

PRIME MINISTER

Prime Minister

Agree that Sir Derek  
may submit this to  
the Treasury and Civil  
Service Select Committee.

Yes - submitted  
not

TREASURY AND CIVIL SERVICE COMMITTEE

LH  
26/6

As you mentioned in your letter to Mr Richard Shepherd MP of 15 June, I have been asked to let the Committee have an up-dated report. And I have been asked to give evidence to Dr Bray's sub-committee on value for money in the civil service. That will be on 15 July. By then the sub-committee will have seen the Comptroller and Auditor General, Lord Croham, the Head of the Government Accountancy Service and Sir Ian Bancroft.

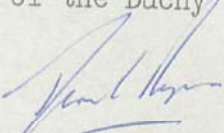
2. I should be grateful for your consent to my submitting the enclosed report.

3. Where necessary it cross-refers to the White Paper on Efficiency in the Civil Service which is due to be published on 1 July; if there was any substantial delay in publishing the White Paper, I would amend my report accordingly as I would deem it courteous to send it to the Committee at least a week before I give evidence. As you foreshadowed in your letter to Mr Shepherd, the progress report deals fairly fully with the question of "lasting reforms" (paragraphs 30 - 35), but I have omitted a reference to the annuality rule at the Chancellor's request.

4. I am checking a few references in the text or the annexed list of scrutinies with the departments concerned.

5. I should mention that I am speaking to the Parliamentary Press Gallery luncheon club on 8 July, when some of the matters covered by my report are bound to be raised.

6. This is copied for information to the Chancellor of the Exchequer, the Lord President of the Council and the Chancellor of the Duchy of Lancaster.

  
Derek Rayner  
26 June 1981



NOTE ON PROGRESS WITH RAYNER EXERCISES

1. This is intended to update my Note of 8 July 1980. Where necessary, I cross-refer to the Government's recent White Paper on Efficiency in the Civil Service (Cmnd ).

1979 "RAYNER PROJECTS": PROGRESS TOWARDS IMPLEMENTATION

2. Of the 29 "Rayner projects" undertaken in 1979 Ministers' decisions are outstanding in respect of two (Department of Energy: Organisation of R&D in New Energy Technologies; Civil Service Department: Charging for Courses at the Civil Service College). These are expected very shortly. Both were the subject of substantial follow-up work.

3. On the rest, some implementation has already occurred and will be completed this year and next in most cases. Ministers have generally accepted their examining officers' recommendations in full or subject to slight adjustment. The main exception to this is in respect of the DHSS study of Arrangements for Paying Social Security Benefits. Here policy considerations other than efficiency led to the rejection of certain recommendations with savings foregone as a consequence of £35-40 million a year.

4. The expected savings from projects on which decisions have been taken amount to £67 million per annum and £28 million once-for-all. (The DHSS project on benefit payments accounts for £35 million of the annual savings, to be achieved over the period to 1987/88.) The number of posts likely to be saved by 1984 amounts to some 1,500.



## 1980 SCRUTINY PROGRAMME

5. All 39 scrutinies undertaken in 1980 have been completed and reports submitted to Ministers. As with the 1979 projects, I have been impressed with the very high quality and enthusiasm of most examining officers. Importantly also Ministers and senior officials have involved themselves either in the course of the scrutiny or in follow-up.

6. These 39 scrutinies have identified potential savings of about £125 million per annum and 9,500 posts. Some £75-80m (5,000 posts) of these savings are associated with the joint DE/DHSS scrutiny of the Payment of Benefits to the Unemployed. As with the 1979 "Rayner projects" however not all scrutinies were aimed at direct savings (eg Health and Safety Executive scrutiny of methods and practices in assessing the costs and benefits of health and safety requirements). Moreover, in many cases, there were recommendations over and above those relating to money savings which would ensure a better quality service, improved staff morale etc.

7. In percentage terms some of the savings are even more substantial than last year (eg 80 per cent savings in staff employed by the Inland Revenue on the issue of PAYE Deduction Cards; 85% of DHSS costs incurred in support of health care exports).



8. Whilst some scrutinies have involved savings which are small in absolute terms - measured in thousands rather than millions of pounds - they are nonetheless important for all that. In particular, the smallness of an activity can sometimes cause it to be overlooked through time.

9. Ministers have taken firm decisions in 24 of the 39 scrutinies, securing savings of £22 million a year and 1,700 posts. In a further 5 scrutinies Ministers' decisions in principle are subject to the conclusion of consultation and further study; these involve potential savings of £80 million a year and 5,200 posts. Ministers have yet to take decisions in the remaining 10 of the scrutinies but are expected to do so in most cases over the next couple of months.

10. Where firm decisions have been taken, implementation has begun and will be completed in the main this year and next.

11. The greatest scope for improving the efficiency of Government will come as particular lessons are read across to other activities both between Departments and within Departments. CSD Ministers have been applying a central stimulus to this read across. In addition all Ministers have been informed of the findings of the scrutiny programme and précis have been circulated to all departments.



### CURRENT SCRUTINY PROGRAMME

12. This year's programme will be conducted along the lines adopted last year. As before, I shall be associated with all the topics and especially closely with some which raise particularly important issues. On these I will report to the Prime Minister.

13. So far, 36 scrutinies have been agreed. They are shown in the attached list. In some cases there will be further scrutinies - as yet not chosen - in addition to those in the list.

14. Scrutinies which have already started or been completed are identified in the attached list.

### REVIEW OF STATISTICAL SERVICES

15. Reports on the 22 statistical reviews carried out in Departments were submitted to the individual Ministers concerned by their officials last summer and autumn. I then reported to the Prime Minister and to the Lord President of the Council. The potential savings identified amounted to about £20m and up to 1,700 posts, but there were also important findings and recommendations about the future management of these services. Ministers have already firmly accepted recommendations from the review worth £12½ million<sup>1.</sup>

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1. Government Statistical Services, Cmnd. 8236



a year, with a substantial amount - about three-quarters - to be implemented by April 1982 and most of the remainder in the following year. Savings of a further £4½ million a year have been accepted in principle, subject to detailed consultation. Decisions on possible savings of up to another £2½ million a year will be taken soon. Together with other decisions taken by Departments since 1979 the effect will be to reduce expenditure by £25 million a year (2500 staff) by 1984.

16. I judge that the extension of the scrutiny technique to a subject which crosses many departments has been successful. The lessons learned in one can often be applied in another. The results should sharpen the contribution of the statistical services in departments and are in general a further vivid illustration that there is the ability in the Civil Service to respond to the Government's policies for managerial efficiency in the public service.

#### REVIEW OF SUPPORTING SERVICES IN R&D AND ALLIED SCIENTIFIC ESTABLISHMENTS

17. The technique of Service-wide review is being used again in the 1981 programme. One area is the supporting services provided to research and development and allied scientific work. Here, certain Ministers have appointed examining officers to find ways of improving cost-effectiveness and efficiency based on applying the scrutiny technique to a selection of large and small establishments in a co-ordinated manner. As with the statistics review, there should be scope for reading across from the findings in one establishment to the situation in others.

18. I am overseeing and co-ordinating the seven departmental studies, with the support of a small team in the Civil Service Department. The review is due to be completed by the end of the year when I shall report to the Prime Minister and Lord President of the Council.



## REVIEW OF ADMINISTRATIVE FORMS

19. I am also overseeing a review of administrative forms, covering

- (1) reducing the volume and cost to industry of form-filling;
- (2) simplifying and making forms more intelligible; and
- (3) controlling the issue of new forms and reviewing existing ones.

20. Eight departmental Ministers have appointed examining officers to cover samples of forms in respect of (1) and (2) in para. 19 above. A central team in the CSD, which is also working in support of me, is responsible for co-ordinating the work of the review and for (3) in para. 19.

21. The review is due for completion at the end of September, when I shall report to the Prime Minister and Lord President of the Council.

22. Departments taking part in the R&D and forms reviews are identified in the attached list.

## ANNUAL SCRUTINY OF DEPARTMENTAL RUNNING COSTS

23. The first year's Ministerial scrutiny of departmental running costs (staff costs and overheads) has been completed.

24. Ministers on the whole considered the exercise useful and as one which increases both cost-consciousness generally and their own ability to exercise their management function. It was regarded as a useful starting point for further analysis and for reaching down into the running of departments. The scrutiny is being repeated this year.



25. I believe that the exercise has shown clearly that the administration of government is big business and that the control of these costs (amounting to £8,340 million, including notional costs for pensions and for the rental value of Crown property) is an essential component for the control of public expenditure generally.

#### REPAYMENT FOR PSA SERVICES

26. I have completed a study of the possibility of providing the accommodation services of the Property Services Agency (PSA) on repayment terms, in which I was very much assisted by a small working group of officials under Treasury chairmanship.

27. I have recommended that departments should pay PSA for accommodation provided on the UK Civil Estate (office, storage and specialised) and PSA Supplies, which is already a Trading Fund, for furnishings, transport etc. These recommendations

have been accepted and there will be a trial run in 1982/83 with a view to introducing the arrangements in 1983/84. PSA are now working up the detail with Departments.

28. My recommendations are aimed at strengthening departmental management. I am firmly of the view that the obligation to pay for what is consumed is a pre-requisite to sound management and cost-consciousness. There is an enormous difference in management terms between knowing what it costs somebody else to provide you with goods and services and having to find the money for them from your own budget. But there is also the very important argument that increasing departmental responsibility (eg for the environment in which the staff work) will make for better management.

29. Though capable of refinement, I believe that my proposals represent an important first step towards greater efficiency and economy in the use of accommodation as departments increasingly define need with an eye to cost.



RULES AND PROCEDURES WHICH INHIBIT EFFECTIVE MANAGEMENT  
("LASTING REFORMS")

30. Work on "lasting reforms" may be most clearly presented in relation to people on the one hand and certain institutional arrangements on the other. Some of it is still at a comparatively early stage.

31. Work on "people" is designed to produce desirable changes and developments in the managerial culture of the Civil Service. The Civil Service Department is in the lead here, although it is acting in consultation with others, including me. The areas under consideration are:

- (1) Special recognition for success in grade; the accelerated advancement of individuals; the entitlement to automatic annual increments.

Ministers have decided to place the main emphasis here on ensuring that talented men and women are brought on as fast as possible.<sup>1</sup>

- (2) A "model succession policy" for the Civil Service, so as to promote to management posts, especially the senior ones, individuals with the right track record.

Ministers have agreed arrangements, to be co-ordinated by the Civil Service Department, to improve existing "succession" arrangement to senior posts, including those of Principal Finance and Establishment Officers.<sup>2</sup>

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1. The future of the Civil Service Department, Cmnd. 8170, paras. 31 and 32.

2. Efficiency in the Civil Service Cmnd. para. [18].



(3) Possible requirement that official heads of departments should give a regular, personal account of what they have simplified, diminished or saved and that departments should publish an annual statement of their achievement in this respect.

This is now covered by the draft papers to which I refer in para. 35 (2). below.

(4) A policy for enabling staff, especially those in staff-intensive departments, to give of their best.

I believe that such other reforms as departmental repayment for property services and the way in which talent is rewarded are also relevant to this policy. But the main issue is how senior management can best provide the right conditions of work - including such various factors as the intelligibility and applicability of the rules and procedures which have to be operated by staff and as the working environment.

32. Other work which is relevant to the use of people comprises the current CSD-led exercise on possibilities for shortening and making better use of the hierarchy (the Chain of Command Review)<sup>1</sup> and the DHSS pilot exercise on work in support of its Ministers' responsibilities to Parliament.

33. Work on "institutional arrangements" is intended to clarify the responsibilities for the management of resources of the central Ministers, of Cabinet and of Ministers as heads of particular departments. It assumes that because they themselves have limited time and opportunity, Ministers

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1. The Future of the Civil Service Department, Cmnd. 8170 para. 35 and Efficiency in the Civil Service, Cmnd. para. 18.



must delegate much to their permanent officials who have the responsibility for securing and maintaining high standards of administration with suitable guidance and direction from the CSD and the Treasury. The areas under consideration are:

- (1) The aims and methods of central control and the balance between it and departmental control.

The Chancellor of the Exchequer has taken the lead in this and Ministers have agreed on a useful definition of the respective responsibilities of the spending and central departments.<sup>2</sup>

- (2) How best to express the managerial authority both of Ministers in charge of departments and of their Permanent Secretaries, so as plainly to establish the management functions of each and also to suggest what habits or routines would be most helpful to Ministers.

- (3) How best to define the responsibility and accountability of officials to Ministers via the Permanent Secretary, especially of those who occupy key management posts.

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2. Efficiency in the Civil Service, para. 18.



I am preparing papers on these matters for discussion with Ministers and senior officials. Recent work by the Treasury on the memorandum of guidance and letter of appointment which it sends to a new Accounting Officer helpfully updates and clarifies the description of that important supplementary role.

(4) Clarifying the responsibility and authority of and the qualifications needed by Principal Finance and Establishment Officers; steady progression towards the employment of those qualified in financial management and management accountancy.

The CSD, with the Treasury's help has prepared memoranda for Principal Finance and Establishment Officers, to complement the papers noted above on the managerial authority of Ministers and Permanent Secretaries. The Treasury, CSD and the Head of the Government Accountancy Service also have work in hand on how best to give effect to the policy, now agreed, that Finance Branches should be staffed by officers with appropriate experience, training and qualification.<sup>1, 2.</sup>

The crucial need here is to answer the questions, "What is financial management in the civil service? Who are the financial managers, whether in Finance

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1. The Future of the Civil Service Department, Cmnd. 8170, para. 31.

2. Efficiency in the Civil Service, Cmnd. paras 17 and 18.



Branches or in line divisions? What skills and experience do they need? How are these best provided?"

(5) Strengthening the financial framework, with particular reference to the structure of Public Expenditure Survey programmes, their relationship with the organisation of departments and the presentation of information on departmental expenditure in the Supply Estimates.

The Treasury is in the lead on the improvement of financial control systems<sup>3</sup>. and has set up a small Financial Management Co-ordination Group to bring together or direct as appropriate the relevant work in hand, eg this year's scrutinies by the Department of the Environment on the feasibility of establishing local cost centres for the control of administrative costs and by the Ministry of Defence on financial management and control.

34. Although it has not been a part of my own programme, I have encouraged the development by the Treasury of cash planning of public expenditure, announced in outline by the Chancellor in his Budget speech. I believe that the focus on cost and value which this will promote will help to improve the

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3. The Future of the Civil Service Department, Cmnd. 8170, paras. 26 and 27.



framework of financial management, and so support  
the objectives of much of my own work described  
in this report.

Derek Rayner  
June 1981