



Treasury Chambers, Parliament Street, SW1P 3AG

Sir Robin Ibbs  
Efficiency Unit  
70 Whitehall  
London SW1

28 September 1984

*John Martin*

*NBBm  
or  
1/10*

**INSPECTION AND MANAGEMENT CONSULTANCY IN DEPARTMENTS**

Thank you for your letter of 31 August.

2 We can discuss the general issue further at the Prime Minister's meeting (now arranged for 17 October). So I need only say that I have a good deal of sympathy with your approach, and certainly agree that line managers need to take more responsibility for improving value-for-money—we cannot rely on the efforts of "central authorities" on their own. So the issue is partly, as you say, transitional, and partly how much central checking will still be needed, and in what form, to control manpower effectively and keep line managers up to the mark.

3 Your letter goes on to make the interesting suggestion that we should invite Tony Wilson, on his arrival next month, to lead a review into the way managers should carry out their budgeting responsibilities. The Treasury is already doing a certain amount to help departments develop their budgetary control systems. Your suggestion is for a much closer involvement with a few, especially those furthest along the road. Many are still at quite an early stage. Responsibility for managing some types of expenditure has often been delegated without managers concerned yet having been involved seriously in the process of setting their budgets. That stage will be reached at different times by different departments, so that I would prefer to keep the precise timing of the review flexible to allow for this.

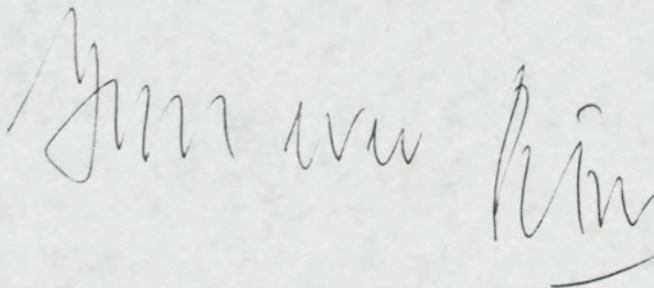
MANAGEMENT IN CONFIDENCE

4 It would not I think be practicable now to review the budgeting process leading up to the plans for next financial year, with the Survey already in train and the Estimates bids due with us by early December. But the aim would be to select some departments whose budgeting cycle will effectively begin with their work for the 1985 public expenditure survey.

5 When Tony Wilson arrives I shall want to discuss with him how much time he can allot to this among his initial priorities, and how best to proceed with this study. We can settle the exact terms of reference at that stage.

6 For our meeting with the Prime Minister, it will I think be enough to say that we have agreed to set up, as part of our monitoring of departments' progress with budgeting control, a more concentrated study with a few departments, to distil principles and examples of good practice in budget setting and review of subsequent performance.

7 I am copying this letter to the Prime Minister, Lord Gowrie MPO, and Sir Robert Armstrong.

A handwritten signature in cursive script, appearing to read 'Peter Rees', is written in dark ink. The signature is fluid and somewhat stylized, with a horizontal line underneath the name.

PETER REES

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bag  
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CONFIDENTIAL - MANAGEMENT IN CONFIDENCE

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B/A for meeting  
on 17 Oct post

Dms  
3/9

31 August 1984

The Rt Hon Peter Rees QC MP  
Chief Secretary to the Treasury

*Dear Peter,*

INSPECTION AND MANAGEMENT CONSULTANCY IN DEPARTMENTS

I was grateful for a copy of your minute of 3 August to the Prime Minister commenting on the report about the organisation of management support services in departments.

You are worried that control will be weakened if line managers are made responsible for staff numbers and grading without "regular detailed inspection" by staff inspectors. I understand your concern and agree that we cannot simply hand over a responsibility for budgetary control (including manpower) to an unprepared line organisation. I also agree that senior line management must not sign away its own right to investigate what is going on. But there is a great difference between holding people accountable for what they do and second-guessing them. My experience is that regular cyclical inspection of the staff inspection kind dilutes line management responsibility and reduces their desire to achieve improvements.

I do not think that we will get sustained improvement on the scale Ministers ought to expect if we concentrate the onus to improve on central authorities. Indeed the present state of affairs shows the limitations of relying on central authorities. It is when staff at all management levels begin to believe that the only way forward is for them to do better that dramatic advances are possible. And the key to securing that change of attitude is to make those in the "line" feel personally responsible to their bosses for improving value for money.

This is not how line management in the civil service has traditionally seen its role. We must signal urgently that the

new management systems, which put so much emphasis -rightly- on line management, are intended to produce results in the shape of improvements and economies. We cannot give that signal if we seem to be continuing with the old ways. The game will continue to be played as it always has been and the temptation will be for line management to continue to put its talents into moderating the impact of the inspectorate.

The task for the next couple of years, therefore, is to get line management into a position where it takes up the challenge of the new responsibilities and expectations. The CIRC report identifies that need.

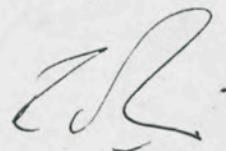
As a practical way of taking this forward I suggest that when Tony Wilson arrives you and I should ask him to lead a multi-department review, on scrutiny lines, about how line managers should construct budget bids, probe the budget proposals of their subordinates and subsequently evaluate budget performance.

There are now sufficient departments who will be on their second round of budget setting this autumn for such a study to be feasible. In each department participating in the review an examining officer should observe, on a sampling basis, every stage of the budget setting process in a number of situations and at a variety of levels and then conduct a post-mortem with the people concerned under the guidance of Tony Wilson and with the help of the Financial Management Unit. It will be important to emphasise that the exercise is not concerned with accuracy and adequacy of information - important though that is. The aim would be to establish the kind of questioning and evidence that the supervising budget authority should adopt in order to make the systems come alive as instruments for delivering results now and for maintaining (if not increasing) the extent of budgetary control.

If you agree this is a constructive way forward perhaps my officials could discuss with yours precisely what terms of reference we should give the study and how it is best set up so that we can have a proposal on the table when we meet the Prime Minister.

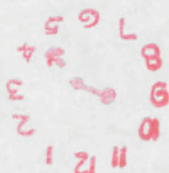
I am copying this to the Prime Minister, Grey Gowrie and to Sir Robert Armstrong.

*yours ever,*



ROBIN IBBS

Civil Service Long term



- 3 SEP 1964