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PRIME MINISTER

You reluctantly agreed to approve management reviews in MAFF and ODA, but asked Derek Rayner to advise on the value of the management review programme when these were completed.

In this minute, he concludes that they are a useful tool. The two recent ones have both cost less than they saved and they are considerably less expensive than outside consultants. But, now that we have much more continuing work on efficiency, CSD do not propose a full rolling programme of management reviews. They want simply to be free to have them in particular cases. Derek Rayner endorses this, whilst adding that the central departments should have more power to propose and insist in this field.

Endorse these conclusions, subject to any comments from colleagues?

MRD Yes MR

30 January 1981



THE MANAGEMENT REVIEW PROGRAMME

1. You asked for advice on the efficacy of the management review (MR) programme. This was because you doubted the value of devoting so much time and staff effort to a committee-run exercise.

2. A note on the background to MR and those in MAFF and ODA is attached. It has been prepared in consultation with the Foreign and Commonwealth Secretary and the Minister of Agriculture.

3. This minute has been prepared in consultation with the Chancellor of the Exchequer and the Lord President of the Council only.

CHARACTER OF MANAGEMENT REVIEW

4. Over-simplifying a little, one can see MR as having six main characteristics.

a. It was devised to help speed up the adoption by the Home Civil Service of a more self-critical approach to management, especially in relation to a sharper definition of accountability. It was in a sense the management and organisational counterpart of Policy Analysis Review (PAR), which was introduced at much the same time and superseded in 1979 by the scrutiny programme.

b. All MRs included some study of arrangements for resource control. Some study has been relatively shallow, some deeper; there have been some useful studies, eg of manpower control and audit. (The CSD runs the programme and has been involved in all MRs. The involvement of the Treasury has been greater in the recent past than it was earlier; this reflects both the division between the Treasury and CSD of responsibility for efficiency and a rather late recognition of the potential value of MR as a means of assessing departmental financial control systems.)



- c. All MRs included some study of an issue or issues of current concern to top management in the department, often organisational. Such issues (sometimes involving questions of personality) have taken the lion's share of the resources devoted to MR.
- d. Most MRs dealt with or were confined to arrangements in the upper reaches of the department and tended to focus on such recurrent problems of organisation and management as the top structure and the structure of and control over regional organisations.
- e. Until recently, most MRs were far less concerned with finding immediate savings than with improvements, not easily measurable, in organisation and management.
- f. The tests of organisational and managerial efficiency applied in MR have been largely subjective. MR has however contributed greatly to the development of the theory and practice of organisation and accountability as they apply within the structure of government (although I think that much remains to be done) and, more recently, to the theory of resource control. Owing to the federal nature of government and the consequent "jointness" of MR and the comparative slowness with which "value for money" considerations are being translated into either theory or practice, the function of the central departments in management review as consultant or helper (with perceived organisational problems) has been more obvious and more effective than that of a missionary (with regard to the development of control).
5. The strength and the weakness of the MR technique come from the same source. MRs are conducted by officials, with very little active part



played in them by Ministers. This means that while the "jointness" of MR can produce real benefits, as has plainly been the case in the MAFF review (in which the Minister has taken a close personal interest), it requires at least a modicum of enthusiasm on the part of the Permanent Secretary of the department under review. This has not always been forthcoming. The CSD regards the most successful reviews as those where the Permanent Secretary either was pretty new or was keen to deal with some issue of organisation and management in his department and needed some outside help in doing so.

6. I concluded from my experience as a member of the Steering Committees for the MRs of the Ministry of Defence and of the Department of Health and Social Security that the teams of officials who do the fieldwork are capable of producing material and proposals of first-class quality. For me, the main question was whether departmental management could then take the bull by the horns and get the results. Both conclusions influenced my thinking in relation to the scrutiny programme's emphasis on using "insiders" rather than "outsiders" and on the need for an "action document".

Advice

7. The MR technique is relatively expensive. But it is very much cheaper than employing management consultants. In the case of the MAFF and ODA MRs, I see no reason to dissent from the Treasury and CSD view which is that the outcome justifies the cost. Both produced direct savings greater than their costs (in MAFF by a wide margin); there will also be less measurable gains in strengthening organisation and management; while the central departments have up-to-date information about the departments and their operations.

8. The question of another MR will not arise until after the Chain of Command review. All CSD's relevant staff are committed either to that or to the current review of management and the use of staff in the



Lord Chancellor's Department, which will end during the summer. Generally, the CSD takes the view that the "programme" of MRs has been virtually completed, since it does not see the Ministerial departments waiting to be covered (Industry, Trade and Energy) as having a high priority for its assignment staff. Instead of working through departments one by one, and beginning again when the first cycle is completed, it intends to settle its schedule of assignments by reference to current priorities - not least because the Government's manpower policy and the scrutiny programme give it an entry to departments which it formerly lacked.

9. For the future therefore the CSD regards MR as a device for occasional use (eg when a new Permanent Secretary is appointed) rather than for use in a rolling programme, with one or more departments under review each year. Once MR is undertaken, CSD would want to choose subjects worthy of detailed examination "by rigorous criteria"; to put an even stronger emphasis on resource planning and control; and to restrict fieldwork to what is essential for establishing the relevant facts and testing the soundness of proposals.

10. I agree with that approach, subject to the points noted below. There is no doubt that MR, in the right conditions, can be a penetrating and effective means of identifying and correcting defects. But times have changed since 1972. There is now even more cause and more opportunity for departments themselves and for the centre to check on their economy and effectiveness. And it is reasonable to use management review selectively.

11. I have one important reservation which arises from but goes wider than the MR programme. One of the chief characteristics of Civil Service management to which MR bears witness is the privacy in which so much of it is conducted. A Permanent Secretary who does not choose to play ball is not made to do so by the official centre; a department cannot be made




to examine subject A rather than subject B; and the centre may be unable to carry the day on a study of resource control because it lacks either "model systems" against which to test departmental arrangements or staff qualified to apply the test.

12. The Chancellor of the Exchequer, the Lord President and I take the view that central departments should drop a good deal of the "consultancy" flavour from their role and become much more prescriptive. The responsibility for ensuring good quality administration must rest for the most part in the hands of the permanent Civil Service. Ministers cannot get very far into this themselves, nor should they. It is for the heads of the Service to set standards for the control of resources, operations and organisation (with Ministerial approval where necessary); it is for them also to ensure that they are maintained.

13. Forthcoming papers, notably on central control, will go into these matters in detail. I need not do so here. I therefore conclude by endorsing CSD's reference to "rigorous criteria" (para. 9 above) and with the recommendations that:

- a. management review should be retained for occasional use where special circumstances call for a thorough examination of departmental arrangements, eg organisation and structure; and
- b. the central departments should be much more prescriptive than in the past, both in relation to acceptable standards of administration and, whatever the chosen means of examination, appraising whether the standards are reached in practice.

14. I am copying this to the Chancellor of the Exchequer, the Lord President of the Council, the Minister of State, CSD, Sir Ian Bancroft, Sir Douglas Wass and Sir Robert Armstrong.


Derek Rayner
30 January 1981