



PRIME MINISTER

#### TRAINING IN FINANCIAL MANAGEMENT

Your Private Secretary's minute of 15 March asked for a report on Training, particularly that of Senior Financial Managers. I thought it would be useful for you, and the others involved, to have a note on this alongside the Chief Secretary's of 28 April.

#### BACKGROUND

As you know, MPO is collaborating closely with the Treasury to launch the drive to improve financial management; improved financial management is an aspect of efficient management generally; its implementation includes - among other things - appropriate career development and training, which are particular MPO concerns.

Improved financial management requires managers at all levels, whether they have central financial responsibilities or they are line managers (i) to have clear objectives, (ii) to monitor their performance and their costs, and (iii) to evaluate alternative options. They need to operate within the context of clearly delegated responsibilities, subject to regular audit of effectiveness and efficiency as well as financial regularity, with access to management accounting systems and to expert advice. Training is essential to enable managers to develop the necessary techniques and skills (which include accountancy but also elements of for example economics, statistics, operational research).

It is clear that in the past good financial management did not command a sufficiently high priority across all departments and at all management levels. The paper which the Chief Secretary has sent you describes the big change we want to bring about but this new drive towards better management will come to little unless we get the right people with the right experience and training into the right positions. The fundamental shift in attitude which we need to create - it has already begun but has further to go - is towards the expectation of good management on the part of officials at all levels, from the highest to the lowest.

#### SUCCESSION PLANNING FOR FINANCIAL POSTS

As a first (and major) step, new succession planning arrangements for all posts at Under Secretary and above, and key Assistant Secretary posts, are being introduced. Already, departments are



required to send to the MPO succession plans which include plans for Open Structure posts with major financial responsibilities, together with career plans to ensure that those likely to fill these posts in the future have an adequate background of training and experience; MPO's responsibility is to ensure that the plans are properly drawn up and to help to deal with problems which emerge. When the system is in full operation (by 1983), departments will extend their planning at least to key posts in financial management at Assistant Secretary level.

### TRAINING

Top Managers. Our first priority is to ensure that Principal Finance Officers have adequate skills, and to provide the necessary training at the Civil Service College. Of particular importance is the new course in Financial Management for Senior Officials, including Principal Finance Officers and those identified to succeed them. We shall train 160 top officials by the end of the coming academic year. This course is designed on a modular basis, so that officials can fit attendance into their work schedules over the year. It includes Government Accounting (including the limitations of traditional vote accounting), Financial Accounting, Cost and Management Accounting, Investment Appraisal, and Financial Control (including Audit). In future further modules will include other areas such as computerised accounting systems and operational research and special courses will be run on financial management in Nationalised Industries and Local Government. Once established this training will be one of the essential requirements for future PFOs.

To support our policy of encouraging stronger financial management responsibilities among line managers they too will be encouraged to attend from 1983/84.

The fast stream Administration Trainee (AT) course was remodelled this year and now includes modules on Finance and Control of Public Expenditure, Principles of Accounts, Resource Allocation and Financial Management (including investment appraisal). Together these modules run for 20 days and are repeated twice a year: 174 ATs will have attended this academic year.

Specialist Staff. Another priority is to provide an adequate supply of accountants including auditors, and their technical support staff. A major training effort is required to achieve this: we aim to double our present 650 professionally qualified accountants over the next 10 years, against the background of tighter overall manpower constraints. Training can be provided externally (at Polytechnics), at the Royal Army Pay Corps establishment at Worthy Down or - probably most efficiently - at the College, which would require some expansion of appropriate staff. Bursary schemes are being expanded to enable staff to gain professional qualifications.



The Service generally. As well as increasing the supply of expert staff and improving the financial management skills at senior levels it is important to develop skills in the Civil Service more generally. The Accountancy sub-Directorate of the College has expanded to 10 teaching posts (from 7 last year); student numbers rose from 707 to 968 between the academic years 1979/80 and 1980/81. The Economics sub-Directorate has increased the provision of project appraisal courses five-fold this year by comparison with recent years and plans to cover Nationalised Industries and Local Government in future.

The College has also expanded the financial and resource control element in all its general management courses. It emphasises the 'value for money' aspects in courses in economics, statistics, computers and operational research. There have been recent Under Secretary and Senior Seminars on 'Value for Money', 'Understanding Modern Accounts', 'Planning and Controlling Public Expenditure'. And for officials at about Principal level the College provides courses on Principles of Commercial Accounts, Financial Planning and Control, Investment Appraisal, and a number of courses relating to business practice.

#### THE COLLEGE AND EFFICIENCY MORE GENERALLY

All College courses are intended to contribute to more efficient management. Many of its courses are aimed at mid-career development. A recent development has been the introduction of short intensive courses for senior officials (so far mainly in economics). The College has also expanded its courses for civil servants and industrialists jointly and has recently introduced a successful series of seminars at Under Secretary - Director Level (chaired by respected company chairmen/chief executives) and it is always strongly supported by eminent outside speakers (who often give their services free).

#### NEXT STEPS

Further work with the Treasury is in hand to identify requirements and order priorities. There will be a further report on this work later in the year (paragraph 18 of the paper attached to the Chief Secretary's minute of 28 April).

I am sending copies of this to the Chief Secretary, the Minister of State, Treasury (Commons), Sir Derek Rayner, and Sir Robert Armstrong.

*Baroness Young*

BARONESS YOUNG

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