

CEB9



FROM: CHIEF SECRETARY  
DATE: 20 March 1986

PRIME MINISTER

### BUDGETING IN GOVERNMENT DEPARTMENTS

During 1985-86 a team led by the Government's Accountancy Adviser, Tony Wilson, has reviewed how budgets are used in departments. This study was based on reviews in C&E, DHSS, DTI, the Home Office, MOD, DEm and MSC. I now attach the report by Tony Wilson and his team. Subject to the views of colleagues, I propose to publish this report, and make available the longer technical volume which supports its recommendations, in due course.

#### Purpose of the review

2. The purpose of the review was to develop budgeting as the main means of controlling expenditure and making it effective. The way in which managers construct their own budgets, challenge the budgets put to them and subsequently review performance is vital to the changes we all want to see in management in the civil service. The review looked at budgeting but its findings give us a valuable insight into the progress of the whole of our reform of financial management. Its recommendations give us the chance to push the reforms forward with renewed vigour.

#### Main findings

3. There is evidence of good results in many areas. Managers are much more aware of their costs and responsibilities. They have taken the initiative to make savings and improve efficiency. I shall be following this up in our PES rounds to keep pressure on Departments to set targets which managers find challenging and demanding. The Efficiency Unit and Sir Robin Ibbs are encouraging all departments to set increasingly ambitious

but realistic value for money targets and will be providing you with a further progress report on this shortly.

4. There are still many gaps and signs that some managers do not always understand the purpose of budgeting. Some of this was to be expected. We were warned by the consultants in 1982 that the scale of these changes was such that it would take time to put the systems in place, and of course the systems are the easiest part; they are only there to help managers to run the Civil Service more effectively.

#### What needs to be done

5. I have discussed the way forward with Sir Robin Ibbs. The comprehensive budgetary controls described in the report provide useful guidance for departments. Some departments already have plans which will take them a long way towards them. All departments should find that the recommendations in the report provide a searching checklist by which to update and extend their own plans; we cannot prescribe precisely what is right for every situation.

6. What we do need are clear targets for the essential changes which get budgeting working. With this in mind Sir Robin Ibbs and I felt that there were four crucial points of principle in the recommendations which should be acted upon by every department:

#### Responsibility for Budgeting

(1) All managers, from the top right through the management line, should be responsible for setting and reviewing budgets (paragraph 3.14-3.17);

#### Links with PES

(2) The timetable for budgeting must allow for a planning stage which links with the public expenditure survey, and places more emphasis than at present on the second year of the Survey (paragraph 4.17);

*1. Change the way part 2 on financial control*

#### Measurement of achievement

(3) Budgets should include output indicators and there should be regular evaluation of performance against objectives (paragraph 4.6-4.8);

#### Organising top management's responsibilities

(4) Top management should organise its responsibilities for managing resources for setting priorities, and for reviewing performance, and get the information and support it needs, to implement these changes (paragraph 3.10).

7. The report concentrates on budgeting for running costs but the same principles and the changes that flow from them need to be applied to programme expenditure. We have already agreed that all policy reviews and new policy proposals should say what is to be achieved by when, at what cost, and how it will be measured. That is our first priority and is a crucial first stage to developing systematic budgeting for programme spending.

#### Action

8. I hope we can agree that these four principles should be the basis for action in every department. There will inevitably be differences in detail and timetables because departments have different tasks and priorities. But it is important that Ministers should encourage their departments to make good progress on the four principles. My own particular interest will be in how departments' improved budgeting can contribute to improving the Survey process further, especially in enabling us to focus more on the later years than at present and on the results achieved from programmes.

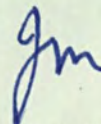
9. I propose then to ask:

a Sir Peter Middleton and Tony Wilson to discuss the report with Permanent Secretaries as a preliminary to departments appointing action managers and preparing their action plans;

b the Joint Management Unit, which will be co-ordinating this work in the Treasury to draw up by the end of April a checklist of the key points for departments' action plans, including yardsticks of how their successes will be measured; then to work with departments, Treasury expenditure divisions and others in the Treasury and Cabinet Office (MPO); and to let us have reports on the action plans in December 1986. Reports on the actual progress being made will also be needed in subsequent years. I am particularly keen to use the momentum created by this exercise, and the results it produces, in future public expenditure rounds to focus discussion more sharply on how to get more out of existing plans and on how well plans are meeting their objectives.

10. I shall of course also ask my officials to act swiftly on the recommendations addressed to the Treasury; and I shall look for further changes in the central control mechanisms as departments show evidence of better internal controls.

11. I am copying this minute to Cabinet colleagues, other Ministers in charge of departments, Sir Robert Armstrong, and Sir Robin Ibbs.



JOHN MacGREGOR

---

# **Multi-Departmental Review of Budgeting: Executive Summary**

---

**HM TREASURY  
MARCH, 1986**

# Multi-Departmental Review of Budgeting: Executive Summary

## **The Central Team**

Anthony Wilson (*HM Treasury*)  
Geoffrey Crane  
(*Dept. of the Environment and Transport*)  
David Jamieson (*HM Treasury*)  
David Nooney (*HM Treasury*)

## Multi-Departmental Review of Budgeting: Executive Summary

	Paragraphs	Page No.
I. Introduction	1.1- 1.6	7-8
II. Role of Top Management	2.1- 2.9	8-12
III. Relationships between TMS/Budgetary Systems and Existing Cash Planning and Control Systems	3.1- 3.13	12-16
IV. Output & Performance	4.1- 4.9	16-18
V. Budgetary Environment & Central Controls	5.1- 5.10	18-21
VI. Manpower Budgeting	6.1- 6.4	21-23
VII. Budgeting in Headquarters Areas	7.1- 7.5	23-25
VIII. Specialist Support	8.1- 8.5	25-27
IX. Training	9.1- 9.4	27-29
X. Programme Expenditure	10.1-10.3	29-30
XI. Conclusion: The End Result	11.1 only	30-31
<hr/>		
<b>Annexes</b>	See Paragraph	
A. Terms of Reference	1.1	32
B. Total Cost of the Review	1.3	32
C. Examples of Savings and Increased Cost Consciousness	1.4	33-34
D. Structure of Hierarchical Responsibilities using Illustrative Budget Data.	2.6	35
E. Top Management Information Needs	3.3-3.5	36-37
F. Model Timetable	3.9	38-40
G. Extensions to End Year Flexibility Scheme	5.7	41

## Executive Summary

- I Introduction**
- 1.1** The purpose of this multi-departmental review was to encourage the development of budgeting as an effective instrument of expenditure planning and control and as a tool which management can use to improve its resources allocation and to deliver greater economy, efficiency and effectiveness in the accomplishment of its task. The terms of reference are at Annex A.
- 1.2** The review has been conducted along scrutiny lines and has been co-ordinated by a central team consisting of Tony Wilson, Geoffrey Crane, David Jamieson and David Nooney. It has been in two phases and has comprised seven parallel studies in the following six departments:
- Customs and Excise
  - Department of Employment
  - Department of Health and Social Security
  - Department of Trade and Industry
  - Home Office
  - Ministry of Defence
- and one NDPB
- Manpower Services Commission.
- 1.3** The first phase of the review was concerned with fact-finding. It concentrated on evaluating existing budgetary arrangements. It established what progress had been made and identified common problems. Several important, specific issues emerged which have been the focus of our work in Phase II. During this second phase Examining Officers have been encouraged to join forces in seeking solutions and to follow up relevant messages emerging from each others' work and from work in departments outside the scrutiny. The central team wishes to thank all those in the centre and in other departments, particularly those taking part in the departmental studies, for their time in giving evidence and for the benefit of their advice. The cost of the review, as broken down at Annex B, is estimated at around £407,000.
- 1.4** Budgeting is a sensitive plant whose growth is not helped by frequent uprooting to assess growth. The first phase of the review inevitably required such an examination and we found a number of healthy signs – most importantly enhanced cost consciousness among line managers, with illustrations both of cost savings and of budgets stimulating local managers to reorganise work and improve services. Some examples are reproduced at Annex C. In Phase II we have looked less at the plant itself and more at the surrounding soil. Budgeting is *not* an end in itself. It is a process which begins with managers planning how to deliver the goods or services for which they are responsible, and forecasting the cost of doing so. Collective decisions at all levels of management are then taken about priorities against a backcloth of overall departmental policies and available resources. Finally, line managers are tasked with carrying out their activities with the resources allocated so entering into "contracts for performance".



**1.5** Budgeting is thus a means of delivering value for money against a background of aims, objectives and targets. A fully articulated budgetary system must comprise control both of the costs of resources used (the input) and of the achievement of a planned level of activity (the output). It is an integral part of a management planning and control system and needs firm roots stretching into the strategic planning and cash planning and control cycles. Budgeting will only fully realise its potential if it has the support and involvement of top management, if there are strong connections between budgets, outputs and results, and if it operates within a supportive central and managerial environment. This report concentrates on these main issues: how best to secure the firm commitment and close involvement of senior management to budgeting; how to develop stronger links between budgeting and both the top management strategic planning system and the existing key cash planning and control systems; how to strengthen the links between outputs and inputs and promote the notion of a budget as a "contract for performance"; and how to reduce the inevitable tension between what makes sense at the aggregate level for delivering the Government's policies and the interests of managers trying to deliver their individual objectives with greatest efficiency.

**1.6** The report also considers several important but second-tier issues: the further development of manpower budgeting in the new environment of running costs control; the extension of budgeting to headquarters and to programme expenditure areas; training; and the form and structure of specialist support for budgeting. In exploring all these issues our concern has been to identify and disseminate examples of good practice. We do not attempt to assess progress against a single all-embracing model. Effective systems are dynamic and must constantly be reviewed against the pattern of changing needs. A systems blueprint for general use is not appropriate. Departments are at different stages of development. The leaders need encouragement to continue with their pathfinding work, the laggards can do much to accelerate their progress by using the development work and experience already gained elsewhere. Nothing will be gained in the long run, however, by forcing the pace of change to an extent which is beyond the capacity of departments to accommodate. The timescale of the recommendations have been drawn up with this in mind. The action plans which all departments will produce must maintain the necessary momentum and, as is usual, a further report after no more than two years will be required.

## **II The Role of Top Management**

**2.1** It is crucial to the development of effective budgeting that it is seen to have the full support of top management and that top management plays a full role in the budgetary process. By top management we refer primarily to that group of individuals who together form the "Top Management Board" (TMB) of a department. Ministers also have an important top management role. They provide the overall policy direction for departments and must be thoroughly aware of the resource implications of their policy decisions.

**2.2** Top managers, as the CIR Report emphasised, have a dual role: as individual heads of their line management commands and as collective members of the TMB with a collegiate, strategic role in planning and resource allocation for the department as a whole. The evidence suggests that top managers are still insufficiently involved in the budgetary process and that there is not enough emphasis on the managerial role of senior officials in the line management chain. We have also found that, while responsibility for decisions is progressively being transferred from Central Finance and Establishment commands to the line management chain, the central divisions have still fully to come to terms with the requirements of their changing role. Budget bids still tend to be challenged and scrutinised incrementally on the central finance network, with inadequate dialogue along the length of the line management chain.

**2.3** Our first conclusion is that top management needs to be supported by an effective central secretariat if it is properly to perform its collegiate role. The role of the existing secretariats seems ill-defined and too discretionary. Improvements are in train, following the recommendations contained in the CIR report, for the development of top management secretariats in respect of CIR services, but we see a need for a top management support function which stretches beyond the mere brigading of CIR staff. The functional role of the secretariat would be to co-ordinate and channel the information essential for the TMB's consideration of policies and priorities, results and performance; and to advise and brief the TMB on the focus of each round of the top management system and on issues which ought to be discussed and areas which ought to be probed. The establishment of such a secretariat would not remove the need for clear definitions of senior managerial responsibilities, but it would fill an important vacuum and should help top management communicate down the management chain its aims, objectives and priorities.

**2.4** The creation of an enhanced secretariat will not be sufficient by itself. As the DHSS report recognises, "a pre-requisite of an effective budgetary control system is a departmental organisation which clearly allocates responsibility and authority for resource control". Several Phase II departmental reports express concern about the clarity and logic of the current distinction between the roles of central Finance and Establishment Divisions and those of line managers responsible for devolved budgets. In recognition of the importance of clear responsibility for overall resource management, several departments have recently taken steps to bring the roles of the PFO and PEO closer together. We see further scope for bringing together responsibility for the allocation of resources of all sorts. It may be possible, for example, to re-organise the PFO's responsibilities in such a way that he is freer to concentrate on the key functions of resource management. None of this should involve the PEO's responsibilities for the management of people which have recently been given a higher profile and sharper focus by initiatives on management development and annual staff reporting. But it would allow the grouping together, as a central "staff", of the top management secretariat, a central specialist support facility and those parts of Finance and Establishment Divisions which

advise upon and control the allocation of resources and the monitoring of performance.

**2.5** Of course, this is but one way of achieving the desired result. We are not in the business of seeking to impose a single, detailed organisational structure. Similarly, we do not wish to ask departments to re-tread the ground recently covered in response to the CIR Report. However the interests of budgeting do demand further work. **We recommend that Permanent Secretaries should consider, in the light of their departmental arrangements and their response to the CIR Report:**

**i. how top management can bring together the process of internal resource planning, allocation and control; the setting of priorities and monitoring and review of performance; and the work of the CIR services in support of these, particularly in relation to the adequacy of budgetary systems; and**

**ii. how best to serve that purpose through a central secretariat responsible for the functions outlined in paragraph 2.3 above.**

**Proposals for action under i and ii should be prepared within the the next six months.**

**2.6** The form of the budgetary system itself can help top management in the exercise of its dual role. There is evidence to suggest that operational budgetary responsibilities at the top of the line management chain (at Deputy or Under Secretary levels) are frequently neither specific nor clearly circumscribed and that the entire line management chain is not yet acting as the channel for the iterative budget bidding debate. In our view it is essential that budgets should reach to the top of the line management chain in a way which reflects both senior management's collegiate role in planning and resource allocation for the department as a whole, and their individual responsibility for their particular line management commands. There are two dimensions to such hierarchical budgeting. First, the extension of budgets in their current form further up the line management chain. Second, the translation of those budgets into statements of objectives, required resources and achievement covering functional responsibilities (eg training, personnel management, office services on the one hand and major programmes on the other). This re-analysis of aggregated line budgets into functional headings, which is illustrated at Annex D, is particularly important since it is necessary to enable top management to take a collective view when deciding policies and priorities for the department as a whole.

**2.7 We recommend that Permanent Secretaries should consider in the light of their departmental arrangements:**

**i. how best, as a matter of urgency to develop a hierarchical budget structure which imposes on senior management clearly defined operational responsibilities at an aggregated level. Proposals for action should be prepared within the next six months;**

**ii what arrangements will be necessary to ensure that aggregated line budgets can be translated into statements of objectives, resources and achievements in terms of functional responsibilities bearing in mind the extent to which organisational responsibilities match functional or activity responsibilities. Proposals for action should be prepared within the next nine months.**

**2.8** Finally, the responsibility of senior line management for assessing budgetary performance realistically as an integral part of the budget "contract" needs to be emphasised. The importance of a challenging and regular review of budgetary performance is recognised in several departmental reports. The Department of Employment report draws attention to the importance of regular divisional reviews of performance conducted by Under Secretaries with their line managers. The DTI report refers to the recent clarification of Deputy Secretary management responsibilities, in particular their duty, as senior line managers, to review performance against budget and to secure improvements in value for money. **In our view good practice requires that senior line managers (Deputy and Under Secretaries) should always scrutinise and agree the budget bids from their commands and submit them to Central Finance Division. Subsequent negotiations with Central Finance should in the first instance be conducted at their level. The hierarchical budget structure recommended at paragraph 2.7i is a pre-requisite for this. But we recommend that departments take all other necessary steps to give effect to these procedures. This recommendation should be implemented by end December 1986.**

**2.9** A review of budgetary performance by line management already takes place in several departments. In some (eg Customs and Excise) this process is challenging and, as far as possible, concerned with achievements. It is important that a review designed to probe the reasons why objectives or results have not been fully achieved becomes the norm for all departments. **We recommend:**

**i. that guidance notes setting out the responsibilities of senior management (Deputy and Under Secretary level) should include clear reference to their line management budgetary responsibilities and specifically their duty to:**

- a) **establish measurable objectives and quantified targets for their commands;**
- b) **participate fully in the construction and scrutiny of budgetary bids;**
- c) **monitor performance, especially the extent to which priorities are observed and objectives met;**
- d) **conduct a penetrating end-year review of budgetary performance.**

ii. that the top management board, or equivalent management body, should review budgetary performance annually, on the basis of papers prepared by the top management secretariat in respect of individual Deputy or Under Secretary commands.

This recommendation should be implemented by end October 1986.

### III Relationships Between Top Management Systems (TMS), Budgetary Systems and Existing Cash Planning and Control Systems

3.1 Closer and more systematic top management involvement in the budgetary process is helped by strong connections between budgetary systems, strategic planning systems and cash planning and control systems. Moreover, such connections are, themselves, a pre-requisite for further budgetary development. Budgets cannot be effective in isolation. At one end they have to link to clear statements of objectives and at the other to meaningful measures of performance. Only then can the budget become a "contract for performance". Our findings suggest that the links between top management and budgetary systems are still developing and, for the most part, are not yet fully articulated. They also point to a need for stronger links between those systems and the PES/Estimates processes. Our examination has focussed on the form and content of top management systems and on the timetables of the component parts of the PES/Estimates/budgeting rounds since, in our view, developments in these areas hold the key to further budgetary progress.

3.2 There are two "review" elements in an effective top management system: first, a review of aims and objectives in each area of a department; second, a review of priorities across the whole department. It is important that TMSs support both perspectives. From an analysis of the papers considered by the TMBs, or their equivalents, in some of the participating departments over the last twelve months, it seems that generally:

- i. TMSs rarely contain information on priorities and TMBs spend relatively little time on the development and promulgation of an agreed consensus on overall aims, objectives and priorities. This contrasts with the position in the private sector where considerable importance and effort is attached to the manufacture and communication of a consensus;
- ii. most material relates to the review of functions and is designed to serve a programme of individual interviews on organisational matters. Summarised budgetary information for monitoring and assessing performance against key targets and objectives appears only occasionally;
- iii. there is often too much information contained in TMSs. Consequently it is indigestible and fails in its purpose of informing top management decisions at the macro level.

3.3 These shortcomings must not be overstated. A number of top management systems pre-date the FMI and have been gradually developed in accordance with it. Developments are continuing and are along the right lines. For example, statements of priorities are an established ingredient of the Customs and Excise Board's management plan and they now propose to include similar statements in Directorate plans. The Chairman's Management Committee in MSC devotes a good deal of time to monitoring performance on the basis of divisional performance reports and budgetary information. And the divisional work programmes in the DTI, produced annually as part of their top management system, allow top management to review performance against the previous year's targets. Nonetheless it is necessary to formalise the type of management information which TMBs require on a systematic basis to exercise their role properly. We define these information needs, as we see them, at Annex E.

3.4 Ministers will also wish to be aware of some of this material, though how much will vary depending on the precise relationship between individual Ministers and their senior officials. In order to be thoroughly aware of the resource implication of their policy decisions – already a requirement in relation to new policy evaluation – Ministers, in our view, must, as a minimum, receive:

- i. a statement of aims and objectives of a department accompanied by a statement of the assumptions made about the operating environment;
- ii. an indication of the main policy options available on which decisions are required;
- iii. information on the major internal or external constraints which may affect the achievements of aims and objectives (particularly the level of resources);
- iv. annual summary statements of programme expenditure incurred compared with budget and running cost expenditure against budget;
- v. manpower levels in the reporting period.

3.5 We recommend that Permanent Secretaries should consider the check-list set out at Annex E and, in the light of their current departmental arrangements produce proposals for meeting the information requirements therein. Ministers should also review their information needs. Although the process of developing adequate information systems is lengthy, good practice demands the initial charting of a timed programme of action and proposals for this should be prepared within six months.

3.6 It is important not to overburden top management systems with too much detail. The role of the proposed central secretariat should help by distilling information for top management to make sure that it can be usefully assimilated. But the effective aggregation of lower level information for top management, particularly the proper integration of lower level indicators into top management systems, is a difficult process. The line management chain should contribute directly. We see promising pointers in the increasing development within departments of line management systems, at the working level, which can feed TMS with summarised and aggregate data and assist in the review of targets, budgets and performance at various levels in the line management chain. To the extent that they represent an amalgam of top management system, budget and programme review such systems could provide the missing link between objective setting, budgeting and performance measurement. There is a need to build on this work, assess progress, and, where necessary, take action to fill the gaps.

**3.7 Accordingly, we recommend that Permanent Secretaries, supported by their FMI teams and CIR forces, should review progress on the development of divisional line management systems. In particular they should consider to what extent such systems contain: the divisional performance indicators to be used for assessment; an explanation of the way the division will monitor their administrative budgets; a set of measureable objectives and priorities at divisional level and a key task list; and an indication of how the divisions' internal management information will be handled. Proposals for action in the light of that review should be prepared within six months.**

3.8 An immediate practical difficulty in forging better links between budgetary systems, top management systems and the existing cash planning and control systems, is that of timetabling. There are formidable problems. Departmental planning and budgetary systems do not stand on their own. They must fit into the Government-wide PES and Estimates systems so that the totality of government expenditure can be reviewed annually for the Public Expenditure White Paper in advance of the Budget. This not only dictates the broad timetable to which departments must work, it also means that the complete cycle is bound to take more than twelve months because of the time which has to be allowed for preliminary departmental work and subsequent Treasury led discussions. We have adopted two guiding principles in examining how to move towards a more coherent and synchronised planning and control cycle: first, how to ensure that the conclusions or output of one cycle better inform the next; second, how to reduce the negative effects of the way the systems interact.

3.9 In the light of the departmental reports, private sector practice and current Treasury work designed to improve the working of the PES process, we have prepared at Annex F a model timetable indicating one way in which the timing difficulties might be tackled. It is illustrative, not prescriptive, and will need to be adjusted to the circumstances of individual departments. We do consider, however, that three elements of the proposed cycle are sufficiently important for budgetary development to be regarded as common features of all departmental arrangements.

3.10 First, we consider it essential that top management should carry out a strategic overview, some 16 months in advance of the first year to be covered by the forthcoming Survey. This should concentrate on establishing aims, objectives, priorities and constraints, so setting the parameters for the compilation of PES baselines. Policy reviews already inform the setting of priorities both within and between programmes but we see further scope, of considerable knock-on benefit for budgeting, for both internal departmental discussions and Treasury PES discussions with departments to focus on relative priorities. At the moment we see insufficient flavour of objective setting and performance review as the background to resource allocation. We believe that the strategic overview will protect the PES perspective and should help to alter the focus of the PES round more towards the second year in the cycle.

3.11 Second, we favour the introduction of a budget planning stage which would involve budget holders constructing and examining options built from what emerges from PES, but in advance of final figures. As the PES process is tending to last longer and longer and the PES and Estimates timetables increasingly run up against each other so the possibility of a rigorous and systematic budgetary preparation and scrutiny process is squeezed out. This problem could be significantly reduced if budget holders, rather than waiting for final figures, prepared budgets based on different models of expenditure and activity representing percentage deviations above and below PES figures. Budget bids so prepared might inform the PES bilaterals.

3.12 Finally, we consider that regular and systematic mid-year reviews can play an important part in ensuring that each element of the cycle is correctly informed by the experience or outturn from the others. The comprehensive approach to in-year monitoring described in the FMU's report on Top Management Systems (paragraph 4.21) is supportive of the need for "highly selective monitoring reports to top management at not too frequent intervals". We envisage these reviews taking place in the summer when they can consider final outturn from the previous year and late Autumn when they can inform the start of the next planning and budgetary cycle.

**3.13 We recommend that Permanent Secretaries should consider how best to give effect to the proposed strategic overview, the budget planning stage outlined in paragraph 3.11, and regular mid-year reviews, given the parameters which their organisational and operational arrangements already impose. Proposals for action should be prepared within the next six months.**

#### **IV Output and Performance**

**4.1** The importance for budgeting of firmer connections between activities, costs, outputs and results is widely recognised. If the full benefits of budgeting are to be realised, it is essential to move from traditional input cost budgeting to output budgeting under which expenditure and related output are planned and monitored together.

**4.2** The public sector can already boast an impressive array of intermediate indicators of throughput which measure timeliness and accuracy and provide some indication of the efficiency of administrative arrangements. In general, however, the public sector has not yet developed comprehensive, formal systems which link inputs with outputs. There are several explanations for this. First, there is the problem of associating costs with an output. Second, there is the difficulty of quantifying the value of the output or outcome. Finally, there is the problem of interpreting and applying performance indicators in a changing environment so as to ensure that they provide a continuous spur to increased operational efficiency.

**4.3** In our view departments should now give priority to considering how output and performance measures can play a more significant part in the process of planning and allocating resources and be used to assess the effectiveness of resource allocation, and to identify improvements in policies and procedures. So far as the allocation and monitoring of administrative resources is concerned existing good practice and some private sector experience can point the way forward.

**4.4** First, progress depends in part on the form of the planning process. The planning stage moves the horizon from the broad and long-term to the detailed and short-term by translating defined objectives into specific activities and targets. Good practice, as in Customs and Excise, demands that objectives are set in such a way that it is possible to move hierarchically down to define activities and targets at the lower organisational levels. The planning process must also be an integral part of the resource allocation process, simultaneously generating activity plans, targets, budgets and manpower requirements. That demands the collection, maintenance and assessment of two flows of information: financial information about the operation of the department; and non-financial or physical information (eg volume of outputs) so that plans can be expressed and budget levels be set to meet quantifiable or observable aspects of performance.

**4.5** Second, performance indicators must influence decisions about the appropriate level of resources. It is important that more areas of work at divisional, branch or individual office level are covered by performance indicators. The growth of divisional management information systems incorporating such indicators is one way forward. But priority should also be given to the development of comprehensive and specific branch work programmes which embody quantified objectives and targets for all activities.

**4.6** Third, the messages delivered by performance indicators must be capable of being evaluated. This is difficult unless there is a facility to judge the resources required to produce an actual output against a norm or standard. Where a department has many local offices performing the same function data should exist internally for such comparisons and can be used to assess the resource impact of different levels of performance (eg as in DHSS). However, for functions which exist only in a few divisions within each department the determination of best achievable performance requires a central database of performance. **Treasury OR division already has the development of such a database as an item in its work programme. We recommend that this work is given a high priority and that OR division draw up, within the next six months, terms of reference and a programme of action for tackling this work.**

**4.7** In service and specialist support areas whose role is primarily advisory, reactive and demand-determined, activities cannot always demonstrably link back at the highest level to the aims and objectives of a department. Our fourth message is that for such areas the essential requirement is to ensure that their activities match, in performance and budget terms, the needs of their customers in line divisions. In the private sector the quality of performance in such areas is often assessed by value for money audits, or by a rigorous assessment of customer reactions. We consider that customer satisfaction surveys constitute valuable performance indicators and that good practice points to their adoption in relation to service and advisory work. We would also wish to see greater use made of regular and systematic comparisons of the cost and quality of an in-house provider with that of an external provider, always bearing in mind the importance of ensuring that like is compared with like. A final possibility (recommended in the DHSS report) is that service providers should prepare annual accountability reports for their internal customers including cost and level of service indicators.

**4.8** Finally monitoring must be developed (eg as in DHSS) as a continuous input to the resource allocation process. It is important that where outputs or unit costs move significantly away from plans, the monitoring arrangements trigger a reconsideration of the resource allocation process. Such monitoring can require the support of expensive time or effort recording systems. Frequently, it is more sensible (as recommended by DTI) to replace these by a system of occasional in-depth cross-sectional studies linked together by a more frequent collection of a small number of key variables.

4.9 We ask departments to bear these messages in mind, particularly in implementing the recommendations at paragraphs 3.5 and 3.7. Performance measurement is not an issue where specific recommendations for departmental action are currently appropriate. Indeed it is a subject where over-simplification is dangerous and where it is easy to send the wrong signals. A pragmatic approach is, therefore, essential. Budgeting without an output and performance dimension is deficient, so gradual progress, not allowing the "best" to be the enemy of the "good" is the key.

## V The Budgetary Environment and Central Controls

5.1 The final major issue is how central controls over public expenditure interact with the budgetary environment – in particular whether certain elements of central controls inhibit the development of effective budgeting. There are inevitable tensions between traditional arrangements for the aggregate control of public expenditure and the interests of line managers trying to deliver their objectives with greatest efficiency. Yet these two aims are ultimately interdependent. Our guiding principle has been how best to promote and develop planning and control arrangements which reflect and reinforce that interdependence. We conclude that the crucial requirement for further progress is the development of departmental planning and control systems which demonstrate improved efficiency and effectiveness. As several of the departmental reports recognise, the central departments need evidence of robust systems before they can sensibly relax their existing control mechanisms. Equally, if budgeting is to realise its full potential, the duplication of controls, whether intra – or inter-departmental, should not be perpetuated longer than is absolutely necessary.

5.2 Our work in Phase II has coincided with the introduction of the new running costs regime and we have looked closely at the likely impact of the new arrangements on devolved budgeting. We conclude that, on balance, the introduction of single departmental running cost limits should help the thrust of devolved budgeting. First, the running cost limits agreed in the Survey should represent realistic but demanding levels of provision for departmental administrative expenditure based on departments' own estimates, including estimates about pay. They enable us, therefore, to get away from the centrally imposed pay assumption which we believe represented the most serious detraction from the credibility and realism of the whole budgeting process. They should also encourage good financial management by requiring departments to make realistic provision in advance, rather than supplementing an artificially low figure by drawing on programme expenditure later in the year. So long as pay is centrally negotiated and settlements are reached after the budget setting process, there will continue to be uncertainty about the precise effects on departmental pay bills. But that uncertainty should be no greater than departments already have to live with or other cost movements and the focus on the total running cost budget should enable departments to absorb any unexpected increase (within reasonable limits).

5.3 Secondly while overall manpower controls will remain with published targets to 1988, the new arrangements, provided they secure an effective alternative control over the use of manpower, will enable Ministers to consider relying on them rather than on separate manpower controls after that date. The focus would move from the individual components of running costs to the sum of the parts needed to get the work done so providing a significant impetus to greater managerial freedom to switch between the components of running costs in both directions and so promote tradeoffs, in the interests of overall efficiency, within a tightly controlled cash total.

5.4 One area where we share departmental anxieties about the effect of the new arrangements on devolved budgeting is the present definition of capital and current expenditure. There is expenditure, correctly classified technically as capital, which for decision-making purposes is akin to or substitutes for current expenditure, (eg some furniture and fittings and office machinery, small computer items etc). We consider it important that where budgetary objectives can be genuinely achieved by either capital expenditure of this kind or increased running costs, line managers should not be constrained from choosing the most cost effective option simply by definitional difficulties. We recognise that any modification of the definition of running costs will have implications for the control and monitoring of running cost expenditure at the aggregate level. But we feel this area is worth examining further. **We recommend that GEP and RCM Divisions (Treasury) should consider and report in six months time on what practical steps can be taken to include some minor capital expenditure within the definition of running costs without infringing effective control.**

5.5. The final question on running costs concerns gross versus net controls. We see no real conflict between the use of gross limits and the thrust of devolved budgeting. Expenditure cannot be justified solely on the grounds that it maximises receipts and there are several valid reasons for treating running costs limits gross all of which have a budgetary dimension. We accept that there may be circumstances where net control is preferable but we would define and circumscribe these much more narrowly than "all fee earning activities". The appropriateness of net controls depends inter alia, on the nature of the business or service, the predictability, volatility and elasticity of demand and the extent to which the fee/charge is levied in a competitive market. Also important are the extent to which the full cost of an activity (and so the scope for cross subsidising) can be properly identified and the extent to which there are social/strategic considerations which mean that the output of an activity cannot be properly determined solely on commercial grounds regardless of the implied gross level of activity. In our view sensible progress demands, first, decisions, in the light of such criteria on whether the necessary circumstances for net treatment exist, and, second, precise definition of the control mechanisms and information which are required, in addition to a cash control, to support such treatment. These mechanisms will generally need to be established and tested before net treatment in relation to central control can be considered. In many cases, as implied earlier, they will be desirable independently of

whether net control is envisaged. **We recommend that Treasury (RCM Division in consultation with GEP 2 and 3, PSE, MADD and FM Divisions) draw up within the next six months criteria both for considering net control treatment and for measuring efficiency and performance under a net regime for the guidance of both departments and Treasury public expenditure divisions.**

**5.6** A second aspect of central controls is the effect of the one year funding cycle. Annuality is not an arbitrary feature of expenditure control unique to the public sector. We have focussed, therefore, on its effects on planned capital expenditure where, as the DTI report recognises, there can be genuine difficulties. In examining how best to protect such expenditure we have participated in the Treasury's review of the End-Year Flexibility (EYF) scheme for capital expenditure. We have also probed the causes of end-year surge and explored how far the scheme has reduced that phenomenon.

**5.7** Budgeting's connection with the EYF scheme is rooted in the latter's purpose to improve the management of capital expenditure. Budgetary development is best served by an EYF scheme which improves the value for money from capital expenditure by minimising the delays and disruption associated with unavoidable slippage. Judged against that criterion the evidence presented to the Treasury about the Scheme's first year of operation is limited. But that is not surprising. Departments are still getting used to the scheme and some of the potential benefits will only be fully obtained when improved internal capital management systems are in place. As part of the review we have argued that the continuation of the Scheme is important for budgeting, not least because it recognises that the pursuit of improved value for money out of a given level of capital expenditure should not be frustrated by the timing of expenditure. The EYF review is now complete and recommends the continuation of the Scheme and some extensions to it. The proposals, which are being promulgated in the PESC paper, are summarised at Annex G. In our view they significantly strengthen the Scheme's focus on improved capital management and so work with the grain of budgetary development.

**5.8** End-year flexibility is not a total answer to the protection of planned capital expenditure. The interaction of annuality and uncertainty can produce two effects: first, a distorted expenditure profile with managers bringing forward, at the last moment, procurements originally planned for the ensuing year; second, the commitment of resources piecemeal. Both undermine good decision making and the pursuit of value for money. Our examination of end-year surge has produced little hard information from departments. Three contributory factors have emerged: departmental purchasing practices and pressure from suppliers to settle accounts before their own March financial year-end; managerial preference for deferring lower priority expenditure until the final months of the year, by which time managers can see how the Vote as a whole is doing; and a determination to spend up to the limit for fear that the Treasury, in the course of PES, will automatically respond to underspend by reducing provision for later years. This last perception is very

common. To the extent that there is a problem in the stance taken by the Treasury or the centre of departments, we think good practice demands that the reasons for underspending should always be carefully probed.

**5.9** More generally, all three factors imply some lack of trust in departmental capital management systems. We see scope here for departments to learn from others with more experience of major capital programmes and, in particular, a need for the wider use of commitment scheduling. Used in conjunction with monitoring systems, commitment models can improve the forecasting and profiling of expenditure and reduce inefficient "lumpiness" in end-year spending. They can also reduce the two adverse effects mentioned above by providing a profile and scorecard of formal commitments. If, as in DTI, they have links back to the top management system, and so to statements of priorities, they can help to create a climate of greater certainty.

**5.10** Finally under central controls we have looked briefly at the constraining effects on budgeting of tied suppliers and of some of the central agencies' procurement and billing procedures. These questions are already being pursued in other fora, notably in Inter-Departmental Committee on the PRS (IDC). Improvements are emerging and we are aware, for example, of The Crown Suppliers' strenuous efforts to improve both the quality of the information supporting their invoices and the frequency and level of their invoicing to match customers' needs. These improvements and the proposal to change their Accounting Year to a calendar basis should reduce the problems. As to future progress we believe budgeting would be assisted by: an increase in the de minimis level for untying specified non-specialist items or jobs; the establishment, in the wake of the creation of the Central Unit on Purchasing, of internal focal points of purchasing and supply expertise in departments; and the acceptance of the thrust of the recommendations in the Multi-Departmental Review of Accommodation for the greater delegation of maintenance, minor works and major new works on non-specialised accommodation. We ask those currently considering these issues, principally the IDC, to bear these conclusions in mind.

## **VI Manpower Budgeting**

**6.1** Manpower costs represent by far the largest element of running costs budgets, so effective manpower budgeting is a vital element of further budgetary progress. The departmental reports argue that manpower controls in terms of both numbers and money inhibit devolved budgeting. The new running costs regime offers the possibility of moving away from dual controls over manpower. It is important to ensure that departmental arrangements are sufficiently robust to take up any such opportunity should it arise.

**6.2** Progress, within the running costs regime, depends fundamentally on departments developing effective manpower planning. This reinforces the need for effective manpower budgeting which, in our view, requires closer integration of budgeting and complementing. We consider how this can be achieved through systems which recognise the links between workload, manpower and performance. We also explore the role of staff inspection to support and promote such integration. Finally we examine how manpower budgeting arrangements need to be strengthened if the budget setting and bidding process is to become an adequate mechanism for reconciling the departmental financial provision for manpower with individual budget bids. There are several general principles which we believe should guide departmental progress. In our view arrangements should:

- i. ensure effective manpower planning so that necessary adjustments to fit with running costs limits can be planned and implemented in the most efficient manner well in advance;
- ii. ensure that manpower budgeting fits with the grain of developments on resource budgeting generally and provides for an effective line management contribution at all levels, so allowing line management to make well founded bids, senior management to engage in a constructive dialogue with the bidders, penetrate the bids to examine workloads and take informed decisions as a result of their analysis;
- iii. define the acceptable levels of central direction and local discretion, setting specific ground rules for resolving difficulties between the centre and the line on, for example, target improvements on productivity and additional bids for staff consequent to staff inspection or review findings;
- iv. ensure that outputs and performance indicators are taken into the process for determining requirements;
- v. make greater use of systems which establish relationships, wherever possible quantified, between workloads, manpower and performance at the key levels, so improving the estimation of future staffing requirements;
- vi. use specialist support, particularly staff inspection, to identify options for resource allocation; and
- vii. enable line management to make in-year decisions about resource mixes according to priorities and constraints.

**6.3** We recommend:

- i. that departments review their manpower budgeting arrangements in the light of the above guidelines and report within six months on current progress and the direction of future developments;
- ii. that Treasury (RCM Division with support from MADD and FM Divisions) prepare, in the light of these departmental reports, more detailed central guidance on manpower planning and budgeting, this guidance to be prepared by end March 1987. The Treasury intends to review the role of staff inspection later in 1987. We endorse that aim.

**6.4** We have also looked briefly at the extent to which decisions about the delegation of personnel authorities take account of the interests of budgeting. We conclude that decisions and guidance on the respective responsibilities of central personnel and line managers do take into account budgeting's pressure to give managers more authority over the resources allocated to them and sharper accountability for achieving results. We are less sure, however, about how far such decisions are specifically geared to promoting the effective and efficient use of resources. We think it important that both the central departments and the centre of departments continue to ask not whether they can devolve, but why they cannot. This approach places the burden of proof where it belongs and teases out the prior conditions for successful decentralisation or delegation, indentifying what action is needed to reach that position. In our view effective progress also requires continued efforts to make the role of departmental Establishment Divisions less prescriptive and more advisory with the emphasis on preparing guidelines or parameters within which, to differing extents, delegation can take place.

## **VII Budgeting in Headquarters Areas**

**7.1** The introduction of effective budgeting has moved fastest in the operational and executive areas of departments. Progress in headquarters areas has proved slower and more difficult, particularly so with those divisions advising on or administering departmental policy, although the main operational areas of headquarters have also presented problems. We see three main reasons for this. First, many headquarters policy divisions have a variety of tasks rather than a single function and have to be responsive to the sometimes quite rapid changes in political pressure. That makes it difficult both to plan firmly ahead and to allocate resources clearly between functions. This effect spills over into the more operational headquarters divisions who have to adjust to the rapidly changing needs of their "policy" customers. Second, headquarters divisions are normally fairly small and located together close to Ministers. That makes it difficult to arrive at a sensible allocation of shared resources and limits the line manager's freedom over the deployment of such resources within his budget. Finally, in many policy areas it is difficult to devise satisfactory measures of output against which performance can be judged. This reflects partly the highly responsive nature of the work and partly the need to measure quality rather than quantity of achievement. The



combined effect of these factors is that in many headquarters areas budgeting tends to concentrate not on the cost of achieving defined objectives but rather on how far these can be achieved given a fixed input of resources.

**7.2** Although they pose stubborn difficulties the above complications are matters of degree rather than of principle. They do not constitute, in our view, an insurmountable obstacle to the development of effective budgeting in headquarters areas. Moreover the inclusion of headquarters areas in budgeting is essential both because of the potentially large benefits for programme (as distinct from administrative) expenditure in headquarters areas.

**7.3** We see several useful pointers to progress. The probability that plans and priorities will have to be amended as the budget period progresses increases, rather than reduces, the need for forward planning. Headquarters divisions must consider how resources can best be deployed in future plans so that they know how far events are forcing a reassessment of priorities. In turn the line management hierarchy in headquarters areas must be able collectively to adjust resources within overall commands to meet unforeseen changes in priorities. Other recommendations in this report will help here but this requirement also introduces new demands. The MSC report identifies the need for a budget co-ordinator in each HQ division and the DHSS report recommends the establishment of a "divisional executive" who would answer to the head of division for day to day oversight of divisional support for management systems, including budgetary control. We see merit in such posts with responsibilities for: progressing the statement of priorities which would guide in-year adjustments to plans and budgets and the divisional case on any bid for extra resources during the year; servicing the manpower budgeting arrangements; developing divisional work programmes and divisional management accounts; and monitoring workload and performance indicators and state of work returns. **We recommend that departments should investigate, in the light of their existing arrangements, the suitability/feasibility of identifying headquarters divisional posts responsible for the broad functions set out above. Findings and proposals for action should be prepared as part of the response to the recommendation on divisional line management systems at paragraph 3.7.**

**7.4** Other general messages are:

- i. the sensible allocation of shared resources is difficult and links into the question of internal recharging systems. The credibility of such systems depends upon the quality of information they provide and an acceptance that the methods used to attribute costs are realistic and equitable.
- ii. Even where the line managers ability to control or influence costs is very constrained there is advantage in the budget telling him his total costs in memorandum form.
- iii. The practical constraint on progress is not so much whether the line manager is in a position to influence costs but whether the departmental accounting system is capable of breaking those costs down to the level of individual budget holders.
- iv. Measuring the quality of output as opposed to its quantity is more difficult in headquarters areas where it is necessary to assess the validity and impact of the policy or programme. To some extent subjective judgements will always have a part to play. Top management has a crucial role to play in providing such judgements and must exert a positive influence.

**7.5** The development of effective budgeting in headquarters areas is important for the development of effective top management systems. Additionally, where headquarters costs constitute a sizeable element of programme costs, effective headquarters budgeting is desirable if we are to test the eventual feasibility of input/output budgeting for programme expenditure. At the same time the appropriate form and the degree of complexity of a budgetary system will vary between headquarter organisations and large executive organisations and between one headquarters area and another. **We recommend that departmental action plans in response to this review should set out departments' intentions for extending budgets to headquarters areas, bearing in mind the messages above. Proposals for action should be prepared within six months.**

## VIII Specialist Support

**8.1** Our terms of reference require us to consider how the specialist services can best be organised and used to promote the transition to resource control by budget. If these services are properly to promote future budgetary development their organisation and role must acknowledge the present state of development. In the absence of fully articulated budgetary systems, top management's control over line management cannot be totally exercised through the budgetary process. This means that for the time being the specialist services are needed as a regular instrument of top management control to a rather greater extent than the CIR Report envisaged.

8.2 In response to the CIR Report departments have tended to concentrate on improving the co-ordination of their CIR forces. The participating departments have adopted different approaches but multi-disciplinary working and co-ordinated work programmes approved by senior management are features common to all. These are welcome developments, but do not completely meet top management's needs, especially their aggregated information requirements. We have proposed the establishment of an enhanced central secretariat to meet some of the identified problems. In our view, it is essential, **that the central secretariat, proposed in paragraph 2.5ii has access to a centrally brigaded, multi-disciplinary specialist capability and we so recommend.** Whether such support is a part of the secretariat, the existing finance function, or management services is a matter for departmental preference. But it must fit comfortably with the proposals formulated in response to the recommendation at 2.5ii. A centrally brigaded, multi-disciplinary support facility for top management need not necessarily be a permanent feature. As more robust resource control systems develop and line managers acquire the necessary additional skills, top management control will increasingly be exercised through the budgetary process.

8.3 The second major requirement for specialist support, bearing in mind the pattern of development postulated in the CIR Report, is to assist and advise line managers in the development of the necessary resource control systems and in the acquisition of the necessary additional skills. In our view this task requires a change in the way in which the specialist services are used to support line management. To date their main contribution has been in setting up or designing systems, producing management information, developing performance indicators and agreeing staffing formulae etc. Henceforth greater emphasis has to be placed on: appraising and ensuring the effectiveness of such systems and interpreting their output for line management; advising on how to increase the practical use made of performance indicators at each management level; and the post-hoc monitoring of results in order to secure improvements both in systems and performance. This change will require a more flexible approach with specialist advice geared to individual circumstances reflecting, for example, an understanding of the particular type of divisional expenditure involved and the type of performance measures which are applicable to the particular work area. Effective support for line management also requires the involvement of specialists at an early enough stage in the development process to contribute to decision-making. There is evidence that frequently divisions are not fully aware of the extent to which they can seek help especially in a situation where what works in one division does not necessarily do so in another.

8.4 These requirements do not point conclusively to any one structure of specialist support for line management. In our view most departments will need to adopt a flexible structure with specialists on line managers' complements in operational areas where demonstrably there is sufficient work or difficulties to justify the additional resource, but also retaining a multi-disciplinary central capability designed to meet the demands of other line managers. The precise relationship between this central capability and the central specialist support for top management recommended at paragraph 8.2 is a matter of departmental preference although there will often be a case for co-locating them.

8.5 There is a need to improve access to specialist support and consultancy. The MSC report recommends the development and adoption, on a MSC-wide basis, of a "checklist" of contact points to identify specialist expertise and guidance. This should help to secure specialist involvement earlier and more effectively and we consider something similar is required at the interdepartmental level. Within all departments there are growing pockets of valuable practical experience on a range of FMI-related systems, procedures and techniques. Unfortunately there is not, at present, an adequate facility by which these valuable resources can be easily, comprehensively and systematically tapped by departments. We doubt the feasibility and cost effectiveness of establishing and monitoring a centralised index covering a necessarily wide range of subjects. But it should be practicable for MPO/Treasury to provide a clearing house service. **We recommend the relevant divisions in MPO/Treasury maintain and make available lists of contact points (in departments and elsewhere) for practical advice across a wide range of topics (eg top management systems, management information and accounting systems, running costs, output and performance measures, project management, investment appraisal, policy evaluation and fees and charges etc). Each list should be kept up to date by an authorised official, working day-to-day on the subject, so that together they provide a catalogue to which all departments can refer for advice and guidance. The updating of the lists should be confirmed by the JMU/FM Division, Treasury. This recommendation should be implemented by October 1986.**

## IX Training

9.1 If budgets are to become the primary mechanism for managing and controlling departmental resources, training support should be designed to that end. We believe that efforts in the immediate future should be directed towards strengthening the resource management element of current training for budget holders, assessing the training requirements for specialists so that they can help line managers acquire the necessary skills, and developing training targeted at the line management chain as an entity.

9.2 In different ways the training programmes of the participating departments all emphasise the importance of resource management. The need to set objectives, decide priorities, quantify outputs and measure performance is recognised and underlined. Yet there remains scope to define more precisely what skills line managers require in order to handle effectively the difficult period of change to resource control by budget. Budgetholders must be able to plan activities and determine priorities against competing needs, control and monitor resource use against achievement, and identify relevant performance indicators and the means of measuring the physical output or service provided. They must also know what questions to ask of specialists and particularly when to seek what specialist help. There is not always a clear understanding among managers of the respective contributions of the various specialists and more training on the respective roles of each is necessary.

9.3 As to the attributes which specialists need if they are to pass on their skills to line managers, the most important requirement, we believe, is for them to be advocates not technicians. They have to be able to tailor their advice so that it respects the culture, as well as the ability of line managers to absorb the concepts, and is directly relevant to the state of budgetary development and the practical problems which the line manager is facing. They are "change agents" in an evolutionary process – a role which requires considerable managerial skills.

9.4 The importance of developing the entire line management chain as the channel for the necessary iterative budget bidding debate became apparent during the first phase of our work. We concluded that little training was presently directed at that and invited Training Division, MPO, to explore the feasibility of introducing such training. That study has now been completed and confirms the case for such training in securing acceptance of managerial change. Effective budgeting requires trust in the budget as a contract for performance and a clearly defined managerial role for every management level in the organisation. "Team training" is a vehicle for improving communications and clarifying management roles. It is, however, a high risk strategy whose pay off is long term. It also depends on the availability of high quality trainers and is expensive in terms of time and money. To be effective it must be carefully planned and managed. That said, we remain convinced that training which concentrates minds on the aims of an organisation as a whole as well as its component parts, clarifies individual contributions to the line management chain and teases out and confronts the different perceptions of each link in that chain will significantly contribute to the development of effective budgeting. There is as yet insufficient data to demonstrate accurately the likely order of costs or the potential value of the benefits of team training. Accordingly we are not in a position to recommend the adoption of such training across departments. **We recommend, in the light of the MPO study, that pilot experiments in team training should now be run to indicate the preferred approach and the likely costs and benefits. These experiments should be confined to the**

**departments who participated in this review and MPO, Training Division, should discuss with them the setting up and running of the experiments and also how to monitor the results. Initial proposals for action should be prepared within six months.**

## X Programme Expenditure

10.1 This review has focussed on budgeting for administrative expenditure which is where departments have understandably concentrated their initial efforts. However programme expenditure, given it accounts for about 87% of central government expenditure, is where the big potential for enhanced value for money and savings lies. Accordingly three of the participating departments (DTI, MSC and Employment) have also considered the application of budgetary principles to some of their programme expenditure. We have had insufficient time, as the central team, to consider in any depth the application of budgeting across the whole range of programmes, of which industry and employment programmes are only a small part. Nonetheless, as this review has progressed, the importance of applying budgetary principles to programmes has become increasingly apparent. In our view, no report on budgeting would be complete without some reference to the application of budgetary principles to this important area.

10.2 We have stressed that the definition of objectives and priorities and the attention paid to them in the allocation of resources, the monitoring of activities, the evaluation of outputs, and the feedback of results into the objective setting process, are essential elements of effective budgeting for administrative expenditure. These principles are equally important for the process of managing programmes. But there are fundamental differences in their application. The key budget relationship of what we get for what we spend is complicated by three additional factors. First, programmes can have a lead time for the implementation of project management decisions, a substantial commitment and payment time-lag and a time-lag between expenditure and its benefits. Second, the degree of departmental control over programmes has to be considered both in terms of total spend and the specificity of the spend (what it is spent on and how it relates to programme objectives). Finally, programmes add a new dimension, requiring performance indicators which evaluate their impact and effectiveness.

**10.3** These complications carry important lessons for the application of budgetary principles. In particular they bring additional influences to bear on the level of effective delegation, the translation of information into a form that top management can utilise, and the promotion of effective evaluation and monitoring. **We recommend that those departments which have not already done so should be asked to conduct a pilot exercise on the extension of budgetary principles to one of their typical programmes and its associated administrative costs. The pilot should seek to establish the feasible/desirable degree of delegation from the central policy division to the line; the arrangements for strengthening the link between the budgetary system and the top management system with particular regard to the aggregation of information and results; the necessary organisational arrangements for ensuring that the impact and efficiency of the programme can be evaluated and reviewed; and the requirements for effective planning and monitoring. Departments should report on the form of the pilot and provide an initial assessment by end December 1986.**

## **XI Conclusion: The End Result**

**11.1** Budgeting is an evolutionary process which affects all aspects of departmental business. It is essential to maintain its momentum. When these developments are all in place we believe they will assist in the running of the department in several ways:

- i. a formalisation of the top management planning process will help focus on what the aims, objectives, and priorities of the department should be. It will inform the PES and Estimates bids and the department's negotiations with the centre. Its translation into a budgetary process, which permeates all levels within the department, will mean that resources are allocated rationally within an agreed plan of relative priorities. Finally it will sharpen every manager's concept of what he is expected to do and at what cost.
- ii. effective budgeting demands a plan of activity from line managers. Accompanied by effective monitoring during the course of the financial year, these plans will allow top management to exercise improved control not only by being able to pinpoint *where* things are going wrong but also by seeking from the appropriate line manager his proposals for putting them right *at the same time*. When inevitably events start to diverge from plans managers at all levels will be able to quantify the effects of actual or proposed changes much faster and more accurately. Similarly the options for transferring resources from one area of a department to another to meet sudden emergencies will be apparent to the Permanent Secretary and his Management Board early enough to enable practical action to be taken. Finally, effective budgeting will also strengthen top management's control over what work is actually done by enabling them to form a judgement on the relative importance and cost of that work compared with other competing resource uses.

- iii. the top management secretariat, coupled with specialist skills, will indicate what information the top management board should be receiving and will help to distil this information and provide briefing to the Board on the key issues requiring examination. There will be supporting systems aiding the reporting of activities, outputs and costs in suitable form for all levels of management. These will provide information in sufficient time and with the necessary accuracy to indicate the direction in which the Department is heading and permit any necessary corrective action. All of this will feed back into the planning stage for subsequent cycles. Experience of one cycle will constantly inform the next through a budgetary system which will link them into a coherent whole.
- iv. the effective communication of objectives and achievements up and down the management line, properly informed by reliable information systems on a timely basis, will develop a beneficial self-confidence in management at all levels.
- v. Ministers, managers and staff will have output measures and performance indicators which help them to see:
  - a) the objectives they are working towards;
  - b) how much they have achieved; and
  - c) why they need to do more, or something different, in the future.

## Annex A: Terms of Reference

To examine:

- a) how the preparation of budgets covering staff and other running costs is commissioned;
- b) how managers construct budget bids, probe the budget proposals of their subordinates, and subsequently evaluate performance against budget;
- c) how budget holders' skill in securing economies and in improving value for money (including their use of specialist services) is being developed;
- d) what assistance senior departmental management requires for allocating budgets and monitoring the management of delegated budgeting.

To identify the approach, procedures, techniques and skills most likely to make budgetary processes a successful instrument in the better control and management of expenditure, within a framework of service-wide requirements and standards.

To distil principles and examples of good practice as a basis for recommendations for the further development of budgetary processes.

## Annex B: Total Cost of the Review

Department	Phase I £	Phase II £	Total £
Home Office	10,000	3,000	13,000
DTI	7,250	10,500	17,750
MOD	51,000	57,000	108,000
DHSS	30,500	37,500	68,000
MSC	22,900	28,300	51,200
DEm	8,000	14,000	22,000
C&E	23,600	7,600	31,200
Central	50,000	46,000	96,000
	<u>203,250</u>	<u>203,900</u>	<u>407,150</u>

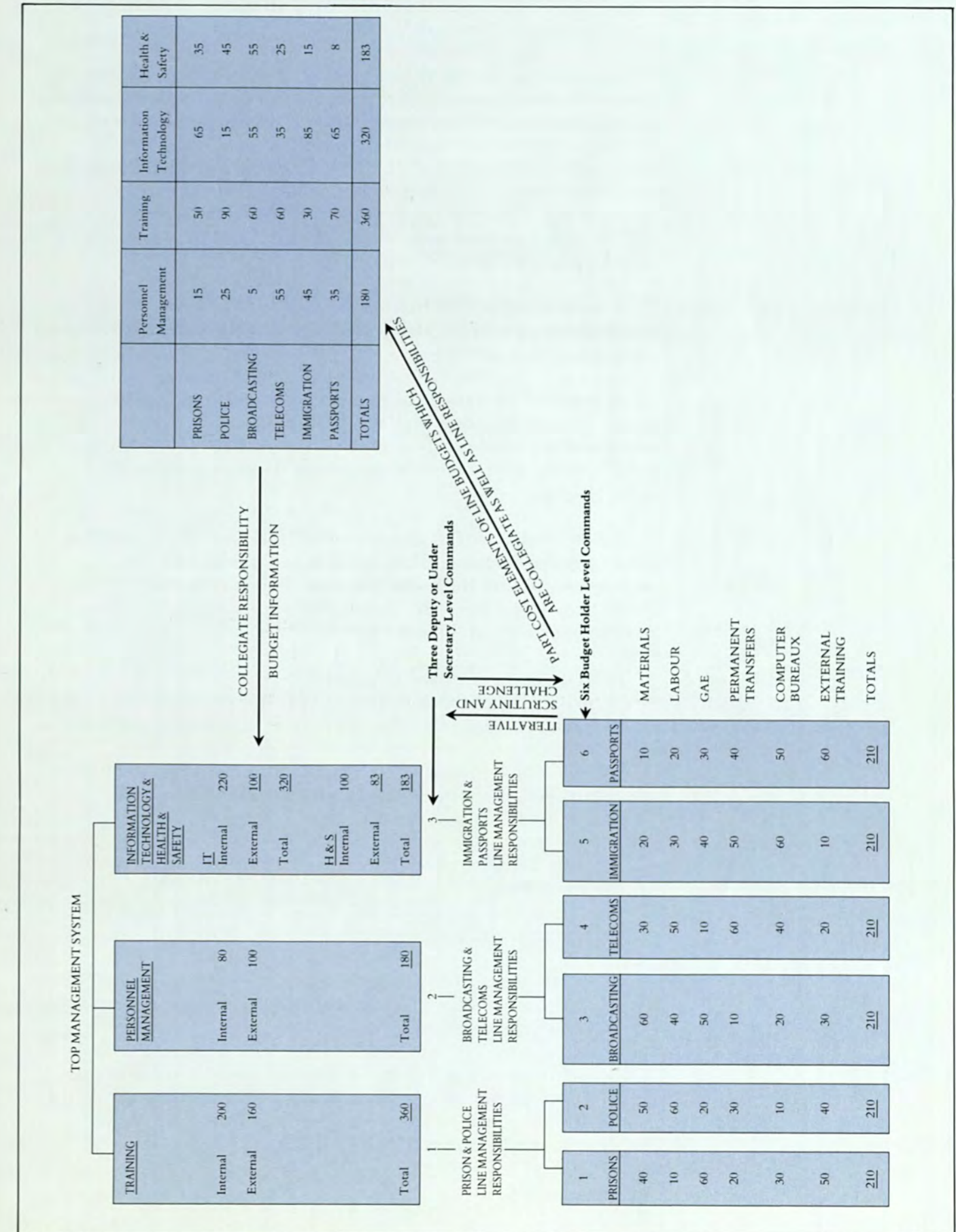
## Annex C: Examples of Savings and Increased Cost-Consciousness

**Anecdotes showing Savings and Increased Cost-Consciousness arising from the introduction of Delegated Budgeting**

1. Introduction of delegated budgeting led to identification of unnecessary costs and consequent reduction in the size of vehicle fleet (MSC).
2. Through delegated budget, payments for unused parking space were identified and stopped (MSC).
3. Automatic use of Business Reply Service terminated with no appreciable effect on level of return (MSC).
4. Budgeting encouraged use of more efficient gas/electricity tariff (MSC).
5. Budgeting focussed attention on setting time switches and thermostats. In particular, a water heater previously left on all week is now operated for much shorter periods (MSC).
6. Devolved budgeting has given rise to the removal of unnecessary telephone extensions and reduction in the "9" facility for outside lines (MSC).
7. Hull TD Area Office allowed flexibility to spend more on a Mode B2 YTS scheme provided money is found from elsewhere in their overall YTS budget (MSC).
8. The parts of the department to which budgets have been devolved now include an assessment of resource implication in their submissions to the top of the office. Previously they needed constant reminders to do so as, even now, do the parts of the department not covered by budgets (HO).
9. The introduction of PRS gave rise to greater cost identification but no corresponding savings. Such savings were, however, achieved when PRS was supplemented by delegated budgeting (C&E).
10. Estimates for work are no longer merely accepted but on occasion challenged (£40 to replace tap washer) (DHSS).
11. Delegated budget to an out-stationed Principal command has led to:
  - a) organisation and staff savings;
  - b) savings in common services (allocated typists, more economical security cover, new telephone exchanges, more cost effective photocopying) (DHSS).
12. Greater cost identification (eg moving furniture around an office @ £900 per annum) has led to increased questioning of justification for such costs (DHSS).

13. Working practices have been changed to ensure that items which previously went by first class post now have time to go second class (DHSS).
14. Greater use made of both discount travel agents and special offers in order to reduce travel costs (DHSS).
15. Costing of typing led to recognition that cheaper services could be provided while maintaining quality (DHSS).
16. Budgeting has stimulated a more critical approach by budget holders to the need for visits (DTI).
17. Delegation of local powers has given rise to better planning and consequent savings in time and administrative costs (DTI).
18. "We do not now see a broken window. We see £60 out of our budget" (DE).
19. "I expect costs to fall as a result of greater cost consciousness – we have a policy of spending to save" (DE).
20. "Budgeting is helping us to develop links between costs and performance – any area planning objective now has to have a price tag" (DE).
21. A proposal to increase office accommodation by refurbishing storage area was dropped once the cost of £50,000 was discovered (MOD).
22. Similarly a proposal to provide weather protection for petrol pumps was dropped when the £20,000 cost became clear (MOD).

## Annex D: Structure of Hierarchical Responsibilities using Illustrative Budget Data



## Annex E: Top Management Information Needs

Check list of management information likely to be needed by top management boards

**Objectives** A statement of the aims and objectives of the department (quantified wherever possible and supported by details of any significant underlying assumptions), including details of major targets. Many departments produce this, although the scope and detail varies widely. Some, like Customs and Excise, state aims for the department as a whole, while others, like the Department of Employment, consider them in the context of specific organisational units. Few departments at present quantify aims or provide details of assumptions.

**Options and Priorities** 2. A statement of the main policy options in areas where decisions are required and the priorities attached to different options.

**Constraints** 3. A detailed statement of perceived major internal or external constraints which may affect the achievement of aims and objectives. There is little evidence that much attention is paid to this and constraints appear to be discussed only in very general terms.

**Responsibilities** 4. A clear statement of the organisational structure and the allocation of responsibilities and functions in line management and budgetary terms. This is something which many departments include, although the current emphasis is on describing line management responsibilities.

**Resources** 5. Data on resource use, including:

- (i) A statement of total resources available covering manpower and money;
- (ii) A summary financial statement showing historical outturn against budget for both programme and administrative expenditure;
- (iii) Details of approved capital budgets, outturn to date and commitments;
- (iv) Information about assets and stocks;
- (v) A statement of any significant variations between budget and actual expenditure to date and between budget bids and the previous year's outturn.

All departments taking part in the scrutiny produce some of this information, particularly items (i) and (ii). For the rest the information is generally patchy and no department yet produces information under all heads.

**Commitments** 6. A commitment record showing expenditure committed but not yet incurred. There is no evidence that departments produce this at present.

**Performance** 7. Measures to assess the department's progress towards the achievement of its objectives including selected key performance measures or output indicators including unit cost of outputs where available. Departments taking part in the Review have done a lot of work to produce effective performance measures and output indicators, and good examples of these are included in the material produced by Customs and Excise and the Department of Employment. There is, however, scope for further improvement and this is recognised in the departmental reports.

## Annex F: Model Timetable

### Top Management Planning Cycle

Section 4.12 of the main report refers to a model time-table which suggests how the top management planning cycle in departments might be structured. The purpose of this annex is to outline such a timetable which is intended to be illustrative; the timing and scope of particular stages will vary to reflect the circumstances and requirements of individual departments. The principle of maintaining linkages between the component parts of the timetable should, however, be maintained if it is to serve its purpose.

2. The cycle envisaged covers a period of some 18 months prior to the beginning of each financial year and includes three important stages:

a. strategic overview in October/November focusing on the two financial years which will be years 1 and 2 of the PES round which is due to start in the following February. Year 1 is referred to below as the target year.

b. the preparation of budget "scenarios" by line managers in March/April some 12 months before the target year which would enable departments to explore the options open to them assuming different levels of available resources, prior to final decisions on public expenditure planning totals.

c. a mid-cycle review in June/July some 9 months before the start of the target financial year, based on a review of performance in the financial year just ended and on discussions with the Treasury about the PES submission. A further review would be undertaken in October/November when the half year outturn for the current financial year was known and immediately before budgets for the target year were agreed.

3. All of these stages are considered below. In addition a chart is included at the end of this annex which attempts to show the various stages in the model top management planning cycle and how these link in with the various stages in the public expenditure survey cycle. The chart and the narrative below show each stage in a single cycle, but it has to be borne in mind that various stages in different cycles will overlap, for example in October senior management may be conducting a strategic overview for a future period while, during the same review, considering budget bids for the forthcoming financial year.

**October–December** 4. During this period senior management will be looking at the department's longer term plans in a way which, in certain respects, is similar to the way private sector organisations prepare corporate plans. There will be a number of different focal points in this process, but of particular importance will be a strategic overview focussing on the two year period beginning with the financial year starting some 18 months hence. This overview will be concerned with the department's longer term aims, objectives and priorities and will set the parameters within which the submission for the forthcoming public expenditure survey will be prepared.

**January–March** 5. During this period senior management will consider the financial plan which will be prepared as part of the rolling forward of the longer term planning process. The focus of the financial plan will be the next but one financial year and decisions on the plan will form the basis of the PES submission which has to be presented to the Treasury in April/May.

**March–April** 6. Line managers prepare budget scenarios considering various policy/financial options based on alternative levels of resources which might be available, prior to preparing more detailed budget bids in September.

**April–May** 7. Collective top management decisions will be taken at this stage on the PES submission to the Treasury.

**June–July** 8. Top management carry out a mid-cycle review of financial and policy options. The basis of this review will be the PES submission to the Treasury which, by this stage, would have been subject to detailed discussion, and also a review of performance during the previous financial year. This review will provide input into the subsequent stages of the public expenditure survey as well as providing the basis for the preparation of guidelines for issue within the department on the preparation of budget bids for the forthcoming year and also the rolling forward of the department's longer term plans.

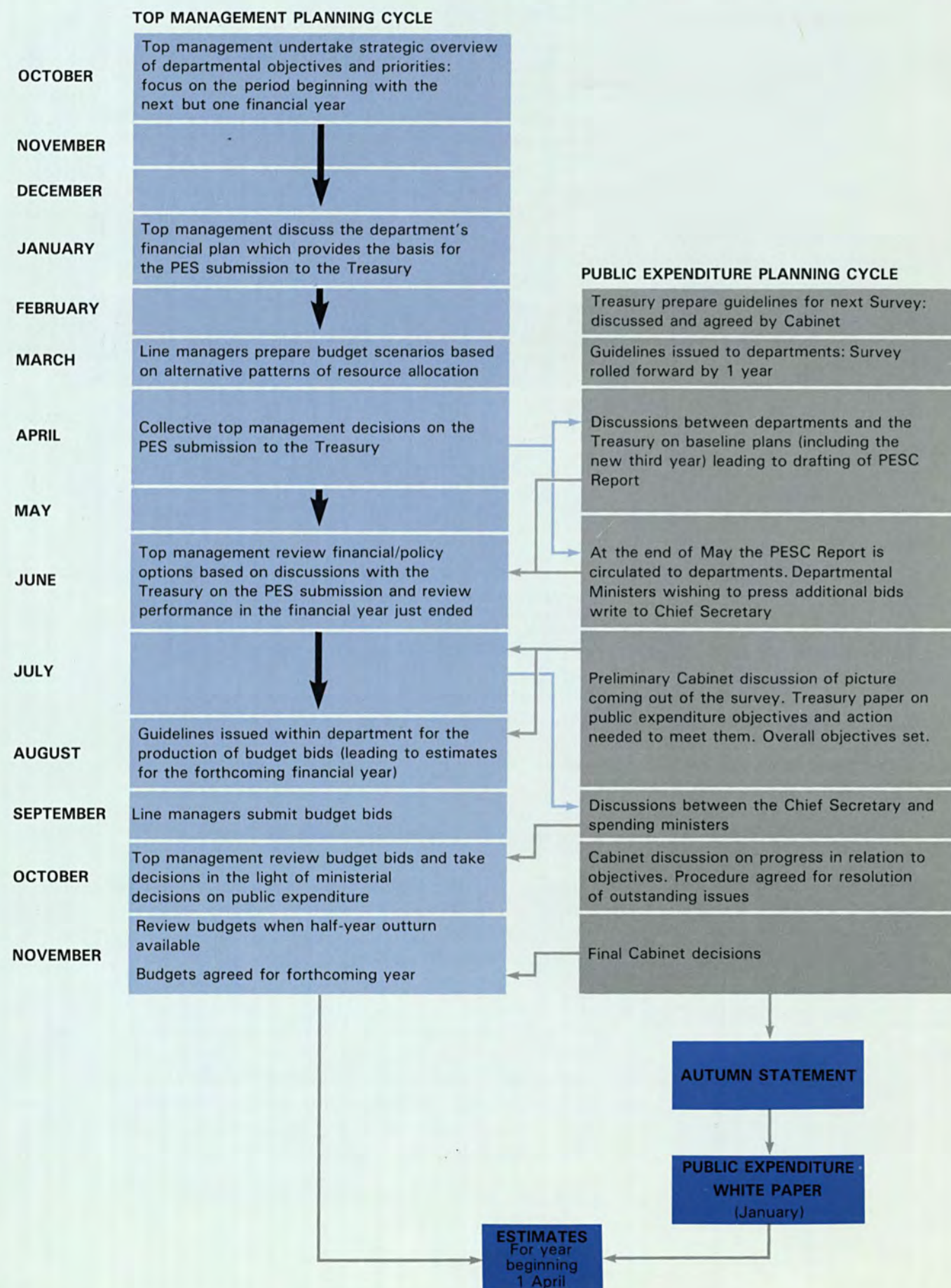
**August** 9. Guidelines issued within the department for the preparation of budget bids leading to budgets and Supply Estimates for the forthcoming financial year. These guidelines will be based on the outcome of the mid-year review carried out in June–July.

**September** 10. Line management prepare budget bids for the forthcoming year in line with the guidelines issued by senior management in August.

**October–December** 11. Top management review the budget bids for the forthcoming year taking account of decisions coming out of the public expenditure survey and the half-year outturn for the current financial year. These decisions should in total be consistent with running cost targets set in the Survey and shown in the Public Expenditure White Paper and will form the basis of the Supply Estimates bids sent to the Treasury by early December.



## Linkages between the top management planning cycle and the public expenditure planning cycle



## Annex G: Extensions to End-Year Flexibility Scheme

- (i) Carry forward constraint extended from "5% of eligible capital expenditure" to "5% of eligible capital expenditure or £2 million, whichever is the greater".
- (ii) Current expenditure which exhibits the characteristics of capital expenditure (eg major maintenance projects) may be included in the scheme subject to the approval of the Treasury expenditure divisions and GEP2 and provided the expenditure is on a separate Estimate subhead and the department's estimating and financial control procedures are sufficient to take advantage of the management benefits of EYF.
- (iii) Provision for carry-over can now be taken in Winter or Spring Supplementaries so helping departmental planning, although presumption remains in favour of Winter.
- (iv) Presumption remains that where carry-forward is not required in a year the previously enhanced cash limit will be reduced but GEP2 (Treasury) will be prepared to consider exceptions where the expenditure division is satisfied that there would be sufficient capital management benefits to justify not reducing the enhancement.



FCS/86/073

MINISTER OF STATE, PRIVY COUNCIL OFFICE

Secondments into the Civil Service:  
Civil Service Commission General Regulations

1. Thank you for your letter of 4 March.
2. I am content with the draft Regulations attached to your letter, and am returning them duly signed. I also agree with the draft Written Answer by means of which you propose to announce their issue.
3. I am copying this minute to the Prime Minister's Office.

(GEOFFREY HOWE)

Foreign and Commonwealth Office  
18 March 1986

## THE CIVIL SERVICE COMMISSION GENERAL REGULATIONS 1986

By virtue of the powers conferred on them by Articles 2 and 3 of the Civil Service Order in Council 1982, Her Majesty's Civil Service Commissioners (hereinafter called "the Commissioners"), with the approval of the Minister for the Civil Service and Her Majesty's Secretary of State for Foreign and Commonwealth Affairs, hereby make the following Regulations:

### PRELIMINARY

1.1 These Regulations may be cited as "The Civil Service Commission General Regulations 1986" and shall come into operation on [1 April] 1986.

1.2 These Regulations are applicable to candidates of both sexes and to all appointments, transfers or promotions in respect of which, by virtue of the Civil Service Order in Council 1982, a certificate of qualification is required to be issued by the Commissioners.

1.3 In these Regulations, unless the contrary intention appears,

- a. the expression "Civil Service" shall mean Her Majesty's Home Civil Service and Diplomatic Service, and
- b. the expression "specified" shall mean specified by memoranda or other official instructions issued from time to time as occasion requires by the Commissioners for the situation or grade or group or class of situations concerned, provided that, where the situation or grade or group or class of situations is peculiar to one Department, the memoranda or other official instructions shall also be agreed with the Head of that Department, and
- c. the expression "appointed on secondment" shall mean, in relation to a candidate, appointed to a situation in the Civil Service under an arrangement pursuant to which he is, for the period of the appointment, released from all or some of his obligations under any other employment, office or service or from all or some of his obligations under a partnership agreement. The expression "any other employment, office or service" includes any service, office or employment under the Crown.

### CERTIFICATES OF QUALIFICATION

2. A certificate of qualification for appointment to a situation in the Civil Service will be issued by the Commissioners only when they are satisfied that a candidate is eligible under the provisions of these regulations in respect of age, health, character, knowledge and ability, and nationality, and that he fulfils any other conditions which may be specified.

3.1 In the case of an appointment or appointments of limited duration the validity of a certificate of qualification may be restricted to a limited period terminating on the date specified in the certificate.

3.2 A person in respect of whom a limited period certificate of qualification has been issued under Regulation 3.1 shall not be appointed to a further situation requiring a certificate of qualification until a further certificate has been issued.

3.3 The circumstances in which and the conditions on which persons may be appointed before the issue of a certificate of qualification to situations requiring such a certificate are specified in Regulation 13 hereof.

#### METHOD OF ENTRY

4. All appointments which require to be certificated under these Regulations, other than those covered by Regulation 11, shall be made solely on merit on the basis of fair and open competition. Recruitment shall be by means of specified competitions, which shall be sufficiently publicised to the satisfaction of the Commissioners and shall be open to all persons who satisfy the specified conditions and who apply at the time and in the manner specified. Such competitions shall be held at such periods and for such situations or grades or groups or classes of situations as the Commissioners shall from time to time determine.

#### AGE

5. Every candidate shall satisfy the Commissioners that he is within the specified limits of age, but if no limits of age are specified, the candidate shall satisfy the Commissioners that his age is suitable to the duties of the situation which he seeks.
6. The Commissioners may exceptionally at their discretion extend the specified upper age limit for any candidate if they are satisfied that there is due and sufficient cause.

#### HEALTH AND REGULARITY OF ATTENDANCE

7. Every candidate shall satisfy the Commissioners that his health is such as to qualify him for the situation which he seeks and that he is likely to give regular and effective service for at least 5 years or for the period of any appointment of shorter duration:

Provided that, in the case of a candidate who is

- a. already employed on functions which have been transferred to the Crown and who is being admitted for employment in the Civil Service in consequence of such transfer, or
- b. already engaged in an employment or office to which the Principal Civil Service Pension Scheme applies either directly or by analogy, or
- c. proposed for appointment on terms which exclude the provisions of the Principal Civil Service Pension Scheme other than those relating to injury benefits,

the Commissioners may at their discretion waive or modify the standard of health required of that candidate for the purposes of the issue of a certificate of qualification.

#### CHARACTER

8. Every candidate shall satisfy the Commissioners that his character is such as to qualify him for the situation which he seeks.

#### KNOWLEDGE AND ABILITY

9. The Commissioners shall satisfy themselves that every candidate is qualified in respect of knowledge and ability to discharge the duties of the situation which he seeks.

10. Subject to the provisions of Regulation 11 hereof, the tests in respect of knowledge and ability shall be such as are specified in the relevant memoranda or other official instructions and may include qualifying or competitive tests, examinations or interviews or a combination of these; the tests or examinations may be written, oral or practical. Candidates may also be required to possess specified academic, professional or technical qualifications or appropriate experience, or a combination of these.

11. Without prejudice to the provisions of Regulation 9 hereof the Commissioners may, if they think fit, dispense with or modify tests in respect of knowledge and ability, if

modify any

- a. the Head of the Department or other appointing authority has satisfied the Commissioners that the admission of a particular candidate to a particular situation is for special and exceptional reasons justified by the needs of the public service and the proved merits of the candidate, or
- b. the appointing authority has satisfied the Commissioners that it is desirable that the candidate concerned, being, or having recently been, employed on functions which are being transferred to the Crown, should be admitted for employment in the Civil Service from the date of transfer, or, having recently been employed on functions which have been transferred to the Crown, should be admitted for employment in the Civil Service, or
- c. the appointing authority has satisfied the Commissioners that it is desirable that a candidate already holding a situation in another public service should be admitted for employment in the Civil Service, or
- d. the Commissioners are satisfied that it is desirable, by reason of a shortage of qualified candidates, to admit to a particular situation a candidate who has reached an appropriate standard in a competition for an equivalent or higher situation but has failed to secure appointment to that situation, or
- e. the appointing authority has satisfied the Commissioners that it is desirable that the candidate concerned should be appointed on secondment on the terms proposed, or
- f. a candidate for whom the Commissioners have previously issued a certificate of qualification, or who had been appointed under the provisions of Article 1(2)(b) or (f) of the Civil Service Order in Council 1982, is put forward by the appointing authority for reinstatement, or for appointment to a situation inferior to that which he previously held, and the Commissioners are satisfied as to his knowledge and ability.

## NATIONALITY

12.1 To be eligible for appointment (other than to a situation to which Regulation 12.2, Regulation 12.3 or Regulation 12.4 applies) a candidate must be:

- a. a British citizen; or
- b. a Commonwealth citizen (other than a British citizen), or a British protected person, or a citizen of the Republic of Ireland, in which case he must satisfy one of the following conditions:
  - i. at least one of his parents must be, or have been at death, a Commonwealth citizen, a British protected person, or a citizen of the Republic of Ireland; or
  - ii. he must have resided in a country or territory within the Commonwealth, or in the Republic of Ireland, or have been employed elsewhere in the service of the Crown, or partly have so resided and partly been so employed, for at least 5 years out of the last 8 years preceding the date of his appointment;
- c. if not qualified under sub-paragraphs b.i or b.ii of this Regulation, he must satisfy the Civil Service Commissioners that he is so closely connected with a country or territory within the Commonwealth either by ancestry, upbringing or residence, or by reason of national service, that an exception may properly be made in his favour.

12.2 Subject to Regulation 12.4, a candidate will be eligible for appointment to a situation in the Cabinet Office or Ministry (other than the Meteorological Office, to which Regulation 12.1 applies) only if:

Defence

- a. at all times since his birth he has been a Commonwealth citizen or a citizen of the Republic of Ireland, and
- b. he was born in a country or territory which is (or then was) within the Commonwealth or in the Republic of Ireland; and
- c. each of his parents was born in such a country or territory or in the Republic of Ireland and has always been, or (if dead) always was, a Commonwealth citizen or a citizen of the Republic of Ireland;

Provided that in cases where these conditions are not satisfied a candidate may be admitted to appointment by special permission of the Minister responsible for the department concerned, if the conditions specified in Regulation 12.1 are satisfied.

12.3 A candidate will be eligible for appointment to a situation in the Diplomatic Service only if:

- a. he is a British citizen; and
- b. at least one of his parents has been a Commonwealth citizen or citizen of the Republic of Ireland continuously from a date 30 years or more prior to the candidate's appointment or, if dead, was a Commonwealth citizen or citizen of the Republic of Ireland continuously from a date 30 years or more prior to the appointment until his or her death; and
- c. the Secretary of State for Foreign and Commonwealth Affairs is satisfied that the candidate is so closely connected with the United Kingdom, taking into account such considerations as upbringing and residence, that he may properly be appointed.

12.4 In the case of certain appointments under the Secretary of State for Defence and in the case of certain appointments under the Secretary of State for Foreign and Commonwealth Affairs, other than appointments in the Diplomatic Service, either the requirements in Regulation 12.2 and Regulation 12.3 respectively may apply or particular requirements may be prescribed.

12.5 In Regulations 12.1, 12.2 and 12.3 the term "Commonwealth citizen" means any person who has the status of a Commonwealth citizen under the British Nationality Act 1981.

12.6 Nothing in Regulations 12.1 to 12.4 shall preclude the employment of an alien in respect of which a certificate issued under section 1 of the Aliens Employment Act 1955 is for the time being in force.

#### **APPOINTMENT BEFORE THE ISSUE OF A CERTIFICATE OF QUALIFICATION**

13. The Commissioners may authorise appointments on the basis of a period of service on specified conditions designed to enable the Commissioners to satisfy themselves regarding a person's suitability for a certificate of qualification in respect of any of the requirements governing health, character, knowledge and ability or nationality, as stated in these Regulations, in the following circumstances:

- a. If there is a shortage of fully qualified candidates a person who does not fully satisfy the specified conditions of knowledge and ability but has nevertheless reached an appropriate standard and who is otherwise acceptable may exceptionally be offered an appointment on the basis of a period of trial service of not less than the probationary period for the situation; and provided such service has been satisfactory the Commissioners will accept the nomination of such a candidate for the issue of a certificate of qualification.
- b. For a candidate who does not fully satisfy the health regulation the Commissioners may authorise an appointment, specifying the manner and time for a further consideration of the health of the candidate in order that the candidate may subsequently satisfy the Commissioners that he is fully qualified in respect of the health regulation for the issue of a certificate of qualification. If, on review, there is still a doubt as to the ability of the candidate to satisfy the health regulation, the Commissioners may authorise an extension of the period of trial service.
- c. If there are doubts about a candidate's character which are insufficient to justify rejection and he is otherwise acceptable for appointment the Commissioners may authorise a period of trial service in order that the candidate may subsequently satisfy the Commissioners that he is qualified in respect of character for the issue of a certificate of qualification.
- d. For candidates who do not satisfy the nationality regulation for the issue of a certificate of qualification, but who may do so at a later date, the Commissioners may authorise a period of service on specified terms.
- e. If it is considered urgently necessary that a candidate should be appointed to a particular situation before the Commissioners' enquiries have been completed, a department may so appoint him on a conditional basis pending certification, provided that there is no *prima facie* doubt as to his eligibility for a certificate of qualification.
- f. If there is a shortage of candidates for a particular situation or grade, and a department wishes to appoint a person of high ability to that situation or grade without open competition, the Commissioners may authorise such appointment on a provisional basis for a period not exceeding 12 months, on condition that the person concerned competes in the next open competition for the situation or grade in question.

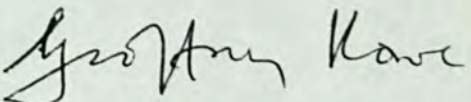
#### REVOCATION

14. The General Regulations made by the Commissioners on 1 January 1983 are hereby revoked:

Provided that, save as laid down in this Regulation, all regulations, rules and notices made or issued by the Commissioners regarding the admission of candidates to situations in the Civil Service shall remain in force until revoked or cancelled by further memoranda or other official instructions issued by the Commissioners.

CIVIL SERVICE COMMISSION  
MANAGEMENT AND PERSONNEL OFFICE

1 [April] 1986

  
\_\_\_\_\_

CIVIL SERVICE  
LONG TERM  
0778

