

PRIME MINISTER

MEETING WITH SIR ROBIN IBBS

Attached are the papers for your meeting with Sir Robin Ibbs tomorrow about efficiency. _____

At Flag A is Sir Robin's original minute to you, in which he set out his immediate objectives and his overall assessment of what was required. _____

At Flag B is the guidance which you agreed should then be circulated to departments. This identified five priority tasks for Sir Robin: _____

- 1) Helping Ministers to use MINIS more effectively
- 2) Drawing up a central scrutiny programme
- 3) Developing the scrutiny technique
- 4) Helping other parts of the public sector
- 5) Developing a favourable public and political climate

At Flag C is a further minute from Sir Robin setting out his proposals on these five key tasks. _____

DMB

10 November 1983



Fa mtg.
11/Nov.

PRIME MINISTER

11 November

We are to meet on ~~27 October~~ to set dates for progress reports from departments and to see how we can maintain the impetus on the tasks you have set me to achieve greater efficiency in the public sector.

My proposals on the five tasks are :

1. Help Ministers use MINIS systems

- to set targets for improvement
- to commission scrutinies
- to review the achievement of lasting reforms and the implementation of other efficiency work.

This arose when I attended the Autumn Meeting of Permanent Secretaries at Sunningdale on 14 October. I have since written to each reminding them what has to be done and offering to call on them individually for short sessions to discuss what are the particular needs of their Departments if the required improvements are to be achieved.

I am writing to Ministers specifically asking on your behalf for information by the end of the year on present plans arising from MINIS systems to improve the efficiency of their departments in the above ways. I will report back to you in the Spring when I have assessed these programmes. In my view it would be helpful if you were then to ask a few Ministers to come in and show you how they are getting on.

Later in 1984 the Treasury and Management and Personnel Office will report to you on development of the Financial Management



Initiative generally (prior to publication of another progress report). I will advise you on their report at that time.

2. The central scrutiny programme

So far as possible I will draw up a small, high quality, central scrutiny programme from the work Ministers have identified in their MINIS-type systems. I may need to provide your Principal Private Secretary in due course with a commissioning letter for this work.

3. Develop the scrutiny technique to help obtain value for money from policies

I shall discuss with your Policy Unit suitable policy issues to which the scrutinies can contribute and how best to take matters forward.

4. Help other parts of the public sector

The immediate target is to develop the embryonic NHS scrutiny programme. Three reports have been submitted so far, with potential savings of around £200 million. A further four reports are on the way. I shall in future include assessment of these scrutinies in my reports to you on progress with the central efficiency programme. And, I may suggest, from time to time, that you ask for short presentations on specific pieces of work to encourage a high standard of achievement.



5. Develop a favourable public and political climate for efficiency work

The "Financial Times" and "Times" have recently carried editorials supporting our work (attached). I shall be looking for opportunities to build on this support at public and private occasions. But I shall also ask Ministers to help in their public speeches. I am convinced that for presentational purposes "getting value for money" is a more attractive approach than "efficiency" and avoids the opprobrium associated with "cuts".

I am copying this to Sir Robert Armstrong and to Ferdinand Mount.

ROBIN IBBS
25 October 1983

THE BANNERS OF BUREAUCRACY

Departments are to a very great extent coloured in their attitudes by what was the last major reform that they undertook. The last great achievement is written on a Department's banner and will be defended.

In her lecture on "Policy and practice" to the Royal Institute of Public Administration, Mrs Shirley Williams struck a chord when she invented the concept of the departmental banner. The Civil Service is in many ways analogous to the trade union movement. It is a fixture in the constitutional landscape. It can wield great power, usually in the negative sense of protecting the status quo and resisting change ("a beautifully designed and effective braking mechanism", Mrs Williams called it on the same occasion).

In the next few months we may be approaching one of those historic moments when the embroidery on a Civil Service banner changes. But this time the banner in question is not that of any one department, but of Whitehall's management system itself. The efficiency strategy laid down for the Prime Minister by Lord Rayner in 1979-82 was designed to produce a streamlined, managerially competent bureaucracy with cost-consciousness built into the calcium of every civil servant's bones from permanent secretary to clerical officer. Cash limits and manpower cuts imposed from the top down were to be the somewhat crude external compulsion. Lord Rayner's scrutinies and comparable exercises undertaken by departments themselves looking at the details of operations from the bottom up, were their more sophisticated counterparts.

Most of the longer-term Rayner reforms - a new financial management system providing ministers for the first time with details on every part of their domains, a new approach to personnel management and a higher premium on management skills in assessing candidates for promotion - are now established in a succession of White Papers. Mrs Thatcher's Whitehall is different from that of her predecessors. The last person before her to have any real impact on it was that well known expert in public administration, Adolf Hitler, who obliged departments to recruit gifted outsiders in abundance to help regulars run the war effort. Between 1945 and 1950 the old Gladstonian model of the public servant was restored and a great opportunity lost. Will Raynerism suffer the same fate?

The short answer is: "Not so long as Mrs Thatcher remains in No 10". But there is more to it than that. Raynerism has to become the conventional wisdom, the achievement emblazoned on the banner to which Britain's "permanent politicians" - the civil servants - will rally. In the next six months it would be all too easy for the impetus to sag, with those White Papers on efficiency and financial management serving as mere wallpaper - disguising a lack of real change in the structure beneath. If that happens it will be a tragedy.

The Prime Minister has a new Rayner to prevent it. In Sir Robin Ibbs, executive director of

ICI, she has a man with whom she is comfortable. They got on well when he was head of the Central Policy Review Staff in 1980-82. Sir Robin's job is actually to increase the momentum, to push Raynerism into the furthest outposts of the Whitehall empire. He cannot do it alone. He needs the assistance of the permanent secretaries (by and large he will get that) and the help of all departmental ministers around the Cabinet table, not just the more managerially minded like Mr Michael Heseltine, Mr Tom King and Mr Patrick Jenkin. Lord Rayner has presented ministers with the best managerial tools they have ever had. They must use them to exert not only a continuing downward pressure on running costs (it takes £16.5 billion a year to administer Whitehall and the Armed Forces before a single statute is drafted, benefit paid or frigate launched) and manpower, but to improve the speed and quality of policy-making as well.

Two factors will ensure that Raynerism is stitched on to departmental banners: a realization that the new methods are here to stay and have to be lived with (permanent politicians know how to adapt to permanent change); and, most important of all, the motivation of officials at every level, whether by a desire for public approval, a wish to do a good job, a sense of public duty or incentives in the form of improved pay and promotion, to achieve the necessary refashioning of a huge central government machine. The braking mechanism must be broken once and for all.

Management in the Civil Service

THERE ARE two views about the possibility of improving the performance of Britain's Civil Service. The optimists say nothing can be changed overnight; the pessimists say nothing can be changed.

The difficulty in recent years has been that insistence on change emanating from the very highest political levels, namely the Prime Minister and her immediate circle, has often been thwarted by senior defenders of the status quo within the service itself.

For this reason it is difficult to understate the single-minded achievements of Sir Derek Rayner in getting to grips with efficiency and effectiveness in the Civil Service. Apart from his experience in Marks and Spencer, one of the country's best-run companies, Sir Derek had useful previous knowledge of government, notably in the Ministry of Defence. With a mixture of energy and guile he was able to beat the Whitehall machine at its own game.

The Prime Minister, whose commitment to slimming down and toning up the Civil Service is said to be as resolute as ever, now has a new mandate and a new personal adviser on Civil Service efficiency, Sir Robin Ibbs, former head of the "Think Tank" and a director of ICI.

Incentives

It is in this context that today's White Paper on "Financial Management in Government Departments" gains its true importance. At first sight it is a rather loose restatement of laudable objectives which have been advocated in one guise or another since Fulton and earlier.

Nevertheless, the repetition of objectives such as better management of administrative and programme expenditure and the establishment of cost centres with middle-ranking civil servants taking full managerial responsibility for their own budgets, can hardly be overdone. The fact that the progress reports from indi-

vidual government departments imply that all too many still must try harder is no negation of the principle. But it does underline that a powerful head of steam needs to be sustained at the highest level to push and pull recalcitrant departments into action.

Tucked away—almost thrown away—in an appendix to the paper is a key paragraph: "Sharpening the incentives to good performance". It is the clearest government commitment yet to relating pay to performance. This desirable and overdue recognition of merit needs careful implementation in the context of other recommendations made in last year's report by the committee chaired by Sir John Megaw on Civil Service pay.

There are other, equally important ways of sharpening incentives. One is to instil in line managers a sense of a worthwhile job well done and appreciated; another is to try to revive morale which has been deflated through a combination of persistent ministerial and prime ministerial carping and indiscriminate wielding of a very blunt axe to cut the service to 630,000, its smallest since the war.

Speculation now centres on a further 5 per cent cut in staff across the board. But Mrs Thatcher has in her grasp an opportunity to reshape the Civil Service and its culture without union confrontation.

The development of the financial management structures outlined today, with the Ibbs-Rayner efficiency unit pricking and prodding, could help the Civil Service to improve its effectiveness while simultaneously highlighting scope for rational manpower cuts. The unions, which have never resisted the intellectual force of this approach, might well be more willing to help if the blunt 5 per cent axe, and the irrational cuts it implies, was unused but known to be in the wings. Morale would revive, together with public esteem for the Civil Service as a worthwhile career.

BF RAIN

MR. FLESHER

930 on 19/10.

↙ ↘

7/10

Please arrange a meeting at a time agreed with Mr. Beesley after the Party Conference.

FERS
....

CF 6 Nov

6 October, 1983.

1) Robin^{FERS} : We've had to move this to 5pm on 27 Oct.

2) CF

JMS
10/10



bc. Mr. Mount

lo
5 pm
Sir RA 27th
at

10 DOWNING STREET

From the Principal Private Secretary

Sir Robin Ibbs

The Prime Minister saw your minute of 29 September and agreed that I should send you written guidance on what she expects from you and the Policy Unit. This guidance is attached.

You will want additionally to know that the Prime Minister commented on your minute:-

"I am simply delighted with these proposals. I think that I should have a small meeting with Sir Robert Armstrong, Sir Robin Ibbs, Ferdie Mount and Mr. Beesley to set dates etc., for progress reports from Departments and generally to see how we can maintain the impetus. MT"

We will arrange such a meeting in the near future.

I am sending a copy of this minute to Sir Robert Armstrong.

E. E. R. BUTLER

6 October, 1983.



c.c. Cabinet +
LOD
CWO

Lord Gorman

10 DOWNING STREET

From the Principal Private Secretary

Sir Robin Ibbs

Work on Efficiency

The Prime Minister was grateful for your presentation on the progress made so far on improving efficiency and on the objectives for the future.

The Prime Minister continues to attach high priority to improving management, reducing costs and improving effectiveness. She is impressed by the considerable successes that some departments have had. But she is concerned that much more needs to be done to get personal commitment to these aims at every level and throughout government. Public servants generally must be convinced that the only way forward is to get more output, year by year, from the resources at their disposal.

The Prime Minister welcomes the widespread development of MINIS (or comparable) systems under the Financial Management Initiative. These systems will enable Ministers to question the cost of activities and to identify those policies which are least cost-effective. The Prime Minister also sees the plans to reform personnel management as an essential component in creating the right conditions for good management.

The Prime Minister looks to you to represent her interest in securing these and other improvements in systems and attitudes. She would like you to help central and departmental Ministers to use the MINIS-type systems:

- to set targets for improvement in the value for money delivered by specific areas of administrative cost or policy
- to commission scrutinies and other work as necessary to bring the improvements
- to review progress in the achievement of lasting reforms in financial and staff management, and in implementing the findings of previous scrutiny work.

/ Mrs. Thatcher

Mrs. Thatcher would welcome a report from you in due course on the extent to which MINIS systems are being used in this way. She will expect the Efficiency Unit to derive from this a carefully selected programme of work to improve efficiency in central government, using the scrutiny technique. She would like you to consider further how the technique might be applied to securing better value for money in government policies, with the aim of achieving really significant contributions to maintaining the quality of government services within what the taxpayer can afford.

Your prime area of operation is the central government, but the Prime Minister hopes that you will also help other parts of the public sector to press ahead with internal efficiency reforms - especially where there are burdens on the taxpayer. Mrs. Thatcher has commented that the government should seek to present efficiency improvements positively and to develop a favourable public and political climate for this work. She looks to you and to individual Ministers to contribute to this.

On all this work you should report directly to the Prime Minister and seek her personal involvement whenever you think it necessary. You should also work closely with the Head of the Home Civil Service.

I am copying this minute to the Private Secretaries to members of the Cabinet and other Ministers in charge of Departments, and to Sir Robert Armstrong.

E. E. R. BUTLER

6 October, 1983.