



10 DOWNING STREET

From the Private Secretary

2 September 1982

Dear Private Secretary

FINANCIAL MANAGEMENT INITIATIVE: MANAGEMENT INFORMATION SYSTEMS

The Prime Minister is anxious that, in preparing their programmes of work in response to the Financial Management Initiative (launched by her letter of 17 May to colleagues), departments should pay sufficient attention to the need for reliable and useful management information. As part of the drive for improving all aspects of financial management, she is particularly concerned that systems should provide the information that is needed for efficient management at all levels in the department, including Ministers and top officials.

This aspect of improving management was covered in the paper enclosed with the Prime Minister's minute to her colleagues of 17 May, see for example paragraphs 5, 9 and 11 (c)-(e). The Prime Minister considers, however, that it would be right to take the opportunity provided by the proposed White Paper in reply to the Third Report from the Treasury and Civil Service Committee to bring out more clearly what is already implicit in the earlier paper.

The point arises in particular over the passage in the draft White Paper which deals with the Select Committee's references to the MINIS system in the DOE. While the Prime Minister recognises that some variation from MINIS may be necessary to meet differences between departments, she attaches great importance to the principles that underlie it, which apply generally; and thinks that the White Paper should set out the Government's intention to give effect to them.

I attach a revised draft of the passage in question (replacing paragraphs 17-25 of the version circulated with the Lord Privy Seal's letter to the Chancellor of the Exchequer of 19 July). The Prime Minister would like to draw colleagues' particular attention to what is said about the purpose of MINIS in paragraph 27 and to the statement of the Government's intentions in paragraph 29.

The Prime Minister hopes that both the wording and the substance of the revised passage will meet with the approval of her colleagues and that they will ensure that their departments' responses to the financial management initiative will take full account of it.

Yours sincerely
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The Private Secretary

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Management of Programmes - General

17. The Government supports the principles contained in the Committee's Recommendation (xi) that while there should be greater devolution of management, central departments should adopt a stronger and where necessary more prescriptive role in reviewing the effectiveness and efficiency with which management operates.

18. The Government also accepts the suggestion which is commended in Recommendation (i) and set out more fully in paragraphs 50-56 of the main Report, that the evaluation of a programme requires the development of an analytical framework. Provided that fundamental principles are observed, the Government agrees with the Committee's comments that there should be no question of rigidity and that the framework of analysis should be adapted and developed to fit the policy or problems in question, rather than the policy or problem being distorted to fit any particular framework. It may be helpful to the Committee if the Government outlines its approach to these issues.

19. In essence, the Government intends to apply principles to management and management information which have a general strength and robustness in the way which best suits the particular situation. The variety of responsibilities which Ministers have in charge can be illustrated by reference to three departments, DHSS, MOD and the Department of Energy.

20. The responsibilities of DHSS extend to five large and separate businesses which vary greatly in type and span of

control, accountability and methods of working. These include some 86,000 directly employed staff in the social security system, where expenditure is specifically under the direct control of DHSS Ministers; some 2,700 staff working in the special hospitals which are run directly by DHSS; nearly 1m staff employed by the NHS authorities, who are also responsible for the allocation of money provided by DHSS Ministers for which they remain accountable; and the provision of local authority social services by local authority staff out of local authority resources and the rate support grant, where the DHSS responsibility is limited to guidance and advice. MO's direct responsibilities are equally diverse. They include defence policy and the oversight of operations, the administration of more than half a million service and civilian personnel, research and development, the production of equipment and munitions, and the large-scale procurement of equipment. On the other hand, a small department, such as the Department of Energy, with 1,100 staff but an extensive policy range, is trying to develop manpower and running cost controls and methods of policy review fitted for very different circumstances.

21. Such differences mean that the ways in which principles are applied and the form of analytical systems may differ somewhat and that, even within one department, the methods of analysis to be developed in future should be capable of dealing with a wide range of activities.

22. Nonetheless, the Government believes that fundamental principles of good management transcend the differences between departments. Despite differences between functions, scale and organisation, the management of each department can and should be informed by clear and common principles. The position is now as follows.

23. First, as regards the central departments, the Government reaffirms that it is the function of the Treasury and MPO, as of the centre of any large organisation, to promote high standards of administration by a combination of guidance, prescription and scrutiny; to ensure that these standards are reached by all; and to ensure that Parliamentary and other requirements are met. The Government expects the central departments to make full use of the knowledge and experience of other departments; to establish clear principles; to provide information and advice about the practical application of principles; and to check that they are applied in practice. The results should be visible to Parliament and the public; the Government's views on publication of management information are set out in para 30.

24. Secondly, as regards departments generally, a lot of good work has already been done to improve financial management. That is in line with the policy which the Government had on taking office for raising the standard of management in the civil service. The time has now come for a general advance,

to consolidate the work already done and to bring the rest up to the standard of those who are in the lead. The Government has therefore launched the Financial Management Initiative outlined in paragraphs 13-16 above and described more fully in Appendix 3.

25. The Government is looking to the Initiative for the application of three fundamental principles, so as to build upon the work that has already been done by departments, to systematise it and extend it. These are that objectives for policy and administration should be clear; that responsibility for attaining objectives, and for the management of resources in so doing, should be defined; and that the information needed to exercise the responsibility should be provided. These principles apply to managers at all levels, up to and including Ministers. They cover resources of all kinds, manpower, money and other. They relate to both the resources which the Government consumes itself and the resources which it makes available to other agencies.

26. Third, on the question of the resources which the Government consumes itself, Ministers have already done much to reform the management of expenditure on their own manpower and on such related expenditures as accommodation. They have sought to keep in balance the propositions that each of their employees is a cost to the nation and also that each of the jobs they do provides a service to the nation. The Management Information System for Ministers (MINIS) of the Department of the Environment is the best known of the departmental

initiatives that have now led to the general drive for better management of these resources. It has deservedly attracted much attention and comment, at home and abroad, and the Committee has recommended that MINIS or its clear equivalent should be adopted in all departments; that MINIS-type costings be capable of reconciliation with departments' conventionally recorded expenditure; and that MINIS-type documents should be publicly and readily available.

27. MINIS deals with part of the ground covered by the Financial Management Initiative. As an information system for resource allocation it deals with administrative rather than with policy programme resources, placing a strong emphasis on staff costs and numbers. It provides information primarily for Ministers and senior officials. As it develops it will prove of increasing value to line managers in the management of their resources. The purpose of MINIS is to bring together information - including that from other specific information systems - about activities, past performance and future plans for each part of the department, regardless of the nature of the activity or the size of the organisation unit. It shows how the work is organised and who is responsible for doing what. This information enables Ministers and senior officials to review regularly all aspects of the department's work, to compare priorities of the different tasks to be performed and thus to decide how resources can best be allocated between them, and to arrange for particular areas to be examined. MINIS continues to develop in response to the general drive for improvement and

developing Ministerial requirements. Its creation and development have provided the Government with a most valuable new instrument to assist resource allocation.

28. Fourth, the management of policy or programme expenditures which form the great bulk of Government expenditure. The Financial Management Initiative deals with these no less than with administrative expenditure, with the aim of promoting organisations and systems to enable staff at all levels to exercise their responsibilities, whether as advisers on policy with a financial content or managers of financial relationships with other bodies outside their department.

29. To sum up, the Government is working for a general improvement in management and therefore in management information. MINIS is a good example of this. It is one of a number of different systems that different Ministers are adopting or trying out. Such systems should be informed by the principles outlined in para 25 above. The ground they cover should include that covered by MINIS, where they should differ from it only to the extent to which they reflect genuine differences in the roles and responsibilities of different Departments. The Government expects departments generally in response to the Financial Management Initiative to establish management systems which, like MINIS, provide the information needed to make and maintain a proper distribution of resources in order to achieve objectives, in sufficient detail to identify the costs involved in carrying out particular tasks. The Treasury and MPO will examine the

programmes of work to be drawn up by departments in the light of those requirements.

30. The costings used in departments' management information systems will be compatible with their normal methods of recording expenditure, as the Committee recommended. The Government's intention is that departments should disclose as much as possible of the information they derive from their management systems. It attaches importance to making material relating to priorities and the allocation of manpower and other resources available to Select Committees and the public, though not all such material can be disclosed, for example if it concerns measures to combat fraud. The Treasury and MPO expect to receive guidance on the question of disclosure of information from the advisory unit referred to in para 16 above and their report on the Initiative (para 14) will cover it.