



10 DOWNING STREET

THE PRIME MINISTER

cc HMT  
WPO  
WPSO  
CSO

4 February 1983

My dear Chairman,

Thank you very much for your letter of 21 December. I am grateful for the support which the Treasury and Civil Service Select Committee gives to our policy for improving Civil Service management. Perhaps I could deal in turn with the points that you make.

First, the financial management initiative. This will be an essential contribution to the better control of resources within central Government. We have no intention of allowing the momentum to slow down. One of the things that the Treasury and the Management and Personnel Office will look for when examining departments' programmes is evidence of commitment to make firm and early progress with implementation.

The central report on departmental programmes will be published during July. The schedule is tight, but we shall do our best to get the report to you in time for you to look at it before the Recess.

Secondly, departments have been asked to put forward plans for developing output measures and performance indicators within the context of the financial management initiative. The objectives of the initiative are described in detail in Appendix 3 of the White Paper, Cmnd 8616, and considerable emphasis is given to measurement in paragraphs 10 and 11.

/As your

de

As your own report acknowledged, there are practical difficulties in the way of fully quantifying outputs. But even where that is so, advance can be made in developing indicators which help in judging progress towards meeting objectives. I expect that the replies from departments to the financial management initiative will make proposals for a substantial amount of effort in this important area. We also intend to include more and better indicators wherever possible in future Public Expenditure White Papers.

Third, you mentioned the MINIS concept and the management and review of programmes. I shall want to see that the general response to the initiative conforms with the principles for administrative expenditure established by Michael Heseltine in the Department of the Environment, it is our firm intention that these principles should be applied more widely.

The financial management initiative will help with this, since it covers both administrative and programme expenditure. In particular the principles of clarifying responsibilities, setting objectives and targets for performance, and having the associated information and expertise, are equally applicable to programme expenditures.

The management and review of programmes is central to the financial management initiative and I expect replies from departments to include a wide range of relevant proposals. These will be closely examined to see what action by the central departments would help. I think it important to extend into the programme area the reviews of performance that have been so successful in the administrative area, notably through the scrutiny process, although I do not imagine that this will be equally feasible in all programmes. A centrally co-ordinated review later this year of departments' consultancy, inspection and review capabilities (that is, management services, organisation and methods, and so on) will also touch on this. This is part of the whole programme of centrally co-ordinated efficiency exercises in 1983 which was announced on 20 December in answer to a Parliamentary Question by Fred Silvester (a copy is attached).

/We entirely

We entirely accept that Parliament has a fundamental interest in this area. The Government has already committed itself to make available as much as possible of the enhanced information about programmes and operations which will result from the work under the financial management initiative. This is a point with which the central Report on the initiative will deal specifically. You probably know that the Procedure (Finance) Committee have asked the Treasury for a note on the effects of the FMI on the presentation of financial information to Parliament. We intend to make an interim reply at this stage, explaining that it is too early to reach firm conclusions and that the Treasury will discuss the issues with departments with a view to putting forward definite proposals in due course.

Your Committee's recommendations (viii)-(x) relate, with (xvi) and (xvii), more specifically to Parliamentary review and the role of the Comptroller and Auditor-General. As you say, these are relevant to Norman St. John Stevas's Bill and fall for consideration in that context. Leon Brittan set out our position during the Second Reading debate on the Bill on 28 January.

Fourthly, you kindly enclosed a copy of the response by the Council of Civil Service Unions to our reply to your Report. The Treasury has also received a copy of the report and is in touch with the departments concerned about them. I do not accept the general proposition that the manpower reductions have reduced effectiveness, but the Treasury is discussing the Memorandum with the CCSU.

Finally, I am glad that you believe we are agreed in our aims on this subject. I know that John Biffen has carefully noted your suggestion of a debate, although it has not been possible so far to make suitable arrangements. Meanwhile, however, Leon Brittan and Janet Young as the two central Ministers responsible day to day for efficiency and effectiveness matters, would welcome an early exchange of views

/ with you.

with you. If you would like to pursue this, Janet Young would be glad to arrange a meeting.

Copies of this letter go to the Chancellor of the Exchequer, the Leader of the House, the Lord Privy Seal, and the Chief Secretary to the Treasury.

Yours sincerely

Janet Young

---

The Rt. Hon. Edward du Cann, M.P.

Civil Service  
Long Term

file

mej



10 DOWNING STREET

THE PRIME MINISTER

4 February 1983

Personal

Dear Edward

Thank you for your letter of 21 December about the Government's response to the Treasury and Civil Service Select Committee's report on efficiency and effectiveness in the Civil Service. I enclose the Government's formal response to your letter which suggests that your Committee might take up the points you raise with Janet Young and Leon Brittan. I should add however that if you yourself wish to meet me to discuss these matters I should be delighted to see you.

Yours

Raymond

The Right Honourable Edward du Cann, M.P.

da

FROM THE CHAIRMAN



COMMITTEE OFFICE  
HOUSE OF COMMONS  
LONDON SW1A 0AA  
01-219 (Direct Line)  
01-219 3000 (Switchboard)

*Pure Mustie:*

*We shall  
obtain a draft  
reply.*

*mt.*

*17*

*22/12*

TREASURY AND CIVIL SERVICE COMMITTEE

21st December 1982

*By the Chair Mustie.*

The Treasury and Civil Service Select Committee have asked me to write to you following up our Report on Efficiency and Effectiveness in the Civil Service (HC 236) and the Government's Observations in reply (Cmd 8616).

The Committee were pleased that the Government were able to accept wholly or with reservations most of our recommendations, although many Members thought that overall the observations were not quite so forthcoming as they had hoped. We welcome particularly the new initiative on financial management, and look forward to receiving in July the central report on departmental plans for implementation. We hope we shall receive it in time to examine and report on it before the House rises for the recess. We would like to see the initiative well launched in the lifetime of this Parliament so that its momentum is not lost in the next.

The Committee have asked me to spell out some of the considerations which have led to our feeling of disappointment over the response to a number of our recommendations.

Efficiency and effectiveness go wider than good financial management. As the Government's reply notes, we have to ask where is the money going and what are we getting for it? But the reply places less emphasis on performance indicators and output measures than we would like. The lack of systematic output measurement and response to it is a more serious deficiency in civil service management than the control of resources and administrative costs. Our Report discussed the practical problems, but these do not seem to have been fully grasped, nor the suggestions we made built upon, in the Government's reply: paragraph 23 on the role of central departments, and paragraphs 26 and 27 which fail to extend the MINIS concept into the management of programmes covered in paragraph 28, are disappointing. They are an inadequate response to the challenge we offered in paragraph 56 of our Report to put forward common principles which paragraph 22 of the reply acknowledges can (and should) inform the management of each department.

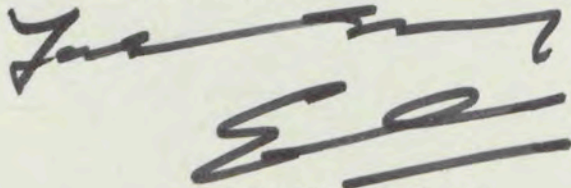
Nowhere is this more apparent than in the failure of the reply to provide for the systematic review of programmes, including more systematic parliamentary scrutiny. In practical terms it is difficult for any government to secure equally high standards in all important departments. High standards will not be achieved or maintained unless over the decades there are institutional arrangements which encourage efficiency and effectiveness, whatever the degree of interest of particular Ministers and particular departments in management questions.

Parliamentary review is not merely the ally, it is the foundation of good management in the civil service. I must ask you to look again at the Government's response to our recommendations on reviews (vii to x). Depending on your reply the Committee will consider whether it will make a brief report to the House on these matters in time for the Government to consider the matter further before the central report is presented in July.

Audit is another subject to which the Committee attach tremendous importance. Here our recommendations (xvi and xvii) appeared at a time when the role of the Comptroller and Auditor General was under prolonged review. On this of all subjects a constructive approach from the Government is urgently needed and the opportunity for advance has now been afforded by Norman St John-Stevas' Private Member's Bill, of which I and other members of the Treasury Committee are firm supporters.

I enclose a response by the Council of Civil Service Unions to the Government's reply, which we are publishing when the House returns on 17 January. It is concerned particularly with manpower questions, but the general argument and specific examples it gives, reinforce in particular the points which we make in relation to the management of programmes generally.

Finally, as I have urged once or twice upon the Leader of the House on Thursdays, we believe that our Report and the Government's reply, together with many other events and documents, are on a level of importance and interest which would make for an excellent debate. We are all united in our aims on this subject, and a demonstration of that on the floor of the House would be of considerable value, not least with regard to the morale of the Civil Service on which the Committee expressed a strong view in their final recommendation (xxvi) - one which was accepted by the Government.



Edward du Cann

Rt Hon Margaret Thatcher MP  
Prime Minister and Minister for the  
Civil Service  
10 Downing Street  
London SW1

*I am copying this letter to the Chancellor,  
the leader of the House as Lady Young.*

22 DEC 1982



CONDICION





CIVIL SERVICE

Central Efficiency Programme

Mr. Silvester asked the Minister for the Civil Service what programme of central efficiency work in the Civil Service will be carried out in 1983.

Mr. Hayhoe: During 1983 the Government will continue the drive for better management set out in "Efficiency and Effectiveness in the Civil Service" (Cmd. 8616). The work will involve practical action on

the plans for financial management which Departments are developing. The Government will publish a central report on these by July. Work will be undertaken to secure the full implementation of the results of existing scrutinies and reviews.

In addition to the above and to the work which Departments undertake on their own initiative, there will be a new programme of centrally co-ordinated exercises aimed at further improvements in efficiency and management. This will consist of three elements.

First, there will be up to 30 Departmental scrutinies. These are intended to cover areas and operations which use substantial resources or are significant in terms of the activities or character of the department concerned. Each scrutiny will report to the Departmental Minister concerned and the programme will be co-ordinated by the Rayner unit in the management and personnel office.

Secondly, there will be three multi-department reviews of subjects of wide significance across the Civil Service:

1. "Support services for administrative work", which will examine the efficiency and effectiveness of the internal handling of information which supports decision making.
2. "Procurement and contract procedures", which will examine the efficiency and effectiveness of these procedures from the drawing up of the specification to the acceptance and final payment of the delivered product or service.
3. "Consultancy inspection and review capabilities", which will examine the quality of the arrangements available to Ministers and top managers to encourage and check on the efficiency and effectiveness of line management.

These reviews will begin in early spring, early summer and late summer respectively. Each will consist of about six Departmental studies. For each a central team located in the management and personnel office will co-ordinate and report on the service-wide implications of the results.

Thirdly, the programme of effectiveness reviews of common activities will continue. These aim to produce specific improvements in efficiency and management guidelines for the better use of resources. They will be carried out jointly by management and personnel office and Departmental staff and will cover reprographics, micrographics, authorising levels, stocktaking, productivity schemes and the use made of accommodation.

I am arranging for a copy of a working paper describing this programme in more detail to be placed in the Library.

## CENTRALLY CO-ORDINATED EFFICIENCY EXERCISES IN 1983

### Note by the Management and Personnel Office

Most of the work to improve efficiency and effectiveness is done in departments by departments. Departments already have a substantial load of work in hand or in view for 1983, including both the implementation of past and current exercises and new work, not least that arising from the Financial Management Initiative.

2. The following programme is to reinforce the Government's drive for better management, recently confirmed in its White Paper **Efficiency and Effectiveness in the Civil Service** (Cmnd. 8616), by applying the well-tried scrutiny technique\* to relevant parts of it.

3. This paper sets out further work to secure implementation of scrutinies and reviews, up to 30 departmental scrutinies, three multi-department reviews, and a continued programme of effectiveness reviews.

### Implementation work

4. Departments are already engaged in implementing previous years' scrutinies and reviews. The MPO is assisting with a central Forms Unit and with follow-up to the 1981 R&D Study. (The Central Statistical Office provides central assistance on the 1980 Statistics Review). This work will continue into 1983. Additionally, the MPO and Treasury will be involved in assessing departments' financial management plans and in securing practical action to make a reality of the Financial Management Initiative. The MPO will also be heavily concerned with the implementation of the recommendations from the Review of Personnel Work and the Running Costs Review. Resources will also go into the implementation of scrutinies and Resource Control Reviews.

### Departmental scrutinies

5. Some departments will already have topics in mind; others may wish to consider the areas suggested in Annex B.

6. The estimated cost of running the government machine (including the Armed Forces) in 1981-82 was about £14 billion. Total public expenditure was about £105 billion. Greater economies and increases in efficiency have been made in the civil service than in some other parts of the public sector. The Government expects the same cost-consciousness throughout the public services. Departmental Ministers may therefore wish to use the scrutiny technique more widely:

1. To review some policies or programme expenditures, either in terms of the methods used in making policies and formulating expenditures or in terms of their feasibility, coherence, results and value for money as shown by the examination of their practical implementation. (Some of the most successful scrutinies have tackled policy questions lying behind administrative arrangements.)

\* Annex A1, summarises the results as at November 1982;  
A2 lists the centrally co-ordinated exercises conducted in 1982

2. To review the efficiency and value for money of selected Non-Departmental Public Bodies. (Scrutinies would fit well with "Pliatzky" reviews, so bodies due for such reviews in 1983 would be especially strong candidates.)

### **Multi-department reviews**

7. The reviews of Government Statistical Services, Administrative Forms and Support Services for R&D have shown the value of a centrally co-ordinated series of departmental reviews of a single function or topic. We expect good results from the reviews of departmental running costs, of large executive units and of personnel work this year. There will be thus three multi-department reviews in 1983, each in about six departments.

8. The subjects below arise in part from the findings of studies in particular departments which have suggested that a wider examination would produce good results. They are intended to promote longer term aims and to provide for the follow-up to other programmes of work, notably the Financial Management Initiative. Where possible the work will build on earlier departmental studies:

#### **1. Internal Consultancy, Inspection and Review Capabilities**

(More details in Annex C)

The review stands on its own feet, but has been designed with an eye to the follow-up to the FMI. It will cover the quality of the arrangements available to Ministers and top management to encourage and keep a check on the efficiency and effectiveness of line management. The confidence of departments in these arrangements is an important pre-condition for greater delegation of authority.

#### **2. Support Services for Administrative Work**

(More details in Annex D)

The review will cover the handling of information for selected policies and operations within departments. It will concentrate on existing paper-based arrangements (eg the generation of paper, typing, storage, retrieval) to identify their costs and the scope for streamlining procedures and organisation, improving effectiveness and increasing job satisfaction and commitment. It would also provide an informed basis for the effective use of information technology.

#### **3. Procurement and contract procedures**

(More details in Annex E)

The review will cover the procedures for procurement and contracts from the drawing up of the specification to the acceptance, and final payment on the delivered product or service. It will cover both contracts with the private sector and repayment between departments.

## Effectiveness reviews

9. The intensive fieldwork on the use of common services carried out jointly by MPO and departmental staff has produced, first, substantial savings and, secondly, four "management guidelines" setting appropriate standards of performance in respect of messenger, transport and typing services and telecommunications. These standards can be used by service managers both directly and in support of the annual scrutiny of departmental running costs. They also enable more senior staff to question and evaluate the performance of their commands.

10. We will continue the programme, directly and through the other exercises outlined above as opportunities occur. The work planned for 1983 includes reprographics, micrographics, authorising levels (relevant to the review of contract procedures), stock-taking, productivity schemes and the use made of accommodation.

11. There will also be a small programme of selective review. In order to check on the practical application of the management guidelines already issued and to realise the full value of the methods, we need to find out how they have been put into effect. However, review will be two-way. We wish to know whether departments' managers have been and are applying the guidelines; departments will no doubt wish to feed back their experience and suggest improvements.

## Conclusions

12. The programme of efficiency work for 1983 allows for the implementation of results outstanding from previous years' work and links to the Financial Management Initiative as appropriate. The new work consists of:

1. A programme of up to 30 scrutinies significant in terms of the activities and resources of the department, possibly including scrutinies of policy questions and of non-departmental public bodies;
2. 3 multi-department reviews; and
3. a continuing programme of effectiveness reviews.

SCRUTINIES AND MULTIDEPARTMENT REVIEWS 1979-1981

## 1. 1979-81

	Number of Reviews	Cost	Value of Potential Savings
Rayner projects 1979	29	£0.3m	£67m pa + £28m once-for-all
Scrutiny programme 1980	39	£0.7m	£119m pa
Review of Government Statistical Services 1980	19	£0.3m	£17m pa
Scrutiny programme 1981	40	£1.2m	£56m pa + £4m once-for-all
Review of Administrative Forms 1981	9	£0.25m	Quantified saving of £0.3m pa already agreed; further savings, in processing forms of many times this will also be achieved.
Review of R & D Support Services 1981	7	£0.35m	£15m pa + £7m once-for-all

SUMMARY OF CENTRALLY CO-ORDINATED EXERCISES 1982

<u>Review</u>	<u>Departments directly involved</u>
Departmental Scrutinies	Most
Resource Control Reviews	MOD, PSA, Trade, HO, SO Royal Mint
Running Cost Review	FCO, MPO, Trade, DEm, DES, DEn
Review of Personnel Work	HO, LCD, MAFF, DEm, DHSS, C&E, IR, PSA, SO
Financial Management Initiative	ALL

## POSSIBLE AREAS FOR SCRUTINIES

Departments may wish to consider one or more of the following areas for a scrutiny in 1983. The aim is to pick operations or areas which use substantial resources and which are generally significant in terms of the character and activities of the department. It is also desirable to select subjects, work on which will promote the Government's longer-term aims for management. The evidence of past scrutinies and other studies suggests that areas which might be strong candidates include:

1. The question whether the policy processes used by a department are such as to provide Ministers with the right material at the right time on which to take decisions and with adequate information and methods on which to assess the cost-effectiveness of the action taken.
2. Large executive operations which are relatively self-contained. This year's "resource control" reviews and the multi-departmental review of R&D support services have demonstrated the value of the technique. (More than one examining officer may be necessary for such scrutinies.)
3. Areas of work involving specialist groups (eg assignment staff, lawyers, accountants).
4. The arrangements by which advice, information and help are provided to the public and outside bodies (eg the preparation and publication of advice: leaflets, articles, films, advice and information provided by visits).
5. Administrative tribunals (eg appeals boards).

**INTERNAL CONSULTANCY, INSPECTION AND REVIEW CAPABILITIES**

The first element of the proposed programme for next year refers to the central co-ordination of follow-up work on the Financial Management Initiative, and on the 1982 reviews of running costs control and personnel work. These exercises are already pointing towards changes in the relationship between the central staffs of PEOs and PFOs in Departments, and line managers.

2. A 1983 review of internal consultancy, inspection and review (CIR) capabilities will consider the implications of greater delegation to line managers for such capabilities as they exist now in Departments. These capabilities include management services, staff inspection, organisation and methods, and some aspects of central ADP and specialist advisory functions, such as operational research. It has been estimated that such activities together employ over 3000 officials at present. In addition there are the ad hoc capabilities provided by the Rayner scrutiny approach, and by policy reviews of various kinds.

3. The review will focus on the articulation of these various capabilities, one to another, in relation to meeting each Department's needs for:

- (1) Consultancy services available to help line managers.
- (2) Monitoring, inspection and audit capabilities as "arm's length" controls over delegated management for Heads of Departments and PEOs/PFOs.
- (3) Reviewing and monitoring the execution of policy and the management of programmes.
- (4) Promoting particular managerial practices and developments - as for example in information technology.

4. For each of these needs the review will consider:

- (1) The way in which Departments plan and deploy their various review capabilities together and separately, having regard especially to duplication or gaps in the selection and coverage of subjects for review.
- (2) The way in which action is triggered in relation to particular line management commands and to particular programmes.
- (3) The accountability, mandate and degree of independence appropriate to meeting each need; the process by which decisions are taken on the nature of conclusions and recommendations; to whom results are reported.
- (4) The allocation of responsibilities for accepting or rejecting conclusions and recommendations, for securing their implementation, and for communicating general lessons.



5. The review will consider the effectiveness and resourcing of the various capabilities as follows:

- (1) On effectiveness, the review will cover, for example, the quality and levels of assignment undertaken; the scope, perspective and methods of investigation, and the criteria applied in evaluating areas under study; and the success in achieving implementation.
- (2) On resourcing, the review will cover, for example, the organisation and internal management of the capability; its staffing, including the means by which staff are selected, trained, career managed and motivated; and, in relation particularly to consultancy capabilities, the validity and practicality of repayment. (Action has recently been taken across the Service to raise the standards of staff inspection in accordance with common criteria and the review will not re-examine that development.)

6. The review will not include the function of internal audit, which is the subject of a separate programme of improvement. It will however consider under paragraph 4(1) above the relationship between internal audit and the capabilities under review.

7. The review will then draw conclusions about:

- (1) The relationships between each capability and line managers; programme managers; the processes of resource allocation (budgeting, complementing etc); senior managers, the Head of Department, and Ministers; and other separate but related CIR capabilities.
- (2) The posture which each capability should look to be in, to accommodate and promote the developments arising from the Financial Management Initiative.
- (3) The scope accordingly for merging and/or redefining some or all of what are at present separate capabilities.
- (4) The policies to be followed to ensure that retained capabilities are effective and properly resourced, having regard to the Financial Management Initiative, to the policies already being pursued in the case of staff inspection and internal audit, and to the findings of the 1982 multi-department review of personnel work.
- (5) The relationships between local and central capabilities within Departments; and between such capabilities in Departments and in the central Departments.

8. Participation in this review is being discussed with departments.

## SUPPORTING SERVICES FOR ADMINISTRATIVE WORK

The review of Administrative Forms opened up for examination how the information needed to administer Government policies is collected and disseminated. The review of support services for administrative work will look at the internal handling of information which supports decision-making, either about selected individual policies or about a policy's operational implementation. In practical terms it will cover:

- (1) Need - the generation of paperwork and what is done with it.
- (2) Circulation/communications (including need to copy, but not reprographics), information flows.
- (3) Storage - filing, registries, location in relation to operational need, purpose, duplication; perhaps also archiving and public records.
- (4) Retrieval - indexing, ease of finding.
- (5) Processing - how, for what purpose, the means of changing or adding to the information held.
- (6) Typing/secretarial/junior clerical administrative support.
- (7) Control - the allocation of responsibilities, costing and cost accountability, user disciplines, formal control systems.

2. The review will examine the brass tacks of support for administrative work and existing paper-based arrangements. It will identify their cost and the scope for streamlining procedures and organisation, for improving efficiency, and for increasing job satisfaction and commitment among all the staff concerned. It will pay close attention to the views about the work of the non-managerial staff employed there. It will cover for certain operations the manual (paper) procedures supporting automated data processing, looking in particular at duplicated manual/automated data storage. It will be concerned with the handling of information arising from the **operation** of policies, as opposed to their management.

3. The approach will be to trace in such selected areas the flow of information which services decision making, to assess the costs incurred, and to draw conclusions about how well the information itself is managed and how such management could be improved. This should also enable broader lessons to be drawn about the potential application or extension of information technology, and possibly about the wider implications of such technology for management and organisation. It might also provide useful information about the organisation needed to promote and effect such applications promptly (with special reference to the role of line managers).

4. The review will enable more general lessons to be learned from work that some departments are likely to be undertaking or have undertaken anyway. The recommendations made would be chiefly for departments to apply. But some might also affect central responsibilities, for example concerning training, the introduction of information technology, or auditing requirements.

5. The review will include studies of the support arrangements for at least part of:

HM Customs & Excise

Department of Employment

Department of Environment

Home Office

Inland Revenue

Management and Personnel Office

6. Existing studies of information flows in MAFF and Department of Transport (Railways) will be associated with the review.

7. HM Treasury (CCTA) will be associated with the MPO in the review and central assignment staff will be available to support departments' own teams.

**MULTI-DEPARTMENT REVIEW: PROCUREMENT AND CONTRACT PROCEDURES**

1. Evidence from the Review of Research and Development Support Services, from a study of MOD Operational Requirements, from the Scrutiny of Publicity Services and from other studies suggests that procurement and contract procedures are not always as flexible, quick, cheap and effective in securing value for money as they should be. While the costs of the goods are often way above the cost of the procedures it is not clear that all aspects of the procedures add value; indeed, a difficult procurement procedure can be wasteful in its own right.

2. The increasing use of the private sector to supply goods and (particularly) services makes it especially important to be sure that the best deals are being made with an economy of effort. The increasing use of repayment between departments also requires that internal "contracts" should be processed cost-effectively.

3. The review will cover the procedures for procurement and contracts from the drawing up of the specification to the acceptance of, and final payment on, the delivered product or service. Where relevant, the review will include the practical procedures required by the investment appraisal method in use. Thus, three distinct but related stages would be examined, namely:

- (1) from the drawing up of the specification to the letting of the contract;
- (2) technical monitoring, including quality control;
- (3) financial monitoring, including staged payments.

The review will not include a detailed examination of the basic legal framework governing procurement and contract procedures, but it might result in some general observations and comment about it.

4. The following departments will take part in this review:

MOD (excluding warlike stores)

HMSO

Department of Transport

DHSS (Supply Division)

PSA Supplies

Home Office

5. In addition the CCTA will be reviewing its functions next year. A study of CCTA procurement and contract procedures will contribute both to the multi-department review and to their own study.

CIVIL SERVICE: long term policy: Pt 12.



From: the Rt. Hon. Edward du Cann, M.P.

Prime Minister (2)



HOUSE OF COMMONS  
LONDON SW1A 0AA

We will let you have  
a draft reply.

MCS 18/2

15 February 1983

*Michael*  
*I don't think*  
*we need do*  
*more than ack.*  
*R.*  
*MCS*  
*Margaret*

Thank you for your letter of the 4 February about the Civil Service. I think, if you agree, it would be valuable to publish the correspondence we have had.

I will discuss with the <sup>Treasury</sup> Committee the possibility of meetings with Ministers.

If I may venture a personal opinion, the one part of your letter which I find very disappointing is the part which deals with Parliamentary matters. You ought to know that Leon Brittan's speech in the House on the 28 January was a profound disappointment to all who heard it.

I have written to Geoffrey on several occasions about Norman St John Stevas' Bill (which the Treasury Committee strongly supports, as does the PAC, and many Members on both sides) telling him that I am concerned that the steps he has taken as Chancellor by way of reform of our financial procedures will be forgotten if the obstructive and unimaginative attitude of Ministers towards Norman's Bill is maintained. Government and Ministers are getting a very bad press over this, and I regret it.

I appreciate there is not very much you can say in correspondence about the matter at this time, but I will, when we meet, talk to you about it a little more if I may. Norman's Bill is a natural follow-up to the introduction of Select Committees for which Government is rightly getting considerable credit, and it would be a pity to see this credit dissipated.

The Rt Hon Mrs Margaret Thatcher, M.P.

*To*  
*Σ*  
*—*

Civil Service,  
Long Term, 1  
A12



HOUSE OF COMMONS  
STATIONERY OFFICE

CONFIDENTIAL



PRIME MINISTER

Attached at Flag A is a letter from Edward du Cann in his capacity as Chairman of the Treasury and Civil Service Select Committee about the Government response to their Report on Efficiency and Effectiveness in the Civil Service. Also attached is a draft reply which has been prepared in the Rayner Unit.

The only point which occurs to me is that if you wish to emphasise the Government's commitment to improving management in the Civil Service you might like to offer to see Mr. du Cann yourself rather than a meeting with the Lord Privy Seal and the Chief Secretary.

*Don't ask the whole committee  
J.R.*

28 January 1983

*So I think a personal  
covering note that the  
change available to the  
would be best. No*





the Bb  
Court Service

10 DOWNING STREET

*From the Private Secretary*

21 February 1983

I attach a copy of a letter the Prime Minister has received from Mr. Edward du Cann, M.P., about the St. John Stevas Bill.

Bb | I should be grateful if you would let me know if you agree with our view here that we may rest on a simple acknowledgement of this letter.

I am sending a copy of this letter and enclosure to David Heyhoe (Lord President's Office) and John Gieve (Chief Secretary's Office, H.M. Treasury).

M. C. SCHOLAR

Miss Margaret O'Mara,  
H.M. Treasury.

NR

From: the Rt. Hon. Edward du Cann, M.P.

2

~~cc It~~

Prime  
Minister



HOUSE OF COMMONS  
LONDON SW1A 0AA

4/2  
11/2

10 February 1983

to Margaret

mt

Thank you very much for both your personal  
and your formal letter about efficiency and  
effectiveness in the Civil Service.

4/2

If I may I will be in touch with you again  
about these matters.

The Rt Hon Mrs Margaret Thatcher, M.P.

4 FEB 1983

0 1 2 1  
9 6 0 8 2  
8 7 6 5 4 3

COPIES





*Tim*  
*I gather from*  
*Donica you have all the*  
*bank papers*  
*K/B*  
*1/2*

*GR*  
*PP's ?*  
*c/P*

PRIVY COUNCIL OFFICE  
WHITEHALL, LONDON SW1A 2AT

31 January 1983

*Dear Tim,*

LETTER TO THE PRIME MINISTER OF 21 DECEMBER FROM MR EDWARD DU CANN

Mary Brown in the Lord Privy Seal's office sent me a copy of her letter to you dated 28 January enclosing the draft of a reply for the Prime Minister to send to Mr du Cann.

The penultimate paragraph of the proposed draft refers to the possibility of a debate in the House of Commons. As Mr du Cann mentions in his own letter to the Prime Minister he has raised this possibility on a number of occasions with the Leader of the House (most recently on 9 December, Hansard col 989). In dealing with this request, the Lord President would not wish to be tied as to timing in the way that the proposed draft suggests, but would prefer to keep the options open. He therefore suggests that the second sentence of the relevant paragraph should be amended along the following lines:

"I know that John Biffen has carefully noted your suggestion of a debate, although it has not been possible so far to make suitable arrangements. Meanwhile, however, Leon Brittan ....".

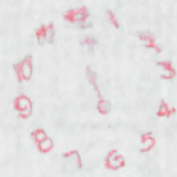
I am copying this to Mary Brown (Lord Privy Seal's office), John Kerr and John Gieve (HM Treasury) and Murdo Maclean (Chief Whip's office).

*Yours ever*  
*David*

D C R HEYHOE  
Private Secretary

Tim Flesher Esq  
Private Secretary  
10 Downing Street  
London SW1

11 FEB 1983



BRITISH COUNCIL OFFICE  
LONDON

From the Private Secretary



Civil service

**Management and Personnel Office**

Whitehall London SW1A 2AZ

Telephone 01-273 { 4400  
GTN 273 }

28 January 1983

Tim Flesher Esq  
10 Downing Street  
London SW1

Dear Tim,

GR  
pse type draft  
A PM signature  
+ return file to me

LETTER TO THE PRIME MINISTER OF 21 DECEMBER FROM MR EDWARD DU CANN

Your letter of 23 December requested a draft reply for the Prime Minister to send to Mr du Cann. This is attached.

The financial management initiative asked departments to prepare plans for improving their financial management, and to submit these to the Treasury and the MPO by the end of January. The draft reply (which is agreed with the Treasury) makes the point that we must look to these responses to provide the basis for specific answers to the broader issues raised by the Treasury and Civil Service Committee. The reply is nevertheless fairly detailed in order to express the Government's determination for improvement.

The Lord Privy Seal sees no objection in principle to an early debate, as suggested by Mr du Cann, although it would probably be more useful to hold this once the report on the financial management initiative is published. But there is much common ground between the Government and the Committee and the draft suggests that Mr du Cann be invited to discuss progress with the Lord Privy Seal and the Chief Secretary to the Treasury.

A copy of this letter, with enclosure, goes to John Kerr and John Gieve (HM Treasury) and to David Heyhoe (Lord President's Office).

Yours sincerely,

Mary Brown

MARY BROWN

DRAFT LETTER FROM THE PRIME MINISTER TO

The Rt Hon Edward du Cann MP  
Chairman  
Treasury and Civil Service Committee

Thank you very much for your letter of 21 December. I am grateful for the support which the Treasury and Civil Service Select Committee gives to our policy for improving Civil Service management. Perhaps I could deal in turn with the points that you make.

First, the financial management initiative. This will be an essential contribution to the better control of resources within central Government. We have no intention of allowing the momentum to slow down. One of the things that the Treasury and the Management and Personnel Office will look for when examining departments' programmes is evidence of commitment to make firm and early progress with implementation.

The central report on departmental programmes will be published during July. The schedule is tight, but we shall do our best to get the report to you in time for you to look at it before the Recess.

Secondly, departments have been asked to put forward plans for developing output measures and performance indicators within the context of the financial management initiative. The objectives of the



initiative are described in detail in Appendix 3 of the White Paper, Cmnd 8616, and considerable emphasis is given to measurement in paragraphs 10 and 11.

As your own report acknowledged, there are practical difficulties in the way of fully quantifying outputs. But even where that is so, advance can be made in developing indicators which help in judging progress towards meeting objectives. I expect that the replies from departments to the financial management initiative will make proposals for a substantial amount of effort in this important area. We also intend to include more and better indicators wherever possible in future Public Expenditure White Papers.

*You mentioned*  
Thirdly, ~~this is related to~~ the MINIS concept and the management and review of programmes. I shall want to see that the general response to the initiative conforms with the principles for administrative expenditure established <sup>by Michael Heseltine</sup> in the Department of the Environment, <sup>firm</sup> as it is our <sup>L</sup>intention that these principles should be applied more widely.

The financial management initiative will help with this, since it covers both administrative and programme expenditure. In particular the principles of clarifying responsibilities, setting objectives and targets for performance, and having the associated information and expertise, are equally applicable to programme expenditures.

The management and review of programmes is central to the financial management initiative and I expect replies from departments to include a wide range of relevant proposals. These will be closely examined to see what action by the central departments would help. I think it important to extend into the programme area the reviews of performance that have been so successful in the administrative area, notably through the scrutiny process, although I do not imagine that this will be equally feasible in all programmes. A centrally co-ordinated review later this year of departments' consultancy, inspection and review capabilities (that is, management services, organisation and methods, and so on) will also touch on this. This is part of the whole programme of centrally co-ordinated efficiency exercises in 1983 which was announced on 20 December in answer to a Parliamentary Question by Fred Silvester (a copy is attached).

We entirely accept that Parliament has a fundamental interest in this area. The Government has already committed itself to make available as much as possible of the enhanced information about programmes and operations which will result from the work under the financial management initiative. This is a point with which the central Report on the initiative will deal specifically. You probably know that the Procedure (Finance) Committee have asked the Treasury for a note on the effects of the FMI on the presentation of financial information to Parliament. <sup>we</sup> ~~It is intended~~

to make an interim reply at this stage, explaining that it is too early to reach firm conclusions and that the Treasury will discuss the issues with departments with a view to putting forward definite proposals in due course.

Your Committee's recommendations (viii)-(x) relate, with (xvi) and (xvii), more specifically to Parliamentary review and the role of the Comptroller and Auditor-General. As you say, these are relevant to Norman St John Stevas's Bill and fall for consideration in that context. *Leon Brittan ~~mentioned~~ set out our position during the Bill's Second Reading debate on the Bill on 28 January.*

Fourthly, you kindly enclosed a copy of the response by the Council of Civil Service Unions to our reply to your Report. The Treasury has also received a copy of the report and is in touch with the departments concerned about them. I do not accept the general proposition that the manpower reductions have reduced effectiveness, but the Treasury is discussing the Memorandum with the CCSU.

Finally, I am glad that you believe we are agreed in our aims on this subject. I think that your suggestion of a debate is most useful, but I wonder whether it might be best to wait for this until the financial management report is published. I know, however, that Leon Brittan and Janet Young as the two central Ministers responsible day to day for efficiency and effectiveness matters, would welcome an early

exchange of views with you. If you would like to pursue this, Janet Young would be glad to arrange a meeting.

Copies of this letter go to the Chancellor of the Exchequer, the Leader of the House, the Lord Privy Seal, and the Chief Secretary to the Treasury.



Civ Service  
CC HMT  
LPO

10 DOWNING STREET

*From the Private Secretary*

23 December 1982

BA-11  
You will by now have received a copy of Mr. Edward du Cann's letter of 21 December about the Government's response to the Treasury and Civil Service Select Committee's Report on efficiency and effectiveness in the Civil Service. I should be grateful for a draft reply for the Prime Minister to send to Mr. du Cann as soon as possible. Mr. du Cann also mentions the role of the Comptroller and Auditor General and I assume therefore that the Treasury to whom I am sending a copy of this letter will wish to consider whether the reply should cover that issue.

I am sending a copy of this letter, without enclosure, to John Kerr (H.M. Treasury) and David Heyhoe (Lord President's Office).

Tim Flesher

Mrs. Mary Brown,  
Lord Privy Seal's Office.