

I have spoken to
Mr Priestley. NFA.

God Maitland

MAD 9/1

PRIME MINISTER

I learned that Sir Derek Rayner is somewhat concerned that his work for you to date has been more at the margins than at the centre of the problems. This is one reason why he was so keen to pursue a major study in the Treasury, as you agreed earlier in the week.

He may want to talk to you himself about this before too long. He is, however, hoping that his work on conventions of Government will get closer to the heart of the matter. When I enquired about progress, I was told that he had circulated a synopsis of his project to a number of senior officials, where it had encountered a form of resistance.

I have now obtained a copy of the synopsis, which I am showing to you on the understanding that Messrs. Bancroft, Armstrong, Wass and Berrill have not yet had a chance to go through it in detail with Sir Derek.

Against this background, I thought it would be helpful for you to have a chance to look at this now, before your boxes get overloaded again as Parliament re-assembles. On the understanding that work is far from complete, I know that Sir Derek would welcome any reactions to the direction in which he is working. As Mr. Priestley's note below says, the points to which Sir Derek attaches most importance are sidelined and underlined in red.

4 January 1980

MAD
Sir Derek must do what
he wishes and departments must
co-operate. And I mean co-operate
not merely acquiesce. We
have a job to do
MAD

PERSONAL

MR PATTISON

RAYNER PROJECT: "WHITEHALL CONVENTIONS"

1. I attach a copy of the present synopsis of this project.
2. To save the Prime Minister ploughing through it, I have marked those parts of it which Sir D R and I would regard as the most important.
3. This synopsis has been seen by Sir Ian Bancroft, Sir Robert Armstrong, Sir Douglas Wass and Sir Kenneth Berrill.

Not unnaturally, their reaction so far is to suggest a slimmer exercise. Sir D R has asked me now to convert the synopsis into an essay with a view to pinpointing the areas in which he is most interested and where he is likely to be able to make a solid contribution.

4. The essence of Sir D R's approach is to help this Administration to achieve the correct balance between strong Ministerial Management inside departments and strong Management by the Cabinet of resources generally. This takes us into the so-called "Partnership" between departments on the one hand and the Treasury, CSD, and CPRS on the other. It also touches on the support which the Central departments give the Chancellor and the Prime Minister in their crucial managerial roles.

5. Secondly, but still very important, there is a range of issues about the Management of people, including such potentially explosive ones as the rewards and payment systems. All in all, the exercise is intended to help the Administration, but especially the Prime Minister, to achieve the reform of Management by the Civil Service.



PERSONAL

6. If there are any comments at this stage, I am sure Sir D R would find them helpful. He will presently in any case wish to take the Prime Minister's mind on her present assessment of Whitehall and, before he commits himself to detailed work on "Conventions", make sure that he is indeed helping her with the things of most interest to her.

CP

C PRIESTLEY

4 January 1980

Synopsis of the Conventions Project

SUBJECT	ACTION BY
<p>1. <u>We should identify the resources used by Ministers and officials and identify those who have Vote responsibility for them, whether within the Department or outside it.</u></p>	<p>CSD, HM Treasury (NB This is closely related to the exercise on costs, but is more about the distribution of responsibility for them. It is a factual exercise.)</p>
<ul style="list-style-type: none"> - Money: Departmental Minister and his officials 	
<ul style="list-style-type: none"> - Manpower and GAE: - do - (including forward commitment to pensions) (4) 	
<ul style="list-style-type: none"> - Office and General Accommodation Services: PSA 	
<ul style="list-style-type: none"> - Rates on Government Property: Rating of Government Property Department 	
<ul style="list-style-type: none"> - Stationery and Printing: HMSO (1) 	
<ul style="list-style-type: none"> - Computers and Telecommunications: Central Computer Agency (2) 	
<ul style="list-style-type: none"> - Publicity: Central Office of Information (3) 	
<ul style="list-style-type: none"> - Civil Superannuation: Paymaster General's Office (4) 	
<ul style="list-style-type: none"> - Actuarial Services: Government Actuary's Department 	
<ul style="list-style-type: none"> - Catering Services: Civil Service Catering Organisation 	
<ul style="list-style-type: none"> - Central Management of the Civil Service Civil Service Commission Civil Service College Medical Advisory Service Welfare 	
<p>(1) Decision whether HMSO should go to repayment awaited.</p>	
<p>(2) Computer services now provided on repayment terms.</p>	
<p>(3) Subject of study by officials (repayment or, as now, allied service).</p>	
<p>(4) The issue here is really establishing the pensions cost to be added to salary cost in calculating the price of administration.</p>	

SUBJECT

ACTION BY

2. We should define the tasks through which resources are managed by Departmental Ministers and their officials, as a preliminary to considering whether they can be and are done effectively, given the present definitions of the nature and source of authority and divisions of responsibility.

CSD, HM Treasury, possibly involving some external consultancy.

- Planning the micro volumes which make up the macro bids in respect of the continuing quantum of expenditure.
- Appraising the resource consequences of new policies or of variations in policy (eg of new regulations) in respect of (a) central government itself, (b) other public sector bodies and (c) the private sector.
- Disciplined analysis of forward commitments.
- Analysing the use made of money: whether policy objectives are correctly defined; whether objectives are achieved economically; attitudes towards economy and cost-consciousness; the rules of the game; information for management/internal audit.
- Analysing the use made of staff and materials, as above.
- Analysing the utility and effectiveness of organisation and methods of work.
- The balance between top management, line management and functional management.

This is a theoretical exercise, aimed at establishing a model, or set of working principles, applicable to any public sector body, against which one can set a description of what is actually happening.

3. We should clarify and define the responsibilities of Ministers and officials for the resources placed in their charge in two respects, source and effectiveness of discharge.

CSD, HM Treasury

(a) Source

- How a Minister gets the resources he requires; his authority under statute and his accountability to Parliament; the PESC, Supply Estimates, Finance Act and Appropriation Act procedures. The roles of HM Treasury and CSD in support of Cabinet described (commentary below).
- Collective responsibility of the Cabinet for major resource decisions, implications of this for the discharge of Ministerial responsibility within Departments.

This a factual exercise, aimed at clearly establishing the sources and nature of authority for resources.

SUBJECT

ACTION BY

- Responsibility of the Prime Minister as chairman of the Cabinet, leader of the Government and Minister for the Civil Service, implications of this for the discharge of Ministerial responsibility within Departments.

(b) Effectiveness of discharge

- Nature and interpretation of the authority bestowed by Parliament on a Departmental Minister.
- Nature and interpretation of the authority bestowed by a Departmental Minister through his Permanent Secretary on his officials.
- Nature and interpretation of Ministers' accountability to Parliament, including the role of their officials in rendering explanations to Select Committees, notably the Public Accounts Committee.
- The cost of Parliamentary accountability.
- Current conventions and obscurities: argue that officials are not directly accountable to Parliament; that Accounting Officers should be supported by Assistant Accounting Officers, who should be responsible for substantial blocks of work, and that these blocks should consist of units of either "accountable" or "responsible" management, depending on their character; and, as part of this, that delegations and arrangements for accountability should be specific (see below). Pursue and exemplify this thesis by reference to the management tasks and responsibilities of the following, all against the background of the working assumption that the UK has entered a period when the watchwords must be "economy" and "value for money":
- The Minister in charge of the Department.
- His Ministerial subordinates.
- The Permanent Secretary and Accounting Officer: current expectations of him too vague and too open to personal interpretation; argue for a commission of a standard type to be given to Accounting Officers by the appointing

This is a critical exercise. It begins with a commentary on the perception of authority by Ministers and officials, and then moves into a series of recommendations aimed at removing obscurity and divided responsibility.

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Minister, with clear definition of the tasks to be performed and of the AO's relationship with the Official Head of the Civil Service and the Permanent Secretary to the Treasury.

- Line management from Permanent Secretary through any Second Permanent Secretary and Deputy Secretaries downwards.
- Functional management: Principal Finance and Establishment Officers.
- Management of bodies grant-aided by the Minister

4. We should move rapidly towards making Departmental Ministers and their officials responsible for all the resources consumed by them in carrying out their tasks, arguing that Departments cannot in effect be accountable if they are not responsible for certain resources. We should therefore argue that:

- a. Departments should be responsible for resources now provided on allied service terms by common service departments;
- b. economical arrangements, preserving an appropriate balance of responsibilities between user Departments and supplier Departments should be worked out as part of the exercise; and within departments these arrangements should include, within reason, the management of resource budgets by as low a level of line management as possible.

This is the preparation of a plan of movement towards

- (a) repayment;
- (b) more conscious management of resources by line and functional managers.

CSD, HM Treasury, PSA and other common service departments.

5. The country needs a robust and workable balance between the responsibilities of Departmental Ministers and those of the Prime Minister, Chancellor of the Exchequer and the Cabinet in its collective capacity. We should therefore clarify and define the responsibilities of HM Treasury and the CSD with regard to the management of resources and to Departmental efficiency. We should recommend such changes in working methods as are necessary in the country's straitened circumstances as are operable by a Treasury and CSD of the right kind:

- Work done in support of the Cabinet's collective responsibility for major resource decisions by the Chancellor of the Exchequer,

CSD, HM Treasury, CPFR; a few other Departments. This is a critical exercise, aimed at reforming the relationships between the centre and departments.

Mr. Pattison

All these items are important.

Sp 4

SUBJECT

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the Lord President (on behalf of the Minister for the Civil Service) and the CPRS.

- Supply control and other central roles (eg promotion of efficiency through personnel management, staff inspection, management review, management services and training); strengths and weaknesses of the working base, the Plowden concept of "partnership"; argue that there is an excessive concentration by the Treasury on the control of macro volumes, too little on micro control.
- As part of that, appraise the central departments' expectations of departmental practice in controlling finance, manpower, organisation and methods; discuss the most appropriate form of tension between departmental control and central control in the 1980s and 1990s; and recommend (a) what the expectations should be; (b) how they should be promulgated and monitored; (c) how control functions in departments should be manned; (d) what special knowledge and authority should be possessed by the centre, eg in relation to computers.
- Discuss and make recommendations in respect of the role of the Government Accountancy Service and of the training of line managers as resource managers.
- Discuss and make recommendations about the respective responsibilities of HM Treasury and the GSD (where appropriate) and the Departmental management, when the central departments are operating detailed rules of management on a "single Service" or "Service-wide" footing, eg
 - the annuality rule
 - rules of financial procedure which cause friction, including the length of the control chain extending from the centre to grant-aided bodies
 - pay and conditions; personnel management (including recruitment, dismissal promotion); training.
- Discuss and make recommendations on the implications of all the foregoing for the centre of government and for the office of the Official Head of the Home Civil Service.

SUBJECT

ACTION BY

7. Some features of Civil Service management are thought to impede the effective management of resources. We should clarify and define the real messages to staff derived from existing custom and practice and where appropriate make recommendations:

- Rewards: automatic increments, automatic honours for senior people.
- Incentives to efficiency: effects of political change and its cost, discarding plans (eg for computerisation) in which much effort has been invested; whether middle management is adequately led by higher management; whether higher management is qualified to lead.
- The extended hierarchy: the Service's share of the nation's qualified manpower and the use made of it; monitoring and supervision; finding things for able people to do; what happens to the vital youngsters?
- The working environment and office machinery: inspiring loyalty and commitment. (This is related to repayment.) Involvement of staff in improving efficiency; implications for the use of their time by senior officials, eg in visiting staff at their work.
- What will be the effect of impending technological change?

This is a critical exercise, aimed at producing better management of people, chiefly by "unity of management" within Departments, but also by reference to Service-wide practices where relevant.

Mainly for CSD, but some involvement of HM Treasury, CPRS and a few other Departments.

8. Similarly, some features of Civil Service work management are thought to be impediments. We should clarify and define general principles, preferably illustrated by particular cases, in respect of:

- Equity and fairness, intelligibility of scheme regulations, eg Social Security.
- Contracting for the supply of goods and services; specifications.
- Monitoring, checking and double-banking.
- Paperwork; use of committees.
- Nannying, apron-strings and letting go.
- Hardwork unproductive of value; information and statistics.
- Excessive regulatory activity.
- Need, Department by Department, to simplify systems with central contribution and stimulus.

CSD, HM Treasury