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18 July 1980

*Dear Sir Derek,*

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INSPECTOR GENERAL OF THE CIVIL SERVICE

1. Thank you for sending me a copy of your note of 14 July about the proposal for an Inspector General. I agree that it would be useful if you, Douglas Wass, Robert Armstrong and I could have a word about it before the meeting with the Prime Minister on 23 July. With that in mind, I thought it might be useful to send you my first thoughts on the note.
2. The main question on which, I think it is essential to be clear, is the accountability of the Inspector General. You have yourself laid great stress on this where "regular" Ministers and officials are concerned. It seems to me even more important in considering the introduction of a new office on a stage already well peopled with principal actors.
3. We are at one on the statement in the first paragraph of the note. The functions you mentioned there must be central ones. I would go one step further. Whether these functions are best located in a single central department is arguable. But I do not see how they can be separated from the functions of what are now the Treasury and the CSD.
4. Take, for example, the first five of the functions listed in paragraph 7 of the note. These are all matters which must, in my view, be part of the responsibility of the Ministers of the central department(s). I do not see how they could possibly do their job otherwise. Those who

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allocate the resources of money and staff must have a responsibility for satisfying themselves that those to whom the resources are allocated have adequate systems for managing them. Executive responsibility for these tasks could not, therefore, be given to an independent Inspector General. The Ministers of the central department(s) could, of course, delegate work on these executive functions to an Inspector General, but only if he were answerable to them and was, therefore, located in the Treasury/CSD, not in the Cabinet Office or elsewhere.

5. The note also proposes important advisory functions for the Inspector (I read paragraph 10 as including a mixture of executive and advisory duties). It would, of course, be possible for the advisory work to be done by an independent Inspector General reporting direct to the Prime Minister. You are, if I may say so, the proof that this is not only feasible but can also be extremely effective. But I believe than an independent adviser on these functions would be acceptable to Ministers and senior officials - and also to the world outside - only if he were an "outsider" with a track record such as yours. Once the office is institutionalised, and made part of the standing machinery of central government, the picture changes. An official must be answerable to a Minister, and will need to be able to invoke his Minister in case of need if he is to be effective. The question then is which Minister? Given the responsibilities of the Treasury/CSD Ministers in the field in which an Inspector General would operate, I think the answer must be that he would come under them - unless the object were to provide the Prime Minister with an official machine for checking on what the central Ministers were doing. That would be a major constitutional innovation and not, I would suggest, a happy one.
6. This suggests not only that the Inspector General should have no independent executive responsibilities formally allocated to him, but also that his advice should at least formally be channelled through central departmental Ministers.
7. Moreover, I think there would be practical difficulties in locating the Inspector General in the Cabinet Office with a very small staff of his own but a right to use CSD or Treasury officials as he pleased. There could be problems in sorting out the relative priorities of the demands made on them by the Inspector General and the claims of the staff's departmental work. For example, the O & M specialists and the central corps of staff inspectors in CSD are needed both to assure the quality of departments' O & M staff inspection and to undertake cost-cutting and efficiency studies which can only, or best, be done from the centre. At the moment, their programme of work is drawn up to meet priorities set by CSD Ministers. It is difficult to see how they could be diverted to other tasks set by an independent authority without real risk of confusion.

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8. As to "complaints and suggestions", I very much welcome what you say in paragraphs 13 and 14. But I think we need to be careful not to cut across the managerial responsibilities of departmental Ministers. Certainly, we want serving officials to feel a positive encouragement to make suggestions and cut out waste. I should have thought, however, that it was the job of the departmental Minister - assisted by his Permanent Secretary, PEO and PFO - to ensure that suggestions and complaints are properly examined and acted upon. I certainly think it would be appropriate for an Inspector General to discuss with departmental Ministers their systems for investigating suggestions and the action they have taken in response to complaints about waste and inertia. But I believe it would be wrong for those suggestions and complaints to go direct to the Inspector General; that would confuse lines of accountability and make departmental Ministers defensive, instead of motivating them to take a positive lead on efficiency themselves.
9. This analysis suggests to me that if there is a role for an Inspector General, it is to strengthen and give emphasis to the drive to improve efficiency and management within the framework of the central department(s) which carry the responsibility for "his" subjects.
10. The Inspector General should have no independent executive responsibilities; in our system, such responsibilities can belong only to Ministers. The central departmental Ministers could, however, delegate functions to him and he would then be answerable to them.
11. The Inspector General would have a strong "quality assurance" and advisory role. His advice would be directly relevant to the responsibilities of the central Ministers, and much of his advice would be to them. But provided that his accountability was clearly defined and understood, it would be possible in practice for him to offer advice to other Ministers, and when appropriate to the Prime Minister, directly.
12. For the reasons given in paragraphs 10 and 11, it would be better to locate the Inspector General in CSD or in a merged CSD/Treasury rather than in the Cabinet Office. This is not only for reasons of accountability but also to avoid the staffing problems mentioned in paragraph 7 above.
13. If this general approach is agreed, the next question is whether it would be worthwhile, either within CSD, or in a reunited Treasury and CSD, to institute a new office with the kind of responsibilities you have outlined. The argument in favour is primarily, as I see it, the emphasis that it would

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give, both inside and outside the Service, to the importance of the subjects. And that might be an especially valid point in the context of a re-united Treasury, which might otherwise give them lower priority. That argument has, however, to be weighed against the problems of carving out for the Inspector General an appropriate command which would enable him to operate effectively without damaging the necessary links between his work and that of the rest of the department. I would doubt, for example, whether he should be responsible for the supply control of manpower and staff-related expenditure - and the case we have discussed for a re-united Treasury indeed largely rests upon the advantages of bringing that closer together with the rest of public expenditure. But there would undoubtedly be some penalties to be paid if the work on expenditure control were to be more widely separated from staff inspection, management services and cost-cutting and scrutiny work; we have put quite a lot of effort in recent years into bringing them together.

14. You will see from what I have written above that I am not yet persuaded that an Inspector General is the right thing to go for, as opposed to the strengthening of, and maintaining powerful Ministerial support for, the relevant functions of the central department(s). But I recognise the argument the other way and am open to conviction. If it is decided to pursue the idea further, the next step I think, would be to try to specify in detail the Inspector General's functions and the supporting organisation he would need.
15. I am glad to hear that your note on the Inspector General has now been shown to the Chancellor of the Exchequer and the Lord President.
16. I am sending copies of this to Douglas Wass, Robert Armstrong and Clive Whitmore.

J. G. C. *Chama*

*for* IAN BANCROFT

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21 JUL 1980