

PRIME MINISTER

YOUR VISIT TO THE CIVIL SERVICE DEPARTMENT, 11 JANUARY

1. I hope that you will find the following observations helpful.

My contacts with CSD

2. I have seen the Lord President and the Minister of State once each, on both occasions at my request. I expect to see Mr Channon again shortly, also at my request.

3. My contacts with CSD officials have been pleasant. The help I have received from Sir Ian Bancroft and his staff has been willingly given. Sir Ian has arranged for me to attend three of his weekly meetings with Permanent Secretaries.

4. I shall be seeing Messrs Bamfield (Manpower), Pearce (Management and Organisation) and Russell (Functions and Programmes) on Thursday to discuss the draft of the advice I shall offer Ministers presently on getting to grips with the costs of their Departments.

5. If you agree to the review of Government Statistical Services, I shall be supported in overseeing and co-ordinating it by Functions and Programmes Group (Mr Wilson, Assistant Secretary).

6. I shall be looking to CSD to help me with some of the detailed work on Whitehall conventions (the rules that inhibit good management).

7. The CSD's "Rayner project" was on the possibility of charging Departments for sending staff on some courses at the Civil Service College. The report was untypical in that it merely rehearsed the issues and made no recommendations. The CSD is now consulting Departments and, I believe, the National Staff Side before Mr Channon sees me, but I wrote to him some time ago pressing the case for repayment. The CSD's scrutiny will be on the Technical Services Division of the Central Computer Agency.

8. As you have now indicated to the Chancellor of the Exchequer that the Treasury's second scrutiny should be on the role of the Supply Divisions, I think that it would be sensible for the CSD's second scrutiny later this year to be on the Supply role of the Manpower Group; I have not yet suggested this to CSD.

Comments on CSD

9. The great paradox of CSD is that, although its Minister is the Prime Minister qua Minister for the Civil Service and although on paper it occupies a powerful position in the machinery of government, it has in fact been weak for much of its existence.

10. Although it has had a few good Ministers in the past and at least one strong Permanent Secretary, its Ministers have until the present Administration been comparatively junior. They have lacked the strong power base provided

by firm Prime Ministerial interest and support and sustained
and determined Cabinet support for the reduction of admin-
istrative cost and Civil Service manpower.

11. Even under the present Administration, I would say that the power of the CSD to stand up to departments is powerfully conditioned by the following factors.

12. Governments in the past have tended to blow hot and cold on efficiency and manpower drives. While the CSD can insist on having the Cabinet's way when the conditions are right, its behaviour so far seems to have taken into account that it has to live with colleagues in other Departments when conditions change.

13. On paper, CSD Ministers could refuse approval for departmental manpower and administrative Estimates. I do not think that this has ever been done; the centre no longer has that instinct. Moreover, in the past CSD Ministers have lost or even failed to fight so many battles with their colleagues (eg over new senior posts) as to make its attitude cautious, introspective and self-conscious.

14. The CSD (this is true of the Treasury too, I suspect) knows very little about the way in which other Departments conduct their affairs. This partly explains the importance the CSD attaches to Management Review, which takes it fairly deep into another Department, and to the "Rayner projects".

Generally speaking, the CSD does not know enough to put its Ministers up against their colleagues with much chance of winning the arguments. I suspect that the recent Manpower Review has been another example of this. The CSD has right of access for its staff inspectors only; other "efficiency" staff, eg Management Services and Accountancy, have to be asked in.

15. Perhaps above all others, the CSD is an "officials' department". Under our constitutional arrangements, CSD is less a central controller of the manpower and administrative budgets of other departments than a persuader, dependent on their senior officials' goodwill or reluctant acquiescence. I think it sees its success as critically reliant on its relationships with Permanent Secretaries and their Establishment Officers (those of the main Departments being known, in a revealing phrase, as "the Barons").

16. Because of all this, other Departments tend to have the upper hand psychologically. CSD is said by them to know little about the management of resources in the real world. You have seen this reflected in Ministers' determination to keep CSD (and the Treasury) away from more than the fringes of the "scrutiny" programme. In general, although some of its individuals are respected, and rightly so, the CSD as an institution is not. It is said, among other things, to be less elegant than the old Treasury and to lack style. I suspect that CSD does not help itself

by failing to use the weapons it does have (paragraph 13 above); for example, it presides over the honours system but advises that all Permanent and Deputy Secretaries, regardless of success in the grade, get their KCB and CB respectively.

17. In many areas the CSD is not a controller, but a provider of services (as in recruitment, training and advice on personnel management etc). Here I believe that Departments' views may be somewhat unfair. Departments seem to me glad enough to ask for help when they need it, eg in difficult personnel cases, but dissatisfied and truculent when they have to abide by Service-wide rules that CSD administers.

18. Finally, there is a view in some quarters that the CSD is the prisoner of the National Staff Side, the Trades Union side of the Civil Service National Whitley Council. I think this view much overdone, but I suspect that in the early to mid-1970s the CSD was panicked by unexpected and unaccustomed militancy into giving the unions such advantages as the "Facilities Agreement" and that it will take a lot to recover the lost ground. It certainly seems that the NSS for their part regard the CSD as "their" Department.

The future of the CSD

19. I do not believe that the CSD is viable in its present form for much longer.

20. The ways in which it might be reformed will no doubt depend on the view taken, under our constitutional arrangements, of the right balance between the responsibilities of individual Ministers for managing their Departments and those of Ministers collectively for managing the allocation of resources. Ministers' determination to reduce the size of their own administration and to make better use of what they have tends to be fitful; the Civil Service has very limited incentives to reduce itself. I cannot claim that I yet see how the CSD can best be used, against that background, as an instrument of reform. Its present policy is to do good where it can, by stealth if necessary. One's instincts cry out for something more radical, but devising it is going to require very careful thought. In sum, what I shall want to think through is the ideas of strong and well-founded management under Ministers in their Departments and of the contribution to be made to this, and more widely to the management work of the Cabinet as a whole, by a strong and well-founded central "manpower and efficiency" department.

21. The critical points here are how determined Government is to reduce the size of its functions and therefore of its staff; how determined it is to bring its methods up to date; and on what power base the central impetus for reform should be based.

22. My present view, untested as yet, is this.

a. There would need to be a policy and a

plan for reducing the size and cost of admin-
istration generally and for administrative reform
within Departments.

b. The division of central control over expend-
iture between the Treasury and the hived-off CSD
was mistaken. Control over manpower and admin-
istration should be reunited under Treasury Ministers.
The organisation would need a lot of working out,
not least in respect of the office of "Minister
for the Civil Service".

c. To free Treasury Ministers of clutter, the
service elements of the CSD (including recruitment,
training etc) should be formed into a sub-department
attached to the Treasury.

d. This sub-department should also comprise the
common service departments, now reporting to CSD
Ministers, namely HMSO and the Central Office of
Information. Very important, it should also com-
prise the Property Services Agency, now reporting to
the Secretary of State for the Environment. All
common services should be provided on repayment
terms.

Some questions

23. I suggest some questions, as follows:

Of Manpower and Administrative Expenditure Control

How have the size and cost of the Civil Service

moved since the establishment of the CSD in
1968?

How can we get substantial reductions?

What lessons have we drawn out of the recent
Manpower Review?

If we have another, how should we go about it?

How much do we know about Departments' use of
manpower and overheads?

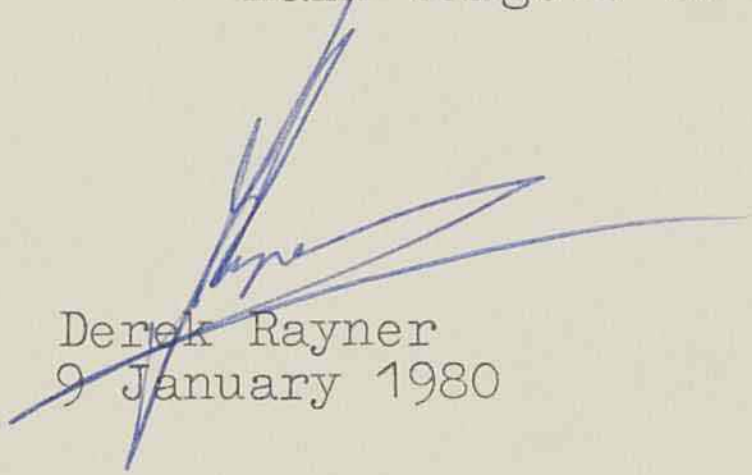
What are our strengths and weaknesses? What
are our recent successes and failures?

Of Efficiency generally

What lessons have we drawn from the recent
Manpower Review and the "Rayner projects"?

What are the main targets that we should be
going for now?

How are we using Rayner? What should his
main targets be now?


Derek Rayner
9 January 1980