



Chancellor of the Duchy of Lancaster

The pm has already seen
and agreed this minute.
No need to put it to her
at this stage. WH

11/64

PRIME MINISTER

Gore Mack

EFFICIENCY STRATEGY FOR 1982

1. Our efforts to increase efficiency and reduce manpower in the Civil Service are beginning to bear fruit. Manpower is already down by 52,500, worth £370 million a year. In 1979 and 1980 by means of the scrutiny programme we identified potential savings of about £190 million a year (11,000 posts) and one-off savings of £28 million, with some consequent improvements in service to the public. Firm decisions which will secure £110 million in recurrent savings and all of the one-off savings suggested have already been made and a great deal of work has been, and will need to be, undertaken to give effect to them.

2. It is timely to consider where the thrust of further efficiency work should be directed to follow this through. We must continue to concentrate on achieving savings in practice, especially over the next 3 years, as well as identifying and extending good management practice. Work already in hand must be completed and - most important of all - decisions taken and implemented. But we also need a well-directed programme of new work. I am certain that this will pay off provided always that we continue to give the necessary political backing and to engage the full support of staff in carrying out the programme and implementing the resulting recommendations.

3. I have discussed the programme for 1982 with Sir Derek Rayner and we agree on the proposals set out in this minute.

4. The proposals cover both departmental scrutinies and co-ordinated reviews involving several departments. A summary list is at Appendix 1 and a fuller outline at Appendix 2, but the main elements are:

- (1) further departmental scrutinies, including a number continuing the drive to simplify schemes which affect the individual citizen;
- (2) a programme of 6 or 7 "resource control" reviews of important executive operations such as the prison service;
- (3) a similar number of projects to improve systems for estimating, monitoring and controlling the running costs of departments;
- (4) a close look at different aspects of personnel work in about 8 departments to examine both the quality of personnel management work and how economically it can be carried out.

MANAGEMENT IN CONFIDENCE

5. The success of work in this field in terms of both quantity and quality depends critically on the attitudes and motivation of staff in departments, and especially line managers. We believe that most effort on the "efficiency" front is and should remain departmental in origin and execution. We have therefore sought to pursue the subjects which we regard as important in ways which accord with the priorities of Departmental Ministers and their senior officials; to build on initiatives already taken; and to keep the programme as a whole if anything slightly smaller than in 1981. I, and my officials in the MPO, will exercise central oversight of this strategy.

6. There has been an encouraging preliminary response. It seems likely for example that substantial departmental scrutinies ((1) above) will be of continuing help in the employment and benefits field; that the new programme for resource control reviews of executive operations ((2) above) will assist in tackling long-standing problems over prison manpower and with the development of management audit in Defence; and that, with the two co-ordinated exercises on personnel and running costs ((3) and (4) above), we shall make real advances towards meeting a widely felt need to improve the quality and effectiveness of these two crucial aspects of management.

7. If colleagues agree to this strategy, I shall be seeking a suitable opportunity in the near future to publicise what we are doing. I believe it is important that we should take credit for all the work that will be going on. Naturally references to particular scrutinies would be agreed with the colleagues affected.

8. I am sending copies of this minute to Ministers in charge of departments. I invite them to agree the attached plan for scrutinies and reviews in 1982. Where indicated, the details can be settled in discussion with departments. I should be grateful for replies by 27 November.

9. A copy of this minute goes to Sir Derek Rayner, and also to Sir Robert Armstrong.

Baroness Young

BARONESS YOUNG
17 November 1981

SUMMARY OF PROPOSALS

1. Departmental Scrutinies
 - Number of scrutinies - 20 - 25
 - Contributing Departments - All, with certain agreed exceptions.
 - Timing - Bids will be invited towards the end of the year. Timing during 1982 to be agreed individually.
 - Estimated Cost - £400,000 - £500,000.

2. Resource Control Reviews of Executive Operations
 - Number of reviews - 6 - 7
 - Contributing Departments - Defence (2) + a smaller unit, possibly the Meteorological Office.
Home Office - prisons.
Environment (PSA works service)
Trade (Coastguard service)
Possibly the Royal Mint.
 - Timing - Planning to take place from now
Start early 1982.
 - Estimated Cost - £300,000.

3. Departmental Running Costs
 - Number of Projects - 6 - 7.
 - Contributing Departments - Foreign and Commonwealth Office
Education and Science.
Trade
Transport
Energy
[Treasury and MPO]
Employment.
 - Timing - Planning from now. Start in first half of 1982.
 - Estimated Cost - £200,000.

4. Personnel Management
 - Number of scrutinies - 8.
 - Contributing Departments - Home Office.
Lord Chancellor's.
Inland Revenue.
Customs and Excise.
Agriculture.
Scottish Office.
Social Services.
Employment Group.
 - Timing - Planning from now to early 1982
Start - middle of 1982.
 - Estimated Cost - £250,000.

OUTLINE OF THE EFFICIENCY PROGRAMME FOR 1982

(1) DEPARTMENTAL SCRUTINIES

The "scrutiny" approach has proved its value. We must aim to secure implementation of recommendations resulting from the work already in hand. There should continue to be a programme of departmental scrutinies in 1982 to help with the particular concerns of individual Ministers and their Permanent Secretaries. This should include some substantial scrutinies of administrative processes not yet covered and also a number of small departments. To allow for other new work and the follow-through of this year's programme we envisage fewer departmental scrutinies in 1982 - 20-25 as against about 40 in 1981.

2. Bids for inclusion in the next round of the scrutiny programme will be invited towards the end of the year, but there is no reason to delay them if they can be made earlier.

3. Some areas of work have already been identified for review, notably the employment service provided by the MSC. The following also appear strong candidates:

- aspects of the administration of social security benefits/pensions not yet looked at;
- regulatory and enforcement activities not yet fully examined;
- the work of professional advisers.
(Scrutinies of information and publicity work in support of economic and industrial policies and of the use made of diplomatic service personnel serving overseas - deferred from 1981 - have already been arranged.)

(2) EXECUTIVE OPERATIONS (RESOURCE CONTROL REVIEWS)

4. The weight of scrutiny and other efficiency work has rightly been on simplifying administrative processes. But we need now to do more in and learn more about executive operations which are non-administrative in character. The resources used in such operations are large: an approximate estimate is 250-300,000 people and about £3,000 million a year.

5. The review this year of supporting services in R & D establishments has shown substantial scope for savings. Building on this we propose a programme of co-ordinated departmental scrutinies of the use and control of resources in the main blocks of non-administrative work. The aim would be to achieve immediate savings and improvements wherever possible and to identify and tackle obstacles to effective management. We think that 6 or 7 reviews should be carried out in 1982, with others to follow in later years.

6. We propose that the 1982 reviews include: two important areas of the Ministry of Defence (which has a large proportion of this kind of work); the prison service - already agreed by the Home Secretary, with a closely related review in the Scottish prison service under consideration; the coastguard service; and the PSA works service. In addition one or two smaller units (perhaps for example the Meteorological Office) and also possibly a trading service such as the Royal Mint should be included.

7. The reviews would start with such matters as specialist technical services, various kinds of administrative support, supplies, capital assets - including joint studies by the MPO and departments of some of the main supporting services, such as messengerial and typing services, stores and telecommunications. Examining officers would be required to consider in the light of their findings arrangements for allocating responsibility and accountability and, as necessary, to draw attention to any desirable changes in policy guidelines.

(3) DEPARTMENTAL RUNNING COSTS

8. A scrutiny into the control of non-staff administrative expenditure already carried out for the Secretary of State for the Environment has confirmed the message coming out of the scrutiny programme generally - poor budgeting, a widespread lack of responsiveness to costs and a need for greater delegation of authority and control. The DOE scrutiny recommended a package of reform aimed at encouraging accountable management. It included a 'cost centre' approach to the budgeting, monitoring and control process which places greater responsibility on line managers; an information system to support this; and reviews designed to cut costs.

9. Against this background, we propose a co-ordinated programme of reviews whose aim will be to ensure that each department has the tools necessary to keep its running costs under proper control. The reviews must recognise that the circumstances of Departments are different and may call for different approaches, and that managers made accountable for running costs must have adequate means of influencing those costs including the freedom, within limits, to switch resources so as to meet targets. The reviews will draw on the outcome of the large number of related initiatives already taken in departments, experience of the annual scrutiny of running costs and the work of the Financial Management Co-ordination Group led by the Treasury. They will be complemented by the programme of resource control reviews of executive operations.

10. We propose specific exercises in 6 or 7 departments, some of whom have already expressed a particular desire to make a contribution. We would like to seek proposals from the Foreign Secretary, the Secretary of State for Education and Science, the Secretary of State for Trade, the Secretary of State for Transport, the Secretary of State for Energy and the Secretary of State for Employment. I will need to consider with the Chancellor of the Exchequer, in the light of the re-organisation of central departments, the plans which had been made for the CSD to contribute.

(4) PERSONNEL WORK

11. Personnel work is common to all departments, and by virtue of the size of the Civil Service many thousands of people are employed in this specialism. The quality of this work is crucially important for the efficient operation of Government.

12. We are already reviewing certain central policies and practices to see whether they can be carried out more economically and effectively. We have in mind to complement this work through about 8 scrutinies in departments. The thrust of this will be towards improving the quality of personnel management, especially as it affects the motivation and efficiency of staff, as well as reducing

bureaucratic and other unnecessary costs. We would hope to involve one or more people outside the Civil Service with relevant experience and knowledge in designing and carrying out the work.

13. The main focus of most of the scrutinies should, we suggest, be on departments' field organisations, but the issues uncovered, especially as they affect line managers and staff, would be followed through in HQ divisions and where appropriate the MPO or the Treasury.

14. We propose that each scrutiny should examine a core of key activities and selected other activities decided in consultation with each department concerned. The core activities would be:

- all aspects of staff appraisal and career management;
- recruitment, staff movements, resignation, retirement and redundancy.

Selected activities, each to be examined in a few departments only, might be:

- the administration of pay and other emoluments, travel, subsistence, removals, leave and hours;
- discipline (including security clearance of staff), medical referral arrangements and welfare;
- the handling of complaints and suggestions;
- management of accommodation, security and health and safety.

We do not propose the inclusion in this programme of:

- resourcing and audit activities such as complementing, staff inspection, work measurement and management services;
- training (except training in staff appraisal and selection);
- industrial relations.

15. We would like to seek contributions from the Home Secretary, the Lord Chancellor, the Chancellor of the Exchequer (in respect of the Inland Revenue and Customs and Excise), the Minister of Agriculture, the Secretary of State for Scotland, the Secretary of State for Social Services and the Secretary of State for Employment.

16. The best time to start field work will probably be from about mid-year. This will allow the present policy reviews to be taken further and the aftermath of the recent strike to pass, as well as helping to spread the load. But we shall have to get ahead with planning these exercises in discussion with departments now.

CONCLUSION

17. The total cost of the programme will be about £1m - £1 $\frac{1}{4}$ m - if anything slightly less than this year's. We judge that the return on investment for this effort will be well worth while.

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17 NOV 1981



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Gov. Mach

10 DOWNING STREET

From the Private Secretary

9 November, 1981.

Efficiency Strategy for 1982

The Prime Minister was grateful for Lady Young's minute of 3 November. She is content for the Chancellor of the Duchy to minute colleagues as drafted, subject to the procedural amendments to the annexes that I discussed with you last Friday.

I am sending copies of this letter to John Kerr (HM Treasury), David Wright (Cabinet Office), and Clive Priestley (Sir Derek Rayner's Office).

W. F. S. RICKETT

Jim Buckley, Esq.,
Office of the Chancellor of the Duchy of Lancaster

MANAGEMENT IN CONFIDENCE

LB



Chancellor of the Duchy of Lancaster

PRIME MINISTER

EFFICIENCY STRATEGY FOR 1982

I have been discussing with Sir Derek Rayner the programme of centrally-led work to be undertaken in 1982. I now attach a draft minute which, with your agreement, I would like to send to you with copies to all Ministers in charge of Departments, seeking their support.

2. The programme envisages that departmental scrutinies will continue though at a somewhat lower level, and that in addition there should be three exercises each round a particular theme and with a central thrust. These would be aimed:

- at the control of resources in large executive operations like the prisons;
- at the running costs of departments; and
- at selected aspects of personnel management.

I am sure that this programme will not only keep up the momentum of efficiency work but help to give it a more lasting impact. The cost will be about £1m - £1 $\frac{1}{4}$ m, about the same as this year, or slightly less.

3. There has been a good deal of consultation between Sir Derek Rayner, my officials and Permanent Secretaries and I am hopeful that our colleagues will give it a warm welcome.

4. I will work out with Derek Rayner and in consultation with the Treasury arrangements for handling the three centrally directed exercises. I envisage that this will include, as on the statistics review and the current R & D support services review, the creation of small central teams which will include if possible some outside experience. Barney Hayhoe and I will want to take a particularly close interest in these three exercises and I suggest that, in concert with Derek Rayner, I report progress on them to you at appropriate stages during the year.

5. May I have your agreement to proceed, please?

6. I am copying this to the Chancellor of the Exchequer, Sir Robert Armstrong and Sir Derek Rayner.

Tanis Young

BARONESS YOUNG

3 November 1981

Sir Derek Rayner has agreed these proposals. But I think it would be a good idea to delete the references to the CSD from the annexes, given that Lady Young's minute will probably not issue till late next week. Agree that Lady Young should proceed on this basis?

Yes
ms

wh
5/11

DRAFT MINUTE TO THE PRIME MINISTER FROM THE CHANCELLOR
OF THE DUCHY OF LANCASTER

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Number of Projects	-	6 - 7.
Contributing Departments	-	Foreign and Commonwealth Office. Education and Science. Trade. Transport. Energy. Civil Service Department. Employment.
Timing	-	Planning from now. Start in first half of 1982.
Estimated Cost	-	£200,000.

4. Personnel Management

Number of scrutinies	-	8.
Contributing Departments	-	Home Office. Lord Chancellor's. Inland Revenue. Customs and Excise. Agriculture. Scottish Office. Social Services. Employment Group.
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2. Ministers may wish to note that bids for inclusion in the next round of the scrutiny programme will be invited towards the end of the year, but there is no reason to delay them if they can be made earlier.

3. Some areas of work have already been identified for review, notably the employment service provided by the MSC. The following also appear strong candidates:

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by the Home Secretary, with a closely related review in the Scottish prison service under consideration; the coastguard service; and the PSA works service. In addition one or two smaller units (perhaps for example the Meteorological Office) and also possibly a trading service such as the Royal Mint should be included.

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CONFIDENTIAL - IN CONFIDENCE

9. Against this background, we propose a co-ordinated programme of reviews whose aim will be to ensure that each department has the tools necessary to keep its running costs under proper control. The reviews must recognise that the circumstances of Departments are different and may call for different approaches, and that managers made accountable for running costs must have adequate means of influencing those costs including the freedom, within limits, to switch resources so as to meet targets. The reviews will draw on the outcome of the large number of related initiatives already taken in departments, experience of the annual scrutiny of running costs and the work of the Financial Management Co-ordination Group led by the Treasury. They will be complemented by the programme of resource control reviews of executive operations.

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CONCLUSION

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