



Prime Minister:

Agree to see
Lady Young, the
Chancellor and the
Chief Secretary?

JK 29/7
Yes -
perhaps
to see
the end
of
this
mess

PRIME MINISTER

DRAFT REPLY TO THE TREASURY AND CIVIL SERVICE SELECT COMMITTEE

We discussed this on Tuesday. I would welcome the opportunity to talk to you again about this, together with Geoffrey Howe and Leon Brittan.

I attach a note which explains the origins and purposes of MINIS. It explains that MINIS concentrates on expenditure internal to the department; that it is neither static nor perfect, but still evolving; that its principles are powerful and of general application; and that in the financial management initiative we at the centre are looking to all departments to adopt them, if they do not already do something similar.

The financial management initiative requires departments to devise arrangements which make a considerable advance and which provide Ministers and officials with far better means to manage their departments. Several colleagues have put and are continuing to put a lot of effort into getting the system they want (including the Minister of Agriculture and the Secretaries of State for Industry and Energy). I see no advantage in trying to oblige them to do exactly the same as the Secretary of State for the Environment: it will not encourage colleagues' own commitment to good management and it will put back good work in progress.

The FMI stemmed from both your own strong commitment to better management and from the fact that some Ministers and departments, including notably the Secretary of State for the Environment and his department, have done enough work on their own initiative to provide a strong base for a general advance. In launching the FMI in your personal minute of 17 May you called on each department to produce for discussion with the central departments by end-January 1983:

"a specific programme of work, appropriate to its tasks and circumstances and the progress it has already made in improving financial management".

The theme of general principle, applied with intelligence to the case of each individual department, runs through the memorandum which you circulated with your minute. A change now may not only confuse departments but by cutting across the FMI may damage the centre, whose strong, detailed central scrutiny will be needed even if we decide departments should implement a common form of management information system.

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

Baroness Young

BARONESS YOUNG
29 July 1982

MINIS AND THE FINANCIAL MANAGEMENT INITIATIVE

The origin of and history of MINIS

MINIS arose from the report on a Rayner study in 1979. This was commissioned by the Secretary of State for the Environment to enable him to familiarise himself with his Department and its activities, and to retrench and monitor it. It was designed to meet "the long term aim of Ministers to establish a system in DOE Central which will provide them with regular information of all the Department's activities and of what they cost, and of progress towards the implementation of policies". It was originally a 6-monthly exercise, but has moved to an annual cycle. Three rounds of MINIS have been completed and work has begun on MINIS 4.

2 MINIS is an evolving system which changes in response both to Ministers' requirements and to experience of its operation. The MINIS rounds have been developed with successive themes:

- (1) MINIS 1 told Ministers what the Department did and how it was organized.
- (2) MINIS 2 emphasised the distribution of manpower cuts to enable the Department to meet its targets.
- (3) MINIS 3 paid special attention to performance assessment; and
- (4) MINIS 4 will begin to incorporate better cost information as the Department implements the recommendations of the Joubert report.

The common principles underlying MINIS and the Financial Management Initiative

4 The 1979 Rayner report set out the principles as follows:

"A system should provide information recurrently and comprehensively, for all organizational units, relevant expenditure, and policy goals; for planned performance; and in relation to types of functions. It should do so with timeliness; at a frequency and in appropriate

groupings to be of maximum value to Ministers; with costs which can be aggregated to align with Departmental votes and which are appropriate for management purposes, respectively; with any constraints on management options noted and at an appropriate level of detail".

5 There have been several other recent major studies of financial and management information. Notable examples are in MOD, MAFF, DOI and DHSS. The Treasury and MPO have pulled these lessons together to devise the initiative on Financial Management which the Prime Minister launched on 17 May. The paper, which is to be published as an appendix to the Government's reply to the Treasury and the Civil Service Committee's report on efficiency and effectiveness, fully endorses the principles embodied in MINIS. It addresses the following main subjects:

- (1) The setting of objectives and the measurement of performance.
- (2) Managerial responsibility for the use of resources;
- (3) Management accounting and information systems; and
- (4) Staffing and training.

It goes wider than MINIS in 2 major respects. It covers the detailed information that is needed for management control at lower levels. And it is concerned with the setting of objectives and the monitoring of results for a Department's external expenditure as well as the internal activities which are the main subject matter of MINIS.

6 The initiative requires Departments to develop and define comprehensive programmes of work for improvements in their financial management. The essential principles to be followed are:

- (1) Articulate Departmental tasks into manageable blocks over which named officials carry responsibility for results and resources. Delegate as far down the line as possible.

- (2) Plan for desired results by setting objectives for each such manageable block (or 'cost centre'), and allocating resources to it within the framework of the Public Expenditure Survey.
- (3) Provide appropriate information to Ministers and managers at all levels for monitoring and controlling performance against plans. Use the information as the basis for auditing effectiveness and taking corrective action.
- (4) And thus enable policies and programmes to be designed and decided with more precise awareness of their cost and administrative implications.

7 It is inherent in this approach that Departments should devise systems which are geared to their own needs but observe common principles. The principles set out are the same as those underlying MINIS.

Strengths and weaknesses of MINIS as a model for Departments

8 In commenting to Mr Michael Heseltine on the system proposed in the Rayner scrutiny report (letter of 29 January 1980), Sir Derek Rayner commented that it was "at once too limited and too comprehensive". In his view "the approach to costing is limited because it does not include all costs, while the approach to performance is at a level of detail which I fear could bog Ministers down in a line by line examination of highly summarised information notwithstanding the fact that such information will only be available to Ministers if required".

9 It is a strength of MINIS that it is an evolving system, and improvements are being made in both these areas. But both its original design and its current development are tailor-made for the DOE. MINIS is particularly suitable for a Department with some 60 different directorates, concerned with a large number of heterogeneous policy areas. It enables the Minister to compare his activities and costs, to indicate his priorities between them, and to guide the allocation of state resources accordingly.

10 A system on MINIS lines appears well suited to those Departments whose business falls into a number of relatively small discrete units. Apart from DOE (Central) itself, examples include DES and DEn. The former is on the second annual round of its "Staffing of Functions Review", which is rather like a simplified MINIS. The latter is developing its Management Information Review (Energy) system, which is also similar to MINIS. DOI is working on a management information system that starts from a Department-made framework of objectives set by the Secretary of State, but is otherwise similar to MINIS. The Home Office is working up an annual performance review system. In its review of central Home Office functions it is likely to develop along similar lines to MINIS.

11 Even in these cases, systems will need to be tailor-made. The Home Office Prison Department, for example, needs an information system adapted to its unique task. In general, however, when the Treasury and MPO assess the Departmental plans for financial management, they will expect the Departments concerned to come up with systems that are similar to MINIS in many respects.

12 At the other end of the spectrum are Departments and businesses whose management requirements are substantially different. The large Trading Funds require a very different kind of management information; the systems operating in the Royal Mint and HMSO are proving effective, as shown by their trading results. The Departments responsible for very large executive operations conducted by networks of local offices have needs which are different again. Whereas the Health side of DHSS carries out a triennial review of headquarters directorates on MINIS lines, a single return from the Under Secretary responsible for the complex Social Security network would be clearly insufficient, and the Department is developing and strengthening an information system for Social Security that has already produced a significant improvement in managerial control. The Revenue Departments are working on similar lines. Here the need is for a system which digs deep down into the management of the operation, and compares the performance of numerous local offices with similar functions and assesses the cost-effectiveness of processes which are common to them all. While it ultimately gives the same purpose as MINIS,

the categories of information and the way they are measured are necessarily different.

13 A further difficulty in using MINIS as a model for other Departments lies in the fact that it is an evolving system. Even if other Departments had identical management requirements to those of the DOE Central, they would not, given the experience that has accumulated with MINIS over 4 rounds and the modifications it has undergone, and continues to undergo, adopt MINIS exactly as it is at any particular time; and if they did, continuing evolution both in DOE and the other Departments would result in their diverging quite rapidly from one another.

Common principles, not common format

14 Departments do not have identical management requirements. Most of them are widely differing agglomerations of various "businesses", with certain features in common, but considerable differences in the tools they need to manage and control their businesses effectively.

15 It is for similar reasons that successfully managed companies in the private sector will develop and operate widely differing management systems, although they will, by and large, follow principles common to all well managed organizations. Examples are GEC, Shell, M & S. It is those principles that the financial management initiative is intended to plant in Whitehall, and disseminate as widely as possible.

16 In assessing the Departmental response to the initiative, the Treasury and MPO will be watching closely for adherence to the principles that are common to MINIS and any other good management system for Ministers. They will be asking the following questions:

- (1) Does the plan enable Ministers and senior officials to set out objectives, break them down into activities with priorities, identify who is responsible for each, allocate resources (manpower, financial and other) to activities, set targets, measure performance against target, monitor costs of activities, and highlight areas for corrective action?

- (2) Is the system taken seriously at all management levels; is it an effective management tool, or just window dressing?
- (3) How timely and accurate is the information underpinning the system, and how is it acted upon?
- (4) Does the system make appropriate use of current technology?
- (5) Is it comprehensively linked with all the elements of the decision-taking and review machinery, including staff inspection, staff assessment, internal audit and the scrutiny programme?