



P.0604

PRIME MINISTERProposals for Sponsor Departments

(E(NI)(81)7)

BACKGROUND

Flag A In E(NI)(81)7 the Central Policy Review Staff (CPRS) summarise the action being taken by each sponsoring Minister to improve business expertise in his Department and offer some possible additional measures for consideration.

2. The CPRS welcome the arrangements in Transport: the industries are already under a single command, and it is proposed to bring in a businessman at Under Secretary level to help deal with British Rail. They are generally content with the arrangements in Trade and the Scottish Office.

3. They would like business recruits to the Department of Energy, as indeed to other Departments, to include people with all-round business experience as well as specialists in finance. They want the new unit, which the Secretary of State proposes to set up, to be given specific functions relating to the three main energy industries and not to be exclusively advisory.

4. They point out that the Secretary of State for Industry has not yet made firm proposals. The Secretary of State will want to speak on this point at the meeting.

5. They recommend that both the Secretaries of State for Industry and for Energy should consider the appointment of a businessman as a top level personal adviser and they set out their ideas on this in more detail in the Annex to their paper.

Flag B - 6. The Chancellor of the Duchy of Lancaster will not be able to come to the meeting but she plans to send you later today a minute setting out the views of the Management and Personnel Office (MPO). I understand that she is likely to support the approach recommended by the CPRS and that she may propose that there should be Rayner Scrutinies in two or three sponsoring departments to establish precisely what the sponsoring divisions do now, and at what level, and what they



ought to do. Each scrutiny would then form a basis for deciding how the relationship between the department and the industry in question might be better defined and conducted; what sort of people should be recruited to sponsoring divisions; and what training they should be given.

7. In looking at these proposals it is worth bearing in mind that the sponsoring departments face very different problems which could call for different solutions. The main problem in Transport is British Rail and it is perhaps easier for them to have a unified command. The Department of Industry, in contrast, have a very varied portfolio: posts, telecommunications, steel, shipbuilding, BL and Rolls Royce. They also have the Industrial Development Unit which has several years' experience of bringing in businessmen for two or three year secondment at Under Secretary level and below. These have worked very effectively with their civil service counterparts. There might well be scope for building on this in the present exercise.

HANDLING

8. The Chancellor of the Exchequer has to leave at 5.00pm for a meeting with businessmen. You could complete discussion of this paper with the Chief Secretary representing the Treasury or, if necessary, you could leave it to the next meeting.

9. After Mr Ibbs has introduced his paper you will wish to consider the recommendations listed in its paragraph 13 and also any proposals put forward by the Chancellor of the Duchy of Lancaster.

10. The first two recommendations in paragraph 13 of E(NI)(81)7 do not call for discussion. You will wish to ask the Secretary of State for Industry to explain his proposals for his Department, and to ask him and the Secretary of State for Energy what they think of the idea of bringing in a top level businessman as personal adviser.

11. The Committee will then wish to turn to any proposals put forward by the Chancellor of the Duchy of Lancaster. These will be relevant to the CPRS's recommendation 13(v) - that sponsoring departments should develop plans to



accelerate the placing of personnel with business experience and training in executive sponsor posts. If a Rayner Scrutiny is proposed you will wish to establish to which departments it should apply - the most suitable candidates are probably Industry and Energy.

CONCLUSIONS

12. You will wish to record conclusions on each of the recommendations in paragraph 13 of E(NI)(81)7 and on any further work which the Management and Personnel Office might be invited to undertake.

Pg
P L GREGSON

2 December 1981

*Chancellor of the Duchy of Lancaster*

PRIME MINISTER

E(NI) MEETING ON 3 DECEMBER

I am afraid I cannot attend the meeting of E(NI) on 3 December to discuss the CPRS proposals in E(NI)(81)7 for developing the necessary business expertise of the departments sponsoring the nationalised industries.

I welcome the proposals made by sponsoring Ministers and would not want anything in this minute to hold up the action they have in mind. Nevertheless, I agree with the CPRS in thinking that more is needed.

One way of getting a firmer grip on the problem would be to have 2 or 3 Rayner scrutinies in departments which sponsor nationalised industries to throw further light on the nature of the task of a sponsoring department. What I have in mind is this. There would be value in a scrutineer looking in considerable detail at the actual day-to-day conduct of relations between a sponsoring division in a department and the nationalised industry concerned and from that drawing conclusions about how the relationship is in fact conducted; this might lead on to conclusions about how the relationship could better be defined and conducted. As part of the scrutiny, a look at the skills and knowledge of all the people actually involved in conducting the relationship could be expected to point up lessons for the future when compared to the skills and knowledge which would be required to carry out the job as re-defined; this might prove to be especially true in relation to financial management.

I hope that this suggestion would be backed by Ministers in sponsoring departments. The Secretary of State for Energy is, I know, already considering the possibility of a scrutiny covering his department's relations with the electricity industry. I should like to suggest that the Secretary of State for Industry and the Secretary of State for Trade contemplate scrutinies in parts of their departments also. It would obviously be sensible if all these were conducted at the same time and in accordance with broadly the same terms of reference and if Sir Derek Rayner took a particular interest in at least one of them on your behalf.

If we go forward in this way I hope that we would put ourselves in a position to reinforce strongly the other action being taken by about the middle of next year.

CONFIDENTIAL

Any help in other directions that MPO can offer will be at the disposal of departments. We have in particular done useful work in the field of "organisation development", the purpose of which is to bring about immediate improvements in the way work is organised and develop different and better working practices. My people are already discussing with officials in the Department of Industry how the techniques might with advantage be applied there and, as resources permit, we should be willing to do work with other departments.

I am copying this minute to colleagues in E(NI), Mr Ibbs (CPRS), Sir Robert Armstrong and Sir Derek Rayner.

Duchley
(Private Secretary)

BARONESS YOUNG
2 December 1981

*Approved by the Chancellor of the Duchy
and signed on her behalf.*

CONFIDENTIAL



Mr. M. Whitmore
2 Mr. Rickett
CO
21/12

etc AD JV Nat Ind

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

I have told Anthony Meyer that the PM wishes to be consulted (Transport had thought that she had already been consulted informally via Sir R. Armstrong). This is likely to be on Prime Minister

2 pps. (1)

The Rt Hon Baroness Young
Chancellor of the Duchy of Lancaster
Management and Personnel Office
Whitehall
LONDON
SW1

During my time here I have heard nothing about the proposed review at X overleaf.

16 December 1981

Shall I ask

It has been mentioned before - but please ask that

that you be consulted about its terms and chairman?

Dear Janet

We are

consulted about the chairmanship.

MLS 19/12

At E(NI) on 3 December (E(NI)81 3rd Meeting, Item 3) it was agreed that Ministers sponsoring nationalised industries should write to you to say whether we would welcome Rayner scrutinies in their Departments, on the lines set out in your minute of 2 December to the Prime Minister, and also to indicate whether they would welcome any further advice by the Management and Personnel Office.

The railways are, of course, my Department's major pre-occupation among the nationalised industries. (Two of the other three are due to be privatised, and I have in hand for this session legislation to enable private capital to be introduced into the third - the National Bus Company - which colours relations with that industry). In the case of the railways, the issue which confronts my Department is the development of policies and systems of planning and control which secure the best value for money from an industry which consumes nearly £1 bn of grant annually. I have one directorate which, with financial and economic advice, is responsible for dealings with the industry and advising me on the difficult political and financial questions which arise. I do not think that questions of economy and effectiveness of administration, which are the traditional strengths of the Rayner scrutinies, are the major issues.

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As set out in the paper by the CPRS (E(NI)(81)7)
I am intending to recruit a businessman to serve as joint
head of the Railways Directorate, and as I understand it this
has the warm support of my colleagues as well as of the
CPRS. I think that my priority should be to find a suitable
person as quickly as possible, and I am trying to do just that.
The recommendations in the CPRS review are very close indeed
to the arrangements which we already have with BR, and my
understanding is that the CPRS are broadly content with the
way in which we are currently operating. We are of course
constantly looking for improvements, and I hope that the review
of railway policy and finance, which I intend to get under
way quickly, and which will be chaired by an independent
businessman, may show ways in which we could improve our
relationships with the Board.

I will of course consider, after we have completed
the review, and after we have got our businessman in post in the
Railways Directorate, whether there are any detailed aspects
of the arrangements where a Rayner scrutiny might be appropriate
and helpful.

I am sending copies of this to the Prime Minister,
our colleagues in E, Sir Robert Armstrong and Mr Ibbs.

Yours etc

David

DAVID HOWELL

CONFIDENTIAL

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