

CONFIDENTIAL

PRIME MINISTER

*I think this means
get another meeting.
It seems that we have come to
the head of the matter.*

ORGANISATION OF THE CENTRAL DEPARTMENTS

*In this I will
our efforts and*

1. We had a word about the draft White Paper yesterday. This is to confirm my general comments and to offer some detailed ones on the text.

*A division of CSD is
not doing the job it was*

General

*set up to do and revolution intends to
carry on or not. Meeting of L. Press.*

2. I share your reservations about parts of the draft (Mr Whitmore's minute of 20 January). More generally:

*It may be
can't do it*

← ||

a. I think that the White Paper would be interpreted very widely as at best an opportunity to state vigorous policies which had been missed by the Government.

*J-Roy
The.
no.*

b. In my view, the draft is flat; platitudinous; and reminiscent of many other official documents written to dull the senses, rather than to excite the mind with a sense of new endeavours.

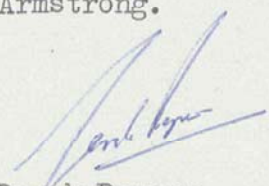
c. The references to relevant CSD numbers are misleading. Detail is in the attached (but I should say here that I find the reference to "13 Under Secretaries and 29 Assistant Secretaries" as a "small number" of policy posts astonishing).

d. Whereas the Government has a peculiarly good story to tell about its policies and endeavours in the "efficiency" area and the CSD should welcome an opportunity to demonstrate that there will be a new drive by permanent officials to ensure that the desired changes will be brought about, the draft's general tone is: "Don't you see that we are already tackling new issues? But leave it to us and we will see whether there is anything else we can do within our limited resources".

Detail

3. Some comments and suggestions are set out in the attachment. I should draw the attention of Treasury Ministers and officials to references to the Treasury.

4. Copies go to the Chancellor of the Exchequer; Lord President of the Council and Minister of State, CSD; Sir Ian Bancroft, Sir Douglas Wass; and Sir Robert Armstrong.


Derek Rayner
22 December 1981

January
?

Prime Minister.

Enc: These comments from Derek Rayner are, as one would expect, helpful and constructive on the whole.

The Lord President proposes to let you have - probably on Monday - a revised text of the White Paper which will take account of his own views, the comments you made earlier (your own note is attached below) and these suggestions from Derek Rayner.

Jock Bruce - Geddyne has Q3 next Thursday, asking whether the Treasury/CSD merger will go ahead. ² Plainly we are not going to have the White Paper out by then. You might wish therefore to anticipate the White Paper and announce the decision on the merger then.

AKH 23.1.81.

DRAFT GOVERNMENT OBSERVATIONS ON "THE FUTURE OF THE CIVIL SERVICE DEPARTMENT"

Resources for change (paras. 4 - 6)

1. This section begins on a defensive note; para. 4 adds little and might be dropped.
2. Paragraph 5 gives a misleading impression of the relevant staff numbers in CSD. The reduction referred to relates to a total size of some 5,100 staff (Hawtin-Moore, para. 10), but the central policy core consists of some 530 (Hawtin-Moore, para. 11). (Much the same impression occurs in para. 22.)
3. A more accurate impression is given in paragraph 17, which speaks of the Divisions concerned with controlling Civil Service numbers and promoting efficiency as having gone up by 8% at the expense of other divisions (but see below). This increase of course includes a new Under Secretary command.
4. I therefore think that para. 5 needs re-drafting to give a more accurate picture of the way staffing is moving in the policy core.
5. Paragraph 5 also refers to the CSD having "taken on considerable additional tasks, particularly in the field of resource control", but does not say what they are.

The staffing of the CSD (paras. 7 - 9)

6. Paragraph 8 reads as if to say: "The facts speak for themselves; no change is necessary in staffing". I am not sure that they do speak for themselves, since (for example) 8a does not say whether the experience was relevant and 8b does not say whether the inter-change was with Establishment Divisions.

7. Paragraph 9 contains what I have always seen as one of the worst heresies of Civil Service management: 13 Under Secretary and 29 Assistant Secretary posts are described as constituting "small" numbers of "policy posts" - although this term is not defined. I understand that "policy posts" extend from Permanent Secretary to Principal. If so, the CSD's line up is at least:

<u>Grade</u>	<u>No</u>
Permanent Secretary	2
Deputy Secretary	4
Under Secretary	13
Assistant Secretary	29
Senior Principal	14
Principal	85
	<hr/>
	147
	<hr/>

I regard that as a small army, not a small number.

The Role of the CSD (paras. 10 - 15)

8. I welcome paras. 10 and 11, but I would work in the thoughts that the Government regards the good management of the State (in this case, central government) as a top priority and that CSD is one of the most important instruments in this.

9. The treatment of the CSD-Department relationship in paras. 12 - 15 is a little ponderous and negative. I myself do not think it necessary to refer to the comments made by the Director-General of the RIPA (para. 12) and I think it wrong to say that a departmental "Minister and his senior staff together are answerable for the use of the resources entrusted to them" (para. 13).

10. I suggest omitting paras. 12 and 15 and re-drafting paras. 13 and 14 thus:

"The Government's aim is excellent management. Achieving it is the responsibility of departmental Ministers and their own staffs, since it is to departmental Ministers that Parliament entrusts resources, not to the central Ministers.

The task of the CSD where it is needed (para. 14)."

11. I would then include a statement about what has been done so far to fulfil the role as described and about the initiatives which are in the pipeline to ensure that it is better exercised in the future, now that the Department has the necessary Ministerial interest.

The pursuit of efficiency (paras. 16 - 19)

12. The potential for reform and achievement need not be tied to numbers (para. 17) - where there's a will, there's usually a way.

13. It is important to acknowledge the hard work of the relevant Divisions (para. 18) which is genuine and where relevant to my work is much appreciated by me, but

- a. relating what is said in paragraph 18 to the "staff" gives the thing a defensive tone; and
- b. this is confirmed by para. 19, which is a string of platitudes.

Programme evaluation (para. 20)

14. I agree with your reservations about this. What I think is needed is a policy for developing

- a. formal evaluation techniques for application where these are appropriate and

b. informal techniques for application to that great multiplicity of management areas which may not bear formal analysis.

15. On a point of detail, scrutinies are not "directed" by, but "carried out in consultation", with me.

The relationship between the CSD and the Treasury (paras. 21 - 31)

16. The main issue here is not whether the CSD would "benefit" from a closer working relationship with the Treasury but what is needed to give the Government's policies for management the necessary impetus and drive (para. 22).

17. I agree with what is said about co-location and common services and with the transfer of AFA to the Treasury. I welcome what is said about the Treasury lead on financial systems (para. 30).

18. However, I think the formula in para. 31 - that the Treasury's responsibility is "to concern itself with the handling of public money" and that for the CSD "financial management is an integral part of management as a whole" - promises continued confusion.

19. "Financial control systems" are about infinitely more than the "handling" of money. It is my firm conviction that the Treasury is or should be concerned with much more than that. The Treasury is not an accounts branch. The Government should, in my judgment, establish unmistakably that the Treasury has the job of improving financial control and management and that the CSD's job is to help it do so. I would prefer para. 31 to read:

"The Government intends as a matter of urgency to develop and improve financial control and management. Having the lead, the Treasury will take

responsibility for this policy. It will be assisted by the CSD, whose general concern with departmental organisation and whose field work inevitably touch on financial management which is the keystone of management. Accordingly arrangements have been made to co-ordinate the work of the two central departments, in consultation with Sir Derek Rayner and the Head of the Government Accountancy service. The main objectives of this work over the next two years will include support for Sir Derek Rayner in relevant parts of his "lasting reforms" programme; the methodology of financial control; the further development audit in departments".

The Policy Objectives of the CSD (paras. 32 - 44)

20. I very much agree with your reservations here. I would suggest an outline something like this:

"The essential aims of policy are to retrench the large volume of public expenditure; to manage resources, whether large or small, so as to get the maximum value for the taxpayer's pound from them; to speed up the improvement of the techniques and methodology of resource control; and to reform the institutions, attitudes and practices of the Civil Service where necessary so as to provide management adapted to the needs of the present and future.

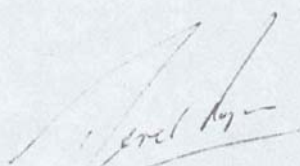
These aims are partly for departments and partly for the centre. The central departments cannot and should not take over the responsibilities of departments. The Government instead expects them to act as a powerful engine for reform and to provide leadership for the Civil Service under the policy guidance of Ministers.

The policy objectives of Ministers in the areas covered by CSD relate to both institutions and people. As far as institutions are concerned, the Government expects the CSD to contribute to developing, or itself to develop where it has the lead, good systems of management in departments and to clarify the responsibilities of those who, whatever their level, control and manage resources. As for people, the Government is very conscious of the quality of the talent it employs. It wishes both to avoid taking too much and to make the best possible use of what it has.

Its aims in this area include:

- Training for key posts, eg in Finance Branches
- Bringing on the right people for key management posts at all levels ("succession planning")
- Making room for talent ("Chain of command review")
- Increasing "specialisation" and therefore job satisfaction."

etc etc.



Derek Rayner
22 January 1981