

MR C A WHITMORE

CIVIL SERVICE MANAGEMENT PROBLEMS: THE DINNER

... I attach some notes for possible use for the Prime Minister at the Dinner. I recognise that she will want to frame her own remarks and conduct the discussion in her own way. But these notes - a sort of annotated agenda - might help. I should like, in this minute, to set the scene as I see it.

As I have said to the Prime Minister, Permanent Secretaries want to support and help the policies of the Government of the day. That is their job. This Government has, amongst other things, a policy of increasing efficiency and cutting manpower costs. I am convinced that Permanent Secretaries will give this their support.

I think that some of them are concerned by such things as

- a. The probability that staff will be distracted if too many initiatives are started up at once in what appears to be a random way. Hence the need to establish a programme and priorities - for the extra work is to be done by fewer staff;
- b. the need for Ministers to recognise the problems which arise in the "service" areas. For example more unemployment means more staff (though that doesn't mean that present procedures are in any way incapable of improvement);
- c. the feeling that an extra effort in the revenue areas would bring in a lot more revenue;
- d. the need for Ministers to agree to the abolition of functions and to take hard-nosed political decisions to save staff. Some bear folk memories about vehicle excise duty and sub postmasters;
- e. the need for some Ministers to understand that staff have to be encouraged and motivated not bashed;
- f. the longer term effect on staff morale as a result of the decisions to cut PSA expenditure to an extent which will make any office improvement impossible for the foreseeable future. As Derek Rayner points out, some of our accommodation is pretty appalling. I hope that something can be done to put a bit of money into this particular kitty in next year's PESC;
- g. The need for Ministers and senior officials to defend the Service and the staff against unwarranted attacks. The need will become even greater if the going gets really tough when rougher justice and consequent mistakes arise as a result of staff cuts.

I personally believe, too, that the cuts will need to be handled with a lot of sensitivity. Staff whose functions are cut or whose tasks are to be done less thoroughly, should not be left with the feeling that they have been wasting their time.

Finally - and I apologise for this great catalogue - it is very important that Paul Channon, and his future role as envisaged at last Thursday's Cabinet, should be given a specific boost by the Prime Minister. He (and we) will need all the support we can get if, the Cabinet having willed the ends, Ministers and departments are also to will the necessary means.

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IAN BANCROFT
2 May 1980

PRIME MINISTER'S DINNER WITH PERMANENT SECRETARIES: TUESDAY
6 MAY 1980

NOTES ON POINTS FOR DISCUSSION

Government's Manpower Policy

The Prime Minister will wish to set the scene by telling Permanent Secretaries the broad outcome of the 1 May Cabinet.

2. A lot has been done to reduce the size of the Service (a drop from 732,000 when this Administration was formed to 705,000 now and very probably under 695,000 by April next year). The achievement of the Government's policies will require a sustained drive over the next three years. The Prime Minister can repeat that she is sure she can count on Permanent Secretaries' full support and wants to take counsel with them on how to turn aims into achievements.

Change of Approach

3. Setting these manpower objectives reflects fundamental changes in the policies and approach to management of this Administration compared with its predecessor. Success will require correspondingly fundamental changes in the management of the Civil Service. This can be considered under a number of separate but closely inter-related headings.

Roles of Ministers and Permanent Secretaries

4. A most important aspect of the changed approach of this Administration is the clearer recognition that Ministers should be more closely involved with management in their Departments. Ministers will be personally responsible for preparing the plans for reduction of activity and improved efficiency in their Departments. The arrangements for the annual scrutiny of Departmental costs will help them in this. But Ministers must look to their Permanent Secretaries for support, who might be invited to comment on the ways in which this can best be provided (eg in some Departments the Heseltine approach: some, but not all, because Departments - and Ministers - differ).

Attitudes of Line Managers

5. Central to the achievement of the Government's manpower objectives will be the attitude of line managers in Departments at all levels. How can the right climate be provided in which they will see a cardinal element of their job as how to get the maximum value out of limited resources? The Minister of State, CSD, will be bringing a paper to Cabinet in the summer on pay, promotion, retirement policies and other matters which are relevant to the attitude of managers in the Civil Service. Studies which will be led by Sir Derek Rayner on the definition of the responsibilities of officials and more generally the framework for resource control could also help. Within the existing framework, Permanent Secretaries have already been trying to change attitudes in this way. What more can they now do to engender a greater degree of this cost and

efficiency consciousness in their line managers? How can managers be encouraged, at their own initiative, to bring to bear on the activities for which they are responsible, the test of whether the costs of their activities can be justified by the real value which they add to the public interest? This is the key test.

Roles of Principal Establishment and Finance Officers and Supporting Staff

6. PEOs and PFOs have a crucial role to play in direct support of Permanent Secretaries in fostering efficiency and value for money. They are in charge of the existing field forces concerned with efficiency in Departments - staff inspection, management services and internal audit. Sir Derek Rayner is leading a study in consultation with the Chancellor and the Minister of State, CSD, on the work of PEOs and PFOs. But, in the immediate future, the main issue is whether Permanent Secretaries can put more weight behind PEOs and PFOs and the "efficiency" field forces to enable them to challenge and monitor line management more effectively. There is much evidence to suggest that staff inspection, management services and internal audit all have much greater bite where Permanent Secretaries and other senior managers take a direct interest in their work.

Relationships between the Central Departments and other Departments

7. The Prime Minister has asked the Chancellor, in consultation with the Minister of State, CSD and Sir Derek Rayner, to review the aims and practices of central control. This should help to establish clearly what balance between central control and decentralised authority will most help towards the efficient and economical use of resources. But, meanwhile, it is essential that the central and other Departments work in close collaboration to achieve the Government's manpower objectives. The central departments can and should make an important contribution to the progress of the plans of each Department for reduction in manpower.

8. With this point in mind, the Cabinet has endorsed a programme of work initiated by the Minister of State, CSD. This includes more intensive effort to increase efficiency in supporting services common to all Departments (eg messengers, typing) where proportionately large savings have or are likely to be obtained and the application of certain broad themes of efficiency on a consistent basis across Government (eg reduction of "nannying": simplification of local office networks: reduction in industrial sponsorship). It is important that, wherever appropriate, these initiatives are personally supported by Permanent Secretaries in their Departments.

Flexibility in Achieving Manpower Reductions

9. The Cabinet recognised that there should be flexibility in achieving savings between and within Departments, reflecting the different nature of functions and government priorities. But there should be scope for savings through simplifications and improvements in efficiency in every area of government activity,

including those which are demand-led (eg payment of unemployment benefit) or to which the Government attaches a particularly high priority (eg administration of the courts).

Relations with Civil Service Unions

10. The attitude of the Civil Service Unions can be a very important constraint. Their reluctance to proceed with an agreement on new technology is an example. The announcement of the Government's manpower objectives is likely to be received unfavourably. On the other hand, the Government's assurance that it will try, so far as possible, to bring about the manpower reductions with as little compulsory redundancy as possible, should help. Permanent Secretaries might be invited to comment on the handling of staff interests.