Kay
I think this ought to stay in CF
please return
KB 22/2

MR RICKETT

I have put the papers to the PM.
LM 19/2

IMPROVING MANAGERIAL EFFECTIVENESS IN GOVERNMENT:
MANAGEMENT CONSULTANTS ASSOCIATION PAPER

Thank you for your note of 16 February and for the copy letter from the Chairman of the MCA, Mr Banks. I will consult Sir Derek Rayner about your suggestion that he should receive the MCA on the Prime Minister's behalf but my immediate reation is this:

(1) As the Prime Minister has often expressed the desire that management consultants should be brought in to help improve Government efficiency; as the Coopers and Lybrand (MAFF) and Touche Ross (DOE) exercises on financial management were carried out last year at her direct request; as the letter and paper are the result of consultancies in Government; and as their contents are foursquare with her policies for the Service (notably "lasting reforms" a la Rayner) I think that the Prime Minister herself:

- should see the letter and paper;
- should do so before the "costs" presentation next Wednesday; and
- should consider whether receiving Mr Banks and two of his colleagues would advance her own knowledge of and deepen her own insight into Whitehall management. I think that it would.

(2) There is some risk in diverting to an adviser a request made to a Minister.

2. I will let you have advice as soon as I can. In the meantime I am copying the papers, with my minute, to Mr Wright (CO), Mr Colman (Treasury) and Miss Goodison (MPO); and you and they might like to see the attached item from this morning's Times about Mr Banks.

CP

CLIVE PRIESTLEY

18 February 1982

10 DOWNING STREET

PRIME MINISTER

Please copy the MCA letter to Sir D.R. & Dr. Caines. Lady Young should see it.

Here is a letter from the Chairman of the Management Consultants Association. He encloses a memorandum on improving managerial effectiveness in government. It is interesting reading. What is more, it sets out an approach which is broadly similar to that promoted by Sir Derek Rayner and pursued in the Department of the Environment's scrutinies of running costs. This paper is therefore useful background to the presentation to be given by Mr. Heseltine next Wednesday.

Mr. Banks asks if you would receive him and one or two others from the MCA to discuss their approach. I think this would be useful. Agree?

19 February, 1982.

Dr. Banks

I will see Mr. Banks with Sir Robert D. Dr. Caines & Lady Young. 19/2

Telegrams Marsphenza London Telex.
Telephone: 01-935 4422

Michael House,
Baker Street,
London, W.1

From Sir Derek Rayner

1 March 1982

Dear Ultre,

I understand that the Prime Minister is seeing the Chairman of Management Consultants Association this week. Unfortunately, I have only had the opportunity to study their letter to her over the weekend and I would like to make the following points before the meeting.

I very much agree with the contents of the letter and its attachment, as they propose classic good management practice. Much of the paper could indeed have been written from what has been said my myself and others to the Select Committee, speeches, and the various priorities that have been defined as the lasting reforms that are necessary to achieve effective system of management in Government. Their analysis in paragraph 12 of their report and their detail of actions required in paragraph 18 are therefore correct.

As you know, from a very inadequate base of knowledge substantial work was needed to establish the knowledge necessary to delegate directly to line management the responsibility for the resources they consume. For example, trading funds have been developed where appropriate (PSA Supplies and the Stationery Office), knowledge of other costs have been developed through such devices as repayment for accommodation and overheads, and the analysis of running costs.

Even with this information, delegation will not be fully effective until there is adequate appraisal of performance and a robust internal audit system which makes accountability more than a paper exercise. The paper's views that there is need for substantial recruitment of professional accountants and extensive training of civil servants is fully understood. The problems in achieving these objectives will not be overcome until the career prospects are sufficiently attractive to recruit top calibre professional management accountants; and there is a determined effort to expand the relatively small base of knowledge that exists within the Service by substantial training programmes.

Management consultants can play an important part e. g. Arthur Anderson & Co in The Reeves Study of Financial Accountability in the MOD but they are an expensive resource and are no substitute by themselves for determination

by Ministers and senior civil servants to bring about the long term changes which have been so clearly identified by the Prime Minister.

Management consultants are not generally drawn from those who have an outstanding track record in running large organisations, and therefore their advice, whilst excellent in theory, cannot of itself bring about the action required in the many large businesses that make up Whitehall Departments. I do not know how much Government spends annually in using consultants. The sums must be large, and perhaps the Treasury can provide some information to your Office of fees paid out, say for each of the last three years. It would also be interesting to know how much it costs the Government to use Coopers and Lybrand in the Ministry of Agriculture, Fisheries and Food and Touche Ross in the Department of the Environment.

In a business environment it would be appropriate to devote part of the expenditure which is necessary to improve management skills by recruiting the appropriate talents and these usually command high salaries in the private sector. In a government environment the salary difficulty is probably best overcome by encouraging individual departments to employ for a period of say three years, individuals with the appropriate track record and talents. Such individuals could also then be accountable for the progress made in achieving reforms that the Prime Minister is determined to see. In brief, the need is not to identify what is wrong, but to harness the necessary resources to help bring about the desired reforms.

Yours ever

Peter Levene

Mr W Rickett
Private Secretary
10 Downing Street
LONDON S W 1

cc:

Mr D J Wright (Cabinet Office)
Mr J G Colman (Treasury)
Miss E Goodison (MPO)
Mr C Priestley (Cabinet Office)

MANAGEMENT
CONSULTANTS
ASSOCIATION
LIMITED (BY GUARANTEE)
Registered No. 772318

23-24 CROMWELL PLACE LONDON SW7 2LG : TELEPHONE 01-584 7283

The Rt Hon Margaret Thatcher MP
10 Downing Street
London SW1

499.7181

R | 15 February 1982

Dear Prime Minister,

IMPROVING MANAGERIAL EFFECTIVENESS IN GOVERNMENT

Following a number of management consultancy assignments in central government Departments, several member firms have expressed concern that established practices and attitudes within Departments prevent real progress being made towards overcoming certain fundamental weaknesses in central administration. We believe that clear and unambiguous policy decisions and Ministerial support at all levels are necessary to overcome these weaknesses and so create an environment which will promote and support a more cost-effective and better managed Civil Service in the long term.

We are aware of the many initiatives being made to improve efficiency and effectiveness in the public sector. We also see signs of a changing attitude towards more effective management in the Civil Service and an awakening appreciation of the role that 'management tools', such as management accounting, can play. If this change in attitude towards effective management can be made to take root, then a fundamental change of lasting benefit will have been achieved.

However, such a fundamental change could all too easily fail if attention is focused too much on methodology (that is, on the 'management tools') and on ad hoc exercises, at the expense of dealing with what we regard as the main issue of managerial responsibility and accountability. This issue centres on the need to ensure that:

(1) Individual senior Civil Service managers have clearly allocated responsibilities and accountability

(2) Resource responsibility and accountability are not separated from line management responsibility

(3) There is clear delegation to subordinates

(4) Every level has clear criteria for acceptable performance

(5) The basic principles of responsibility and accountability are used in planning, reporting and monitoring.

The Rt Hon Margaret Thatcher MP 15 February 1982

This issue has been discussed with senior civil servants in different Departments from Permanent Secretary down and many recognise these weaknesses but cannot see their way to bringing about the necessary fundamental changes.

In the attached memorandum, we have set out very briefly our views on these key matters. We hope that you will give us the opportunity to explain them to you directly and to develop further our 'outside' perspective of management in government. If so I should be happy to attend upon you together with two of my colleagues from other MCA firms.

Yours faithfully,

Philip F. Banks
Chairman

FILE JW
for Mach
c JV.
DW.

10 DOWNING STREET

From the Private Secretary

25 February, 1982

I attach a copy of a letter which I have written to Terry Matthews in the Chief Secretary's office, which I think explains itself.

You will see that the Prime Minister has asked for a report on the two assignments on financial management carried out last year at her request: the Coopers and Lybrand Study in your Department and the Touche Ross Study in the Department of Industry. I understand from Terry Matthews that it would be more appropriate if these reports came from you and from Richard Riley, rather than from the Treasury.

A meeting with the Management Consultants Association has now been arranged for 16 March, so it would be helpful if your reports could reach me by Friday, 12 March.

I am copying this letter to Terry Matthews.

W. F. S. RICKETT

Gareth Steel, Esq.,
Ministry of Agriculture, Fisheries and Food

10 DOWNING STREET

Note

Fixed for 1545, 16 march.

10 DOWNING STREET

From the Private Secretary

25 February 1982

We spoke this morning about the attached letter to the Prime Minister from Mr. Philip Banks, Chairman of the Management Consultants Association. He encloses a memorandum which his Association has prepared on how to improve managerial effectiveness in government.

The Prime Minister has seen this letter. She would like to meet Mr. Banks to discuss his memorandum. We will be arranging a meeting with the Chancellor of the Duchy, Sir Robert Armstrong, Sir Derek Rayner, Mr. Cassels and Mr. Priestley present. The Prime Minister would very much like a Treasury Minister and one official to join the meeting with Mr. Banks. Caroline Stephens, who will be arranging the meeting, will be in touch with you.

In my letter to you of 8 February about the scrutiny on the control of running costs, I mentioned that the Prime Minister would like a report on the two assignments on financial management carried out last year at her request: the Coopers and Lybrand Study in MAFF and the Touche Ross Study in DOE. It would be very useful if this report could reach the Prime Minister in time for her meeting with the MCA.

W. F. S. RICKETT

T.F. Mathews, Esq.,
Chief Secretary's Office.

Mr RICKETT

PM's MEETING WITH MANAGEMENT CONSULTANTS ASSOCIATION, 3 MARCH

I refer to your letter of yesterday to Mr Buckley. As so many of the issues raised by the MCA lie in the Treasury's province, you might think it sensible for the Treasury to be represented, by the Chief Secretary or the Minister of State (Commons), with a supporter. If you agree, perhaps you will stitch this up with the Treasury.

2. It is also relevant that in your letter of 8 February to Mr Mathews (the Chief Secretary's PS) you said that the PM would like a report on the two assignments on financial management carried out last year at her request - Coopers and Lybrand in MAFF and Touche Ross in DOE. I think that it would be helpful for the PM to have that report in good time for next Wednesday's meeting with the MCA, copy to us, please.

cp

C PRIESTLEY
24 February 1982

Yes
MT

10 DOWNING STREET

Prime Minister

We have arranged a meeting with Mr Banks, Chairman of the Management Consultants Association, for 3 March, as you asked.

Sir Derek Rayner, Lady Young, Robert Armstrong, Mr Cassels, and Mr Priestley have been invited. Since many of the issues raised by the MCA concern the Treasury, would you be content for the Chief Secretary and one official from the Treasury to be present?

WR
24/2

CAROLINE

Can you possibly arrange this meeting please?

So far Mr. Banks has only had a standard acknowledgement. When we have set up the meeting, we can write to him to confirm the arrangements. I do not see any need for a substantive reply to his letter at this stage.

WR

45 mins

23 February 1982

Sow

10 DOWNING STREET

From the Private Secretary

23 February 1982

I enclose a letter to the Prime Minister from Mr. Philip Banks, Chairman of the Management Consultants Association. He encloses a memorandum which his Association has prepared on how to improve managerial effectiveness in Government. He asks if he could meet the Prime Minister to discuss this with her.

The Prime Minister has seen this letter. She would like to meet Mr. Banks to discuss his memorandum. She would very much like the Chancellor of the Duchy to join her at this meeting, and hopes that Sir Robert Armstrong, Sir Derek Rayner, Mr. Cassels and Mr. Priestley can also be present. Caroline Stephens will be in touch with you to arrange a suitable time.

I am copying this to David Wright, Eleanor Goodison and Clive Priestley (Cabinet Office).

W. F. S. RICKETT

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

Philip Banks: double act.

A double for A. T. Kearney

The appointment of Philip Banks (above) as chairman of the Management Consultants Association in succession to Martin Vandersteen of Arthur Andersen makes it a double this year for the consulting firm of A. T. Kearney.

Banks is managing director of the British end of Kearney, a worldwide firm with headquarters in Chicago. His predecessor as managing director was Walter Schroeder, who five years ago was also chairman of MCA. Schroeder is back in Chicago, but he is also chairman this year of MCA's American counterpart, the American Association of Consulting and Management Engineers.

Were it not Banks' elevation to Schroeder's job in London four years ago, Banks might have been Tory MP for Wrekin by now. He fought and lost that seat in the election before last, and stood down when he was offered the MDship at Kearney.

But Banks has not left the field entirely. He remains on the Tory candidacy list both as MP and MEP.

FILE

2/3

Mr Philip BANKS

10 DOWNING STREET

From the Private Secretary

16 February 1982

I attach a letter to the Prime Minister from Mr. Philip Banks, Chairman of the Management Consultants Association. He encloses a memorandum which his Association has prepared on how to improve managerial effectiveness in Government. He asks if he could meet the Prime Minister to discuss this with her.

My initial reaction is that it would be more useful if Mr. Banks were to meet Sir Derek Rayner. Sir Derek could then report on the discussion to the Prime Minister. However, I should be grateful for your advice on how to deal with Mr. Banks' letter. It would be helpful to have this by 2 March.

W. F. S. RICKETT

Clive Priestley, Esq.,
Sir Derek Rayner's Office.

ds

16 February 1982

I am writing on behalf of the Prime Minister to acknowledge your letter of 15 February. This is receiving attention and a reply will be sent to you as soon as possible.

W F S RICKETT

Philip Banks, Esq.

MANAGEMENT CONSULTANTS ASSOCIATION

MEMORANDUM ON IMPROVING MANAGERIAL EFFECTIVENESS IN GOVERNMENT

Introduction

1 Many member firms of the Management Consultants Association (MCA) have been engaged in carrying out management studies in various government departments, particularly since the present government came to power. In so doing they have built up a great deal of experience of government administration and recently this experience has been discussed between firms and compared with experiences gained in the private sector.

2 The view has emerged that the improvements suggested by consultant firms, and similarly we understand by Rayner Reviews, are likely to be limited in their effect by the present structure of managerial responsibility in the Civil Service. The underlying cause is the absence in most situations of an effective delegation of financial responsibility to line managers. In consequence there are significant areas of government activity and expenditure for which there is no clear-cut line management responsibility or accountability below head of department level for the continuing review of their worthwhileness, effectiveness or efficiency.

3 This absence of effective delegation of responsibility at line manager level frequently deprives government of one of the most important ingredients of management efficiency. There are several contributory causes, including the absence of managerial ethos, excessive reliance on the Vote Accounting System for financial control purposes and the consequential absence of subsidiary management accounting systems. The absence within departments of trained and experienced financial managers to direct and co-ordinate the finance function also contributes to the situation. The latter is a symptom of another fundamental weakness in government administration namely, the difficulty within present policies to recruit and retain staff with certain specialist qualifications and training.

4 Disquiet on the present situation is voiced because there does not appear to be the prospect of the present managerial structure or recruitment policy changing sufficiently rapidly in the foreseeable future unless the government deals with these matters as policy issues. We are of course aware of the initiatives already in process. MCA believes there are ways in which the government could overcome these shortcomings and that management techniques used in the private sector could be adapted in many situations to improve the efficiency of central government administration generally.

Government and the private sector

5 Government departments are subject to a range of requirements, external pressures and changing circumstances in a way which any commercial organisation, however large, is not. The management style of the Civil Service has been moulded by this, such that the skills traditionally most prized in a senior civil servant are those associated with policy advice and the ability to respond quickly to changing circumstances. As a result of this emphasis, officials tend to regard the management of resources as being very much subordinate to the policy decisions themselves. But attention to policy is also important in the private sector, the difference being that private organisations recognise that it is equally important to have adequate systems and procedures to enable policies to be administered effectively: therefore they are prepared to allocate a significant part of their top talent to administration.

6 The tendency to give less emphasis to the management of resources in government is reinforced both by the criteria by which a civil servant is appraised and by the separation of resource management responsibility - notably in respect of manpower and finance - from line management, whether the latter be responsible for programme formulation or for the execution of that policy. A feature of that separation is that a line manager frequently has little or no choice in, or control over, the resources nominally committed to his charge and use.

7 Furthermore, there is often separation of responsibility, first, between policy formulation and policy execution and, secondly, between the resources consumed by the policy itself and the administrative arrangements which deliver it. While some organisational separation of these functions may well be necessary, that does not justify the all too common absence of responsibility and accountability (other than at the highest level within departments) for the overall resource implications of individual policies and their administration.

8 Also in government there is always the difficulty of measuring the outputs. Whilst in the private sector the value of a product produced or service provided is measured by its profitability, which to some extent is a measure of its acceptability to the public, there is usually no similar measure for the services provided in the public sector and only subjective judgements can be made. Nevertheless those judgements are assisted by measures of performance or activity and by a knowledge of the full costs of providing the service and indeed are used in the private sector in the control of similar non profit making items, eg research.

Budgetary control

9 In a well run private sector organisation the central finance function (usually the finance director supported by the central accounts department) normally has overall responsibility for all accounting and financial management information systems. Effective financial control is achieved by integrated systems of statutory and management accounts, the latter

being based on principles of budgetary control through which individual line managers are personally committed to budgetary objectives and restraints. Such systems work because line managers recognise that their performance in adhering to budgets will have a significant bearing on their personal reputations and career prospects.

10 But in central government Principal Finance Officers (PFOs) have nothing like the same degree of control over the finance function, particularly for the design of management accounting information systems; frequently too line managers have little direct responsibility either for the compilation of budgets or for adhering to them. It is all too common for the PFOs themselves to compile and monitor budgets and for line managers to rely on the PFOs to let them know if the expenditure for which they are responsible shows signs of overrunning budget.

11 Furthermore the accounting system on which financial management is based is the Vote Accounting System which is analagous to the statutory accounts used in the private sector. In that sector the limitations of the statutory accounts required under the Companies Acts have long been recognised and day to day management relies on management reports prepared at weekly, monthly or quarterly intervals throughout the year. And these management accounts are generally designed to provide information relating to separately identifiable measures of performance for which individual managers can be held responsible.

Weaknesses of present approach

12 Changes in this philosophy are under way; witness the recent White Paper on 'Efficiency in the Civil Service' which refers extensively to management information systems and the need to sharpen responsibilities, the MINIS system in DOE and the draft guidelines on management accounting in government which it is understood are in course of preparation by the Treasury. And in any case the situation is not equally bad in all Departments or for all activities, Trading Funds in particular being better managed. But despite this and the good intentions there is in MCA's view a serious risk that the systems emanating from the present thinking will prove inadequate because:

(1) Present allocations of management responsibility, including financial responsibility, are inadequate

(2) In consequence of (1) senior management in the Civil Service generally does not recognise the usefulness of management accounts; it tends therefore to be unreceptive to proposals for their introduction

(3) The systems so far devised by Departments (Trading Funds excepted) are often not comprehensive of all relevant costs, particularly staff costs and furthermore are not easily reconcilable to the Vote Accounting system: hence they often lack relevance, credibility and ultimately acceptability

(4) There is insufficient accounting expertise within government to ensure either the proper design of management accounting systems or the interpretation of their results.

Furthermore systems are developed on a 'piecemeal' basis, each with its own set of underlying concepts. Whilst systems clearly need to be modelled to meet the particular needs of individual Departments, it is important that they are developed along consistent lines so that their outputs, where appropriate, may be compared on an equal footing and the accounting principles on which they are prepared are universally understood and acknowledged.

Employment of specialist staff

13 In two particular disciplines, namely accounting and Automatic Data Processing (ADP), MCA firms have noted a significant lack of expertise in central Departments. This stems basically from the failure to recognise the need for specialists in administration as opposed to 'generalists' (the phenomenon identified by the Fulton Committee). We understand that there are no more than about 1,000 professionally trained accountants employed in the whole of central government and because of the system of remuneration and career prospects these accountants are not generally of a particularly high calibre. The low level of accounting expertise may well prevent the fulfilment of the information requirements described in the previous section of this memorandum. It must be a reflection of the relative unattractiveness of accounting careers in government that such a small number out of a total of 140,000 qualified members of the six recognised accounting bodies in the UK have employment there.

14 In ADP a similar situation applies, although numbers of ADP staff are reasonably high. However the staff taken into ADP come from the general administrative category and the most senior appointment to which they can aspire within the ADP field is at assistant secretary level. Thus this specialist area is unlikely to attract 'high flyers' with consequent detrimental effect on the quality of management. Furthermore, in consequence, few if any senior Civil Servants at the Under Secretary level and above will have had the benefit of any direct ADP experience in their careers.

Training and career development

15 MCA's experience has been that the ADP training and environment to which government staff are exposed are such that government ADP staff operate at rates of performance, particularly in the systems development field, which are significantly inferior to those of the better run organisations in the private sector. There is evidence to suggest that there is scope for manpower savings in this area if productivity could be improved to a level similar to that in the private sector and there would seem to be no good reason why this could not be achieved.

16 Furthermore there is often a lack of appreciation of the usefulness and potential of ADP techniques and of the application of the new technology. Extensive computer appreciation courses are required to familiarise senior and middle management with computer concepts and uses and to remove the apprehension with which many civil servants regard the prospect of any close association with these machines. And to cope

with the rapid advance in technology, updating courses are needed for those who have attended earlier courses.

17 Another unsatisfactory aspect of career development in the Civil Service is the practice of channelling the 'high flyers' almost exclusively through 'policy' type posts without giving them experience of large scale administration, eg handling large numbers of staff or being responsible for the management of large sums of money. Thus an important aspect of administration is usually missing from the experience of senior civil servants and, at the same time, the quality of management of large departments suffers from the absence of the fresh minds of 'high flyers' passing through them.

Actions required

18 In order to introduce an effective system of management in government it is necessary in MCA's view to:

(1) Reorganise responsibilities by delegation to line management and thus motivate senior Civil Servants to use accounts as essential tools of modern management

(2) Identify appropriate divisions of Departmental expense and income which can be delegated directly to line managers, ie divide up the Vote Accounts, including staff costs, into meaningful inputs and outputs at levels low enough to enable accounting responsibility to be pinned on officers at appropriate levels, say, Principal and Assistant Secretary. Some Departments are already considering systems along these lines, eg DOE and the Joubert approach

(3) Acquire, as a permanent resource within government, adequate accounting expertise and experience to ensure the proper design and execution of the system and the interpretation of the results to the user. Substantial recruitment of professional accountants as well as extensive training of civil servants in the use of modern accounting systems would be necessary for this purpose

(4) Similarly acquire a permanent resource of ADP expertise and experience to design and operate effective computer systems and to make best use of the new technology in office administration generally.

19 There are thus major tasks to be undertaken and they will require a substantial effort first to accomplish a change in attitude by senior management, second to acquire the necessary expertise and third to design and operate the systems. A substantial training programme would also be necessary to educate senior and middle management in the proper use of accounting information. Because of the radical nature of the changes required, Ministerial support is likely to needed to ensure its success.

20 MCA would welcome the opportunity of discussing these matters further and of explaining its ideas.

I have spoken to Mr Priestley. We agreed to await the MCA's approach, and then suggest that Sir Robert Armstrong might see them as head of the MPO. WR 18/12

Mr BICKETT

cc Sir Derek Rayner o/r
Mr Cassels

MANAGEMENT CONSULTANTS ASSOCIATION

You may like to have this warning that some time early in the New Year the Management Consultants Association (MCA) may ask to present to the Prime Minister a short memorandum containing their observations on public sector management. This would be based on their experience of assignment work in central and local government and the nationalised industries.

2. I have this from a Director of Price Waterhouse Associates, Mr B J Brocks, with whom I have had two conversations in the last few months. The second of these was on Monday when Mr Brocks was accompanied by three of his colleagues, including Mr E W Barnes. The latter is chairing a committee of MCA on public sector matters.

3. The public sector accounts for no more than 10-12% of management consultants' business. The MCA is of course hoping to increase this. While the purpose of an approach to the Prime Minister would not be that alone, the MCA hopes that it would do no harm.

4. I have explained the constitutional facts of life to Mr Brocks, namely that the award of contracts is a matter for departmental Ministers, not the PM. He and his colleagues are also aware that Sir Derek Rayner's regard for their profession is somewhat less than ecstatic. But they think that they could nonetheless offer the PM a useful perspective and point to some lines of inquiry.

5. I have also told Mr Brocks that given the pressures on the PM's time, there can be no guarantee that she herself would be able to receive people from the MCA and that she might ask someone else, possibly another Minister, to meet them instead.

VINCENT WATTS

Partner: Management Consultancy Division
Arthur Andersen Company

Arthur Andersen's recent consultancy assignments for Central Government Departments includes:-

The Treasury
Ministry of Defence
Department of Health & Social Security
Exchequer & Audit Department
Central Office of Information and
The Home Office

PFB:aoc
March 10, 1982
MCA

RECRUITMENT AND ORGANISATION OF ACCOUNTANTS

At present, some 1,050 qualified accountants in the Service, of whom 400 in specialised areas (Inland Revenue, Tax Inspectorate, Audit Services and the Insolvency Service).

The 380 in the Professional Accountant Class and the 270 in the Administration Group are to be brought together into an accountancy functional specialism on 1 July 1982. They will be associated with staff with a high level of accountancy expertise, although not a professional qualification. Have as a first step identified some 1,300 posts to be filled by these people, and an immediate need for about 100 more qualified people than we now have; expect these figures to increase in next few years, and to have doubled at least by 1992, by which year half or more will be held by qualified accountants. The Accountancy functional specialism will make it possible to manage careers of qualified and highly-experienced staff to best advantage, moving them onto general administrative work when desirable and enhancing career prospects. A Management Unit is being set up to co-ordinate career development.

Sources of qualified people:

<u>at present</u> recruitment - about 30 per annum

internal training - 50-75 per annum

<u>planned</u> recruitment - to be increased if possible (but we could not fill all our vacancies in 1981)

Internal training - to be doubled as soon as possible - target output of 100 per annum from 1987 rising quickly to 150 per annum (nb it takes 5 years to train an accountant).

RECRUITMENT AND ORGANISATION OF ACCOUNTANTS

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Internal training - to be doubled as soon as possible - target output of 100 per annum from 1987 rising quickly to 150 per annum (nb it takes 5 years to train an accountant).

EMPLOYMENT AND CAREER DEVELOPMENT OF ACCOUNTANTS

Firm commitment to increase number of professional accountants and enable them to have greater influence. About to get rid of the structural barriers inhibiting wider use of accountants in administration: on 1 July this year will set up accountancy functional specialism within the Administration Group. Will give enhanced career opportunities; able either to continue on specialised work or to move into generalist posts. Broader experience will improve prospects of rising to higher ranks. No longer a rigid distinction between accountants' work and generalists' work.

Recruitment of professionally qualified accountants with private sector experience will increase. In addition, training schemes will be significantly expanded.

Agree criticism in paragraph 13 of the Memorandum. Believe new measures will bring drastic improvement. Will continue to watch.

RECRUITMENT AND ORGANISATION OF ADP STAFF

There is an ADP functional specialism within the Adminstration Group comprising 6,800 people. In addition to fulfilling the basic needs of Government computing, the Service is always looking for ways to increase the efficiency of this Group and conducts an annual resource planning exercise to ensure that key posts in ADP are filled with people with the right degree of training and experience.

The functional specialism makes it possible for people who specialise in ADP in their earlier years to move into general administration later on. There are relatively few specifically ADP posts at Assistant Secretary level and above, but a background in ADP is of course valuable in many Service posts.

Staff are recruited into the Administration Group and normally trained within the Service. Most typically this involves some six-months initial intensive training to acquire programming and operational skills. Thereafter training is geared to more particular skill requirements such as systems analysis and design. Such training may be provided by manufacturers, departments or the Civil Service College and lead eventually to advanced courses in programming concepts and sponsored courses at Polytechnics for the professional examinations of the British Computer Society.

EMPLOYMENT AND CAREER DEVELOPMENT OF ADP STAFF

Memorandum notes correctly that the staff taken into ADP are generalist administrators: a functional specialism within the Administration Group, and specialists in administration (as paragraph 13 says that they should be). Gives departments flexibility to keep staff on ADP work for as long as desirable, promoting them from grade to grade if appropriate, whilst ensuring no barriers to movement from ADP to general administrative work or from general work to ADP. Flexibility of increasing importance as spread of new technology make it more difficult to differentiate ADP work from other administrative work.

Paragraph 14 grumbles that the most senior appointment in ADP field is at Assistant Secretary level. This is doubly wrong. First, highest grade in the Administration Group is Assistant Secretary, and generalists and/or members of functional specialism are both eligible for promotion to grades above. Secondly, there are a few posts in ADP field in more senior grades of Executive Director and Under Secretary. True that high-flyers are not attracted to more mundane posts in functional specialism but increasingly policy posts connected with ADP are regarded as good posts for young high-flyers. Increasingly staff at all levels being made aware of Information Technology and its importance.

THE TREASURY/MPO INITIATIVE ON FINANCIAL MANAGEMENT TRAINING

Training at College on financial subjects

a. increasing

	1979/80	1980/81
	Student numbers	
audit	249	447
accounting and financial management	458	511
	707	958

b. Change in Focus

previously mainly aimed at EO-SEOs and specialists

now new courses for Administration Trainees.

a new Senior Finance Course, primarily for Principal Finance Officers present or future.

new courses on Project Appraisal (not included in figures above).

senior seminars on Understanding Accounts and Value for Money.

Training elsewhere.

Reviews in progress or in preparation of training for full professional accountancy qualification and to technician level.

Full-time courses to be expanded as far as possible.

Polytechnics to be used through day release/block release as possible.

training methods, with numbers at 1 February 1981:

Full-time course for ICMA	42
Full-time training for ICA	10
Day release, block release or correspondence course study	219
	271

planned increase especially in full-time course for ICMA and day release/block release.