen Campbell

ISLEEN CAMPBELL
Assistant Private Secretary

cst.ps/dr/5ce29.6

DRAFT QUESTION

To ask Mr Chancellor of the Exchequer, what was the number of staff in post in central government departments at 1 April 1990.

DRAFT REPLY

On 1 April 1990 there were 562,388 staff in post in central government departments. Of these ~~495,233 were non-industrials and~~ 67,155 were ~~industrials.~~ in industrial work

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R3/7

File

PAYMASTER GENERAL

Treasury Chambers, Parliament Street, SW1P 3AG

Ms Caroline Slocock
Private Secretary to
The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
LONDON SW1

2 July 1990

Dear Caroline,

I thought you ought to know that next Wednesday the Treasury is publishing a booklet "Made to Measure - Patterns of Work in the Civil Service" which describes the range of working patterns available in the Civil Service.

It is important to make progress in these areas as part of our efforts to improve management and make it easier to recruit and retain staff. This booklet is part of that process. It is principally designed for staff and managers to show them how far the Civil Service has come in this area, but it will also help to stimulate managers into thinking about how they can use these arrangements to deploy staff more effectively. It shows that the Civil Service is developing alternatives to full time working not least for those women who want to continue to work while their children are young but without having to rely on full time childcare.

The Paymaster General has written the introduction to the booklet which will be given a wide distribution. Treasury and OMCS will make sure that these and other flexibilities are as well known as possible and that departments and agencies are encouraged to use them to the maximum. There will be a PQ and a press notice and briefing.

I enclose a copy of the booklet and the press notice.

I am copying this to the Private Secretaries of the rest of the Cabinet.

Yours Sincerely

Nigel Wright

pp **MALCOLM BUCKLER**
Private Secretary

47a/2 pmg.vd/docs/PN

DRAFT PRESS NOTICE

FLEXIBLE WORKING: THE CIVIL SERVICE IN THE 1990s

In reply to a written parliamentary question the Paymaster General, the Earl of Caithness, announced the publication today of a booklet entitled "MADE TO MEASURE - PATTERNS OF WORK IN THE CIVIL SERVICE". This describes the wide range of working patterns now available to Civil Service managers and staff.

Launching the booklet, the Earl of Caithness said:

> "Flexible staffing arrangements are part of developing the modern Civil Service; one of a range of changes being introduced to help managers improve efficiency and the quality of service offered to the public. Other moves include new flexible pay deals, new recruitment freedoms to Departments and Agencies, increased management flexibilities and the whole Next Steps initiative."
>
> Against the background of the likely demographic shortages of the 1990s, the Civil Service must be able to retain those trained and experienced staff who cannot work full time, and to reach out into the labour market to attract new staff who are looking for employers with a more flexible approach. Managers, too, need to adapt themselves to what people actually want."

The booklet shows how far the Civil Service has come. In the foreword the Paymaster General says "The staff featured in this booklet have all found that the Service can be adaptable and innovative. This booklet is about giving staff choices and at the same time helping managers to attract and keep high quality staff".

The booklet discusses:

* **Part-time working:** civil servants who work part-time are treated in the same way as full-time staff;

* **Term time working:**

* **Flexible working hours:**

* **Special leave:** staff can take time out, for example, for family reasons, study or voluntary service.

* **Reinstatement**

* **Career breaks:**

* **Fixed term appointments:**

* **Working at home:**

* **Recurring temporary appointments:** managers can appoint staff to work for short periods when extra help is needed;

* **On call.**

PRESS OFFICE
HM TREASURY
PARLIAMENT STREET
LONDON SW1 3AG

071 270 5238

Notes for Editors: Copies of the booklet are available on request to the Press Office.

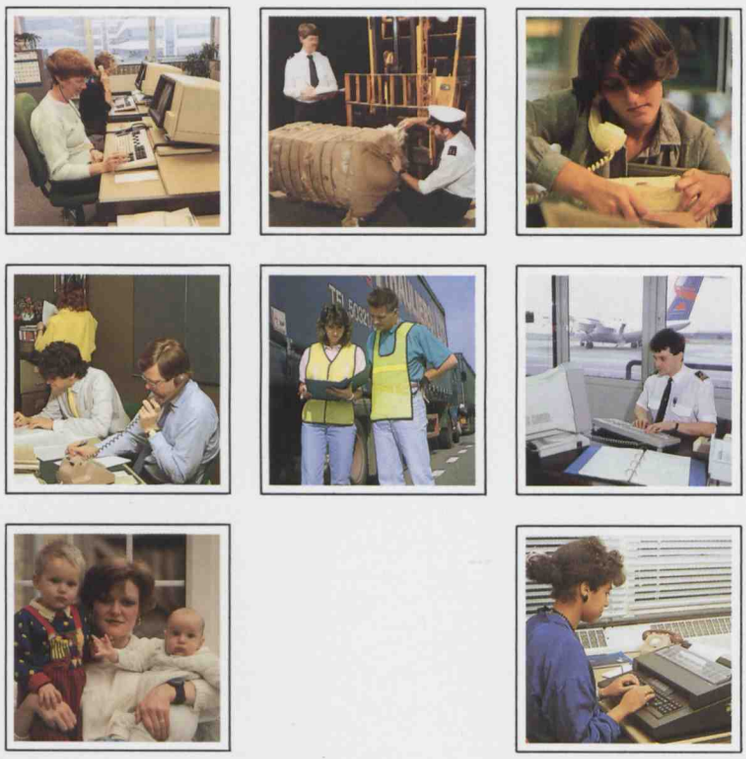
47a/2 pmg.vd/docs/PQ

To ask the Chancellor of the Exchequer what progress is being made in introducing more flexible working patterns for the Civil Service.

To ask Her Majesty's Government what progress is being made in introducing more flexible working patterns for the Civil Service.

ANSWER

The use of flexible working patterns in the Civil Service is an important support to efficiency and effectiveness, helping recruitment and retention and making possible improvements in the quality of service to the public. The Civil Service now provides a wide range of working patterns of considerable flexibility which are being increasingly used by departments. HM Treasury has today published a booklet entitled "Made to Measure - Patterns of Work in the Civil Service" which describes many of the working patterns available to managers and staff. Copies of the booklet have been placed in the Library of the House.



MADE TO MEASURE

PATTERNS OF WORK IN THE CIVIL SERVICE

HM Treasury

In an organisation as large and diverse as the Civil Service it would be surprising if the best match between the needs of the work and the needs of the staff was always to be found within the standard pattern of working. And of course it isn't. But the Civil Service recognises that the scope for adopting a more flexible approach is considerable – and desirable.

The new approach to working arrangements described in this booklet will help the Service meet the increasingly diverse personal circumstances and career needs of its staff. All the people featured in this booklet have found that the Service can be adaptable and innovative. But more flexibility also means that managers can organise the work more effectively and reach a wider pool of potential recruits.

The booklet will give you an idea of the range and diversity of working arrangements now available in the Civil Service. Some of these are new and their potential has yet to be realised, others are well established. Part-time working, for example, has grown tremendously over the last few years and the Civil Service is recognised as one of the most attractive and progressive employers in this area. New more flexible pension arrangements have also been introduced. These provide good opportunities to earn occupational pension benefits if you work part-time or on some of the other working arrangements described in this booklet.

To sum up, this booklet is about giving staff choices and at the same time, helping managers attract and keep high quality staff.

Caithness

THE EARL OF CAITHNESS
PAYMASTER GENERAL

PART TIME

People may not always want to work full time for the whole of their working lives. Part-time working, for a short period or as a permanent arrangement, is one way to combine employment and a career with other responsibilities and needs. It also helps managers organise the work more effectively and retain experienced staff. Today more than 30,000 civil servants work part-time and most departments and agencies have part-time jobs.

In the Civil Service, part-time staff are treated in the same way as full-timers. Part-time staff –

- can work any number or arrangement of hours;
- can be recruited to any level to which full-time staff are recruited;
- have the same pay scales and annual leave allowances – pro-rata with the number of hours they work;
- have the same opportunities for training and career development;
- receive annual increments and pay increases;
- qualify for maternity benefits in the same way;
- have the opportunity to earn pension benefits; and
- are promoted in the same way as full-time staff.

There are a variety of part-time working arrangements in the Service. In Customs and Excise, for example, some part-timers at the VAT Centre in Southend work a two week alternating pattern, and part-time evening work is being introduced at Dover where the port needs staffing round the clock.

Part-time staff work in a variety of jobs in junior grades, middle management and in senior management.

Ruth Davis, Steve Cook and Anna Walker all work in the Department of Trade and Industry.

Ruth is a Personal Secretary who switched to working part-time, 4 hours a day, just over 2 years ago. Ruth says: "Because a member of my family has health problems I cannot work full time but working from 1-5 every day fits in with my personal needs."

Steve is a Higher Executive Officer. He works three days a week, in a job share arrangement. "My wife and I wanted to have children but we both wanted to continue our careers. We decided to look after the children ourselves, so working part-time means that we can both continue to do interesting and demanding work and share the day to day childcare."

Anna is a Grade 5. She came back to work after the birth of her first child in 1985 and was promoted to her current grade as a part-timer. Anna explains that working part-time balances her career needs with her domestic commitments. "For me it has been absolutely great and my department have been very supportive. They are working hard to increase the opportunities for part-time work. I am not aware of any better employer of part-timers."

One variant of part-time working is job-sharing where a single post is split into two parts. This means that part-time staff can work in areas where the employer needs full time cover. Jobsharers and their manager decide between them how the hours and work should be divided. They may decide to work part of the day each, part of the week each, or alternate weeks depending on the circumstances.

Gaye Addis and Ann Sharp are Local Officer IIs sharing a post in the pensions team in the Department of Social Security Local Office in Sittingbourne. They work 2½ days a week and meet every Wednesday lunch time to sort out any problems and keep in touch.

Ann has been job sharing since 1985. She explains "I started job sharing because at the time I was caring for my father who was on his own, but now I enjoy it because it gives me more time to be with my family and do other things. I wouldn't want to go back to full time work now".

Gaye joined Ann last year "When Ann's previous job share partner left, I thought it would be a good opportunity for me to change my hours and spend more time at home. The arrangement works very well. There haven't been any problems which we couldn't deal with between us."

But part-time work is not just for staff with family responsibilities. Staff who have difficulty working full time because of health problems find that part-time hours can help them continue working. In fact it can be a long term alternative. Staff returning to work after a period of illness may also work part-time for a while to ease themselves back into full time employment.

Jan Crosby is a Technical Adviser to the Network Documentation Management Section at Inland Revenue's Telford Development Centre. "I had a viral disease which was very debilitating; it was the sort of illness that involved a long period of recovery. After 5 months away, I wanted to return to work but I wasn't fit enough to work full time. A three month period of part-time hours allowed me to work while I was still recovering. I started by working 4 hours a day and gradually increased my hours at my own pace."

Of course, there are many reasons why people will want to work part-time, for example, to take up some further education, or in the immediate run up to retirement.

... And if circumstances change they can talk to their manager about returning to full time work or increasing their part-time hours.

FLEXIBLE YEAR

Working for part of the year

There are people who would like the flexibility to work for part of the year only, and in places where this suits the requirements of the work, staff can be recruited to work part of the year or term time only. And for existing staff, opportunities exist to use short term special leave or part-time working to cover periods such as school holidays.

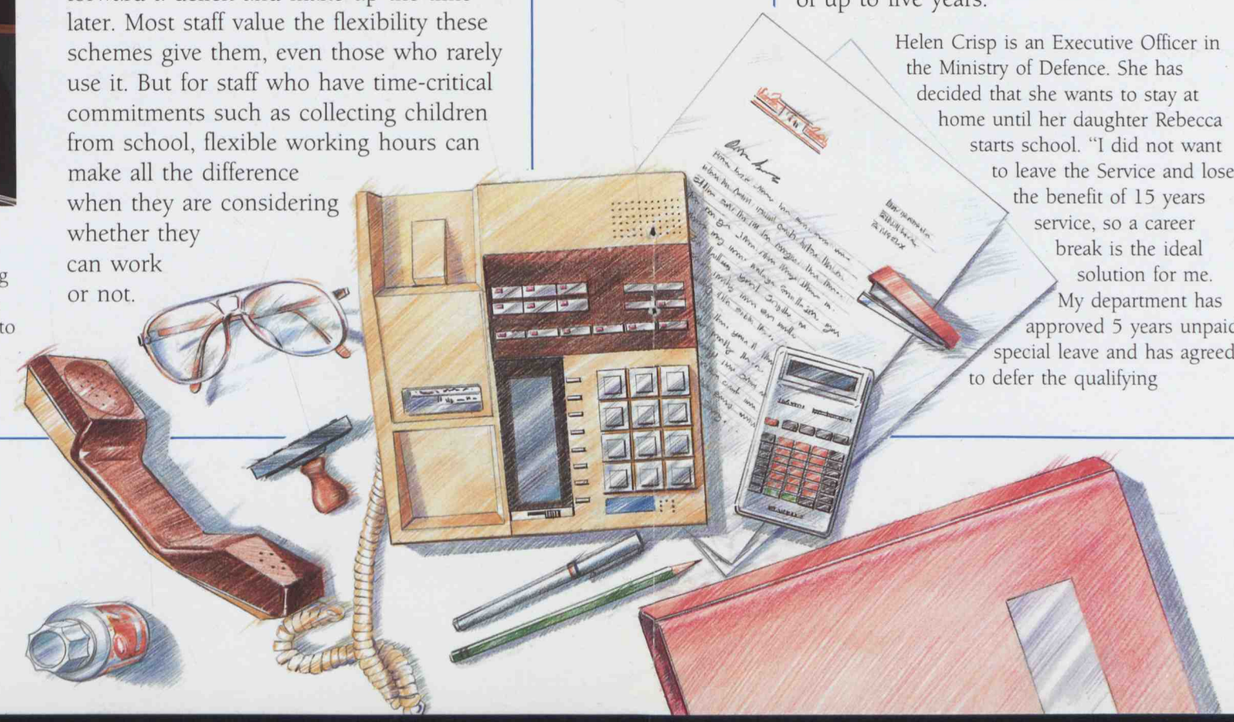
Diane Eaton is a part-time Administrative Officer at Watford County Court – part of the Lord Chancellor's Department. Diane wanted to return to work but because she has young children she did not want to work during school holidays. "When my children started school full time I felt ready to start work again, but I wanted to be with them during school holidays so that we could continue to do all the things we used to do together when I was at home. I think I am fortunate to be able to work during term time only. I am picking up my career again, and although I was a bit rusty at first I soon got used to the work. While my children are young I want the disruption to my family life to be minimal and I think I have succeeded with good organisation and a sympathetic employer."

Clive Butler, the Group's Chief Clerk, was impressed with Diane's potential when he interviewed her and has set up the term time working arrangement. He is looking at the benefits to the department and would be very happy for Diane to develop her career on a full time basis when the children are older, if she wants to.

Flexible Working Hours

Flexible Working Hours Schemes are widely used in the Civil Service. These schemes make it possible for people to have some discretion over the arrangement of their working hours. Of course the degree of flexibility varies with the needs of the work. The Civil Service is an organisation with a variety of roles and the demands which it must meet, for example from the public, mean that some offices have more scope for flexibility than others. But most departments and agencies operate schemes and most offices are able to give staff some freedom to arrange their own hours.

Every scheme has a "coretime" which is the part of the day when all staff must be present in the office. Added to this is the flexible part of the day during which times of arrival and departure may be varied. If because of the needs of the work, staff work more than their conditioned hours over a period, they can carry the time forward and take it off at a later time. And conversely, if for some reason they work less than their full hours over a period, they may carry forward a deficit and make up the time later. Most staff value the flexibility these schemes give them, even those who rarely use it. But for staff who have time-critical commitments such as collecting children from school, flexible working hours can make all the difference when they are considering whether they can work or not.



TAKING TIME OUT

Some people want to take time out of their working life or their career in the Civil Service. They might want to spend time with their family or pursue some other interest or ambition.

Staff can apply for special leave, or if they decide to leave the Service they can apply to return through reinstatement. And in this way taking time away does not have to be a career setback and the department does not have to lose a valuable member of staff.

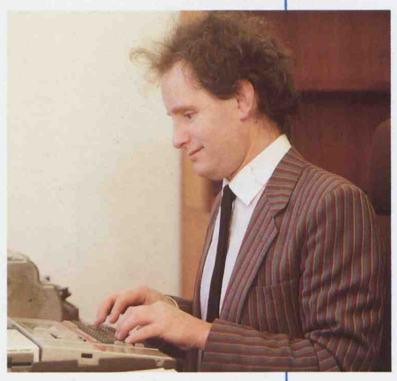
Special Leave

Staff are not generally paid for a period of special leave but they are still "on the staff" and they can pick up their career again when they return.

People who want to take a period of special leave to care for their children or an elderly relative may apply to take part in a formal Career Break Scheme. Their department keeps them in touch with the work in their office and encourages them to come back from time to time for a week or two to keep up to date on the latest developments. These schemes are normally based on an absence from work of up to five years.

Helen Crisp is an Executive Officer in the Ministry of Defence. She has decided that she wants to stay at home until her daughter Rebecca starts school. "I did not want to leave the Service and lose the benefit of 15 years service, so a career break is the ideal solution for me. My department has approved 5 years unpaid special leave and has agreed to defer the qualifying service for maternity pay until I return to work. I don't want to lose touch with work so I will be taking part in the Keep in Touch Scheme and doing some work for the department when this is available, either at home or in the office. I think this will make it easier for me to come back after the break. I would like to return to part-time work and I am encouraged to see that the Ministry of Defence are creating more and more part-time posts."

But special leave can be used for a variety of reasons. People have used it to do voluntary work at home or abroad, or to gain useful and relevant experience or qualifications outside. This can enrich them as individuals, and the organisation benefits from having staff with wider knowledge and new skills.



Mike Beck is a Grade 6 in the Training Agency. He recently took unpaid special leave to try working in a different type of organisation. He worked as an associate for a small management consultancy in the IT field. This was a challenging experience not least because, like many consultants, he worked on a self-employed basis. Mike says that the experience was interestingly different and has helped his career development.

TAKING TIME OUT

TAKING TIME IN

Reinstatement – returning to the Civil Service after resignation

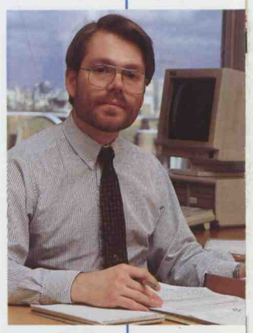
Reinstatement is a fast route back for people with a good record of employment in their former department. Staff who resign from the Civil Service can apply to come back at any time whatever their reason for leaving. They can apply to be "reinstated" in the same grade and at the same point of the salary scale they were on when they left. Most people prefer to go back to their old department. But they don't have to. They can apply to any Government department or agency. Some people find this useful if they have moved house or if they have learned new skills or gained experience which would be useful in a particular kind of work.

Barbara Phillips is a Senior Lecturer at the Civil Service College. "I left the Civil Service just before the birth of my second child in 1978. As my third child approached school age, I began working part-time. I reviewed children's fiction, worked as a copy writer, taught English at secondary school and spent two periods lecturing at an American University. I came back because the Civil Service was able to reinstate me at the same grade and offer worthwhile part-time work, with good opportunities for career development. The Service benefits from the wider skills, experience and knowledge my "time out" has given me and recoups the investment made in me in the early '70s it would otherwise have lost."

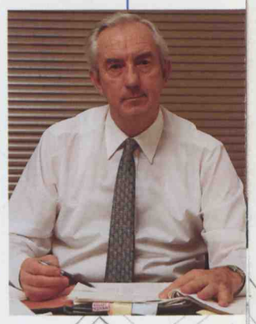
Departments and agencies can also re-employ people in a higher grade if while they were away from the Service, they gained the sort of experience or skills that are demanded for a higher grade post.

Fixed Term Appointments

Sometimes the Civil Service needs special skills not ordinarily found in the Service, or experience which can be obtained only in other working environments. At other times it may need to employ staff for a short period, perhaps for a project or a particular piece of work. To meet these needs Government departments may offer appointments for a fixed number of years. These can be for any period but typically last between 3 and 5 years.



Dr Steven Parker is a Grade 7 in the Information Technology Division of the Department of Trade and Industry and is the Project Officer for the Molecular Electronics Linked Programme. He is on a 3 year contract. "I do not necessarily wish to spend the rest of my career within the Civil Service but found the opportunity of working on this programme and seeing it through to a successful conclusion very attractive."



Keith Fishwick is a Principal Pharmaceutical Officer working a four day week in the Medicines Control Agency in Department of Health on a fixed term appointment of 3 years. He has worked in the pharmaceutical industry for 34 years in both technical and managerial capacities in the UK and overseas. As he explains, "I have retired from the private sector but I am doing interesting work and keeping my brain active professionally until I decide to retire."

Some fixed term appointments offer staff the chance to earn a bonus when the contract has been successfully completed. This can be as much as 40 per cent of annual salary.

SOME NEW IDEAS

There are a number of new patterns of work being introduced into the Civil Service. How departments and agencies use these will vary with their staffing needs and operational requirements. This section gives some examples of new ideas which are being introduced in some offices.

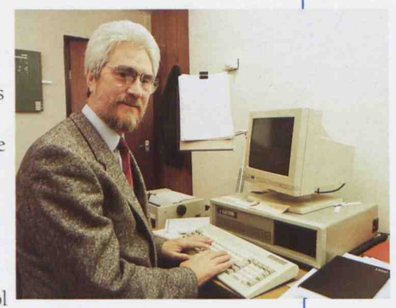
Working at home

Homeworking is still in its early stages in the Civil Service, but a number of departments are successfully running schemes or developing them. This is a pattern of work which will undoubtedly be more important in the future, particularly as information technology frees work from fixed sites and the traditional office environment. It is an arrangement which will be attractive and helpful to staff whose family commitments make it difficult for them to come to the office every day. It can also be helpful for people with disabilities or health problems which prevent them from travelling to work on a regular basis.

The Ministry of Defence have introduced a scheme for staff whose family commitments might otherwise make it difficult for them to continue to work.

Jocelyn Histon is a Higher Executive Officer, and was one of the first people to take part in the scheme. "I wanted to return to work after my child was born, and working part-time has suited me. But being able to work at home for some of the time has made it much easier for me to combine my career and my role as a parent. My job in personnel policy is mainly project work and I can do much of this just as well at home with the help of a small computer and printer provided by the department. I think the Civil Service is giving serious consideration to what it can do to retain its experienced staff and help them through the years when the child care responsibilities are particularly heavy – schemes like this make all the difference."

Training Standards Inspectors in the Training Agency are all based at home where they spend about a third of their working time. The Agency has provided each Inspector with office furniture and a business telephone line to help them create a comfortable working environment in the home. Everyone has a personal computer for report writing and accessing the data they need to do their work. They are linked to networks and use electronic mail to keep in touch with Head Office, divisional office, or each other. But there are also regular meetings to provide personal contact between colleagues and with managers.



Brian Prescott is a Training Standards Inspector. This is his first experience of a homebased post. For Brian "The main advantages of homeworking are that I have greater control over what I do and when I do it and the greater flexibility makes it easier for me to meet tight deadlines."

Pauline Bailey, another Inspector, was a direct recruit. She comments "Working from home

SOME NEW IDEAS

enables me to plan my working day more constructively. In particular, it can give welcome relief from the daily frustrations of rush-hour traffic chaos. Rather than sitting fuming in a car, I can be at my desk working on reports or inspection plans."

Working at home is demanding, but some staff will find the challenge stimulating and will welcome the freedom to organise their working time.

Recurring temporary appointments

Many Government offices need extra staff to deal with peak periods or to provide cover during the holidays.

Managers can appoint staff to work just for these short periods when the extra help is needed. The periods of work and the number of years for which the arrangement will run are agreed between the manager and the member of staff. And if they both agree these can always be changed.

Staff will know that they have a job at a particular time each year and can plan around this. And the manager knows that the staff will be there when they are needed... and that they will know the job.

Anyone can be employed in this way but it is likely to be attractive to retired staff who don't want to give up work entirely. It will also appeal to former members of staff who have given up full time employment because of family responsibilities but would still like to work for short periods. It allows them to keep in touch with the work of their department and makes it easier to return to part-time or full time work later.

On call

As any manager knows, problems can come up with very little warning. Staff go sick, or an extra job has to be done... It can be useful to have someone who knows the work and who will come to help at short notice.

The short notice working arrangement suits people who do not want to work full time and can be flexible about when they work. It is a way of working likely to be attractive to former members of staff, people who, for example, have resigned for family reasons but want to work occasionally and keep in touch with the work environment. It may also suit people who have other part-time work commitments, or people in specialist fields whose other employment does not occupy them full time, and who are trying to build up a portfolio of work.

The arrangements – how much time each person wants to work, when they are likely to be available and how much notice they want before they can start work – are matters for each person to discuss and arrange with their manager. People who take part in a scheme are offered work whenever it is available. They do not, however, have to accept it when it does not suit them to do so. The choice is theirs.

FOR MORE INFORMATION

If you are not in the Civil Service but you are thinking of joining and would like to know more about these arrangements, ask for details when you apply for a post or when you come for an interview.

If you already work in a Government department and are interested in any of these arrangements, speak to your line manager or personnel manager about what your department or agency can do to help you...

...and if you are a manager in a Government office, make sure your staff see this leaflet. Spend some time thinking about how you might use these arrangements, or build on them, to organise more effectively the work for which you are responsible and to attract and retain staff.

Printed in the U.K. for HMSO
Dd 8153407 5/90 C500

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CABINET OFFICE

OFFICE of the MINISTER for the CIVIL SERVICE

PRESS RELEASE

OMCS 4/90

30 April 1990

CIVIL SERVICE COMMISSION REPORTS INCREASE IN DEMAND AND RECRUITMENT

In an increasingly competitive employment market the Civil Service Commission has managed to raise the numbers recruited to key jobs in the Civil Service.

Better directed advertising, improved selection procedures and more effective communications helped the Commission to achieve a 13 per cent increase in the number of applicants recommended for appointment and a nine per cent increase in those actually appointed.

In its annual report* for 1989, published today, the Commission which recruits the Civil Service's managers, professionals and senior staff, says that 7,381 successful appointments were made. This was nearly 600 higher than 1988 and close to the numbers achieved in 1985 and 1987. In these last two years there were far more applicants to choose from.

* Civil Service Commission: Annual Report 1989 published by the Commission, Alencon Link, Basingstoke.

Demand for the Commission's recruitment services from government departments and agencies continues to grow rapidly. While overall Civil Service numbers remained constrained there were 12,522 vacancies in 1989 (compared with 11,216 in 1988 and 9,410 in 1985. The 1,001 recruitment schemes (899 in 1988) represent the highest level in recent years.

Among the most encouraging developments during the year were:

- a new ten-year record of 1,240 appointed to the Professional and Technology Group;

- an increase in the numbers recruited as lawyers, middle-management level accountants and Higher Executive Officers;

- a 26 per cent rise in applications from ethnic minority candidates;

- some 40 universities and nine polytechnics providing recruits for the Service's "fast-stream" entry;

- more recruitment schemes for senior level (Grade 5 and above) posts with 43 held in 1989, including six to recruit Chief Executives for Agencies under the Government's Next Steps initiative;

In common with many other major recruiters, the Commission still faces difficulties in finding sufficient suitable applicants to fill all vacancies in fields of skill shortage, such as Information Technology, or in areas like London and the South East where the market is particularly competitive for able administrators at Executive Officer level. Significant numbers of recruits were, nevertheless, appointed in such areas.

The Commissioners feel that much of the Commission's success during 1989 results from its initiatives to improve the overall professionalism and effectiveness of the recruitment service it provides. This is particularly important at a time when the Commission is working towards a change in its status from April 1991. The new arrangements will include a recruitment Agency under the Next Steps Initiative, which will offer a competitive and expert service that is fully responsive to its customers needs.

Issued by:

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Tel No: 01 270 6356.

Prime Minister
cbs
19/12

MISS SLOCOCK

19 December 1989

LOW MORALE IN HM INSPECTORATE OF POLLUTION

Following the suicide of Brian Ponsford, Head of the Inspectorate of Pollution, there have been a run of press articles suggesting that the inspectorate is in chaos as a result of staff shortages. This is damaging for the Government's credibility on pollution control.

I have discussed the present state of the Inspectorate with DOE officials. There are problems - and Brian Ponsford's death has been a great shock - but the picture is not as gloomy as the papers would suggest. In fact, the corner is beginning to be turned, which makes the suicide all the more sad.

The new integrated pollution inspectorate was set up in 1987 following a recommendation by the Royal Commission on Environmental Pollution that there should be an integrated system for controlling industrial pollution. The UK system is unique in Europe, and one of our environmental boasts.

But it has had teething troubles:

- The change was bitterly resented by many existing staff in the old separate inspectorates. In many cases (eg the Alkali Inspectorate) these had been trundling along for over a century with little or no involvement by Ministers or senior officials from DOE.

- Few inspectors have the all-round training needed for an integrated inspectorate. The training colleges have yet to catch up with suitably broad courses.

This means much in-house training in new fields for staff who thought they were already qualified.

- The appointment of a high-flyer administrator (Brian Ponsford) was seen as a snub to the inspectors. In fact an outsider was badly needed to galvanize the new organisation into some kind of shape, but this took its toll.

It would be wrong to suggest that all is now well. There are shortages of skilled manpower, but these are largely for the reason in the second indent. The press have exaggerated the extent to which inspectors have left for better salaries in the private sector. This has happened, but DOE doubt if it is on the same scale as the drain of administrators from HM Treasury!

David Trippier has been spending quite a lot of time going round the various Inspectorate headquarters trying to improve morale. DOE are well seized of the need to make the new integrated Inspectorate a success. This is essential if the Government's policies on air, water and soil pollution are to be effective.

CAROLYN SINCLAIR

file JR

10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBIN BUTLER

DISCRETIONARY PAY SCHEMES FOR GRADES 2 & 3

You discussed with the Prime Minister your minute of 11 December. She was content with the way the scheme has been operated and content also for the Minister for the Civil Service to answer a PQ in the terms suggested. You indicated that you were hopeful that the TSRB would this year endorse the Government's proposals for a more extensive scheme of discretionary increments for these grades.

I am copying this minute to Mr. Gieve (HM Treasury) and Mr. Le Jeune (Minister of State's Office, Privy Council Office).

AT

ANDREW TURNBULL
14 December 1989

mer

SENIOR STAFF IN CONFIDENCE

PRIME MINISTER

DISCRETIONARY PAY SCHEME FOR GRADES 2 AND 3

In the Autumn of last year, Ministers agreed on a revision of the arrangements for performance pay for Grades 2 and 3. Instead of discretionary increments paid to only 25 per cent, later increased to 35 per cent, Ministers agreed a scheme which would largely, but not entirely, remove automatic increments, to be replaced by more extensive performance points. In this way, a majority rather than a minority would have an incentive for better performance. In its 1989 report, the TSRB felt it was too early to make the change. The proposal has been re-submitted this year.

Sir Robin's minute reports on the position reached under the existing arrangements. At Grade 2, 26 per cent are receiving discretionary increments, and at Grade 3, 30 per cent. A margin has to be left below the ceiling of 35 per cent to allow room for further awards next year.

Sir Robin also reports that the TSRB may recommend the introduction of the revised scheme next year. You might ask Sir Robin what the Government should do if the TSRB recommend against. His minute implies that we simply carry on with the existing arrangements. The alternative would be to press on with the change if the Government believes that is the right thing to do.

AT

13 December 1989
jd c:discretionary

they not endangered.

IRA alert at summit

A MAJOR security alert has been launched over plans to hold a Euro summit in Dublin.

Security forces fear the IRA could plan an attack as savage as the 1984 Brighton bombing that nearly killed Premier Mrs Thatcher.

The two-day event was revealed at yesterday's EC summit in Strasbourg, which confirmed Ireland will take over the presidency of the European Community next year.

Security chiefs branded the summit plan "a nightmare".

ADVICE: Porritt

into line to save the earth, he instructed the PM.

The advice came as the cies.

But she may now take the shrewd step of enlisting him as possible.

During the 40-minute discussion with Mrs Thatcher and Environment Secretary Chris Patten, he discussed various issues from waste recycling to the Greenhouse Effect.

"We got into a lot of detail about recycling," said Mr Porritt. "It is a definite area where she wants to do a lot more.

"We talked about how supermarkets are in a good position to facilitate recycling and have been very slow to set up the sort of facilities it would be so easy for them to introduce.

"Whereas it is often very difficult for a local authority to put up igloos and bottle banks because there aren't many good sites, supermarkets could use four or five spaces in their car parks."

Corners

The Government aims to increase the recycling of glass, tyres, plastics and other materials to 50 per cent within 10 years.

Green Minister Chris Patten intends to publish an Environment Bill next week which will make councils put bottle banks on street corners.

Mr Porritt said he believes the Bill will bring about a "transformation of environmental policy".

But he added bluntly: "The meeting was quite constructive. But there was no real awakening of truth."

Fatal despair of pollution fighter

POLLUTION cop Brian Ponsford killed himself because Government cutbacks left his men powerless.

Mr Ponsford, 50, head of the Inspectorate of Pollution, gassed himself in his garage.

His heartbroken family found a three-page suicide letter spelling out his despair.

His tearful wife yesterday refused to discuss what he wrote.

But a neighbour in Cricklewood, North London, said: "Troubles at work killed him."

The "green police" Inspectorate, set up two years ago to spearhead the clean-up drive against industrial waste and radio-

by TIM MILES

active emissions, has been wracked by internal rows and lack of morale.

Mr Ponsford's letter echoes a damning, secret report he drew up about the lack of manpower and cash to tackle pollution.

He revealed that up to half the planned poison tests at industrial sites have not been carried out because of staff shortages.

Four inspection teams instead of six were operating, cutting back on the number of vital pollution checks.

Mr Ponsford warned that his department was unable to take a leading role in emergency exercises to tackle chemical or radiation disasters.

Reorganisation proposals had outraged senior inspectors, forcing three to quit for better paid jobs in private industry. Failure to recruit qualified staff had left one in five posts unfilled.

Mr Ponsford's death last week underlines the major crisis of confidence facing his boss, Environment Secretary Chris Patten.MPs from all parties are set to give his new Green Bill a stormy passage by demanding more support for the Inspectorate.

■ *Comment: Page 10*

WEATHER Today

By PHILIP EDEN

AS the spell of dry weather draws to a close, one of the most extraordinary statistics of the last 30 days is the amount of sunshine the Channel Islands have enjoyed. St Helier on Jersey has measured 163 hours in that time, an average of 5 hours 26 minutes per day, and 20 out of the 30 days had virtually unbroken sunshine.

ENGLAND: Thick fog patches this morning, more especially in Midland counties, but it should clear by midday. Otherwise a dry day with variable amounts of cloud and sunny periods. Max temps 6-9C (43-48F).

WALES: Early fog patches then dry with sunny spells. Max temps 6-8C (43-46F).

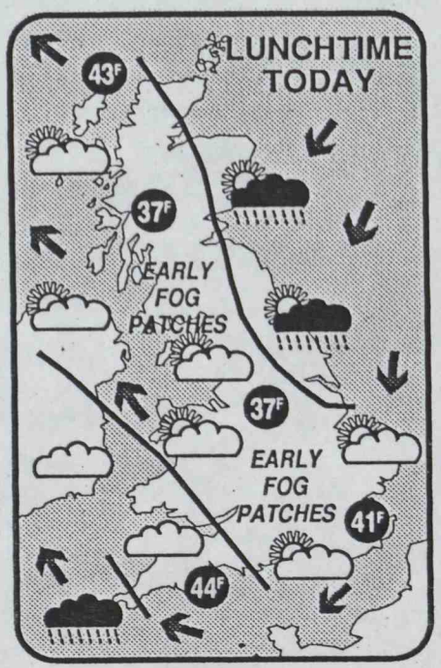
SCOTLAND: Early fog patches in the Central Lowlands and perhaps also around the Moray Firth. Otherwise partly cloudy with bright periods. Max temps 5-8C (41-46F).

NORTHERN IRELAND: Fog in places early on, then dry with some cloud and some sunshine. Max temps 5-7C (41-45F).

OUTLOOK: Continuing quiet and dry, but frost and fog will be a hazard in some areas, especially early mornings.

LIGHTING-UP TIMES

London: 3.51 pm to 7.53 am. **Manchester:** 3.51 pm to 8.12 am. **Glasgow:** 3.44 pm to 8.34 am



WORLD YESTERDAY

		C	F
ALGARVE	cloudy	15	59
AMSTERDAM	cloudy	3	37
ATHENS	cloudy	11	52
BARCELONA	cloudy	12	54
BERLIN	sunny	-2	28
BRUSSELS	cloudy	0	32
CAPE TOWN	sunny	24	75
COPENHAGEN	cloudy	1	34
CORFU	sunny	16	61
CRETE	sunny	18	64
DUBLIN	cloudy	7	45
FLORENCE	sunny	9	48
FRANKFURT	sunny	1	34
GENEVA	cloudy	1	34
GIBRALTAR	fair	18	64
JERSEY	sunny	4	39
LAS PALMAS	fair	24	75
LISBON	fair	16	61
LONDON	cloudy	5	41
MADRID	fair	15	59
MAJORCA	cloudy	17	63
MALAGA	sunny	19	66
MALTA	fair	18	64
MIAMI	cloudy	14	57
MOSCOW	snow	-19	-2
MUNICH	sunny	0	32
NEW YORK	cloudy	-5	23
NICOSIA	fair	19	66
OSLO	cloudy	-3	27
PARIS	sunny	2	36
ROME	sunny	12	54
STOCKHOLM	snow	-3	27
SYDNEY	sunny	23	73
TEL AVIV	sunny	21	70
TENERIFE	fair	21	70
TOKYO	sunny	11	52
VENICE	sunny	5	41

Stand off Europe

TORY backbenchers will this week accuse the Prime Minister of damaging Britain's interests in Europe.

They are worried by opinion polls showing Mrs Thatcher is out of step with the voters on Europe.

It follows her two 11-1 defeats at the weekend's European Summit in Strasbourg — on monetary union and the social charter.

As she left Strasbourg after the two-day Summit, the Prime Minister insisted she will continue to fight moves to set up a European central bank and common currency.

She said: "I will no see the pound abo lished. I am not here to preside over th abolition of sterling."

But there were sug gestions in Strasbourg yesterday that if Brit ain refuses to go along with the proposals there was little poin in it remaining a mem ber of the community.

A conference agreed at the summit is du to discuss the Euro bank and commo currency.

BR safety hold-up

BRITISH Rail admitted yesterday it had failed ev to start work on 21 of 71 safety measures manded after last December's Clapham rail cra in which 35 people died.

This includes one of the main safety recomm dations by the disaster inquiry, rapid installati of radio communications between drivers and s nalmen.

A BR spokesman said yesterday the work co take two to three years.

AIR MAIL - CHANNEL Is. 23p BELGIUM 45 B.F. DENMARK 10 Kr. FRANCE 7 Fr. GERMANY 2.50 DM. GREECE 180 Dr HOLLAND 3 HFL ITALY 1,700 L. MALTA 25c. PORTUGAL 180 Esc. SPAIN 170 Pes. SWITZERLAND 2.50 Fr. CANARY ISLANDS 170 Pes. AUSTRIA 21 sch.

SH

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

19 December 1989

Dear Isleen,

CIVIL SERVICE NUMBERS:
1 OCTOBER 1989

Thank you for your letter of 14 December which the Prime Minister has seen. She is content with the terms of the proposed Parliamentary Answer and with the intention to move to less frequent reports in future.

Yours,
Paul

PAUL GRAY

Ms. I. Campbell,
Chief Secretary's Office

cst.ps/2ic14.12/drft

Prime Minister

Content with the attached answer and with the plan for less frequent arrangements in future?

RRC6
18/12

Treasury Chambers, Parliament Street SW1P 3AG

Paul Gray Esq
Private Secretary
10 Downing Street
London
SW1

14 December 1989

Dear Paul,

CIVIL SERVICE NUMBERS: 1 OCTOBER 1989

You may like to inform the Prime Minister that on 1 October 1989 there were 565,075 civil servants in post, a reduction of 1,998, since 1 July 1989. Since 1 April 1979, the number of Civil Service staff in post has fallen by 167,200 (22.8 per cent).

The largest decrease during the quarter was again recorded by the Department of Social Security (978), due to a reduction in claims for Income Support resulting from falling unemployment. Other sizeable reductions were recorded by Department of Trade and Industry (833) chiefly due to transfers of staff to the Central Statistical Office; Department of Employment (622) reflecting the continuing fall in benefit claimants; and Inland Revenue (458) due to the tendency for workloads to fall in the second quarter of the year. There were no large increases in staff during the quarter.

It is customary to announce the quarterly staff in post figures in a Parliamentary Written Answer, which we propose to do along the lines of the attached draft. However, with the replacement of manpower limits by running cost controls, we feel that the publication of quarterly figures for Civil Service manpower is no longer necessary. The draft Answer, therefore, gives notice that the next announcement will report the situation at 1 April 1990. We envisage 6 monthly reports thereafter, possibly reducing to annual ones in time.

We would be glad to know if the Prime Minister is content.

Yours sincerely

Isleen Campbell

MS I CAMPBELL
Assistant Private Secretary

MANAGEMENT IN CONFIDENCE

15.12.
PM 89

~~ANNEX D~~

DRAFT QUESTION

To ask Mr Chancellor of the Exchequer, what was the number of staff in post in central government departments at 1 October 1989.

DRAFT ANSWER

On 1 October 1989 there were 565,075 staff in post in central government departments. Of these 497,294 were non-industrials and 67,781 were industrials. The figures for 1 April 1990 will be published next, when available.

Ref. A089/3203

MR TURNBULL

Discretionary Pay Scheme for Grades 2 and 3

This minute reports the outcome of the third 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 in their last report, the expectation is that this year no more than 35 per cent of the staff in each grade across the Service should be in receipt of one or more discretionary increments at any one time. (The ceiling in the first two rounds of the scheme was 25 per cent.) In line with arrangements agreed by the Prime Minister, awards for Grade 2s and for some Grade 3s were subject to my approval.

Grade 2 Awards

3. At 1 October 1989, awards approved in previous years were still in payment to 21 (15.1 per cent) staff in the grade.

4. 24 nominations were made this year, including 3 for a second discretionary increment. After consideration with my Advisory Group, I approved 18 including the 3 second awards.

5. As a result, 36 Grade 2s receive one or more discretionary increments - 25.7 per cent of the grade total.

Grade 3 Awards

6. This year Permanent Secretaries made first awards under their own authority to 58 staff. Together with discretionary increments remaining in payment from previous years, a total of 139 (28.1 per cent) staff in the grade were in receipt of awards from 1 October 1989.

7. In addition, 28 nominations were made this year for my approval, including 15 for a second award. After consideration with my Advisory Group, I approved 19 including 9 second awards.

8. As a result, one or more discretionary increments for high performance have been awarded from 1 October 1989 to 149 Grade 3s - 29.9 per cent of the grade total.

Cost

9. The cost of all the awards at Grades 2 and 3 level payable from 1 October 1989 will amount to £463,400 in a full year, or about 1.8 per cent of the annual pay bill for the grades concerned.

The Future

10. In its evidence for the TSRB's current review, the Government has put forward proposals for a new more flexible discretionary increment scheme controlled by an overall budget. Although the TSRB may recommend its introduction next year, there is sufficient leeway under the current scheme for additional awards in future years in case it is decided that the present arrangements should continue. The awards made this year, to 25.7 per cent of Grade 2s and 29.9 per cent of Grade 3s, are well within the increased 35 per cent ceiling. Taking into account known retirements and promotions, this margin should be

sufficient at Grade 2 level to allow a reasonable number of further awards next year but the situation would be tighter at Grade 3 level.

Announcement of the Outcome of the Third Round

11. When the Prime Minister announced the introduction of the discretionary pay scheme in April 1987, she said that the overall total number and value of awards would be published annually. The Minister of State, Privy Council Office, has made these announcements by Written Parliamentary Answers. I recommend that a similar announcement should be made on this occasion, and a draft Parliamentary Question and Answer is attached. The Treasury recommend making the announcement shortly before Christmas; you will want to consider the precise timing in relation to any developments on other public sector pay negotiations, particularly the ambulance workers.

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

FR.R.B.

ROBIN BUTLER

11 December 1989

DRAFT WRITTEN PARLIAMENTARY QUESTION AND ANSWER

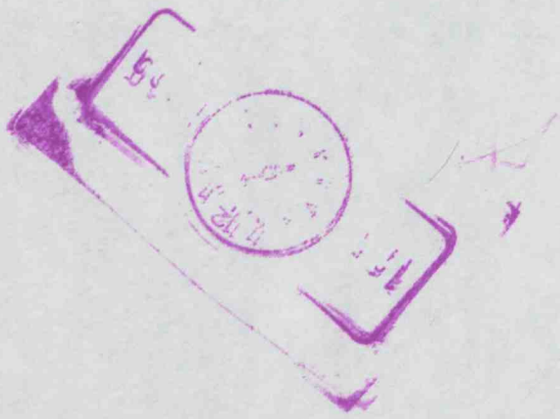
OMCS

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.

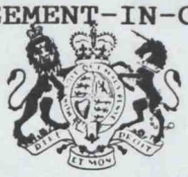
MR RICHARD LUCE

In the third round of awards made under the arrangements announced by my Rt Hon Friend the Prime Minister on 23 April 1987, awards have been made to 18 Grade 2s and 77 Grade 3s. The total number of staff currently granted awards following the first three rounds of the scheme is 36 Grade 2s and 149 Grade 3s, respectively 26 per cent and 30 per cent of each grade. This is within the ceiling of 35 per cent of each grade recommended by the Top Salaries Review Body earlier this year.

The full year cost of these awards is £463,400 or about 1.8 per cent of the annual pay bill for the grades concerned.



MANAGEMENT-IN-CONFIDENCE



FT6
Emp. Numbers

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

14 September 1989

CIVIL SERVICE NUMBERS: 1 JULY 1989

Thank you for your letter of 12 September. The Prime Minister is content with the terms of the proposed press notice.

PAUL GRAY

Peter Wanless Esq
Chief Secretary's Office

MANAGEMENT-IN-CONFIDENCE

cst.ps2pw12.9/lets

MANAGEMENT IN CONFIDENCE

Prime Minister
Content with the attached press notice?

PRCG 12/9

Paul Gray Esq
Private Secretary
10 Downing Street
London
SW1

12 September 1989

Yes pt

Dear Paul,

CIVIL SERVICE NUMBERS: 1 JULY 1989

You may like to inform the Prime Minister that on 1 July 1989 there were 567,073 civil servants in post, a reduction of 2,142 since 1 April 1989. Since 1 April 1979, the number of Civil Service staff in post has fallen by 165,202 (22.6 per cent).

The largest decrease during the quarter was again recorded by the Department of Social Security (1,653½), due to a reduction in claims for Income Support resulting from falling unemployment. Other sizeable reductions were recorded by the Ministry of Defence (1044½) reflecting recruitment and retention difficulties in London and the South East, and by the Department of Employment (824½) due to the continuing fall in benefit claimants. The largest increases were recorded by the Home Office (1288½) reflecting increased recruitment in the Prison Department, and by the Department of Transport (701½) at the ending of its common citizenship with DoE.

Because of the Recess, it is customary to announce the July staff in post figures through a Press Notice along the lines of the attached draft. We would be glad to know if the Prime Minister is content.

Yours,

Peter

PETER WANLESS
Assistant Private Secretary

ANNEX

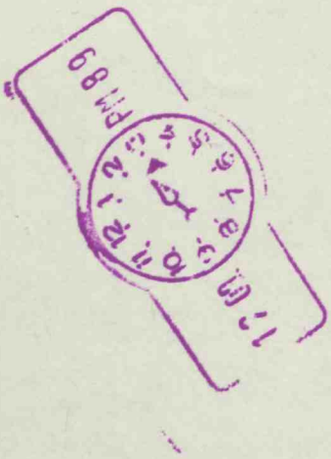
PRESS NOTICE

Civil Service Numbers: 1 July 1989.

At 1 July 1989 there were 567,073 staff in post in central government departments. Of these 498,869 were non-industrials and 68,204 were industrials.

NOTES FOR EDITORS

The total 567,073 relates to all central government departments. At 1 April 1979 the corresponding figure was 732,275.



File D4

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

19 June 1989

DEPARTMENTAL ANNUAL REPORTS

Thank you for sending me a copy of your survey of Departmental Annual Reports. Progress in this area is slow, but I hope you will agree that there is progress. One of the key issues to be resolved, in my view, is the way Departments respond to the establishment of Next Steps Agencies. Should the emphasis be on the production of reports by the Agencies themselves, or reports by the parent Departments? I think a choice has to be made as I think it would be a poor use of resources to insist on the fullest reporting at both levels.

ANDREW TURNBULL

B. L. D. Collins, Esq.

MANAGEMENT IN CONFIDENCE

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

13 June, 1989.

CIVIL SERVICE NUMBERS: 1 APRIL 1989

Thank you for your letter of 12 June which the Prime Minister has seen. She is content with the terms of the proposed Parliamentary Answer.

Paul Gray

Peter Wanless, Esq.,
Office of the Chief Secretary.

MANAGEMENT IN CONFIDENCE

cst.ps/4pw12.6/lets

MANAGEMENT IN CONFIDENCE

Prime Minister

Content with the attached PQ answer?

RRCG
12/6

Treasury Chambers, Parliament Street, SW1P 3AG

Paul Gray Esq
Private Secretary
10 Downing Street
London
SW1

12 June 1989

Yes

Dear Paul,

CIVIL SERVICE NUMBERS: 1 APRIL 1989

You may like to inform the Prime Minister that on 1 April 1989 there were 569,215 civil servants in post, a reduction of 2,434 since 1 January 1989. Since 1 April 1979, the number of Civil Service staff in post has fallen by 163,060 (22.3 per cent).

The largest decrease during the quarter was again recorded by the Department of Social Security (2,200½), mainly due to a reduction in claims for Income Support resulting from falling unemployment. Other sizeable reductions were recorded by Ministry of Defence (664) through a combination of wastage, reduced recruitment and contractorisation measures, and by Department of Employment (486½) due to the continuing fall in benefit claimants. The largest increases were recorded by Inland Revenue (487) and Customs and Excise (265) following planned increases in recruitment.

It is customary to announce the quarterly staff in post figures in response to a Parliamentary Written Question, which we propose to do along the lines of the attached draft. We would be glad to know if the Prime Minister is content.

Yours,

Peter Wanless.

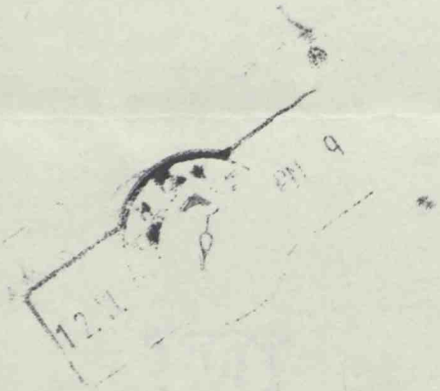
PETER WANLESS
Assistant Private Secretary

DRAFT QUESTION

To ask Mr Chancellor of the Exchequer what was the number of staff in post in central government departments at 1 April 1989.

DRAFT ANSWER

On 1 April 1989 there were 569,215 staff in post in central government departments. Of these 499,821 were non-industrials and 69,394 were industrials.



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R 25/5

Your ref

Our ref BLDC/557

AT 25/5

Mr. Andrew Turnbull
Cabinet Office
10 Downing Street
London SW1

24 May 1989

Dear Andrew,

Departmental Annual Report

You will recall that we approached you last year in connection with a survey of departmental annual reports which we were undertaking. I now have pleasure in enclosing a copy of the report which we have produced on our survey. I hope you will find this of interest.

May I take this opportunity to thank you for your participation in this survey, for which we are most grateful.

If you would like any further copies of the report, please let me know.

Yours sincerely,

Barrie

Barrie Collins

Encl.

P J Butler CBE, C M Sharman OBE, B L D Collins, D C Russell, G O Winter, P G Targett, A R Turl, P M Ward, D J Bishop, R H Dowler, F J F Hall, A H Mallinson, R F Price, E J Cooke, C A Evers, D S Todd, E Oliver

Principals: P G Fearfield, G Castro, B J T Clark, J P Jordan, L Zurick, M H V Jeans, J Fielden, M S Brignall, P T A Whale, G Jones, J P Gellatly, A C K Heyworth, R J Simm, H C Macmillan, K S Barnes, R G Camp, J R Hornby, P G Mariotti, R B Porter, C S Wilmott

Associates: R Armstrong, C J S Bentley, C L Carmichael, N Castro, A J Clark, C J Collingwood, S Denby, V P Fairbank, C T Garcia, R M Hodgson, G P A Howe, N C Johnston, S King, R C R Lee, W R D Marshall, T A Mills, E A LL Morgan, M S Morrow, L R S Newman, M G Oates, B G Parsons, K E Parsons, J C Percival, V Pryce, R Pye, D M Robertson, C R Robinson, S P Sherman, J K C Shonfield, C R Symons, B A Taylor, J Walshe, R C Wilkinson, E Williams, R K Williams

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Klynveld Peat Marwick Goerdeler

Appointed Representative of Peat Marwick McLintock which is authorised by the Institute of Chartered Accountants in England & Wales to carry on investment business.

The address for the purposes of Section 4, Business Names Act 1985 is 1 Puddle Dock, Blackfriars, London EC4V 3PD

KPMG Peat Marwick McLintock

Management Consultants

Departmental Annual Reports

DEPARTMENTAL ANNUAL REPORTS

Peat Marwick McLintock
April 1989

DEPARTMENTAL ANNUAL REPORTS

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PREFACE

At Peat Marwick McLintock we have a long history of working with the private and public sectors in helping to provide reports and plans - both financial and non-financial. As part of our close involvement with management developments in central government we have watched with considerable interest the recent debate about financial and annual reports by government departments.

The whole area of annual reporting is related closely to other key areas in public sector management - for example, corporate planning, performance measurement and policy evaluation.

This report is intended as a contribution to the debate. It brings together the findings of a survey we conducted and our own views about departmental reporting.

EXECUTIVE SUMMARY

1. There has been an important debate in recent years about the role and value of annual reports by government departments. Very few departments currently produce reports which cover their complete activity.

2. Important developments are now in train. The departmental chapters of the Public Expenditure White Paper have been replaced by separate departmental volumes which give information about the funding and planned activities of the department over the plan period. The new reports were published for the first time in January 1989.

3. As a contribution to this debate we conducted a survey of existing practice and attitudes towards departmental reports. This report sets out the results of our survey. It also presents our view of the wider debate; we make a number of suggestions about future directions:

   - we support the case for departments producing annual reports as separate retrospective documents, possibly incorporating the Appropriation Accounts;

   - we see these reports as complementary to the annual reports replacing the Public Expenditure White Paper departmental volumes;

   - we suggest a number of core elements which should be included in reports.

4. We also offer some practical advice on the production of an annual report.

1 INTRODUCTION

1.1 Few government departments produce annual reports which embrace all their activities. In the past few years there has been considerable debate about the possibility of government departments being required to produce annual reports. The debate touches on complex issues of Parliamentary accountability, relationships with the financial reporting cycle, and whether there is a need at all for departments to produce comprehensive annual reports. The following recent reports in particular have made recommendations on the subject:

- 'Financial Reporting to Parliament' (National Audit Office, 1986), (1)[1],
- the subsequent Public Accounts Committee Report, (2),
- the Treasury and Civil Service Committee's report 'The Government's Spending Plans 1988 to 1990', (3),
- the Efficiency Unit's 'Next Steps' report, (4).

1.2 Because this appeared to be a matter of public interest where our experience and skills could make a contribution, Peat Marwick McLintock undertook a survey of existing practice. Our work fell into the following parts:

- a questionnaire survey of departments,
- a questionnaire survey of potential users,
- a survey of relevant literature and reports,
- a survey of foreign experience.

We have also bought to bear our experience of annual reporting in the private sector. This report brings together the results. It is intended as a contribution to the wider debate about departmental reporting. We also hope that it will serve as a practical aid to those contemplating or involved in the production of departmental reports.

1.3 It is important at the outset to distinguish between various different kinds of reports:

1 A list of references is at Appendix III.

- retrospective reports which look backwards and report on past performance,

- prospective reports which look forward and set out future plans;

and the coverage of reports, for example:

- financial reports,

- activity and policy reports.

1.4 Our concern is primarily with retrospective reports which account for both financial and activity or policy aspects. Forward plans raise different but related issues. In May 1988, the Treasury issued a White Paper in which it outlined its intention that, in the future, Part II of the Public Expenditure White Paper (which gives details of departments spending plans) would be replaced by reports for individual departments giving details of the department's objectives, performance and planned spending. The new style reports were published for the first time in January 1989.

Structure of report

1.5 In Sections 2 to 4 of this document we outline:

- the value and role of annual reports

- the existing position in the public and private sectors,

- the relationship of annual reports to other reports.

1.6 In Section 5, we offer our views on what a report should contain. In Section 6 we discuss the presentation and production of an annual report.

1.7 We report the findings of our survey in Appendix I. We would like to take this opportunity to thank all those who took part in our survey including those who completed the questionnaires and those who provided additional information. A full list of participants is at Appendix II.

2. WHY HAVE ANNUAL REPORTS?

2.1 The National Audit Office suggested that incorporating departmental reports fully into the reporting cycle should have the effect of reinforcing "*departmental accountability in relation to value for money...*" Another set of objectives for annual reports has been provided by the Governmental Accounting Standards Board of the United States Federal Government in their report 'Objectives of Financial Reporting', (5). It suggested that reports provide:

- a means of demonstrating accountability and enabling users to assess accountability,
- information necessary to evaluate the operating results of the government (or department) for the period,
- information necessary to assess the ability of a governmental (department) to continue to finance its activities and meet its objectives,
- information about the government's (or department's) physical and other non-financial resources having useful lives extending beyond the current accounting period, including information that can be used to assess the service potential of those resources.

What do annual reports cover?

2.2 An annual report may have many purposes. In the case of company reports, the report can be used as a public relations exercise to explain both to existing and potential shareholders and other members of the business community what a success the company has been. But under companies legislation the report must also contain a statement of the financial accounts, and certain other information relating to directors and employees, (6). For example,

> 'The directors of a company are required to prepare a profit and loss account (or, if the company does not trade for a profit, an income and expenditure account) in respect of every accounting reference period of the company [Companies Act 1985 s227(1)] and a balance sheet as at the end of the financial year' [Companies Act 1985 s227(3)]'.

'Companies are required to disclose in the notes to their accounts the aggregate amounts for each of the following:

(1) directors' emoluments,

(2) directors' or past directors' pensions, and

(3) any compensation to directors or past directors in respect of loss of office. [Companies Act 1985 s231 (1), (2)(d), Sch 5 paras 22(1), 28(1), 29(1)]

2.3 In the public sector, many Non-departmental Public Bodies (NDPBs) and some government departments (or parts of departments) already produce reports which give a basic account of the organisation's activities, and in many cases, of their expenditure. The National Audit Office's report 'Financial Reporting to Parliament' provides a detailed survey of existing reports.

2.4 In general, therefore, reports are used to illustrate the activities of an organisation over the preceding year principally as an account to those to whom the organisation is accountable - shareholders, Ministers or Parliament. An annual report identifies the aims and the objectives of the organisation for that period and then states the organisation's success in achieving them. It may also provide some indication of the organisation's plans for the future and report any planned changes in growth, structure or personnel. It does not take the place of a corporate plan, which is normally a separate document, produced at a different stage in the organisation's planning and financial cycle.

Parliamentary accountability

2.5 Government departments differ from business in many ways. Their principal line of accountability is to Parliament through Ministers. Government departments also differ from business in terms of how they can measure their performance and how they are financed. They are required to account for their expenditure and activities in ways which many would regard as more stringent than the requirements laid on companies - this reflects the basic principle that Parliament and the public must be informed of where and how public money has been spent. Again, to quote the US Government Accounting Standards Board [Objectives of Financial Reporting]:

> 'The Board believes that financial reporting plays a major role in achieving public accountability in a democratic society. Public accountability is based on the belief that the taxpayer has a right to know, a right to receive openly declared facts that may lead to public debate by the citizens and their elected representatives.'

2.6 Much of the thrust of the recent PAC (2) and TCSC (3) recommendations has been the need to align financial reporting with activity or output reporting. The Treasury's proposals, now implemented, for turning Part II of the Public Expenditure White Paper into a series of departmental volumes provided an important step in this direction.

2.7 Our view is that the provision of retrospective reports at the end of the annual cycle which show how money has been spent and what results have been gained is a natural corollary of this process. Such reports would provide a comparison between activities undertaken and actual plans. This would then give the opportunity to assess the effectiveness of the department in meeting its plans and objectives. This would provide an important discipline and deter the practice of giving lists of achievements in isolation, which, in practice, may bear

no relation to the stated plans of the department. We discuss in Section 4 how retrospective reports would fit into the financial and reporting cycle.

Accountability to the wider community

2.8 Of course, there is a wider community which also has an interest in the performance of government departments and how public money is spent. Examples include:

- pressure groups,
- business,
- academics,
- trade unions,
- political commentators, and
- departmental staff.

2.9 The results of our survey showed that although many departments do not publish annual reports, there is still a good deal of information about the activities of the departments which is put into the public domain. A complaint of 'users', however, was the inability to find information relating to all the activities of a government department in one place. The developments proposed by the Treasury will clearly help meet this requirement.

Developments in structure and accountability

2.10 The changes set by the Efficiency Unit's report 'The Next Steps: Improving Management in Government' have considerable implications for reporting requirements. In the longer term, as 'Next Steps' is implemented, government is likely to move to a model where executive functions are carried out by arm's length agencies, whilst the "core department" manages agencies within a policy and resources framework.

2.11 The 'Next Steps' report recommends that "the framework will need to be set and updated as part of a formal annual review with the responsible Minister, based on a long term plan and an annual report".

2.12 The approach of 'Next Steps' is derived from the importance with which government views service delivery activities. Other reports, including those from the National Audit Office, have also put a strong emphasis on service delivery. Annual reports provide an ideal medium in which departments or agencies can report on, and be held to account for achievements in improving service delivery.

Corporate identity and communication

2.13 Many existing government departments in fact run a large number of businesses. In some cases the relationships between the businesses may be close; in other cases less close. Hiving off executive functions into agencies will tend to accentuate the separation of the 'businesses'. The provision of an annual report would give departments the opportunity to account briefly for the department's achievements and those of their agencies, and, more importantly, to show how the department has ensured co-ordination of policies across agencies. The report should also provide a focus for a greater sense of corporate identity and provide a means of communication both internally and externally.

2.14 We note that the Companies House, HMSO and the Vehicle Inspectorate in their 'Policies and Resources Framework' outline their reporting requirements in line with the Companies Act 1985. In all three cases the agencies have recognised the need to take a retrospective picture of activity to evaluate the success (or otherwise) of their activities.

3. EXISTING POSITION

3.1 The response to our survey confirmed that the majority of government departments do not produce an annual report covering the totality of their activities. However, many respondents recognised the benefits of doing so and indeed provided some positive comments. There was a small minority who saw the reports as an additional administrative task which was unnecessary because, in their view, most of the information was already produced, albeit in several different documents. A more detailed review of the results of our survey is at Appendix I.

Annual reports in the wider public sector

3.2 Elsewhere in the public sector there are a number of good examples of annual reports. Many Non-Departmental Public Bodies have for some years been producing annual reports and accounts as the main vehicle by which they regularly inform Parliament and the public about their activities and expenditure. Cabinet Office/Treasury guidance (7) requires that NDPB reports should be:

> 'as informative as possible, without being lavish, and should provide sufficient material for the reader to form a judgement on the costs and benefits of an NDPB's activities. if necessary the sponsor department should advise its NDPB's on the content of the report and accounts in order to achieve this, and should consider using the "accounts direction" to ensure that items of public interest are disclosed in the accounts'.

3.3 The English Heritage Annual Report and Accounts provides an example of a report which outlines the activities and business of the organisation as well as its spending and outputs.

3.4 Local Authorities are also required to produce annual reports. Many local authorities provide examples of high quality reports. For example, Birmingham City Council won the 1988 CIPFA Public Sector Accounts Award for their report and accounts. Angus District Council and Cambridgeshire County Council have won the prize in previous years.

3.5 Universities, polytechnics and colleges of higher education are independent bodies receiving some £3bn of public expenditure. Their annual reports have varied widely in scope and quality. As an incentive to encourage high standards in this area we have joined forces with the Times Higher Education Supplement to offer an annual prize for the best Annual Report.

International comparisons

3.6 Our review of international comparisons revealed a growing development in the production of departmental annual reports. The reports produced by the Australian Department of Housing (The First Report 1986, New South Wales Government) and the Land Commission of South Wales (Annual Report 1984/85) provide excellent examples of what, in our view, a good annual report should look like. Their contents cover the spectrum of issues as outlined above. (The contents page of the Australian Department of Housing Annual Report 1986/7 is reproduced at Appendix IV.)

4. THE PLACE OF ANNUAL REPORTS IN THE REPORTING CYCLE

4.1 This section examines where departmental reports should stand in relation to the annual planning and reporting cycles.

Relationships with other planning and reporting cycles

4.2 The main planning systems are represented by:

- financial planning (PES, PEWP, Estimates)
- internal budgeting,
- policy planning (for example, corporate planning, or the top management system).

4.3 The main reporting cycles which exist at present are:

- financial reporting to Parliament (e.g. Appropriation Accounts),
- financial reporting through internal budgeting systems,
- the reporting of performance, for example through internal top management systems.

4.4 As we have made clear, the primary concern of this report is with retrospective reporting and accounting. This is complementary to the Treasury's proposals to replace the departmental chapters of the Public Expenditure White Paper with reports from individual departments outlining their expenditure plans.

4.5 The place of retrospective annual reports was discussed by the National Audit Office in 'Financial Reporting to Parliament' (1). In the NAO's view departmental annual reports could represent a natural home for information on aims, objectives, volume and performance .....' They might focus either on the Estimates and PEWP and the justification for spending plans; or on the accounts and accountability of departments for their stewardship and performance (as do most annual reports).'

4.6 The NAO suggested that one way forward would be to establish a cycle as follows:

- **Public Expenditure White Paper** - expenditure planning and overall control;
- **Estimates** - including better information on objectives and targets;

- **Departmental reports** - rounding off the cycle, 'accounting for both financial compliance and achievement - using direct comparisons with aims, objectives and targets which appeared in the relevant estimates ..... which would later shed light on the figures contained in the following round of plans and estimates.'

4.7 The Public Accounts Committee's subsequent report (2) endorsed the desirability of all departments producing annual reports. They went on:

> 'We think consideration should be given to publishing them in the Autumn when they could include the most recent Appropriation Accounts and provide not only a commentary on the extent to which aims and objectives have been achieved but also outturn information to show performance .... We acknowledge that it would not be realistic to introduce currently a requirement for all departments to produce annual reports as a formal part of the financial reporting cycle. However, we consider that the Treasury should require departments to draw up plans showing their intended progress towards producing all the information for Parliament called for in this Report.' [paragraph 30]

4.8 The Government's response to the PAC report came in two parts - a formal Treasury Minute in July 1987 (8) and a White Paper 'Financial Reporting to Parliament' (9) in May 1988. At the heart of the White Paper was the Treasury's proposal, now implemented, for the development of the departmental chapters of the Public Expenditure White Paper into individual departmental reports or plans. Very little is said in either document about retrospective reports.

4.9 We believe that the right place for annual reports in the planning cycle would be as the NAO suggests (paragraph 4.6 above). However, the provision of fuller information at the beginning of the cycle makes it important to ensure that annual reports at the end of the cycle fulfil a complementary role, and do not conflict with or duplicate the plan.

4.10 The new departmental volumes contain some retrospective material alongside the 'plan' material. It is, of course, often necessary in producing forward plans to set the context with some information about past performance. We acknowledge that there are dangers in producing too many, or overlapping, reports. For example, Professor Andrew Likierman suggested in a memorandum to the Treasury and Civil Service Committee (3) that Select Committees and other readers would naturally focus their interest on prospective reports.

4.11 We do not necessarily see that the choice is an 'either/or' between retrospective and prospective reports. We do, however, believe that there is a strong case for having a document which provides a sharp focus on past performance. And, like the NAO, we think the natural place in the cycle for such a document

would be as part of, or alongside, the Appropriation Accounts in the Autumn.

4.12 Our suggestions for defining the relationship between the PEWP based departmental volumes - or departmental plans - and annual reports are as followed:

- annual reports should be consistent with the department's plans and report results against objectives which were set out in the plans,

- detailed information about programmes and policies need not be included in both documents. However, if the bulk of the information is contained in the plans, the reports should include enough information to stand alone. They would also need to include cross-references to the plans,

- the plans published at the beginning of the following year would contain some information about previous performance, based on the reports produced several months before, to set the context for the future plans; but the annual report would be a more detailed report of performance which provided explanations about variance from target and other contextual material relating to past performance,

- reports on past performance would ideally make an input to future resource allocation decisions. It is not clear how far it is intended that the new departmental volumes fulfil this role, although historical figures do accompany the forward plans in all cases of the recently published volumes. Nor is it clear that even the annual reports we suggest (which we envisage would be provided in the Autumn) would be available in time to affect anything but the very final stages of the PES round before the Autumn Statement. However, we suggest that if at all practicable draft reports - which would need to be prepared by the Summer - should form part of decision making in the PES process,

- in essence we see reports as complementary to, not substitutes for, the new departmental volumes. Both documents have essentially different purposes. We acknowledge the place for the new documents in the reporting cycle along with retrospective reports.

Relationship to internal systems

4.13 The relationship of departments' internal planning and reporting mechanisms - for example, top management and budgeting systems - to PES and the financial reporting cycle differs between departments. But in many cases progress is being made towards the integration of systems. Our assumption is that a primary source of reporting performance results in an annual report would be the department's top management system.

5. WHAT SHOULD REPORTS INCLUDE?

Core

5.1 This Section sets down the broad headings which might be used in an annual report. The needs and wishes of individual departments will inevitably differ, so we have deliberately aimed not to be prescriptive. However, we believe that the following features must form the core of any report:

- a review of performance against objectives,
- a report of activities (whether on a functional or area basis),
- a description of major policy/legislative changes which have affected the department, in particular results of policy evaluation carried out, or evaluation plans set,
- a review of finances, either drawing out financial highlights, or inorporating the Appropriation Accounts,
- details of manpower and other non-financial resources (e.g. accommodation, equipment),
- key statistics which provide relevant background to the objectives and policies of the department.

Contents

5.2 We envisage an annual report starting with a covering message from the Minister and/or Permanent Secretary or, in the case of an agency, the Chief Executive. This might then lead on to highlights of the year's activities including initiatives, new legislation and any changes in function or operation.

5.3 The body of the annual report should include a clear exposition of the department's main policies and objectives, and include an analysis of how successful, or otherwise it was in achieving them. The use of performance indicators and output measures would be essential. These would relate to objectives and measures set in the department's plan.

5.4 A second major element of the body of the report would be a clear outline of the activities of the main operating areas. For example, the Australian Housing department's annual report has sections on:

- public rental and community housing program,
- private rental,
- home ownership,

- community facilities,

- production and maintenance.

5.5 The third major element would be a report of major policies; if evaluation plans had been set for policies, there could be a report of results against plans. We believe it is particularly important for policies to be analysed in a rigorous and disciplined way. As policy evaluation assumes increasing importance and becomes an everyday factor of policy development and reporting, we believe that the need for formal reporting (e.g. in an annual report) will grow.

5.6 The final sections of the report should contain details of the resources available to the department, notably finance and manpower, and details of the relationship between activities and expenditure. The Public Accounts Committee in their report 'Financial Reporting to Parliament' emphasised the importance of the reports providing performance information which would:

> "a) indicate the efficiency with which departments carry out their activities, by showing comparisons of measures of input with measures of output; and
>
> b) provide valuable data for use in evaluating the effectiveness of an activity by comparing the outputs of a programme with the objectives it sought to achieve."

5.7 A number of other points emerge from the PAC report about other information which could usefully be contained in annual reports, for example some indication of changes in volume of inputs (though not as a replacement for cash).

5.8 The question of providing details of asset holdings is more difficult. Although the Treasury and the NAO agreed that it would not be sensible to expect departments to introduce full asset accounting, improved information on assets could help departments in their control and use of assets. They feel that the process of departmental accountability would be strengthened by the production of this type of information, particularly by the major asset holding departments.

6. PRESENTATION AND PRODUCTION

6.1 The presentation of the information will be very important not least to aid understanding and to increase the level of interest. One of the problems with many reports is their poor presentation. In some cases this is partly explained by the very subject matter of the reports. However, the exceptions are rare. In Likierman's and Vass's study (10) poor presentation was a common complaint:

> "the old-style Hansard documents are a major psychological turn-off." (Member of Parliament)

> "The easier the Plan is to read, the more useful it will be to the reader." (Instructions for the preparation of the Canadian Estimates) (4)

6.2 Indeed, in their study, Likierman and Vass reported that in some cases the dissatisfaction was expressed by the neglect of much of the information currently available. However, Likierman and Vass concluded that whilst there was room for improvement in the presentation of information the improvement should not be at the expense of losing detailed figures.

6.3 Bar charts and photographs are only used in rare cases. In our survey the ODA, HMSO and the Forestry Commission annual reports provide exceptions and indicate what can be achieved. But the recently published departmental volumes are well presented with clear text and use pie charts and bar graphs to illustrate activity and resources.

6.4 To produce a high quality 'glossy' publication will be relatively expensive. A number of the contributors to our questionnaire commented on this, not least in terms of their interpretation of the quantity of information that would be required in this type of document and the consequent need to present it well. However, the capabilities of desk top publishing can now bring high quality material in to the office and hence the need to rely on external agents (at a price) may be considerably reduced. The opportunity provided by this type of medium should not therefore be overlooked.

6.5 The likely costs of producing a high quality 'glossy' annual report of say, 40 pages with a print run of 10,000 would be in the region of £40,000. Some of this cost could be recouped from sales, but it is still likely that a substantial subsidy would be necessary.

6.6 We would suggest that these reports should be widely available.

6.7 A checklist of actions to be taken in the production of an annual report is at Appendix V.

Appendices

RESULTS OF SURVEY

1. This appendix reports the findings of our survey.

Approach

2. Our approach was to compile a checklist of features that, in our view, an annual report should contain. In order to test the proposition that these were features that might usefully be included in an annual report we circulated the checklist to 38 government departments. We also sought information about whether departments would find it easy to produce this information.

3. As a separate exercise we circulated the checklist to potential users of annual reports to determine whether these features would prove useful in meeting their information requirements. We defined the users as parliamentarians, particularly Select Committee Chairmen and Members, various pressure groups, notably the major charities, and economic and political commentators, including correspondents from the quality press. (These categories are not dissimilar to those identified by Likierman and Vass (2), namely the expert users - journalists, forecasters, city and academic analysts and the House of Commons Library, and the specialist users - MPs and some select committee members, plus various interest and pressure groups such as the National Association of Citizens Advice Bureaux.)

4. On receipt of completed checklists we analysed the underlying views of the respondents to assist in determining the most appropriate content and format of an annual report.

5. The response rate was not as high as we would have liked. However, those who responded provided most helpful information. A list of the contributors is at Appendix II.

The questionnaire and results

6. 37% of the departments returned completed questionnaires and 11% of the users. Although the response rate does not allow us to rely scientifically on the results there were strong indications of consensus on a number of issues which we believe are worth reporting.

7. Our questionnaires were principally the same in both cases (departments and users) with minor variations. Each questionnaire was split into the following sections, with a series of features under each heading, some of which are illustrated below. The respondents were asked to classify whether these features might normally be exhibited in a useful and informative annual report

on a scale of "essential" to "of no use" or "not applicable". Departments were also asked to assess how difficult it would be to comply with each feature.

• General points	date, point of contact, statement of definitions,
• Highlights section	major objectives, major changes, survey of operations, summary of key financial data,
• Organisation & management	functional structure, operations undertaken, management structure,
• Employees	grade/type of staff, functional element of department, changes, staff training,
• Policies	policies pursued, policy changes, environment,
• Review of activities	objectives of department re: policies, comment on proposed changes in objectives, review of extent of achievement, analysis of operations undertaken,
• Public relations	measures to enhance public awareness, indicators to measure success,
• Review of finance	Main sources of revenue, brief explanation of vote accounting, activities on which funds have been expended,
• Statistical summary	clear statistical summary, explanation of definitional changes.

a) General points

8. The date, address and telephone number of the main office were deemed to be essential by the majority of respondents. The name of the point of contact, a statement from the accounting officer and a statement of the statutory or other basis of the department was only deemed essential by 40% of the departmental respondents. 21% of the respondents thought that a bibliography and a statement of objectives would not be useful in this type of document. A few of the respondents reported that they do not include a separate statement

of definitions or glossary of terms as any explanation required is generally explained within the body of the report where first mentioned. The majority of departments reported that this type of information was currently readily available in documents such as the Civil Service Year Book.

b) Highlights section

9. Judging from the response to these features, from both departments themselves and potential users, it is clear that such a section in an annual report would be essential. The following features were deemed essential by the majority of respondents:

- aims of the department,
- major policies being pursued by the department,
- major policy changes during the year,
- major objectives of the department in pursuance of the policies,
- brief details of operations undertaken and/or services provided, in pursuance of the objectives,
- major events affecting the department's policies,
- summary of key financial data.

Many departments reported that this type of information was contained in PEWP.

c) Organisation and management

10. Amongst the departmental responses there was a strong polarisation between those who thought items under this heading were essential or very useful and those who thought that they were not appropriate. Of all the features suggested for this section the inclusion of details of the operations undertaken and/or services provided by each functional element of the department and the names of the senior personnel were deemed essential by the majority of respondents. Again, however, the Civil Service Year Book was quoted as already providing this type of information.

d) Employees

11. This section provided a more even spread of views from the respondents. However, the majority of responses were in the essential and very useful categories. Features that were least popular included : trade union and industrial relation matters, pension arrangements and commentary on any reductions in staff numbers.

12. A couple of respondents did not feel that this type of information was appropriate to their intended readership of professional people.

e) Policies

13. The responses to this section indicate the importance of the clear exposition of the policies pursued by departments. The only feature which attracted a low score was that of the bases used and techniques adopted for determining pricing policy in respect of prices charged for goods and services (9 out of the 14 departmental respondents regarded this feature as not applicable).

f) Review of activities

14. This section provided the most comprehensive list of features in the whole questionnaire, and it also attracted probably the most varied response. The items that came out as being the most essential in a section such as this included:

- the objectives of the department in pursuance of its policies,
- current or proposed changes in the department's objectives from those stated in earlier plans and the reasons for these,
- operations undertaken and/or services provided,
- analysis and review of the extent of achievements, using quantitative measures or indicators wherever possible, against plans/targets, in respect of;
    - output,
    - quality of service, and
    - performance with regard to efficiency and effectiveness,
- commentary on the achievement or non-achievement of objectives stated in earlier plans, together with a discussion of specific difficulties encountered by the department.

15. The items that were regarded as least essential were:

- any comparison of quantitative measures with appropriate international statistics. It was thought by several of the correspondents that this would be both costly and time consuming,
- description and nature of fixed assets and estimated useful life. A number of respondents doubted the relevance of this type of detail.

g) Public relations

16. This section provided some interesting responses. The majority of respondents considered essential the inclusion of measures undertaken to enhance public awareness and to inform specific groups of the department's activities, and the inclusion of details on advertising or other campaigns undertaken to promote or achieve the department's policy objectives. However, the inclusion of indicators measuring the department's success in its public relations and awareness efforts was not given high ranking. This may be partly explained by the fact that it is often very difficult to gauge the degree of success of this type of activity, and indeed, whether any response can be directly attributed to the particular advertising or public relations exercise in question.

h) Review of Finance

17. Although we had assumed that this section would be ranked as one of the most essential sections in an annual report, the features in this section did not receive such a universally high ranking as some of those in earlier sections. This may be because we did not draw out the appropriate features or that the low response was an indication of the respondents' perception of the purpose of this type of document.

18. One respondent told us "the annual report is not seen as a financial accounting document and management costs are dealt with very briefly in a statistical table."

19. Out of the 26 features listed under this section the following received the highest ranking in terms of their importance and ease of compliance:

- all main sources of revenue, including appropriate disaggregation into funds voted by parliament, grants, and funds from other main sources, all analysed by reference to the operations undertaken and/or services provided,

- a brief explanation of vote accounting and its mechanism,

- all major activities on which funds have been expended, including analysis of expenditure on the individual operations undertaken, services provided and projects and research and development activities underway,

- analysis of expenditure by reference to the department's own running costs,

- analysis of expenditure by reference to purchases of assets, goods and services.

i) Statistical summary

20. This was the last section in our questionnaire and consisted of only two features, namely, a clear and understandable statistical summary section covering an appropriate period, logically ordered and arranged, and, secondly, a full explanation of any definitional changes or reclassification from the previous year's report and, where practicable, the quantification and reflection of these in the prior year's statistics. It was interesting to note that only 57% and 50% of the departmental and user responses respectively thought that a statistical summary was essential.

21. Certainly an annual report would not be a substitute for various statistical bulletins currently produced by departments. Nevertheless, there may be advantage in a report containing certain key sharply defined statistical tables which give information about activities at the heart of the department's business.

APPENDIX II

SURVEY OF DEPARTMENTAL ANNUAL REPORTS
LIST OF CONTRIBUTORS

Departments

Ministry of Agriculture, Fisheries and Food	Mr. C.J. Lawson
HM Customs and Excise	Mr. S.I. Mitchell
Energy	Mr. A.D.I. Reed
Forestry Commission	Mr. D.T.J. Rutherford
Inland Revenue	Mr. R.K. Cambell
Export Credits Guarantee Department	Mr. F.J. Chapman
Department of Health & Social Security	Mr. J.F. Mayne
Home Office	Mr. A. Harding
Land Registry	Mr. B. Elliott
Lord Chancellor's Department	Mr. R.V. Sams
Ordnance Survey	Mr. P. Opie-Smith
Overseas Development Administration	Ms. L.J. Sinclair
Crown Prosecution Service	Mrs M. Chapman
Department of Trade and Industry	Mr. D. Durie
Scottish Office	Mr. D.K.C. Jeffrey
Manpower Services Executive	Mr. N. Davies
Health and Safety Commission	Mr. M. Downing
Property Services Agency	Mr. R.A. Munday
Advisory, Conciliation and Arbitration Service	Mr. W.R. Hawes
Charity Commission	Mr. D. Forrest
Intervention Board for Agricultural Produce	Mr. S.P. Briggs
National Savings	Mr. J.A. Patterson
Department of the Environment	Mr. P.J. Fletcher
HMSO	Mr. V.A. Bell

Users

John Wheeler MP

David Marshall MP

National Association of Citizens Advice Bureaux	Mrs E. Filkin
Cystic Fibrosis Research Trust	Mr. R.I. Penlington
"The Times"	Mr. D. Walker
Centre for Economic Forecasting	Professor A. Budd
London Business School	Professor A. Likierman
Public Finance Foundation	Mr. F. Terry
Open University	Dr. C. Pollitt
Westminster Strategy	Mr. A. Edwards
Public Policy Consultants	Mr. N. True
House of Commons Library	Mr. D. Menhennet
Lloyds Bank, Economics Department	Mr. C. Johnson

APPENDIX III

BIBLIOGRAPHY

1. National Audit Office **Financial Reporting to Parliament** 1986

2. **Eighth Report from the committee of Public Accounts 1986-87 HC98**

3. H.M. Government **The Government's Expenditure Plans 1988-89 to 1990-91** (Cm 288) (Treasury and Civil Service Committee Second Report)

4. H.M. Government **The Government's Expenditure Plans 1989-90 to 1991-92** (Cm 607) (HM Treasury)

5. Efficiency Unit **Improving Management in Government: The Next Steps 1988 1990-1991** (Home Affairs Committee First Report)

6. Canadian Institute of Chartered Accountants (1984) **Objectives of Government Financial Statements** Public Sector Accounting Statement

7. **Companies Act 1985**

8. Cabinet Office (MPO) and HM Treasury **Non-Departmental Public Bodies: A Guide for Departments** HMSO 1985

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10. H.M. Government **Financial Reporting to Parliament** 1988

11. Andrew Likierman and Peter Vass (1984) **Structure and Form of Government Expenditure Reports. Proposals for Reform**

12. Andrew Likierman and Susan Bloomfield (1986) **Establishing Variances and Trends in Public Expenditure,** ICMA Occasional Paper

13. Andrew Likierman and Pauline Creasey (1985) **Public Expenditure Documents Presented to Parliament: Evaluation of Changes in Form and Structure 1984-85,** Certified Accountant Publication Ltd.

14. **The Government's Public Expenditure Plan 1988-89 to 1990-1991** (Home Affairs Committee First Report)

15. Governmental Accounting Standards Board USA (1987) **Proposed Statement of Governmental Accounting Concepts -Objectives of Financial Reporting**

16. Professor Andrew Likierman **Public Expenditure: Who Really Controls it and How?** Pelican 1988

APPENDIX IV

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The Hon. Frank Walker, QC, MP
Minister for the Arts and
Minister for Housing
Parliament House
SYDNEY NSW 2000

30 October 1987

Dear Minister.

The Department of Housing has pleasure in submitting its Annual Report in respect of the year ended 30 June 1987. The report is in accordance with the Public Finance and Audit Act 1983, the Annual Reports (Departments) Act 1985, the Annual Reports (Statutory Bodies) Act 1984 and the Housing Act 1985. This report sets out the results of the Department's first full year as a single administrative unit and will form an important base for future comparisons.

Michael Eyers
DIRECTOR OF HOUSING

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APPENDIX V

CHECKLIST FOR PRODUCING AN ANNUAL REPORT

The following notes offer some advice on ways of approaching the task of producing a report.

1. A number of requirements are common to whatever approach is chosen. They need to be determined at the outset:

- a clearly articulated set of aims. What is the report's audience? What is the report's purpose?
- an action plan and critical path for the writing and production of the report,
- a budget,
- allocation of responsibility for managing the preparation and production of the report.

2. Thereafter the tasks in producing the report fall into the following categories:

- agreement of approach, style and content,
- writing,
- artwork and design,
- editing
- production
- publication arrangements,
- sales/distribution.

3. An important issue to consider in managing the production of a report is how much work will be done in-house and how much will be done out of house. It is likely, for example, that printing and distribution will be done out of house. But it is certainly possible for much of the writing to be contracted out too. A danger in writing is that the report is a patchwork of contributions - which vary in importance, quality and length. The result is often a dull document which changes little from one year to another.

4. For further details of our work in departmental reporting or our work in central government, please contact Barrie Collins, Peat Marwick McLintock, 1 Puddle Dock, Blackfriars, London, EC4V 3PD, telephone 01-236 8000.

R4/5

with compliments

Dame Anne Mueller DCB

Second Permanent Secretary

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Dame Anne Mueller DCB
Second Permanent Secretary

Mr J Fairclough
Chief Scientific Adviser
Cabinet Office
70 Whitehall
LONDON SW1A 2AS

3 May 1989

Dear John

INDIVIDUAL MERIT PROMOTION SCHEME

1. I understand that Graham Jordan spoke to Vivien Brown about this matter yesterday, and that Sir Kenneth Blaxter has since sent you a copy of his paper on the value of the Individual Merit Promotion (IMP) Scheme suggesting that you might bring his views to the attention of the Prime Minister.

2. You were doubtless already aware of the existence of the IMP scheme for scientists and technologists in the Civil Service. The scheme is now the responsibility of the Treasury as a result of the transfer of functions from MPO which took place in 1987. The scheme provides for the promotion of scientists and technologists based on their research and the excellence of their work. The resulting promotion will not be to a complemented managerial post but to an individual post related to their work.

3. The purpose and the workings of the scheme have recently been examined by a interdepartmental Working Group chaired by the Treasury and with the Civil Service Commission also represented. The Working Group has just presented its findings and we are in the process of consulting departments on the proposals for the future of the scheme.

4. The Treasury are currently advised on the policy for the scheme and on the individual promotions by a Panel consisting of eminent scientists and technologists, mainly external to the Service under the chairmanship of Sir Kenneth Blaxter FRS. The panel are aware that a review of the scheme is being undertaken and are, we believe, concerned about its likely conclusions. Their concerns appear to spring from two sources. First, a belief that the IMP scheme is to be abolished, and second, their

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understanding that, if the scheme continues, the focus for advising the Treasury on policy and making individual promotions is to shift from the existing panel to individual departments, leading to the Panel being disbanded. I attach a copy of the letter I have today sent to Sir Kenneth Blaxter outlining the proposed changes to the scheme. From this you will see that their first cause for concern is groundless (the scheme will certainly continue) but their second concern has its basis in a real proposal, which is currently under consideration.

5. The Science and Professional and Technology Management Advisory Committees (lists of members attached) are now being consulted about the more detailed recommendations of the interdepartmental working group (copy also attached).

6. I suggest that the line to take with Sir Kenneth Blaxter is:

- the scheme is not to be abolished;
- departments are being consulted about the future of the IMP scheme and until views are received from SMAC and PTMAC members the proposals remain just that;
- the current IMP Panel is being informed of the proposals (by my letter to Sir Kenneth Blaxter);
- the proposals reflect the wishes of departments, and recognise that individual departments are best placed to evaluate the contribution made to their work by particular members of staff.

A copy of the brief provided to the Treasury press office is also attached.

7. Graham Jordan, Head of Personnel Management Division here in the Treasury, who chaired the interdepartmental Working Group, is the point of contact for any further information required (tel. 01-270 6300). He also happens to be a scientist, and was head of a research department at the Royal Aircraft Establishment, Farnborough until 1987.

Yours ever

Anne

FIRST DRAFT

THE INDIVIDUAL MERIT PROMOTION SCHEME

The Value of the Scheme: Comments by the IMP Panel

1. The Scheme's purpose is outlined in its document "Annex A" Its paragraph 1 states that the purpose is:

"(a) To give recognition to, and to ensure a satisfactory career for individual workers who have made, and are likely to continue to make outstanding contributions to their fields of work; and

(b) to enable them to continue to devote themselves to their individual work, with relatively little organisational responsibility, where it is in the public interest that they should do so rather than be promoted to normally complemented posts"

2. Candidates are proposed by Departments and examined by the Individual Merit Promotions Panel. The latter consists of scientists of international repute who are independent of government and who can assess candidates in terms of wider contexts than those which may appertain within Departments. The Panel does not take responsibility for judging (see paragraph 1 (b) above) whether the work of the candidate is in the public interest; it assumes that Departments have made this judgement before presenting their candidate. Nor does it give any preferential consideration to candidates within what may be called "minority disciplines". Candidates are promoted solely on the basis of their scientific or technological merit and their contribution to the international corpus of scientific and technological knowledge. Merit is judged by the Panel after consideration of independent referee reports and their extended interview of the candidate.

3. The value of the scheme is dealt with in four parts; those relating to the individual, those related to the staffs of establishments, those relating to the Departments and those related to the Science arm of government as a whole.

INDIVIDUALS

4. There is no doubt that, for the gifted individual, IM promotion is regarded as a great achievement. It demonstrates to him that his ability has been recognised independent of his

immediate management. Furthermore it enables him to continue to work in the field in which he is interested and involved. In this respect, many first-class scientists also have the potential to be first-class managers and organisers. However, it is long experience that managerial responsibility is not conducive to first class scienific achievement. Most highly innovative scientists are single-minded individuals and the spread of tasks associated with management and organisational duties is not compatible with the achievement of the contihued and continuing mental concentration which leads to new intellectual insights in science.

OTHER STAFF

5. The eventual achievement of IM status is regarded as a goal by many officers within the Scientific Civil Service. Although it is mentioned in recruiting literature, the possibility of IM promotion does not usually become of importance until the officer concerned has been in employment for a few years. They no doubt note that many IM promotees have continued to progress, gaining membership of professional societies, receiving invitations to give nominated lectures or to be given international prizes. This recognition by one's peers is of importance to dedicated scientists, more so perhaps than is remeneration. By giving recognition to first class people the scheme does much to encourage other staff to emulate them.

DEPARTMENTS

6. The value of the scheme to Departments through encouragement of their staff was touched upon above and should not be minimised. There are other advantages. Firstly able people attract others with ability. This is of importance in terms of promotion of cooperation between the Department and other non-governmental bodies whether in the UK or overseas. It is equally of importance in recruitment at higher levels than the new graduate. The more mature applicants are certainly considerably influenced by the scientific or technological reputation of those with whom they would work. Secondly, the presence of an IM promotee enables a Department to maintain a continuity of investment in a particular line of work. This is of some importance in view of the Customer/contractor arrangements as it applies to fringe bodies and the growing importance of short term contractual arrangements. On occasion the presence of an IM promotee enables a Department to embark on research, which it could not contemplate conducting within the formal framework of its establishment. New avenues, which may have appeared initially to have low probabilities of success, can be explored - often with considerable profit in terms of discovery. Lastly, with the increasing demand for highly

trained, capable and knowledgeable people, not least by overseas countries, the Scheme facilitates retention of first class people who can be expected to make a real contribution to the work of the Department concerned.

GOVERNMENT SCIENCE

7. Science and technology are international in scope and it is essential that the directly funded government science in the UK is seen to be of world class. The Scheme provides a continuous and independent assessment of the prowess of scientists and technologists whom Departments think are at the forefront of their discipline. As such the Scheme does act as a monitor. Sustained high failure rates in an individual Establishment or a Department may well indicate that the quality of its scientific or technological work is not of world-class standard. Cognisance should, and indeed has, been taken of this point. It is highly desirable that the Scheme continues since it is one way in which highly able scientists can be retained and encouraged in government service and the reputation of government science maintained and enhanced.

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SCIENCE MANAGEMENT ADVISORY COMMITTEE

MEMBERSHIP AS AT MAY 1989

Dame Anne Mueller		Chairman
Mr D J Trevelyan		First Civil Service Commissioner
Dr J F Barnes	MOD	Deputy Chief Scientific Adviser
Dr P J Bunyan	MAFF	Director of the Research and Development Service (ADAS)
Dr R F Coleman	DTI	Chief Engineer and Scientist
Dr D J Fisk	DOE	Chief Scientist
Mr L J Harris	HMT	Pay & Personnel Management
Mr J N Hepburn	MAFF	Director of Establishments
Dr A Holt	DHSS	Chief Scientific Officer Operational Research Service
Dr J T Houghton	Met Off	Director General
Mr B N F Ledsome	DTI	Head of Personnel Management Div
Dr J McQuaid	HSE	Director of Research & Laboratory Services Division
Dr D J Smith	MOD	Establishment Officer (Specialists)
Dr J Thomson	HO	Director General Forensic Science Service

Observer

Mr J M Y Dickens	AFRC	Chief Personnel Officer

Secretariat

Mr R Winter		
Miss P Garland	HMT	

UNCLASSIFIED

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PROFESSIONAL AND TECHNOLOGY MANAGEMENT ADVISORY COMMITTEE

MEMBERSHIP - 1989

Dame Anne Mueller	HM Treasury	Chair
Mr D T Trevelyan	OMCS	First Commissioner

Members

Mr L J Harris	HM Treasury	Pay & Personnel Management
Mr D J L Smith	MOD	Establishment Officer
Mr D M Spiers	MOD	Controller Establishments
Mr W G Sanders	MOD	Director General Submarines
Mr P S Draper	PSA	Establishment Officer
Mr A S Kennedy	PSA	Director DS2
Mr R C Cracknell	PSA	Director DMEES
Mr K A Miles	PSA	Director DBQSS
Mr K E Jeavons	PSA	Director DAS
Mr K E C Sorenson	DTp	Establishment Officer
Mr F J Parker	DTp	Chief Highway Engineer
Dr J E Gibbons	SDD	Director of Building and Chief Architect
Mr R R B Shutler	IR (VO)	Chief Valuer

Secretariat

Mr R Winter	HM Treasury
Mr J D Round	HM Treasury

pm.rw/april/imp

MANAGEMENT IN CONFIDENCE

PROPOSALS FOR INDIVIDUAL MERIT PROMOTION SCHEME

Introduction

1. As a result of discussions in the Science Management Advisory Committee a Working Group was set up to examine the current IMP scheme and propose how it could operate in the future. Its terms of reference were agreed to be :

"With due regard to the principles of good management:

(1) to consider the purpose and future need for the Individual Merit Promotion (IMP) scheme taking into account other forms of promotion available; and

(2) if an individual merit scheme continues to be necessary, to advise on the means of -

setting and reviewing the associated policy and guidelines (Annex A);

assessing and reviewing candidates; and

providing support to these processes."

The Working Group was made up of representatives from departments using the scheme together with representatives from the Treasury and the Civil Service Commission. The membership of the Working Group is set out in Annex 1 to this paper.

MANAGEMENT IN CONFIDENCE

Purpose

2. This paper sets out the report of the Working Group. It sets out the reasons for maintaining an IMP scheme and the Working Group's recommendations to PTMAC and SMAC as to the future operation of the scheme.

Background

3. In discussions at SMAC and elsewhere it emerged that departments believed that the IMP scheme was not operating as effectively as it should and was not supplying the users with the intended results. There was agreement amongst the majority of departments that the IMP Panel were considering candidates on criteria that were not always relevant to departmental needs and demands. The apparent importance placed by the Panel on the 'future programme' and published papers was also commented upon.

4. As a result of this Dame Anne Mueller wrote to departments setting out possible options for the future. These were received, considered by SMAC and refined to the alternatives which the Working Group considered at their first meeting on 9 February 1989.

5. These were:

(1) delegation of the scheme to individual departments;

(2) retention of the policy centrally but resource departmentally;

(3 scheme being run by CSC

6. The Working Group also considered the need for the scheme, given the existing proposals to delegate powers of personal promotion to departments.

The need for an IMP scheme

7. The Working Group were clear that departments, and IM holders themselves, do not regard personal promotion as having anything like the same status as IM promotion. This is consistent with the views expressed at SMAC and by departments. Departments were firmly of the opinion that personal promotion lacked the independent acknowledgement of excellence and did not have the same national and international reputation. Departments regarded the external assessment of their staff as particularly valuable with an evaluation being undertaken by eminent scientists and technologists capable of judging extra-departmental standards. The Civil Service Commission stated that the ability to progress on a purely scientific/technological path unencumbered by management demands was a marketable commodity in the increasingly competitive recruitment market.

8. The Working Group endorsed these opinions and felt that the careers and aspirations of government scientists and technologists would suffer without a scheme offering an Individual Merit career path.

The Individual Merit Promotion Scheme

9. The Working Group examined the current working of the scheme and came to the conclusion that there were three discrete areas of responsibility and/or activity. These were 'Annex A' (to the annual call-up letter to departments) which is the paper that sets out the rules and guidelines to the IMP scheme, the access to the panel experts and the administrative support to the scheme. Each was discussed and the points raised, and proposals for action, are set out below.

10. 'Annex A' 'Annex A' contains the rules and guidelines of the scheme and sets out the criteria for promotion, often by analogy to academic standards. Any revisions to Annex A are currently based on advice from the IMP Panel with little, if any, input from departments. The IMP Panel are a group of eminent scientists and technologists appointed annually by Treasury to provide expert input on candidates for IM promotion. 'Annex A' was felt to be out of touch with the world today and should be more 'user-friendly'. The Working Group felt that departmental advice and input was essential for the scheme to be fully effective and that the best way of achieving this would be to give the responsibility for advising Treasury on 'Annex A' to departments, via a sub-group formed from representatives of SMAC and PTMAC. This would result in the rules and guidelines being more in line with departmental requirements. Any department needing to make variations from the 'standard' arrangements (described in the amended rules and guidelines to IMP, see para 18 below) would be able to do so, subject to Treasury approval. The Treasury might take advice from the SMAC and PTMAC sub-group on proposed departmental variations when appropriate.

11. Access to panel of experts

The present IMP panel comprises scientists and technologists, their knowledge covering a wide range of subjects, who are appointed on a yearly basis by HM Treasury. Any replacements or newcomers to the Panel have generally been appointed on the advice of the Panel itself.

The Panel currently sift the nominations, approach referees through the Secretariat to the IMP Panel (currently provided by Treasury) select candidates for interview and appoint a sub-panel to carry out each interview. The Panel also advises on Annex A and periodically reviews the cases of existing IM holders.

The Working Group were impressed by the depth of knowledge of the Panel members but were concerned that they were out of touch with departmental priorities and the current work of the departments. Many of the duties currently carried out by the Panel could be done at departmental level leaving the actual interview as the main activity requiring an external contribution. Many departments already have access to 'experts', either formally (eg the Defence Science Advisory Council for MOD, the Civil Service Commission Science and Technology Divisions panel of chairmen and the Visiting Groups for MAFF and the Research Councils), or informally, as in the case of DTI and HSE.

The Working Group concluded that the way forward would be to operate without a standing panel. Interview panels would be approved by the Principal Establishments Officer and the appropriate senior scientist or professional in a department. A possible model for such an interview panel could consist of about 4 members with a chairman selected by the employing department (possibly on a yearly basis to oversee all the IMP interviews for that department), supported by a representative from another department and two outsiders from, say, industry or academia who would be expert in the candidates's specialism. The advantage

of this system would be the continuation of uniformly high standards across the service, provided by the use of members from other departments and by the external 'experts'; the peer review concept; and external assessment. Whilst this panel concept would be easier for large users of IMP such as MOD and the Research Councils, who have formal channels for access to external experts, the smaller and irregular users could be catered for by giving them access to lists of the external experts used by the larger users, such as the Defence Science Advisory Council (DSAC) used by MOD. In return the smaller users could provide independent departmental members to larger departments in situations calling for knowledge or skills available in their department. The point was also made by the Working Group that the members of such bodies as DSAC would be aware of departmental needs and be used to assessing current, and future, work.

12. Administrative support and costing

The present administrative support is provided by an EO in HM Treasury, who works full time on this for a large proportion of the year, with some input from an HEO and a Grade 7. The Working Group discussed the economies of scale related to the operation of the IM scheme and were of the opinion that many of the activities could, and should, be organised at departmental level. Such activities would include the sifting procedure, the request for referees comments, dissemination of the candidates published papers, (if the interview panel required them), and organisation of the interviews themselves.

The proposals put forward by the Working Group cut out a number of tasks and activities entirely, while others could being actioned by the departments themselves. The Working Group were generally of the opinion that a centrally administered scheme would only have a cost advantage over departmental administration if the practice of having a standing panel continued and the scheme continued to require the thrice annual meetings of the whole panel.

Initial broad costings indicate that the current scheme costs in the region of £34000, this being met by Treasury, and an unidentifiable figure made up of departmental costs, including staff costs and such costs as providing 20 copies of all submitted documents. An estimated costing for the proposals set out above, (ie with many activities delegated to departments or eliminated), indicate that an overall figure of £22000 could be identified as a comparable cost. This would indicate possible overall savings in the order of £12000 which could be achieved by delegation to departments. Estimated costings are set out in Annex 2 which also shows which activities could be eliminated or carried out within departments.

Departmental delegation

13. The Working Group considered the alternatives for the future of IMP as set out in paragraph 5 above.

14. Alternative 1, the total delegation of the scheme to departments, was felt to diminish the advantages of a service-wide scheme with its inherent preservation of standards of review.

15. Alternative 2, with policy retained centrally was felt to be almost satisfactory but did not immediately provide for the centrally prescribed policy to be adapted to the needs of individual departments.

16. Alternative 3 was discussed but as the Commission had expressed reservations as to their running of the overall scheme if some departments were to run their own scheme it was felt that such an option was not viable.

17. The Working Group concluded that the best solution was a combination of alternatives 1 and 2. The policy for the IMP scheme would be retained centrally in Treasury, with advice from the SMAC/PTMAC sub-group, whilst the scheme itself would be delegated to departments. Departments would therefore be able to put proposals to Treasury on alternatives more suited to their particular needs if the 'standard' as set out in the amended rules and guidelines did not fully fit their requirements.

The Proposed New SMAC/PTMAC Sub-group

18. The Working Group recommends that it should be re-constituted as a standing joint sub-group of SMAC and PTMAC with the following terms of reference: "To keep the IMP Rules and Guidelines under review and advise Treasury from time to time through its chairman of any changes needed, and to report to SMAC and PTMAC as required through its chairman". Meanwhile, the Treasury has revised the Rules and Guidelines (formerly 'Annex A') to take account of the views of the Working Group. These will be circulated first to the Working Group and then to SMAC and PTMAC for comment.

Summary

19. The Science Management Advisory Committee and the Professional and Technology Management Advisory Committee are asked to consider the findings of the Working Group which are encapsulated in the following recommendation:-

The IMP scheme should be delegated to departments with the rules and guidelines, currently known as 'Annex A', being the responsibility of HM Treasury on advice from a sub-group formed from SMAC and PTMAC. The new arrangements should commence on the completion of the current 1988/9 round.

PM DIVISION
HM TREASURY

APRIL 1989

MANAGEMENT IN CONFIDENCE

ANNEX 1

MEMBERSHIP OF THE WORKING GROUP CONSIDERING THE FUTURE OF THE INDIVIDUAL MERIT PROMOTION SCHEME

Chairman	Graham Jordan	HM Treasury
Members	James Dickens	AFRC
	Ian Fauset	MOD
	Dr Tony Hardy	MAFF
	Dr Alan Roberts	HSE
	Dr Les Whalley	DTI
	Peter Wiggett	CSC
Secretariat	Richard Winter	HMT
	Pamela Garland	HMT

Dates of meetings

9 February 1989

2 March 1989

16 March 1989

ANNEX 2

ESTIMATED COSTINGS OF THE INDIVIDUAL MERIT PROMOTION SCHEME

Administrative support, fees etc.

The present support, provided by an EO in Treasury, operates in an annual cycle commencing in June/July, running through the year with peaks and troughs. If the scheme was delegated to departments then many of the centralised activities including distribution of many long papers to the whole Panel could be reduced.

Present	Proposed
Call up candidates from departments £300	No call up with candidates being reviewed as need arises **Minimal as within ASR cycle**
Nominations (including synopses of selected papers distributed to whole Panel) **£2500**	No longer needed **NIL**
Arrange and hold meetings for whole Panel to agree selection of candidates for referee **£5330**	Rely on departmental sift instead **£1900**
Write to referees nominated by Panel and departments and follow up on replies if late or unavailable or unsuitable **£5600**	As before. External members may be asked for suggestions for referees other than those proposed by the candidate or department **£1800**

Arrange and hold meeting of whole Panel to sift referee reports, select candidates for interview and select interview panel	Rely on departmental sift
£4530	**NIL**
Arrange and hold interviews	Arrange and hold interview - panel might consist of 2 external and 2 internal members (possible one from another department)
£12000	**£14500**
Obtain publications etc. and distribute to interview panel	This will remain if the interview panel wish it
£1650	**£1650**
Take note of meetings and interviews	This will remain
£2500	**£2500**
Send letters to departments	As departmentally organised this activity disappears
£300	**NIL**
TOTALS	**TOTALS**
£34710	**£22350**

MANAGEMENT IN CONFIDENCE

PRESS OFFICE BRIEFING ON THE IMP SCHEME

1. Question: **What is the IMP scheme?**

The "IMP scheme" is the "Individual Merit Promotion Scheme for the Science and Professional and Technology Groups and analogous classes". The purpose of the scheme is to allow for outstanding scientists and technologists to be promoted while continuing to work in their specialist fields. It applies where the normal promotion route would be to a managerial post which would have little or no opportunity for individuals to continue with scientific or technological work to which the department attaches high importance.

2. Question: **How does the scheme operate at present?**

Departments put forward to the Treasury, candidates who have carried out excellent work, are expected to continue to perform excellently and whose work in their field is needed by the department. The papers are examined by a panel of external experts, composed of eminent scientists and technologists. They take up references from outside the service who know the candidates work and a small sub-panel then interviews the candidate. The panel makes recommendations to the Treasury on whether IMP promotion should be given. Individual Merit promotions last for as long as the high standard of work continues.

3. Question: **How long has it been in existence?**

The IMP scheme was set up in 1945 and has operated, sometimes under a different name, since that time.

4. Question: **Is the IMP scheme being abolished?**

No. The IMP scheme is currently run by the Treasury. It is being changed so that each department will be able to operate the scheme themselves. The policy for the IMP scheme, including the rules, will remain the responsibility of the Personnel Management Division of the Treasury, who have responsibility for personnel management policy for the Civil Service. However, individual departments will be responsible in future for selecting experts who should interview their candidates and for approving the promotions. The standing panel of experts which currently exists to advise the Treasury will no longer be needed.

5. Question: **Why is the scheme being changed?**

The scheme, including its method of operation, and indeed whether the scheme was necessary, was examined by a working group, chaired by the Treasury with representatives from departments using the scheme, including DTI, MOD, HSE, MAFF and AFRC. The working group endorsed the importance of the scheme and stressed the need for its retention, but recommended the changes outlined above.

6. Question: **When will the changes come into effect?**

It is intended that the scheme will be delegated to departments later this year.

7. Question: **Do the changes affect the standing of individual scientific research and development in the Civil Service?**

No. The inter-departmental group, in its report, commented upon the importance of the scheme to both individuals and departments. The changes will enable departments to respond better to the demands of research in key areas of science and technology in support of their particular responsibilities. The award of an IM promotion, long regarded as a pinnacle of scientific achievement in the Civil Service, will continue to be held in high regard by management and individuals. The changes do not diminish the importance of such individual achievement but target it more effectively at a departmental level.

8. Question: **Do the changes imply a loss of confidence in the existing IMP Panel**

By no means. The Government is extremely grateful to all those eminent scientists and technologists who have served on the panel over the years, and retains the highest regard for the advice they have given and continue to give. The changes reflect the move towards greater delegation to departments in the personnel management area generally, and recognise that individual departments are best placed to evaluate the contribution made to their work by particular members of staff.

9. Question: **What will happen without the IMP Panel?**

Under the revised scheme, departments will invite experts of similar eminence to the existing Panel to interview their candidates. These could be senior civil servants or others drawn from the same sphere as the existing Panel and may well include some of the current Panel members.

10. Question: Who is on the Individual Merit Promotion Panel?

The IMP Panel consists of eminent scientists and technologists from, generally, outside the civil service and includes those from industry, private practice and universities. The Panel is currently chaired by Sir Kenneth Blaxter Kt, FRS, FRSE, who was the Director of the Rowett Research Institute from 1965 to 1982. Other members of the Panel include :-

Professor R E D Bishop CBE, FRS, F Eng, F I Mech E, FRINA, MRAeS who has been Vice-Chancellor and Principal at Brunel University since 1981.

Sir Malcolm Brown FRS, FRSE who was Director of the British Geological Survey form 1979 to 1985.

Sir Ronald Mason KCB, FRS, is a chemist, who has been Pro-Vice-Chancellor at the University of Sussex since 1977 and was the Chief Scientific Advisor to the Ministry of Defence from 1977 to 1983.

Professor E W J Mitchell CBE FRS FInstP who is the Chairman of the Science and Engineering Research Council and is Dr Lee's Professor of Experimental Philosophy at Oxford University and Fellow of Wadham College, Oxford since 1978.

Sir Alan Muir Wood Kt, FRS, FEng, FICE, Consultant to Sir William Halcrow and Partners since 1984, having been the senior partner since 1979.

Sir Denys Wilkinson Kt, FRS, is a nuclear physicist who was Vice Chancellor at the University of Sussex from 1976 until 1987.

11. Question: **Are the Panel members paid?**

Yes. The Panel members are currently paid a daily rate of £124.60 for attending meetings and interviews. On top of this they are reimbursed their travelling costs and paid an allowance for any additional costs such as overnight expenses.

12. Question: **Is the scheme being changed to save money?**

No. The changes are for the reasons stated above, to enable the scheme to be more in line with departmental needs. There may well be some savings but these are purely coincidental to the above reasons. The scheme is not being changed on the grounds of cost savings.

HM Treasury

Parliament Street
London SW1P 3AG
Telephone 01 270 5939

Dame Anne Mueller DCB
Second Permanent Secretary

Sir Kenneth Blaxter
Stradbroke Hall
Stradbroke
SUFFOLK IP21 5HH

3 May 1989

Dear Sir Kenneth

INDIVIDUAL MERIT PROMOTION SCHEME

1. I was very grateful to you and your colleagues for attending the last meeting of the Science Management Advisory Committee on 10 January and for the interesting and informative discussions we had on the Individual Merit Promotion Scheme. Thank you also for your letter of 2 May enclosing the paper with the IMP Panel's comments on the value of the scheme. I am arranging for this to be circulated to departments using the IMP scheme.

2. As you know we have been consulting the departments that use the IMP scheme about its role in relation to the management of scientists and technologists and about possible alternative ways of operating in future having regard to the changes that have been taking place in the functions and management of the Civil Service. As a result the following key proposals have emerged:

(i) The IMP scheme should continue. Departments are very firmly of the view that continuation of the IMP scheme is important for the career management of some of their ablest scientists and technologists.

(ii) The policy responsibility for the IMP scheme should remain with the Treasury, but we should in future take advice on policy and on the rules for the scheme (the so called "Annex A") from the Science Management Advisory Committee (SMAC) and the Professional and Technology Management Advisory Committee (PTMAC), through a special joint sub-group. As you know, SMAC and PTMAC include the most senior professionals in the departments employing the largest numbers of scientists and technologists.

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(iii) Departments should sift the papers of IMP candidates and convene their own panels of senior scientists and technologists (including members of other departments) together with external experts of eminence to conduct interviews and make decisions on individual cases of merit promotion.

3. I am sure that you and your colleagues will be pleased to know of the importance that departments continue to attach to Individual Merit Promotion. Nevertheless the proposals involve some significant changes in the way the scheme is administered and the way that the Treasury is advised, notably by replacing the standing IMP Panel by a more decentralised system of assessment and placing more weight on the advice of senior scientists and technologists in departments using the scheme. However, the intention is to maintain rigorous standards of assessment with the assistance of eminent outside experts. I should also like to make it clear that the proposals for a more decentralised system do not imply any criticism of the standing Panel or its members. Indeed departments, in the views they have expressed to us, have paid tribute to the commitment, eminence and expertise of the IMP Panel.

4. I should also like to express our warm appreciation for the work that you and your colleagues have done over the years. At the risk of running too far ahead of what, at this stage, are only proposals, I might add that the departmental interview panels that are being suggested will continue to need the skills that members of the current IMP Panel possess. I hope therefore that you will see no obstacle to departments inviting yourself or the members of the current panel to help them in the operation of the revised scheme where appropriate.

Yours sincerely

Anne Mueller

pmg.vd

MBPM
AT
13/4

PAYMASTER GENERAL

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Richard Luce MP
Minister of State
Privy Council Office
Horse Guards Road
LONDON SW1

12 April 1989

Dear Richard,

CIVIL SERVICE RECRUITMENT AND THE CIVIL SERVICE COMMISSION

Thank you for your letters dated 10 April enclosing a draft of the statement which you propose making to the House on 13 April. I welcome your assurance that our officials will continue to work closely together on the development of the proposals, on which a lot of detailed work clearly needs to be done.

I am generally content with the draft statement, subject to the small textual clarificiation which I understand has already been agreed between my officials and Mr Kemp. May I suggest, in addition, that it might be preferable to speak only of delegation of recruitment to "departments" in the statement? The mention of "Ministers" (as well as departments) in this context may raise groundless fears that Ministers intend to take a greater personal interest in individual appointments in the future, so endangering the political neutrality of the Civil Service.

On the issue of overall recruitment costs, as you say, there can be no question of public expenditure increasing as a result of the change. However, if in the future individual departments decide to attach greater priority to recruitment and decide to spend more on it, within their already defined running cost limits, then that is of course their choice.

I am copying this letter to the recipients of yours.

Yours ever

Peter

PETER BROOKE

CIVIL SERVICE: long Term
follows p. 22

NBPM BT 12/4

dti

the department for Enterprise

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

CONFIDENTIAL

Department of Trade and Industry

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Privy Council Office
Office of the Minister for
the Civil Service
Horse Guards Road
LONDON
SW1P 3AL

Direct line 215 5147
Our ref
Your ref
Date April 1989

Dear Richard,

CIVIL SERVICE RECRUITMENT AND THE CIVIL SERVICE COMMISSION

Thank you for your letter of 10 April (at Flap) about your proposed changes in the arrangements for the recruitment of civil servants.

I welcome these proposals for the untying of Departments from the Civil Service Commission for recruitment to grades and posts below Grade 7. I have no comments on the form of the proposed announcement. There are, however, a number of points on the detailed application of the proposed new arrangements, including the form of "fair and open competition" to be applied by Departments, the maintenance of standards, the Treasury's continuing responsibilities for recruitment policy, and the financial arrangements, which I have asked my officials to discuss with yours.

I am sending copies of this letter to the Prime Minister, Ministers in charge of Departments and Sir Robin Butler.

Yours ever,
Tony

TONY NEWTON

MA4AAS

Civil Service: Long Term Management. Pt 22.

NDM
AT 11/4

FCS/89/063

MINISTER OF STATE, CABINET OFFICE

1. Thank you for sending me a copy of your letter of 20 March to Peter Brooke. I am grateful to you for acknowledging the need to take into account the particular situation of the FCO in the changes you propose, which have now been endorsed by the Prime Minister.

2. You say that your officials will want to discuss with mine whether or not your proposed delegation of greater responsibility to departments should affect the Commissioner's present powers in regard to entry to the Diplomatic Service. I should welcome such discussion. There are several detailed points which would need to be covered. And, in advance of a clearer understanding on our part of how you envisage the wider repayment arrangements operating, it is obviously not possible to form a view on how we would wish recruitment to be conducted for the specific DS grades covered by the proposed delegation (we believe these would be DS9, equivalent to Executive Office, and DS 10, equivalent to Administration Officer).

3. I know there has already been some preliminary discussion at official level about the wording of the statement on 13 April. I should be grateful if that statement could say no more than that I am considering separately the application of the proposed changes to the Diplomatic Service.

4. I am sending a copy of this minute to the Prime Minister, the Paymaster General and the Cabinet Secretary.

(GEOFFREY HOWE)

Foreign and Commonwealth Office

11 April 1989

The National Archives

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NPPM
cc BD
Toronto X

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

C89/1901

Rt Hon Peter Brooke MP
Paymaster General
HM Treasury
Parliament Street
LONDON SW1

10 April 1989

Dear Peter.

CIVIL SERVICE RECRUITMENT AND THE CIVIL SERVICE COMMISSION

We have corresponded about our proposed changes in Civil Service recruitment arrangements, whereby Departments will be largely "untied" from the Civil Service Commission.

The background to this is twofold: first, the logic of the Next Steps initiative and other moves which lead to delegating more responsibility within the Civil Service; and second the advent of repayment for the Commission's recruitment services and the presumption of "untying" - that is, enabling Departments to place contracts for recruitment services where they judge that the services will most effectively be provided - which goes with that. The move is also part of our efforts to prepare ourselves for the labour market difficulties we expect in the early 1990s.

The present responsibilities of the Civil Service Commission derive from the Civil Service Order in Council 1982. Originally, when the Civil Service was much smaller, the Commission was directly responsible for all recruitment. The 1982 Order in Council amended previous Orders so as to divide responsibility for recruitment between the Commissioners on the one hand and Ministers of Home Departments on the other. The Commissioners retained responsibility for some 15 per cent of recruitment, that is recruitment to the senior grades, while Ministers took over responsibility for about 85 per cent of recruitment, that is recruitment to the junior grades.

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In the light of the factors mentioned above, we are agreed that there should now be a further transfer of responsibility. What we propose is that the Order in Council should be amended so that the Commissioners retain responsibility only for the more senior appointments (Grades 1 to 7 inclusive) and their fast-stream feeder entries. This means that Departments will be able to run their own schemes for recruitment for over 95 per cent of entrants, representing all except the essential core of senior posts, direct entry to which should continue to be independently assessed and attested to. The Treasury's responsibilities for recruitment policy under the 1987 Transfer of Functions order would be unaffected.

We regard it as important that fair and open competition - which is laid down in the Order in Council - will continue for all grades, whether recruitment is the responsibility of Departments or the Commissioners. This will be protected by rules to be laid down by the Minister for the Civil Service, which would take account of advice from the independent Commissioners, and by the introduction of suitable monitoring arrangements, again in the hands of the Commission. Not all Departments will be able, or will wish, to undertake recruitment themselves, and as an executive recruitment operation the Civil Service Commission is a centre of excellence. We propose, therefore, that it should continue to provide a recruitment service, which would operate on repayment and as an Executive Agency on Next Steps lines, according to the rules laid down by the Minister for the Civil Service. It is possible that as a result the Commission will continue to do a great deal of recruitment and may even resume recruitment in some of the grades which the Commissioners relinquished in 1982.

We envisage a target date of April 1991 for the full changes to be in place, although I do not rule out sensible moves towards untying before that date, provided these can be fitted into an orderly programme of change. A good deal of work neds to be done, and my officials will of course continue this in touch with your officials and those of other Departments. However we agree that we have now reached a point where there should be an announcement of the principles of what is proposed, leaving the detailed design and implementation to proceed in slower time. I attach therefore the draft of a statement which I propose to make on Thursday, 13 April. For reasons connected with the proposed handling of the Commission staff who may eventually be affected, I should be grateful if it were treated sensitively until then.

...

CONFIDENTIAL

I am copying this to the Prime Minister, Ministers in charge of Departments and Sir Robin Butler.

RICHARD LUCE

MINISTER OF STATE
PRIVY COUNCIL OFFICE

CONFIDENTIAL

TO ASK THE MINISTER FOR THE CIVIL SERVICE WHAT PLANS HE HAS FOR FURTHER CHANGES IN THE ROLE OF THE CIVIL SERVICE COMMISSION IN RELATION TO THE RECRUITMENT OF CIVIL SERVANTS

DRAFT ANSWER

In 1982, the Civil Service Order in Council was changed so as to divide responsibility for recruitment between the Civil Service Commissioners on the one hand and Ministers on the other. The Commissioners retained responsibility for the selection of middle and senior level staff - about 15% of the Civil Service. Ministers and Departments assumed full responsibility for the majority of recruitment - 85% - subject to certain rules laid down by the Minister for the Civil Service.

2. In the light of current developments in Civil Service management, including the recent Next Steps initiative, it is now proposed to extend the area of recruitment which is the responsibility of Ministers and Departments. It is proposed that from 1 April 1991, Departments and Agencies acting on behalf of Ministers should be free to carry out their own recruitment to grades and posts below Grade 7, except for fast stream entrants. The Civil Service Commissioners would remain responsible for the recruitment and certification of staff at Grade 7 and above - the more senior grades - and of their fast stream feeder entries. Departments and Agencies, which will then be responsible for over 95% of recruitment, will act under rules laid down by the Minister for the Civil Service, which will reflect the principle of selection on merit by fair and open competition. The Civil Service Commissioners will advise the Minister on these rules, and will also be required to monitor, independently, their application by Departments, and to report accordingly. The Commissioners will be free to publish their advice and reports.

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3. The Commission will continue to make arrangements for the recruitment to posts which remain the responsibility of the Commissioners, and will support their new advisory and monitoring responsibilities. In addition, the Commission will be prepared to undertake, on repayment, recruitment of other grades on behalf of Departments, Agencies and other bodies. A new executive agency will be created within the Commission to carry out this function. Departments and Agencies however will be free to make alternative arrangements for recruiting staff to the grades for which they are responsible, provided they observe the rules that will be promulgated.

4. A considerable amount of detailed work remains to prepare for the transfer of responsibilities, to establish the Executive Agency on a repayment basis, and to make the necessary financial and legislative adjustments. In carrying this forward in the period up to 1991 and beyond, the objective will be to secure a smooth transition. There will be full discussion and consultation as appropriate with all concerned, including the staff of the Commission and their trades unions representatives.

5. My Rt Hon Friend the Secretary of State for Foreign and Commonwealth Affairs is considering the application of those proposed changes for the Diplomatic Service.

6. In due course it will be necessary to replace or amend the Civil Service Order in Council and the associated general regulations, to give effect to these proposals.

CIVIL SERVICE: Long Term Pol. w. P.22

The National Archives

DEPARTMENT/SERIES PREM 19 PIECE/ITEM 3629 (one piece/item number)	Date and sign
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Use black or blue pen to complete form.

Use the card for one piece or for each extract removed from a different place within a piece.

Enter the department and series,
eg. HO 405, J 82.

Enter the piece and item references, .
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MANAGEMENT IN CONFIDENCE

file
Eden
66

10 DOWNING STREET

From the Principal Private Secretary

6 April 1989

Dear Dennis,

THE FUTURE OF THE CIVIL SERVICE COMMISSION

The Prime Minister has approved the plans for changes in the functions of the Civil Service Commission.

I am copying this letter to Stephen Wall (Foreign and Commonwealth Office), Malcolm Buckler (Paymaster General's Office) and Martin Le Jeune (Office of Arts and Libraries).

Yours sincerely

Andrew

TEMPORARILY RETAINED
THIS IS A COPY. THE ORIGINAL IS RETAINED UNDER SECTION 3 (4) OF THE PUBLIC RECORDS ACT.

ANDREW TURNBULL

D. J. Trevelyan, Esq.

MANAGEMENT IN CONFIDENCE

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The National Archives

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CABINET OFFICE
OFFICE of the MINISTER
for the CIVIL SERVICE

CIVIL SERVICE COMMISSION
Horse Guards Road
London SW1P 3AL
Telephone: 01 -270 5960

From the First Civil Service Commissioner

Andrew Turnbull Esq
10 Downing Street
London SW1A 2AA

5 April 1989

Dear Andrew,

THE FUTURE OF THE CIVIL SERVICE COMMISSION

We spoke about the plans for changes in the functions of the Civil Service Commission, and you were good enough to discuss with the Palace the procedure for consulting The Queen about the proposals now being drawn up by the Government. It was agreed that, since the Prime Minister is not planning to have an early audience with The Queen, it would be appropriate for you to write to Sir William Heseltine rehearsing what is proposed. I attach a draft letter - approved by Sir Robin Butler - which may serve for this purpose.

The background to these proposals is set out in Mr Luce's letter of 20 March to the Paymaster General, of which a copy was sent to the Prime Minister. Since then, a good deal of work has been done to give flesh to these proposals, and we have it in mind to suggest to Mr Luce that the proposals should be announced to the House by means of a written Question on Thursday 13 April. We shall, of course, be keeping you informed and, in particular, sending a copy of the draft Answer and supporting material. In the meantime, we have arranged that the Annual Report of the Civil Service Commissioners

should be published on Monday 17 April and that it should refer back to the Government Statement of 13 April.

It would be most helpful if you would write on the lines of the draft. Please let me know if you need any further information.

Yours sincerely

Dennis.

D J TREVELYAN

ng.vd

NDPM AT 2(1) CC PO.

CONFIDENTIAL

PAYMASTER GENERAL

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Richard Luce MP
Minister of State
Privy Council Office
Cabinet Office
Horse Guards Road
LONDON SW1P 3AL

23 March 1989

Dear Richard,

CIVIL SERVICE RECRUITMENT AND CIVIL SERVICE COMMISSION

I very much ~~welcome~~ Hap your proposal, contained in your letter dated 20 March, to amend the Civil Service Order in Council so that departments can assume responsibility for recruiting most of their staff below Grade 7 level. I hope this will help to improve the cost effectiveness of the recruitment process both for individual departments and for the Civil Service as a whole.

As you observe in your letter, the Treasury's responsibility for recruitment policy remains unchanged, and it follows that we shall have a particular interest in seeing how the practical details of your proposals develop. In particular, we will need to ensure that the greater flexibility inherent in these proposals does not compromise recruitment standards. Appropriate monitoring systems will need to be in place when the new arrangements are implemented, and will need both to ensure standards are maintained and enable us at the centre to keep track of the numbers and quality of recruits. I hope that you will ensure that your officials keep in close contact with mine while the proposals are being developed.

I am sure that you are right to think in terms of an early announcement of the principles proposed. You will, of course, need to emphasise that delegation of recruitment will not be allowed to lead to a reduction in standards, not will it undermine the unified nature of the Civil Service or its political neutrality. I hope that our officials can work together on a suitable draft statement.

You do not say in your letter when these proposals will come into effect. This being the case I wonder whether your plans to put the Commission onto a repayment basis with effect from April 1991

Civil Service : Long Term Policy PT12

CONFIDENTIAL

will not need to be brought forward. It will be a substantial disincentive for departments to do their own recruitment if they have to bear the full cost of this while recruitment via the Commission continues to be "free". I hope that you will be able to work to a timetable for developing the detailed proposals that will enable untying and repayment to be implemented from the same date. Once again, our officials will need to work jointly on this.

I am sending a copy of this letter to the Prime Minister and to Geoffrey Howe.

Yours ever

Peter

PETER BROOKE

MANAGEMENT IN CONFIDENCE

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary 23 March 1989

CIVIL SERVICE NUMBERS:
1 JANUARY 1989

Thank you for your letter of 22 March which the Prime Minister has seen. She is fully content with the proposed PQ Answer.

(PAUL GRAY)

Miss Carys Evans,
Chief Secretary's Office.

MANAGEMENT IN CONFIDENCE

cst.ps/7ce22.3/lets

MANAGEMENT IN CONFIDENCE

CEPS

Prime Minister

Content with the attached announcement.

RRC6 22/3

Treasury Chambers, Parliament Street, SW1P 3AG

Paul Gray Esq
Private Secretary
10 Downing Street
London
SW1

22 March 1989

Dear Paul

CIVIL SERVICE NUMBERS: 1 JANUARY 1989

You may like to inform the Prime Minister that on 1 January 1989 there were 571,649½ civil servants in post, a reduction of 2,245½ since 1 October 1988. This means a reduction of 160,626 (21.9 per cent) since 1 April 1979.

The largest decrease during the quarter was recorded by the Departments of Health and Social Security (1,681), continuing the planned rundown from the temporary peak required for the implementation of the April 1988 Social Security reforms, and with reduced staffing levels needed to operate the new scheme and falling unemployment leading to reductions in claims for Income Support. PSA also recorded a sizeable decrease (794), reflecting the transfer of Defence Estate staff to Ministry of Defence and an excess of wastage over recruitment. The Land Registry rose by 387, reflecting recruitment to deal with the continuing buoyancy of the conveyancing market.

It is customary to announce the quarterly Staff in Post figures in response to a Parliamentary Written Question and we are proposing to continue this practice on the lines of the attached draft. We would be glad to know if the Prime Minister is content.

Yours

Cathy

MISS C EVANS
Private Secretary

35/1 rc/cl.35b17.3

Draft Question

To ask Mr Chancellor of the Exchequer what was the number of staff in post in central government departments at 1 January 1989.

Draft Answer

On 1 January 1989 there were 571,649½ staff in post in central government departments. Of these 500,981½ were non-industrials and 70,688 were industrials.

CONFIDENTIAL

NMM AT 2/3

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

C89/1560

Rt Hon Peter Brooke MP
Paymaster General
HM Treasury
Parliament Street
LONDON SW1

20 March 1989

Dear Peter,

CIVIL SERVICE RECRUITMENT AND CIVIL SERVICE COMMISSION

I have been giving some thought to the future of Civil Service recruitment and the role of the Civil Service Commission. Two factors have prompted this: first, the logic of the Next Steps initiative and other moves which lead to giving more responsibility to local managers, and second the advent of repayment for the Commission's recruitment services and the presumption of "untying" which goes with that.

The Civil Service Commission has been in existence for more than 130 years. Originally, when the Civil Service was much smaller, it was directly responsible for all recruitment. In 1982 the Order in Council was amended so as to divide responsibility between the Commissioners on the one hand and Ministers of Home Departments on the other. The Commissioners retained responsibility for some 15 per cent of recruitment, while Ministers took over responsibility for about 85 per cent, generally all the junior grades.

In the light of factors I mention above, a further transfer now seems appropriate. Accordingly I have in mind that the Order in Council should be amended so that the Commissioners retain responsibility only for the more senior appointments (Grades 1 to 7 inclusive) and their faststream feeder entries. This means that Departments will be able to run their schemes for recruitment for about (95 per cent) of entrants, representing all but the essential core of senior posts, direct entry to which should continue to be independently assessed and attested to.

This will represent a significant change, but fair and open competition will of course continue and will be protected by rules to be laid down by the Minister for the Civil Service which will take account of advice from the independent Commissioners, and by the introduction of suitable monitoring arrangements, again in the hands of the Commission. As an executive recruitment operation, the Civil Service Commission is a centre of excellence and we shall want to continue with this. We will, therefore, continue to provide a recruitment service but on repayment. I would hope and expect that it will continue to do a great deal of recruitment for Departments, including recruitment in some of the grades which the Commissioners relinquished in 1982.

A considerable interface will continue between the Civil Service Commissioners and the executive recruitment functions, including retaining a Civil Service Commissioner as the Chief Executive of the recruitment function. A number of details remain to be filled in. But I believe we have now reached the point where we should announce the principles of what we propose, leaving the detailed design and implementation to proceed in slower time as the financial and organisational supports are put in place. Transitional arrangements in particular will have to be considered very carefully, having regard to the implications for the Commission and its relations with OMCS, and the need for rules to be devised and promulgated according to which Departments will, if they so wish, conduct their own recruitment.

This change would not affect the Treasury's responsibility for recruitment policy under the 1987 Transfer of Functions Order, nor would they necessarily affect the Commissioners present powers in respect of entry to the Diplomatic Service; this is something which my people will want to consider with Foreign Office officials, and I am sending a copy of this letter to Geoffrey Howe. Subject to any comments you or he may have, I propose to announce this change to the House soon after Easter.

I am also sending a copy of this letter to the Prime Minister.

RICHARD LUCE

ORIGINAL FILED ON
ECON POL: Privatisation
Pt 17

NPBM
NJT
1/3

2 MARSHAM STREET
LONDON SW1P 3EB
01-276 3000

My ref:

Your ref:

Andrew Turnbull Esq
Private Secretary to
The Prime Minister
10 Downing Street
LONDON
SW1A 2AA

/ March 1989

Dear Andrew,

MARKET TESTING IN THE CIVIL SERVICE: SUMMARY PROGRESS REPORT FOR 1987/88

In your letter of ~~7~~ Ray February to Malcolm Buckler you ask whether the experience of market testing by local authorities shows the same trend as that in the Civil Service. I have seen a copy of Malcolm's reply of ~~20~~ February and your further letter of ~~22~~ February.

Several studies of voluntary contracting out by local authorities indicate that savings of 20-30% over previous costs are typically achieved through competition although they do not show how far work has actually been undertaken by outside contractors. This finding is confirmed by the most recent Audit Commission paper "Preparing for Compulsory Competition" which states: "the limited experience of tendering to date suggests that authorities can receive savings of 20 per cent or more in contract price irrespective of whether work has been won by the private sector or by authorities' own workforces".

We do not yet have information on compulsory competition under the Local Government Act 1988 since the first round of contracts i a phased implementation programme do not have to be let until 1 August 1989. Authorities will be required to keep separate accounts for each defined activity and submit an annual report to the Department. Since the first of these reports will not be received until October 1990, we are planning to obtain some early information on the effects of the legislation by issuing six-monthly questionnaires to all local authorities covering before and after costs and staff levels and details of each tendering exercise. These will show whether work has remained in-house or been won by outside contractors. The first questionnaires should go out in April to catch those authorities who are implementing the Act in advance of the statutory dates. We will let you have a report on our preliminary findings, as requested in your letter of 22 February. In additon, we are currently inviting tenders for a longer-term research project into the effects of the Act.

I am copying this letter to Alex Allan (Chancellor of the Exchequer's Office), Carys Evans (Chief Secretary's Office) and to Trevor Woolley (Cabinet Office) and Kate Jenkins (Efficiency Unit), also to Malcolm Buckler (PMG's office)

Yours

A D RING
Private Secretary

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

7 February 1989

COPIED TO ECON POL:
Privatisation PT. 17

MARKET TESTING IN THE CIVIL SERVICE: SUMMARY PROGRESS REPORT FOR 1987-88

The Prime Minister has seen your letter to me of 6 February. She has noted that, as far as Government Departments are concerned, market testing results in the majority of work being contracted out rather than retained in-house; and that the percentage savings achieved from work contracted out are greater than those achieved from retaining the work in-house.

While this demonstrates that private contractors are not simply being used as a basis for securing lower prices for in-house work within Government Deprtments, she remains concerned that this may still be the case with local authorities. She has asked whether figures corresponding to those in your letter are available for local authorities.

I am copying this letter to Alex Allan (Chancellor of the Exchequer's Office), Carys Evans (Chief Secretary's Office), Roger Bright (Secretary of State for the Environment's Office) and to Trevor Woolley (Cabinet Office) and Kate Jenkins (Efficiency Unit).

ANDREW TURNBULL

Malcolm Buckler Esq
Paymaster General's Office
HM Treasury

pmg vd

Prime Minister
This provides reassurance that private contractors are not simply being used as stalking-horses.
AT 6/2

PAYMASTER GENERAL

Treasury Chambers, Parliament Street, SW1P 3AG

Andrew Turnbull Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1A 2AA

6 February 1989

Dear Andrew,

MARKET TESTING IN THE CIVIL SERVICE: SUMMARY PROGRESS REPORT FOR 1987-88

I refer to your letter of 12 January, in particular your comment regarding the proportion of activities which, after market testing, are retained in-house.

2. As far as Government Departments are concerned, I do not believe that contractors have any grounds for concern. The record for 1986-87 and 1987-88 is as follows:

	1986-87		1987-88	
Pre-test cost of work contracted out	£37.0m	93%	£27.8m	86%
Pre-test cost of work retained in-house	2.6m	7%	4.5m	14%
Value market tested	£39.6m	100%	£32.3m	100%

In carrying out market testing exercises, Departments are required to select the option which gives the best value for money, irrespective of whether this means contracting out or retaining in-house. The above picture demonstrates that, overall, the contracting out options have given the best value for money.

3. Furthermore, experience has shown that the percentage savings on work contracted out are greater than those on work retained in-house. The figures are as follows:

	1986-87	1987-88
Savings % of Pre-test Costs		
- work contracted-out	24%	28%
- work retained in-house	15%	5%

4. Recent experience in the Civil Service therefore shows that:

   a. market testing results in the majority of the work being contracted-out;

   b. the percentage savings achieved from work contracted-out are greater than those achieved from retaining the work in-house.

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

Yours Malcolm Buckler.

MALCOLM BUCKLER
Private Secretary

CIVIL SERVICE: Long Term
Policy Paper

file DT

10 DOWNING STREET

From the Principal Private Secretary

SIR ROBIN BUTLER

WOMEN IN THE CIVIL SERVICE

The Prime Minister has seen your minute of 3 February. She has noted the progress which has been made in increasing the proportion of women at the top of the Civil Service. She was also content with the two proposed changes.

ANDREW TURNBULL
6 February 1989

cc Press

Prime Minister
Signs of progress but a long way to go. Paradoxically the loss of some high flying men to the City has opened up opportunities which women are now taking successfully.

AT 3/2

Ref. A089/326

MR TURNBULL

Women in the Civil Service

The Prime Minister might like to know of two changes in rules which we will shortly be announcing to make a Civil Service career more attractive to women.

2. We have for some time been looking at ways of making it easier for women to combine a Civil Service career with family responsibilities. Part-time working and flexible hours have contributed to this. We are also monitoring closely the promotion of women to the most senior posts. Five per cent of those at Grade 3 and above in the Civil Service are women and the proportion of women at Grade 5 has more than doubled to nine per cent in the last four years.

3. We need to keep up the momentum on this both in order to enable talented women to reach the most senior levels in the Civil Service and also to compete successfully against other employers in recruiting women as the number of school leavers turns down through the 1990s. A checklist of the actions which --- Departments are encouraged to take is attached.

4. The two further changes which we are about to announce are, first, freedom for Departments to offer a career break of up to five years and more flexible rules on reinstatement for those who have recently resigned. The second change is to enable Departments, at their discretion, to finance within their running costs local childcare schemes whenever they are satisfied that it is in their interests to do so. Departments already have successful schemes for school-age children running in 20 locations, often in cooperation with voluntary bodies.

FRBATI

Small scale local nurseries, perhaps run on a contracted out basis, are likely to make sense in some locations and labour markets.

5. Mr Luce will be seeking to give some publicity to these initiatives in a press briefing in the week beginning 13 February. This will include a photo-call in St James's Park with children attending the Westminster Half-Term Holiday Play Scheme. This Scheme is being coordinated by the OMCS and run by the voluntary Westminster Play Association.

F.E.R.B.

ROBIN BUTLER

3 February 1989

FRBATI

CHECKLIST OF EQUAL OPPORTUNITY INITIATIVES

1. Positive advertising: including reference to part-time work.

2. Monitoring of promotion selection criteria to avoid discrimination.

3. Appropriate participation of women on the Management Development, Senior Management Development and Top Management Programmes.

4. Career Break scheme with right of return, effective keeping-in-touch provisions and re-entry provisions.

5. Part-time working/flexible working at all grade levels.

6. Holiday playschemes; employer assisted local nurseries; facilitate after school schemes.

7. Positive action training initiatives where appropriate:

   - management development
   - skills training eg typist to ADP etc.

8. Monitor women's progress in succession planning.

9. Access training for older women returners.

03. 11. Pl. 9

NBPM
AT 3/2

Ref. A089/316

MR TURNBULL

Discretionary Pay Scheme for Grades 2 and 3

cat flag PT 21)

Sir Robin Butler sent you a minute on 23 December 1988 reporting the outcome of the second round of awards under the discretionary pay scheme for Grades 2 and 3.

2. It has since come to light that two additional Grade 3s have been nominated for an award which would bring the total number in receipt of awards at this level to 108 or 22 per cent of staff in post.

3. The number and value of awards in the 1988 round has not yet been published and if you are content the proposed Written Parliamentary Answer will be amended to take account of the revised figures. The revised draft Parliamentary Question and Answer is attached.

4. I am copying this minute to Martin Le Jeune (OMCS).

Trevor Woolley

T A WOOLLEY

2 February 1989

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 41 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 108 Grade 3s, respectively 25% and 22% of all those in each grade.

The full year cost of these awards is £322,000 or about 1.25% of the annual pay bill for the grades concerned.

Feed in Grid Service Pt 22

Long term Management.

Prime Minister' Cf-To File CC QUESTIONS

Content with the question and answer ok X ?

Hz02779

FROM: J M E BUCHAN
Date: 30 January 1989

MR A BEARPARK
No.10

cc Mr Stevens

Yes ok

FUNDING OF 1988 DIRECT ENTRY GRADE 7 COMPETITION: CASH LIMIT REDUCTION

In response to a request from the Paymaster General (see Annex A) the Prime Minister approved the running of a Civil Service Commission competition to recruit direct entry grade 7 staff to meet shortfalls in departments arising during 1988. The Prime Minister's approval was given on the basis that the cost would be absorbed within existing provisions and would not therefore add to the planned total of Public Expenditure.

The Civil Service Commission's budget for 1988-89 did not make any provision for a competition of this kind. However, by reordering priorities £200,000 of the £292,000 required to hold the competition was found. HM Treasury decided that the remaining £92,000 of the cost should be met by reducing the cash limits and running costs limits of those departments participating in the scheme and increasing the vote for the Cabinet Office: Office of the Minister for the Civil Service by means of a Supplementary Estimate.

For the Cabinet Office: Other Services vote the cost is £3,000 for 2 posts. For technical reasons reductions to the cash limit and running costs limit have to be announced by a Written Parliamentary Question. I attach a copy of a draft Parliamentary Question and Answer (Annex B) along the lines suggested by HM Treasury and would be grateful if you would arrange for this to be tabled as soon as possible.

J M E BUCHAN
Finance Division

MANAGEMENT IN CONFIDENCE

ANNEX A

cc Dame Anne Mueller
Mr Trevelyan
Mr Walmsley
Mr C W Kelly
Mr G Jordan
Mr A M White
Mr D R Cable

FROM: PAYMASTER GENERAL
DATE: 23 June 1988

PRIME MINISTER

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

ANNEX B

Cabinet Office: Other Services (Class XX, Vote 2)

Question

To ask the Prime Minister if there are any proposals to change the 1988-89 cash limit and running costs limit for the Cabinet Office: Other Services.

Draft Answer

The Prime Minister: Both the overall cash limit and the running costs limit for the Cabinet Office: Other Services (Class XX, Vote 2) have been reduced by £3,000: from £16,137,000 to £16,134,000 and from £19,616,000 to £19,613,000 respectively. These decreases will be offset by corresponding increases in the cash limit and running costs limit for the Cabinet Office: Office of the Minister for the Civil Service (Class XX, Vote 1) and reflect the transfer of costs for recruitment under the Direct Entry Grade 7 Competition, 1988.

There is no overall increase in either cash limits or gross running costs limits for Government as a whole as a result of these changes, which will not therefore add to the planned total of Public Expenditure.

SENIOR STAFF IN CONFIDENCE

file
DRSBL

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBIN BUTLER

REINSTATEMENT AT A HIGHER GRADE

You told the Prime Minister that hitherto it had been the practice of the Civil Service not to re-employ people who had left the Civil Service at a grade higher than that which they had left. You also said that it was now proposed to end this practice (though this would be controversial with the Civil Service Unions). The Prime Minister very much welcomed this change; it would often be the case that those who left would gain valuable experience which the Civil Service could use at a higher grade.

You also said that the first example was likely to be the appointment of Mrs Rosalind Gilmore as Deputy Chairman of the Building Society Commission at Grade 3 (she had left the Treasury in 1982 as a Grade 5) with the expectation, but not guarantee, that she would succeed Michael Bridgeman as First Commissioner. The Prime Minister was content.

AT

ANDREW TURNBULL
13 January 1989

SENIOR STAFF IN CONFIDENCE

PM3AGK

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

12 January 1989

Dear Malcolm,

MARKET TESTING IN THE CIVIL SERVICE:
SUMMARY PROGRESS REPORT FOR 1987-88

The Prime Minister has seen the report attached to the Paymaster General's minute of 6 January. She shares his disappointment at the extent to which market testing has been put into effect, particularly as the savings which it is capable of producing are substantial. She wishes all Ministers with Departmental responsibilities to take a personal interest in this to ensure that it is carried forward with greater vigour. She also wishes the Treasury to take up with Departments cases where it feels greater progress should be made.

The Prime Minister has asked for more information on the proportion of activities which, after market testing, are retained in-house. She has commented that there is a feeling in the private sector that they are often asked to tender only as a way of achieving lower in-house costs. If this became widespread, companies would be reluctant to incur the expense of putting together tenders.

I am copying this letter to the Private Secretaries to members of the Cabinet, to Eleanor Goodison (Office of the Minister of State, Privy Council Office), Myles Wickstead (Overseas Development Administration), Michael Saunders (Law Officers' Department), Alan Maxwell (Lord Advocate's Department) and to Trevor Woolley (Cabinet Office) and Kate Jenkins (Efficiency Unit).

Yours sincerely

Andrew Turnbull

ANDREW TURNBULL

Malcolm Buckler, Esq.,
Paymaster General's Office,
H.M. Treasury.

PRIME MINISTER

MARKET TESTING IN THE CIVIL SERVICE:
SUMMARY PROGRESS REPORT FOR 1987-88

The attached report from the Paymaster General sets out the position reached on market testing and contracting out in the Civil Service in 1987-88.

The favourable result is that where market testing has been carried out the savings have been substantial whether through contracting out or revised arrangements for doing the work in-house. But the extent to which market testing has been applied has been very disappointing, both in terms of opportunities lost for savings and of the example being set for other parts of the public sector.

Agree:

(i) that I minute expressing your disappointment at progress and your wish that this initiative be pursued with greater vigour? Yes

(ii) that the Treasury be asked to pursue the issue with Departments?

Yes

AT

ANDREW TURNBULL
10 January 1989

Eventually we shall find some disillusion in the private sector when it seems to them that they are merely being used to achieve lower in-house costs. They go through the expense of tendering only to be tricked unfairly at the end.

ECL/69

pmg.vd

FROM: PAYMASTER GENERAL
DATE: 6 January 1989

PRIME MINISTER

MARKET TESTING IN THE CIVIL SERVICE: SUMMARY PROGRESS REPORT FOR 1987-88

I recently sent you the Central Unit on Purchasing's annual report for 1987-88. I now attach their summary report on the progress made by departments in 1987-88 in response to the market testing initiative. This covers the first full year since we endorsed the wider objectives proposed in the 1986 Multi-departmental Review on "Using Private Enterprise in Government". A fuller version of the report is being sent to departments at official level.

2. The report shows that savings have averaged 25 per cent when services have been market tested, but the amount which has been tested remains disappointing. Although departments have been planning to market test a broader range of their activities, some of these plans have yet to be implemented.

3. Market testing is an important way to increase the efficiency of the Civil Service and contain its size. We also need to demonstrate that it is being pursued as effectively in departments as we want it to be in the NHS and in local government (where we have legislated to give the policy greater force). I hope that all Ministers with departmental responsibilities will continue to take a personal interest to ensure that the policy is pursued with the necessary vigour. The savings achievable through market testing can make a useful contribution to meeting departments' efficiency targets in their running costs management plans. Where appropriate, the Chief Secretary may raise the issue in his Survey bilaterals with colleagues.

4. The CUP has engaged a market testing specialist to support departments, and will concentrate his professional experience where it will offer greatest value. My officials will shortly be discussing with Principal Finance Officers other possible ways

of giving the policy suitable impetus and will then issue further guidance. But I am sure colleagues will wish to review closely their own department's achievements and targets, and to reinforce them where necessary.

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

P.B.

PETER BROOKE

MARKET TESTING IN THE CIVIL SERVICE - SUMMARY PROGRESS REPORT 1987-88

CENTRAL UNIT ON PURCHASING - DECEMBER 1988

CONTENTS

1. Summary
2. Background
3. 1987-88 Results
4. Progress on the Mandatory Activities
5. Forward Programmes
6. Next Steps
7. Conclusions

	Annex
Departmental Market Testing Results in 1987-88	1
Departmental Programmes and Results	2

MARKET TESTING IN THE CIVIL SERVICE - SUMMARY PROGRESS REPORT 1987-88
CENTRAL UNIT ON PURCHASING - DECEMBER 1988

1. SUMMARY

In 1987-88, departments market tested activities with previous annual costs of £32.3 million, less than 15% of the costs included in their market testing programmes for the year. Total savings of £8.1 million were reported - 25% of previous costs. 1986-87 savings were £9.4 million, 24% of previous costs. 70% of all market testing was in MOD. Overall results for 1987-88 are very disappointing, particularly in the general failure to see market testing plans through to direct competition. Departments' market testing plans for 1988-89 are limited. There is little evidence of full implementation of the recommendations set out in the 1986 multi-departmental review, "Using Private Enterprise in Government". The cumulative rate of annual savings through market testing in the Civil Service is estimated to have reached some £40 million by 31 March 1988.

2. BACKGROUND

2.1 Market testing means testing the efficiency of in-house services against tenders from outside contractors.

2.2 Contracting out decisions are based on value for money criteria. Where comparison with competitive tenders shows that the in-house operation provides better value for money, allowing for the introduction of any realisable efficiency gains, the service will not be contracted out.

2.3 The multi-departmental review (MDR), "Using Private Enterprise in Government", published in October 1986, recommended that departments should review all their activities for possible market testing, including core activities, and that they should draw up rolling programmes to identify areas to be tested by competition, deciding priorities according to the estimated scope for value for money improvements.

3. 1987-88 RESULTS

3.1 Of 34 departments who reported market testing programmes for 1987-88 (plus two now included in parent departments' returns), 10 failed to complete any market testing during the year. 27 departments in total reported savings of £8.1 million - 25% of previous costs. 123 market testing reviews were involved, with previous costs of £32.3 million - less than 15% of the total included in all departments 1987-88 programmes: £227.5 million. The details are shown in Annexes 1 and 2.

3.2 The savings in 1986-87 were £9.4m, 24% of the previous costs. The 1987-88 results therefore show a similar saving in percentage terms but the overall progress is very disappointing. The difference between departments' market testing plans and the amount of work that they actually tested by competitive tender is particular cause for concern although this is partly explained by the fact that many of the plans turned out to have been tentative.

4. PROGRESS ON THE MANDATORY ACTIVITIES

4.1 Excluding MOD, for which total current costs are not available, the approximate percentages of total costs that have been market tested for each of the mandatory activities are as below:

MANDATORY ACTIVITY	Target for Completion	% Market Tested by: 31.03.87	31.03.88
Cleaning	31.03.87	90%	95%
Laundry	31.03.87	100%	100%
Security Guarding	31.03.87	25%	30%
Maintenance	31.03.87	90%	90%
Catering	31.03.88	60%	70%

4.2 Where departments have not completed testing of the mandatory activities, doing so should not delay progress with the much wider challenge introduced by the MDR nearly two years ago.

5. FORWARD PROGRAMMES

5.1 Departments' 1988-89 market testing programmes cover activities with total costs of £71.8 million, excluding MOD (See Annex 2). MOD is unable to specify individual annual market testing programmes but plans to test civilian activities with total costs of £55 million (5,494 staff) over the three years to 1990-91. MOD's plans over this period cover additional costs of £25.5 million for activities involving military personnel.

5.2 Departments' 1988-89 programmes have been broken down between the activities for which definite testing during the year is planned - 86 reviews covering 1,629 staff with total annual costs of only £34.6 million excluding MOD, and work for which market testing was still being considered at the time of reporting - with total costs of £37.2 million. MOD reported definite market testing plans for all activities in its three-year programme.

5.3 Further to the MDR's recommendation that departments should establish rolling programmes for reviewing all their activities, they were also requested to include in their returns to CUP their plans for the following two years. Only 24 departments reported any rolling programmes. Programmes for future years are inevitably more tentative than those for 1988-89. However, they do not indicate any increase in momentum (in the absence of annual breakdowns, MOD's figures are excluded from this table):

MARKET TESTING PROGRAMMES	1988-89	1989-90	1990-91	1991-92
NUMBER OF DEPARTMENTS	32	24	13	9
NUMBER OF REVIEWS	166	73	46	22
CURRENT COST OF PLANS	£71.8m	£25.3m	£25.3m	£8.8m
TOTAL MANPOWER	4126	1609	1181	362

5.4 These programmes represent a very small proportion of departments' total activities and largely exclude their core functions.

6. NEXT STEPS

6.1 Following publication of the 'Next Steps' report in February 1988, the creation of executive agencies within government highlights opportunities for wider market testing. The evaluation process for executive agency status requires consideration of privatisation and contracting out as prior options. Moreover, the increased focus on efficiency and effectiveness in the delivery of services is likely to lead to the wider use of market testing for selected agency activities. CUP and the Next Steps project team have accordingly made arrangements for a coordinated approach on the market testing aspects.

7. CONCLUSIONS

7.1 Despite a 25% cost savings record where market testing is applied, returns received from departments for 1987-88 show little evidence of a systematic and robust approach to this initiative. In only a few cases has market testing become an integral and regular part of resource management.

7.2 Most departments still need to apply the recommendations in the MDR. These said that, to sharpen up implementation, departments needed to:

* "adopt a systematic approach to identifying candidates for contracting out; widen the area of search;

* "ensure that candidates once identified are thoroughly and correctly tested;

* "clear away the obstacles to contracting out;" and

* "make sure that managers are trained and motivated to get value for money from it."

7.3 Unless these recommendations are implemented by departments, the significant cost savings which can be achieved through market testing will not be realised.

ANNEX 1

1987-88 MARKET TESTING REVIEWS

Results are listed in order of savings achieved:
(A list of departmental abbreviations appears in Annex 2)

	Number of Reviews		Pre-Test Costs	Total Savings	Savings as % of Pre-Test Costs	
	Mandatory M	Other O	£k	£k	Work Contracted Out	Work Retained In-House
MOD	51	6	22556	6155	27%	-
NICS	1		1110	502	45%	-
COI		2	793	359	45%	-
DHSS	2		277	140	50%	-
OPCS	4		307	114	37%	-
OS		4	533	109	58%	14%
DNS	1	1	407	94	23%	-
IR	1	2	395	90	23%	-
FCO	2	1	279	75	27%	-
DTp	1		250	61	-	24%
DE		1	55	50	90%	-
WO	1	1	68	44	51%	66%
CO(OMCS)	1		550	40	7%	-
PGO		1	65	37	56%	-
SO	2	1	221	35	47%	*
HMT	2	2	340	33	5%	22%
DTI	2	3	139	25	40%	2%
HMSO		2	143	24	20%	*
MAFF	2	1	108	22	21%	-
TA	1		232	22	-	9%
SCA	5		89	19	29%	19%
HO	5	2	292	16	11%	*
DES	1		64	11	17%	-
DOE	1		45	7	15%	*
ECGD		1	25	0	-	*
RM		3	63	0	-	*
PSA		3	2878	0	-	*
					28%	5%
TOTAL	**86**	**37**	**32284**	**8084**	**(£7.863m)**	**(£0.221m)**
MANPOWER SAVINGS:						
Total	1794	537		2331	2327	4
of which:						
MOD	1477	485		1962	1962	
Others	317	52		369	365	4

NOTE

* No savings on any work retained in-house.

ANNEX 2

[redacted]TMENTS' PROGRAMMES AND RESULTS

1987-88 Plan Programme Value £k	1987-88 Tested: (Pre-Test) Cost: £k	1987-88 Tested/ Plan %		Department	1988-89 Plan Programme Value £k
4480	0	0%	C&E	Customs & Excise	2440
44	0	0%	CC	Charity Commission	43
514	550	107%	CO(OMCS)	Cabinet Office (OMCS)	284
0	793		COI	Central Off' Information	368
376	0	0%	CPS	Crown Prosecution Serv	55
11293	55	0%	DE	Employment	0
248	0	0%	DEn	Energy	410
265	64	24%	DES	Education & Science	282
0	277		DHSS	Health & Social Security	459
600	407	68%	DNS	National Savings	0
2812	45	2%	DOE	Environment	938
3592	139	4%	DTI	Trade & Industry	1588
2137	250	12%	DTp	Transport	2172
49	25	51%	ECGD	Export Credits	2725
19832	279	1%	FCO	Foreign Office	0
0	0		GAD	Govt Actuary's Dept	0
682	143	21%	HMSO	HM Stationery Office	4257
233	340	146%	HMT	HM Treasury	56
57203	292	1%	HO	Home Office	10105
296	0	0%	HSE	Health & Safety Executive	465
225	0	0%	IBAP	Intervention Board	251
5456	395	7%	IR	Inland Revenue	962
11088	0	0%	LCD	Lord Chancellor's Dept	0
782	0	0%	LR	HM Land Registry	1302
1202	108	9%	MAFF	Agriculture	3676
29639	22556	76%	MOD	Ministry of Defence	*
0	0		NILO	Nat Investment/Loans Off	0
40487	1110	3%	NICS	N Ireland Civil Service	7822
5788	0	0%	ODA	Overseas Department	8200
0	0		OFT	Office of Fair Trading	0
260	307	118%	OPCS	Off Population Censuses	0
406	533	131%	OS	Ordnance Survey	1600
250	65	26%	PGO	Paymaster General's Off	26
336	0	0%	PRO	Public Record Office	870
5400	2878	53%	PSA	Property Services Agency	1235
0	0		RFS	Registry of Friendly Soc'	275
359	63	18%	RM	Royal Mint	163
117	89	76%	SCA	Scottish Courts Admin	172
19454	221	1%	SO	Scottish Office	10294
0	232		TA	Training Agency	5800
0	0		TCS	The Crown Suppliers	0
0	0		TSD	Treasury Solicitor's Dept	0
1610	68	4%	WO	Welsh Office	2470
227515	32284	14%	TOTAL	ALL departments	*
197876	9728	5%	Sub-Total	ALL departments less MOD	71765

* MOD plans to test activities with a current cost of £55,023K over the three years up to and including 1990/91 but is unable to analyse this by individual years.

09.1.60

chex.md/mw/2 **SENIOR STAFF IN CONFIDENCE**

NBPM
AT 6/1

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

5 January 1989

Trevor Woolley Esq
PS/Sir Robin Butler KCB CVO
Cabinet Office
70 Whitehall
LONDON
SW1

Dear Trevor,

DISCRETIONARY PAY SCHEME FOR GRADES 2&3

The Chancellor has seen Sir Robin Butler's minute to Andrew Turnbull of 23 December. He is content with the draft PQ. — flap.

I am copying this letter to Andrew Turnbull and to Eleanor Goodison.

Yours,

Moira.

MOIRA WALLACE
Private Secretary

CSERVICE

Long Term Policy pt 21

PART 21. ends:-

AT to FERB 30.12.88.

PART 22. begins:-

PS ChCxch to PS FERB

5 Jan '89.

Grey Scale #13
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