PREM 19/1469

43/39

PART 3

MT

Confidential Filing

Long Term Management and Manpower Policy. Sir Derek Rayner's recommendations for lasting reforms. [Whitehall Conventions] Civil Service Numbers and Costs.

CIVIL SERVICE

Part 1: March 1980

Part 3: April 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~30.4.80~~							
~~6.5.80~~							
7.5.80							
ends							

PREM 19/1479

PART 3 ends:-

Sir W. Bourne to PM 7.5.80

PART 4 begins:-

Sir F. Cooper to PM 8.5.80

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
C (80) 24	25.4.80
C (80) 25	25.4.80
Limited Circulation Annex to CC(80) 18th Conclusions, Minute 4	1.5.80

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB** (CABINET OFFICE) CLASSES

Signed C Wayland Date 14 January 2010

PREM Records Team

2

Civil Service

HOUSE OF LORDS,
SW1A 0PW

From Sir Wilfrid Bourne, K.C.B.

7. May 1980

Dear Prime Minister,

May I thank you both for your hospitality last night & for the opportunity you gave to me, among others, to listen to, & take part in, such a stimulating debate? If it has not such a sinister implication, I shall describe it as a night to remember.

A long time since the

days of CCUS!

Yours sincerely,

Ingrid Bauer

(2)

DEPARTMENT OF TRADE
1 VICTORIA STREET
LONDON SW1H OET

TELEPHONE DIRECT LINE 01 215
SWITCHBOARD 01 215 7877

From the Permanent Secretary
Sir Kenneth Clucas, K.C.B.

7. v. 80

Dear Prime Minister,

Thank you so much for your hospitality at dinner yesterday evening.

I think Permanent Secretaries share your desire to see less Government, smaller departments and more efficient administration. If the political will is there to reduce the area over

which government busies itself I see no reason why, as civil service managers, we cannot achieve the complementary increase in efficiency. There is a good deal that can be done; and for myself I shall be perfectly content to be judged by results!

Yours sincerely,

Kenneth Lucas

2

H M Treasury
Parliament Street London SW1P 3AG
Switchboard 01-233 3000
Direct Dialling 01-233 .....

Sir Anthony Rawlinson KCB
Second Permanent Secretary
Public Services

7/5/80

Dear Prime Minister

Ian Bancroft is I believe writing on behalf of all of us to thank you for last night's dinner, but I should like also to express my own appreciation of your invitation and generous hospitality.

If I may say so, the idea of the dinner seemed to me a

very good one. Douglas Wass, who is away in the United States, will I am sure be sorry to have missed it. For me it was a piece of good fortune to come in his place. I venture to hope that if, as you indicated at the end, a further gathering is planned next year, room might be found for at least one or two of the second government secretaries.

Yours sincerely

Anthony Rawlinson

2

Personal

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522 ext 6981

From the Permanent Secretary

Sir Patrick Nairne KCB MC

4 May '80

Dear Prime Minister,

Thank you very much for your excellent hospitality yesterday evening — and for your kind & imaginative idea of inviting my colleagues & myself to a discussion with yourself alone around the dinner table.

I hope that we may have made progress, by the end of the evening, in convincing you that we are not only committed servants of the Government, but also enthusiasts on your side! But — & this is why you invited us — we have to deliver the goods. That is why we did not want to lose a unique opportunity of discussing with you some of the major factors on which successful delivery depends. I am grateful for the patient way in which you listened.

We shall continue to do all we

can to translate your message into measures in the U.K.S.S. I very much hope that you may be able, as you suggested, to arrange another occasion of some kind before the end of the year in order to take stock of progress.

Again, thank you for having me as one of your guests.

Yours sincerely,

Patrick Gairne

2

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 (Llinell Union)

Oddi wrth yr Ysgrifennydd Parhaol

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 (Direct Line)

From the Permanent Secretary

Sir Hywel Evans K.C.B.

7 May 1980.

Dear Prime Minister,

Thank you very much for inviting me to dinner at No 10. last night. It was a most stimulating and interesting occasion which I shall long remember. And your hospitality was marvellous. I am most grateful to have been asked.

With kind regards.

Yours sincerely

Hywel Evans.

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SWIH 9AT

7. 5. 80

Dear Prime Minister

Thank you very much for last night's dinner. I much appreciated that you found time to explain so clearly what you expected from Permanent Secretaries.

Yours sincerely

Brian Cubbon

2

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SWIP 3EB
01-212 4581

THE PERMANENT SECRETARY
SIR PETER BALDWIN, KCB

7th May 1980

Dear Prime Minister,

Thank you for your generous hospitality last evening and for giving so much time to us.

Success will include the economy rising, not by some manipulation but by the release of abundant energy, enterprise and excellence. We want this success for the country – and for you, because you want it for the country. We want our

Civil Service to raise its game
likewise. The quality is there. A
great deal of it is young. It has
to be disencumbered and recognised.

Yours sincerely,

R G Baldwin.

2

PROCUREMENT EXECUTIVE, MINISTRY OF DEFENCE

Main Building, Whitehall, London SW1A 2HB

Telephone (Direct Dialling) 01-218

(Switchboard) 01-218 9000

D. CARDWELL CB, F.ENG, FCGI
CHIEF OF DEFENCE PROCUREMENT

May 7th 1980

Dear Prime Minister,

Thank you very much for including me amongst those attending your dinner last evening. It was a most interesting and enjoyable occasion and a privilege to have been present.

My Staff and I will do our utmost

to rise to your challenge and increase the management efficiency of the Bowery's Executive to the maximum extent.

Yours Sincerely

David Cardwell

(2)

Department of the Environment
2 Marsham Street London SWIP 3EB
01-212 8051

The Permanent Secretary
Sir John Garlick KCB

7th May 1980

The Prime Minister
No 10 Downing Street
London SW1

Dear Prime Minister,

Thank you so much for your hospitality last night and for the privilege of taking part in such a significant occasion.

We may not have been able to provide you with the answers to all the concerns you set out; but I believe that a significant number of Departments will deliver more of what you want than you seemed to be expecting at the end of the discussion. We are certainly intending to have a pretty good go here at meeting your objectives.

Again, thanks for a stimulating evening.

Yours sincerely
John Garlick.

J Garlick

Civil Service

Mr PATTISON

cc for information

Sir Derek Rayner
Mr Wolfson

enc. w CAW

PERMANENT SECRETARIES TONIGHT

1. You asked for a shortened text.

2. The attached follows discussion with Mr Wolfson this morning and incorporates points made to me yesterday by Sir Derek Rayner for this purpose.

CP

C PRIESTLEY
6 May 1980

Enc: Points for Permanent Secretaries

POINTS FOR PERMANENT SECRETARIES, 6 MAY 1980

1. Intend SUSTAINED DRIVE on management and efficiency throughout Administration. Will see you again to see how it is getting on in departments.

2. COST OF GOVERNMENT may seem a small bit of total public expenditure to some. But in fact large to taxpayer and harder and harder for nation to pay for.

3. POLICY FROM THURSDAY'S CABINET: (1) Government reduced to 630,000 by 1984; (2) Ministers to plan orderly reduction and simplification of functions and increased efficiency; (3) Mr Channon to report on hierarchy and pay, promotion and retirement policies; and (4) Treasury/CSD/ Rayner work on "lasting reforms".

4. Means MINISTERS GETTING INTO MANAGEMENT. Does NOT mean messing about with detail, but dealing with the big issues.

5. EXPECT YOUR WHOLEHEARTED SUPPORT. You have the knowledge and experience Ministers need in this work. Help them by being ultra-radical in your thinking; getting the right people as your Principal Establishment and Finance Officers; insisting on good, cost-effective management by your staff; and taking time yourselves to give the right sort of lead.

6. YOU NEED NOT FEEL THREATENED. Not bringing in outsiders. Your Ministers and your "insiders" look to YOU to set the management tone.

7. True, senior officials will increasingly be JUDGED ACCORDINGLY TO MANAGEMENT CAPACITY and ONLY SUCCESS WILL REDUCE PRESSURE ON YOU.

8. But see Ministerial involvement and my encouragement as providing OPPORTUNITY FOR POSITIVE REFORM.

9. NOT saying that all up to now has been waste and inefficiency. Aware of pressures which have in past impeded reform in scale of government, methods and attitudes. Aware that Ministers are not perfect: ask you to let us know when and where we impose burdens on resources of which we may be unaware.

10. AM saying we now know that, in most areas looked at so far, big improvements are possible if RIGHT PEOPLE TAKE THE LEAD and get help/suggestions from staff who have to make existing methods work. Up to you to make a reality of the promise of scrutiny programme.

11. UP TO YOU TO CAUSE CHANGES IN DEPARTMENTS. Suggest you delegate lead on new departmental review (to achieve the manpower plan) quickly to someone with good management record and aptitude, but take a close interest in it yourselves.

12. My CHALLENGE is to lead the Service to update its priorities, equip it for the modern world and fight for simplification - less paper, fewer rules, more reliance on the individuals. BUILD on the best of the existing foundations to devise first-class Government operations and practices for 1980s and 1990s; SHOW THE WAY to other public sector employers.

CONFIDENTIAL

PRIME MINISTER

CIVIL SERVICE NUMBERS AND COSTS

1. I enclose a further draft Statement for your consideration, now that I have had time to consider it more carefully.

2. If at all possible, I would urge you to make the Statement - as Francis Pym suggested earlier. What the Government is proposing is important - particularly for the Civil Service. It will have some public impact and, above all, a Statement by you will be helpful in putting pressure on Departments to try and achieve a sensible plan.

3. I quite understand the difficulties about this week. But if you feel able to make the Statement next week, it would be desirable. I suggest that either Monday, 12 May or Thursday, 15 May would be best, as it would be preferable not to make it either on the eve of the TUC "Day of Action" on 14 May or on the day itself. But any day next week would be better than not to make it at all.

4. If, however, you decide not to make the Statement, I suggest that I should do so on the earliest possible day. This would be Thursday, 8 May. It would need some drafting changes but, subject to your views, would be, in substance, more or less the same as the draft I enclose.

P. C.

PAUL CHANNON
6 May 1980

CONFIDENTIAL

CONFIDENTIAL

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

6 May 1980

G E T Green Esq
Private Secretary to the
Minister of State
Civil Service Department

Dear Geoffrey,

CIVIL SERVICE CUTS: ANNOUNCEMENT

I am writing to confirm that, as I have let you know by telephone, the Chancellor is content with the way Mr Channon proposes to deal with staff side queries about the 'finality' of the 630,000 target, on the lines set out in his letter of 2 May.

We must all recognise that there is no way of avoiding some risk that cash limits may carry manpower reductions beyond the 630,000 target in the final year; but, with no annual targets announced meanwhile, there can be adjustments in the volume figures for intervening years to confine the problem to 1983-84, and by that time, as Mr Channon says, 'a lot can change and no prudent Government can commit itself completely'.

I am sending copies of this letter to Mike Pattison and to David Wright.

Yours ever,
Mike Hall
M A HALL
Private Secretary

CONFIDENTIAL & STAFF - IN CONFIDENCE

Mr WHITMORE

CIVIL SERVICE MANPOWER & COSTS

1 Several assignments for this office resulted from the Prime Minister's meeting with Sir Derek Rayner, Mr Wolfson and you on Friday evening. I deal with them in the order in which you outlined them to me and Sir Derek Rayner when he joined us.

CSD leadership

2 Sir Derek Rayner has a good opinion of several CSD senior officials, but he is firmly of the view that neither Sir John Herbecq nor Mr Wilding, the Deputy Secretary Manpower, Management & Computers, is right for the robust and manly leadership required of the CSD for the new exercise. Nor does he think that the other Deputy Secretaries are right, for reasons I need not go into here.

3 As it happens, however, the Deputy Secretary Personnel Management, Mr Moseley, is being succeeded by another Deputy Secretary, Mr AM Fraser from Customs and Excise. Mr Fraser has served in CSD before and has dealt in C & E with establishment matters. Sir Derek Rayner has met him once only, but understands that he has experience and believes that he has attitudes which would justify placing him in the seat now occupied by Mr Wilding and instead moving Mr Wilding to the Personnel Management seat.

4 Sir Derek Rayner is willing to check this out with Mr Channon and Sir Ian Bancroft if so desired, but on the whole thinks that it would accord better with the conventions if it were done by you or on your behalf.

5 Sir Derek Rayner makes it plain that he respects Mr Wilding's intellect and potential, but does not see him as the man of action required here. (I should add that Sir Ian Bancroft went out of his way in conversation with me last week to say how solid a citizen he saw Mr Wilding as.)

Prime Minister's minute to Ministers

6 I attach two draft minutes, one to all Ministers in charge of departments, one to some. Both have been approved by Sir Derek Rayner.

Checklist for Permanent Secretaries' dinner

7 Sir Derek Rayner and I thought it better, given the shortage of time, to offer a speaking note rather than a checklist.

8 A draft is attached. Sir Derek Rayner has not seen this typescript, but we discussed the text this morning and the

draft now contains several suggestions in his own words.

Draft Parliamentary statement

9 I attach a revised draft, approved by Sir Derek Rayner.

10 He did not think that the "2¾%" reference, originally in the last line but one of page one of the CSD text, was in the Prime Minister's style. There is accordingly a blank number at the end of the second paragraph of the new text which, if you agree, you will need to get CSD to supply.

Tailpiece

11 Please excuse the typing, which I have had to do at home. I should add that I have kept only one copy of this minute and of the drafts.

CP

C Priestley
5 May 1980

ENCS: Draft minutes from PM to Ministers

Draft speaking note for Permanent Secretaries' dinner

Draft Parliamentary statement

DRAFT OF 5 MAY 1980

MINISTERS IN CHARGE OF DEPARTMENTS

CIVIL SERVICE MANPOWER AND COSTS

1 Ministers will have seen the record of discussion in Cabinet on 1 May and I attach a copy of the statement I made/made on my behalf in the House on May.

2 I saw Permanent Secretary Heads of Department on 6 May when I explained the main features of our policy.

3 The purpose of this minute is to ask each Minister to take a personal responsibility for the review of his department's functions and activities and for the plan to reduce and simplify functions and to improve efficiency.

4 I have asked the Minister of State, CSD, in consultation with Sir Derek Rayner, to prepare an outline of the overall plan for my approval and this will be circulated to Ministers as a guide in the near future. I envisage that departmental plans should be with the Minister of State by 1 November. *

5 In order to help him carry out a thorough review, I suggest that each Minister, in consultation with his Permanent Secretary, should nominate an official of suitable quality and experience to prepare the plan. In some cases, this may be the Principal Establishment Officer, but as in general I believe that it will be necessary to free the official from other duties for the purpose, it may be necessary to look elsewhere.

6 It is important that Ministers should make time, both their own and that of one or more of their junior Ministers, for management tasks appropriate to their standing. Generally, Ministers need not concern themselvds with detail and should

* Mr. Whitmore: This is our idea as to date, not checked out with CSD for obvious reasons.

concentrate on the review agreed to by Cabinet on 1 May and on such matters as the scrutiny of their departmental running costs and of particular functions and activities within the scrutiny programme.

7 I have asked Sir Derek Rayner to consult as many Ministers and Permanent Secretaries as possible in the work I have commissioned on the respective management tasks of Ministers and officials and related matters and to make himself available to Ministers generally over the next few months as they review the work of their departments. I am writing separately to Ministers in charge of certain departments in which Sir Derek Rayner's help might be especially valuable.

8 I am copying this to the Official Head of the Home Civil Service, the Permanent Secretary to the Treasury, the Secretary of the Cabinet and Sir Derek Rayner.

MHT

DRAFT OF 5 MAY 1980

MINUTE TO MINISTERS IN CHARGE OF CERTAIN DEPARTMENTS

Separate Copies to Chancellor of the Exchequer

SS for Defence

SS for Employment

SS for the Environment

SS for Social Services

CIVIL SERVICE MANPOWER AND COSTS

1 I attach your copy of a Minute to all Ministers in charge of Departments.

2 As your department is one of the largest users of Civil Service manpower, it occurred to me that Sir Derek Rayner's help and advice might be of particular service to you over the next few months.

3 I have therefore asked Sir Derek Rayner to make time available to you and I should be grateful if you would bring him into your thinking as soon as can be arranged to suit you and him.

MHT

SPEAKING NOTES FOR PM's DINNER FOR PERMANENT SECRETARIES, 6 MAY

SETTING THE SCENE

? Probably a unique occasion: do not think that Permanent Secretaries have dined at 10 Downing Street en masse before.

Thanks for work done so far for this Administration.

Believe we are at a turning point in the history of the Civil Service. Not going to be easy.

But encouraged by talent available and by the example of some of the great State servants of the past, as various as Milton, Pepys, Chadwick, Morant, Hankey, Fisher and Bridges.

Purpose not to flatter Permanent Secretaries. But to recognise that - as a matter of fact - they have a power of action and inaction, enthusiasm and coldness which, while far from crucial to the Government's reform policy, is important.

Not pleading for support or co-operation. Must say frankly that I expect your co-operation, but would much prefer your willing help freely given than your grudging compliance.

Must say also that I expect your co-operation not just this year, but throughout the Administration, in cutting back the scale of government busy-ness and improving its efficiency.

Quite recognise that you may have justifiable reservations based on your experience of earlier Administrations, but should leave you in no doubt that I am firmly determined on a sustained drive on efficiency and resource management as long as I am Her Majesty's First Minister.

Also recognise that the Government's policy may be painful. Accept that Permanent Secretaries, having come through the "options" exercise of last year and the "squeeze" of March, won't feel much enthusiasm for the arduous times ahead, not least with the Civil Service Trades Unions.

But the cost of Government administration is immense. Must be brought down by cutting out work, simplifying other work and improving efficiency. We now have the knowledge that in most areas which are staff-intensive, subatantial improvements can be made if good people are encouraged to take the lead and seek help and suggestions from those who have to make the existing methods work.

It's up to you to help your Ministers by giving free range to your imagination and thinking hard in an ardent spirit of reform.

That is why I am talking to you: it is you who have the knowledge and experience of government which Ministers need for this task and you will help them best by being more radical in your thinking than they will know how to be in theirs.

OUTCOME OF 1 MAY CABINET

You have seen the papers. Conclusions reached by Cabinet are aimed at the WHAT and the HOW of administration, ie

What work does Government have to do?

How can it do that work better?

Cabinet's policy is that Government should do only what it must and do it superbly well.

Decisions on the WHAT question are that

- Government should reduce and simplify and improve work so as to bring Civil Service down to about 630,000 in 1984.

- This policy should include a contingency margin of some 10,000 at most to allow for any increases in staff may inevitable by external factors.

- The intended reduction should be achieved flexibly both as to timing and as to distribution among departments, rather than by annual departmental targets regardless of differences between departments.

- Each Minister should now review the functions and activities of his department and prepare a plan for cutting out and simplifying functions and for improving efficiency. Mr Channon and Sir Derek Rayner will help with this in their different ways.

Decisions on the HOW question are that

- As already indicated, I have aommissioned a programme of work by Sir Derek Rayner and the central departments on what the former called "formalities and people" in his minute to me of 18 April.

- Mr Channon will report to Cabinet later on the Civil Service hierarchy and policies for pay, promotion and retirement.

- Sir Derek will report on such matters as the distribution of responsibility for resources by and under Ministers in charge of departments and the balance between central and departmental control over rsources.

SOME OF THE MAIN THEMES AND THEIR IMPLICATIONS FOR YOU

Need not go through all the detail of those Conclusions. You will be seeing the formal record. Instead, want to pick out some of the main themes and their implications for you.

Will start with what must happen at once, review of functions and activities and plan for the future based on it. Help is available, whether from Mr Channon or Sir Derek Rayner, but

the main effort must be made in and by departments themselves.

It will succeed only with the wholehearted support of the Permanent Secretary and senior officials, both of whom, I should add, I see as being judged on their performance in management as well as in policy areas.

Because of the nature of our constitution, lasting reforms in the way departments do their work must come from within departments and must be led by a senior official (perhaps but not necessarily the Principal Establishment Officer) with the right track record and aptitude.

Firmly believe that you need to appoint someone, freed from other duties as long as necessary, to report direct to you and your Minister and to work up the plan for your department.

Must be someone of authority and experience, but need not be senior as a matter of course if there is a younger official available tailor-made for the job. Appointment should be made quickly if it is not to be the Principal Establishment Officer - could be the officer you intend to recommend as the next Principal Establishment or Finance Officer. If you have a PEO likely to be in post for a long time who is unsuitable, suggest that you think in terms of redeployment or if necessary early retirement.

Secondly, I shall be asking Ministers to take personal responsibility for preparing plans and seeing them through. Important to make it clear that I see the nation as having entered a period when good management by Ministers of the resources placed in their charge is of very great importance. This must mean that Ministers should manage, but it is important to make it clear what I mean by that.

Do NOT mean messing about with the details of administration. Mean progressively LEARNING - make no apology for using that word - to deal with issues of resource management which are big enough for a Cabinet Minister to concern himself with.

Examples:

- Overall cost of running the department.

- Cost of important bits of departmental administration.

- Efficiency of particular operations.

- Efficiency with which the staff are led and used.

Don't want Permanent Secretaries to feel threatened by this, Have heard it said that Permanent Secretaries regard the whole idea of a Minister managing as "incredible". That is a comment on past experience and on people rather than on the principle.

I do not expect everyone to be the same or to behave in the same way. But I do expect, across departments, the progressive development of a new attitude by Ministers to management. I am sure that the country expects it. We all have to accept that we don't live in a private world of our own. Perhaps even more, that other parts of the public sector will be more impressed by our deeds than our words in this efficiency business.

Rather than a threat, I think that you have an opportunity for some radical thinking, provided by your Minister's involvement and, let there be no mistake, by my sustained encouragement to him and to you. Only success will reduce the pressure for better management of resources. So please help your Minister, and Sir Derek Rayner with his work on clarifying the nature and extent of the Minister's role in management.

Thirdly, I should say something about the conditions in which good management flourishes. I recognise that since the Fulton Report (1968) there has been a somewhat tiring tension between the developing acoountability of staff and the staff associations' insistence on rights and interests, rather than responsibilities. So it's now necessary to consolidate a firm base for the future conduct of the Government's business.

Successful large organisations are a partnership of the thinker and the man/person of action equally regarded and rewarded. Success in the Civil Service too unevenly goes to the thinker, the analyser of issues, not those with "Chief Executive" qualities. This must change.

A number of things must be got right. The detail is set out in Sir Derek Rayner's paper and work is now in hand. But I will pick out some of the main points:

- We need a pattern of accountability which indicates what is expected of managers and users of resources. Needs so working out that people know what they are responsible for and to whom and so that they have a clear consciousness of cost. Don't want this done in a way which emphasises penalties for error or neglect, but which clearly shows what is bought for the resources consumed, for whose good, and which gives managers room to spread their wings. There is the possibility of contradiction here. Have to think it out.

- Want people at all levels to feel valued because they are responsible for valuable resources. Want the successful and the economical to be rewarded. [? Will no longer make recommendations for automatic, grade-related honours. Will only make recommendations in senior ranks when justified by transcendent merit.] Would like to see more recommendations from Ministers for honours for middle and junior managers.

- Other rewards: can't expect people to exert themselves for all their service where all get the same pay, regardless of merit or skill. Need to motivate all to be good and to reward the excellent especially.

- A related point: I am worried by the simple quantity of top flight talent consumed by government. Very doubtful whether the present length of the Civil

Service is justified. Am asking that the work on the use of the grading structure should test the need for each grade.

- Bringing on the right quality of management and making the best use of it. Means, first, a succession policy in departments, with a proper input by the centre, notably perhaps through training. I do not rejoice in "generalism". Must do much more to develop excellence in post and to let people who have learned a job practise it. Secondly, moving towards the appointment of people with appropriate qualifications in key management posts, eg those of Principal Finance Officer.

- Leadership: will be very much needed over coming years. I need not say that good captains don't spend all their time on the bridge. Do need to practise care for staff and their working conditions. I acknowledge that Ministers have given conflicting signals on this (contrast Job Centres and Social Security Offices). I ask you to let us know where we by our actions impose unnecessary burdens and expenditure of manpower, money and other resources. And where spending a little more might have a disproportionately good effect.

SUMMARY

Two broad aims: first, less government, using fewer staff better; secondly, a good framework of management in which Ministers and officials, at all levels, know and play their part.

Will conclude with two thoughts. First, let us work for the future. "The future" tends to be unfashionable. We have

perhaps got stuck with the idea that someone who once lived here had, that a week is a long time in politics. I think rather that the country wants good institutions now and better ones for the future. So we should build on the best of what we have for a future in which the British Civil Service is unmistakably the best in the world. It's good now, but needlessly handicapped.

Confident the Civil Service has the talent needed. Well aware of the pressures of the past which deflected efforts to improve methods and attitudes. Let talent now take the lead.

Secondly, we should deserve well of the staff. Don't let us, by a failure of leadership, deliver the leaderless into the hands of the militants.

My own visits to departments show that the Government is indeed the fortunate employer of a wealth of talent. It has been so before in our history. John Milton, then a servant of the Commonwealth, wrote of Andrew Marvell in 1653 that he was

> "a man both by report and by the conversation I have had with him of singular desert for the State to make use of".

True of very many Civil Servants today. They look for opportunities to serve to the utmost of their ability; they are less keen on their rights than on their responsibilities. We should not be afraid to inspire their loyalty and trust by showing that we believe in the nation and want the best for it from its servants.

SIR JACK RAMPTON KCB
PERMANENT UNDER-SECRETARY OF STATE

DEPARTMENT OF ENERGY
THAMES HOUSE SOUTH
MILLBANK
LONDON SW1P 4QJ

01-222 7000

2nd May 1980

Prime Minister [Has seen]

2/5/80

Clive Whitmore, Esq.
No. 10, Downing Street
London SW1

Dear Clive

Most disappointingly I shall be abroad next Tuesday supporting the UK's Offshore Supplies efforts at a major exhibition at Houston. This means that I shall not be able to come to the Prime Minister's dinner that evening.

Being deprived of an opportunity to say something in person, I have set out in the attached note a few points which strike me as of critical importance. Obviously I would feel very pleased if the Prime Minister were able to see it, since I shall have no opportunity to make them in person. But equally obviously I leave it to you.

Yours

Jack

PERSONAL & CONFIDENTIAL

An Efficient Civil Service

There is a great deal of goodwill among Civil Service management for determined efforts to get a more efficient Civil Service - we believe that there is a great deal that can be done and it is immensely refreshing to have a Government that is seriously addressing its mind to the problems.

2. While the shorter term pressures for saving money and manpower are understood, the fundamental changes needed can only be achieved as part of our long term programme which has to be pursued with unremitting effort over many years.

3. As part of this, there has to be an equally continuous process of encouragement and support for management and for the Service as a whole. It is no use Ministers giving a pat on the back from time to time when something unpleasant has to be done. No one is impressed by "flannelling" and it is only by positive and continuing support that one can get the 110% of effort which is needed.

4. In spite of the overwhelming need for economy and financial constraint, as continuing policy one cannot hope for an efficient Civil Service if the working conditions are poor and deteriorating. Compared with almost any other Western civil service (and I have seen a great many of them round the world), office accommodation, modern facilities, mechanical aids, etc. are inadequate or downright bad.

5. Again as a continuing policy management can only ensure the efficiency that everyone wants by having adequate tools to do the job. As of now the system is so inflexible that the best of intentions are frustrated. The ability to cope with staff who, while not inefficient in an absolute sense, cease to fit or to be moveable is severely limited. The inducements to retire early are in most cases inadequate. The agreed procedures are often elephantine in length and complexity.

Departmental management has no ability to be flexible in terms of incentives for exceptional merits and performance. No power even to add (or to defer except in extreme circumstances) increments, etc. A special plea for small Departments who have a limited ability to switch staff round to get round pegs into round holes and square into square. There needs to be a much more determined effort Service-wide to get adequate movement and interchange so that manpower resources can be used to full effect. Small Departments themselves cannot do it. Force has to be used from the Centre.

6. The involvement and interest of Ministers in management is necessary and welcome. But responsibilities and accountability has always to be clear. To take a private sector analogy, perhaps the Secretary of State and his ministerial team can be regarded as "the Chairman" and the Permanent Secretary and top official management as "the Chief Executive". The latter must operate in an agreed framework and with approved guidelines and be answerable for implementation. The former settle the guidelines and have every right and need of oversight. And they must judge by results. It is a partnership which only works with full trust and confidence.

Jack Ramsden

2.5.80

MANAGEMENT IN CONFIDENCE

file.

10 DOWNING STREET

From the Principal Private Secretary

SIR DEREK RAYNER

Management of the Civil Service

When you came to see the Prime Minister this afternoon, you said that you thought that the Cabinet had had a useful discussion at their meeting the previous day on the question of the management of the Civil Service. It was good to see Ministers taking an interest in this vital subject. It was, however, important that their officials did not give them too much detail about the organisation and staffing of their Departments. They would be effective in improving the management of their Departments only if they got the right officials as their Principal Establishment Officers and Principal Finance Officers. These were the key officials who, working through the Permanent Secretary, would see that Ministers asked the right questions and directed their attention to the right areas of work. It must be a key part of a Department's manpower plan to get the right man into the PEO and PFO posts. There were people of the right quality already in the Civil Service, but it might take a little time to get them into post. We had to recognise that where these appointments were filled at present by people not totally suitable, it might take time to make the necessary changes. More use of voluntary retirement might be needed.

You went on to say that the role of the CSD would be particuarly important in the drive for improved management. It was essential that they chose the right man to head the group which would be co-operating with Departments in their reviews of their functions

/and

and activities and in the preparation of their plans for improving their efficiency. The CSD's role in this must be open and constructive and not fussy and negative, as Departments had complained to you the CSD sometimes were. In response to an invitation from the Prime Minister you said that you would let her have the names of one or two possible candidates for the job of leading the CSD team. You also suggested that the Prime Minister should minute her colleagues emphasising the importance of following up energetically the conclusions of yesterday's Cabinet meeting.

More generally, you said that you believed that the Prime Minister's search for improved management and efficiency in the Civil Service was having the right effect in Whitehall, and that Permanent Secretaries were anxious to be helpful. Some of them were, however, a little fearful about what they saw as a substantial increase in workload, and it was important to make clear to them that nobody was expecting that everything was going to happen at once. When the Prime Minister saw Permanent Secretaries the following week, she might assure them that she saw the task of improving management as essentially one for them to take the lead on. Nobody was attempting to usurp their responsibilities; nor were outsiders going to be put into their Departments. They would remain in charge of their own show but equally, it was for them to bring about the improvements in efficiency and savings in manpower which the scrutinies, which they themselves had selected and manned, had shown were there to be made.

You added that it was important that the Prime Minister should convince them that her interest in improving the management of the Service was not a passing one and would, on the contrary, be sustained throughout the life of the Parliament.

The Prime Minister said that she welcomed the suggestion that she should minute her Cabinet colleagues about the development and implementation of departmental manpower plans following the Cabinet's discussion the previous day, and she would arrange to do this. She

/ would

would also want to discuss with the Lord President and Sir Ian Bancroft who would head the CSD team which would co-ordinate the work of Departments on all this. When she saw Permanent Secretaries the following week, she would make the points which you had suggested and she would be grateful if you could let her have a note for this purpose. She would also let them know that in order to keep in touch with them about their work on improving the efficiency of their Departments, she would hold a reception for them in six months' time and give another dinner in a year's time. She would also give further thought to the need to have a Junior Minister in each Department who was given special responsibility for supervising the task of improving the management of the Department. More immediately, she would be making a statement in the House on the management and size of the Civil Service the following week and she would welcome your urgent comments on the draft which the CSD had prepared.

AWB.

2 May 1980

MR C A WHITMORE

CIVIL SERVICE MANAGEMENT PROBLEMS: THE DINNER

I attach some notes for possible use for the Prime Minister at the Dinner. I recognise that she will want to frame her own remarks and conduct the discussion in her own way. But these notes - a sort of annotated agenda - might help. I should like, in this minute, to set the scene as I see it.

As I have said to the Prime Minister, Permanent Secretaries want to support and help the policies of the Government of the day. That is their job. This Government has, amongst other things, a policy of increasing efficiency and cutting manpower costs. I am convinced that Permanent Secretaries will give this their support.

I think that some of them are concerned by such things as

a. The probability that staff will be distracted if too many initiatives are started up at once in what appears to be a random way. Hence the need to establish a programme and priorities - for the extra work is to be done by fewer staff;

b. the need for Ministers to recognise the problems which arise in the "service" areas. For example more unemployment means more staff (though that doesn't mean that present procedures are in any way incapable of improvement);

c. the feeling that an extra effort in the revenue areas would bring in a lot more revenue;

d. the need for Ministers to agree to the abolition of functions and to take hard-nosed political decisions to save staff. Some bear folk memories about vehicle excise duty and sub postmasters;

e. the need for some Ministers to understand that staff have to be encouraged and motivated not bashed;

f. the longer term effect on staff morale as a result of the decisions to cut PSA expenditure to an extent which will make any office improvement impossible for the foreseeable future. As Derek Rayner points out, some of our accommodation is pretty appalling. I hope that something can be done to put a bit of money into this particular kitty in next year's PESC;

g. The need for Ministers and senior officials to defend the Service and the staff against unwarranted attacks. The need will become even greater if the going gets really tough when rougher justice and consequent mistakes arise as a result of staff cuts.

I personally believe, too, that the cuts will need to be handled with a lot of sensitivity. Staff whose functions are cut or whose tasks are to be done less thoroughly, should not be left with the feeling that they have been wasting their time.

Finally - and I apologise for this great catalogue - it is very important that Paul Channon, and his future role as envisaged at last Thursday's Cabinet, should be given a specific boost by the Prime Minister. He (and we) will need all the support we can get if, the Cabinet having willed the ends, Ministers and departments are also to will the necessary means.

IAN BANCROFT
2 May 1980

PRIME MINISTER'S DINNER WITH PERMANENT SECRETARIES: TUESDAY 6 MAY 1980

NOTES ON POINTS FOR DISCUSSION

Government's Manpower Policy

The Prime Minister will wish to set the scene by telling Permanent Secretaries the broad outcome of the 1 May Cabinet.

2. A lot has been done to reduce the size of the Service (a drop from 732,000 when this Administration was formed to 705,000 now and very probably under 695,000 by April next year). The achievement of the Government's policies will require a sustained drive over the next three years. The Prime Minister can repeat that she is sure she can count on Permanent Secretaries' full support and wants to take counsel with them on how to turn aims into achievements.

Change of Approach

3. Setting these manpower objectives reflects fundamental changes in the policies and approach to management of this Administration compared with its predecessor. Success will require correspondingly fundamental changes in the management of the Civil Service. This can be considered under a number of separate but closely inter-related headings.

Roles of Ministers and Permanent Secretaries

4. A most important aspect of the changed approach of this Administration is the clearer recognition that Ministers should be more closely involved with management in their Departments. Ministers will be personally responsible for preparing the plans for reduction of activity and improved efficiency in their Departments. The arrangements for the annual scrutiny of Departmental costs will help them in this. But Ministers must look to their Permanent Secretaries for support, who might be invited to comment on the ways in which this can best be provided (eg in some Departments the Heseltine approach: some, but not all, because Departments - and Ministers - differ).

Attitudes of Line Managers

5. Central to the achievement of the Government's manpower objectives will be the attitude of line managers in Departments at all levels. How can the right climate be provided in which they will see a cardinal element of their job as how to get the maximum value out of limited resources? The Minister of State, CSD, will be bringing a paper to Cabinet in the summer on pay, promotion, retirement policies and other matters which are relevant to the attitude of managers in the Civil Service. Studies which will be led by Sir Derek Rayner on the definition of the responsibilities of officials and more generally the framework for resource control could also help. Within the existing framework, Permanent Secretaries have already been trying to change attitudes in this way. What more can they now do to engender a greater degree of this cost and

efficiency consciousness in their line managers? How can managers be encouraged, at their own initiative, to bring to bear on the activities for which they are responsible, the test of whether the costs of their activities can be justified by the real value which they add to the public interest? This is the key test.

Roles of Principal Establishment and Finance Officers and Supporting Staff

6. PEOs and PFOs have a crucial role to play in direct support of Permanent Secretaries in fostering efficiency and value for money. They are in charge of the existing field forces concerned with efficiency in Departments - staff inspection, management services and internal audit. Sir Derek Rayner is leading a study in consultation with the Chancellor and the Minister of State, CSD, on the work of PEOs and PFOs. But, in the immediate future, the main issue is whether Permanent Secretaries can put more weight behind PEOs and PFOs and the "efficiency" field forces to enable them to challenge and monitor line management more effectively. There is much evidence to suggest that staff inspection, management services and internal audit all have much greater bite where Permanent Secretaries and other senior managers take a direct interest in their work.

Relationships between the Central Departments and other Departments

7. The Prime Minister has asked the Chancellor, in consultation with the Minister of State, CSD and Sir Derek Rayner, to review the aims and practices of central control. This should help to establish clearly what balance between central control and decentralised authority will most help towards the efficient and economical use of resources. But, meanwhile, it is essential that the central and other Departments work in close collaboration to achieve the Government's manpower objectives. The central departments can and should make an important contribution to the progress of the plans of each Department for reduction in manpower.

8. With this point in mind, the Cabinet has endorsed a programme of work initiated by the Minister of State, CSD. This includes more intensive effort to increase efficiency in supporting services common to all Departments (eg messengers, typing) where proportionately large savings have or are likely to be obtained and the application of certain broad themes of efficiency on a consistent basis across Government (eg reduction of "nannying": simplification of local office networks: reduction in industrial sponsorship). It is important that, wherever appropriate, these initiatives are personally supported by Permanent Secretaries in their Departments.

Flexibility in Achieving Manpower Reductions

9. The Cabinet recognised that there should be flexibility in achieving savings between and within Departments, reflecting the different nature of functions and government priorities. But there should be scope for savings through simplifications and improvements in efficiency in every area of government activity,

including those which are demand-led (eg payment of unemployment benefit) or to which the Government attaches a particularly high priority (eg administration of the courts).

Relations with Civil Service Unions

10. The attitude of the Civil Service Unions can be a very important constraint. Their reluctance to proceed with an agreement on new technology is an example. The announcement of the Government's manpower objectives is likely to be received unfavourably. On the other hand, the Government's assurance that it will try, so far as possible, to bring about the manpower reductions with as little compulsory redundancy as possible, should help. Permanent Secretaries might be invited to comment on the handling of staff interests.

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Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

Minister of State

Clive Whitmore Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1

2 May 1980

Dear Clive

CIVIL SERVICE CUTS: DRAFT PARLIAMENTARY ANNOUNCEMENT

I attach a draft Statement for the Prime Minister's consideration.

You told me on the telephone at lunch time that it would be helpful for you to have this by 4 o'clock. I hope we have met your deadline!

As I mentioned to you, the Minister of State is involved in a Debate in the Commons this afternoon. In view of the need to get the draft to you quickly, he has not therefore had the opportunity to consider the wording as carefully as he would like to have done. Nevertheless, he hopes that it will provide at least a framework for consideration.

Yours sincerely

G E T GREEN
Private Secretary

COVERING CONFIDENTIAL

DRAFT

CIVIL SERVICE CUTS: DRAFT PARLIAMENTARY ANNOUNCEMENT

With permission, Mr Speaker, I should like to make a statement about the Civil Service.

The House knows that one of the chief aims of this Government is to provide value for money for the citizen. We are determined to eliminate any burdens that are less than essential. For the Civil Service, this means enough staff to do the essential jobs properly, but no more.

The Civil Service serves the Government and the whole community faithfully and well. I have seen for myself, and the experience of my colleagues and Sir Derek Rayner confirms, that most civil servants want to work in an efficient organisation. Nobody likes wasting their time while at work or knowing that what is being done is strictly unnecessary. I have found considerable enthusiasm among civil servants for the task of making the work of Government more efficient. Our aim is to provide good value ~~for money~~ for the people of this country. It is greatly in the long term interest of the Civil Service itself.

The Service has greatly increased in recent years. In 1960 it was 641,000. When we came into office 12 months ago it was 732,000. We have made a determined start on reversing that trend. We immediately decided on a cut of 2¾% in 1979-80. We then took a thorough look at functions, and my Noble Friend the

Lord President of the Council announced on 6 December last a reduction of some 40,000 posts over the next 3 years. On 14 March, my honourable Friend the Minister of State, Civil Service Department announced a further squeeze averaging 2½% over most departments in manpower costs for 1980-81.

The Government has now reviewed the situation. We believe that there is scope for further savings after 1980-81.

The detailed plans have still to be worked out. It would not be right to impose a rigid uniform percentage reduction on all departments because their needs vary. I cannot therefore tell the House in detail today what is to happen in each individual department. We shall of course naturally keep the House informed of progress. But I think it right to announce our aim and, as far as possible, remove uncertainty in the Civil Service itself. A period of contraction always brings problems of morale and the Government as the employer of civil servants has them very much in mind.

Our aim is to reduce the size of the Civil Service to around 630,000 by 1 April 1984. That will mean the smallest Civil Service we have had since the last war.

The action we took last year has brought the numbers down to their present level of 705,000. We are thus aiming at a further reduction of alittle over 10%.

The decisions announced on 6 December and 14 March will take us some way towards it. To achieve the rest, all Ministers in charge of departments will draw up plans for cutting out work of lesser priority and making their operations more efficient, in consultation with my hon Friend the Minister of State, Civil Service Department. We shall do our best to make the run-down orderly and regular.

We are not seeking compulsory redundancy and will do all we can to minimise it. We aim by the end of this Parliament to have the Civil Service in smaller and better shape than we found it when we took office.

2.

10 DOWNING STREET

PRIME MINISTER

Mr. Heseltine has now written to Cabinet colleagues spelling out his internal management system.

(I think it is singularly unfortunate, in view of the background, that this should be one of those letters signed by a Private Secretary on behalf of a Minister.)

MAP

Nevertheless – an excellent paper

2 May 1980

Sent 6/v.

CAW to see

MAP 6/v.

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SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

1 May 1980

Dear Michael

Following this morning's discussion in Cabinet I thought it might be helpful if I wrote to point up the key features of the management system I am operating in my Department and our arrangments for making it work.

The enclosed paper (which I prepared for a slightly different purpose) provides a straightforward description of my approach to the use and control of manpower and of the system of information and review (MINIS) I have embarked upon. As the paper says, the information is now coming forward to me (I will soon have complete coverage for DOE (Central); PSA will follow in a month or two). My Ministers and I have started a series of meetings over the next ten weeks to discuss these returns with the senior officials concerned. At these meetings, we will be deciding what functions we can phase out or slim down, what organisational changes we can make to help save staff, what manpower savings each directorate should aim for by April 1981, and so on. Some questions will of course call for further examination or reports back to Ministers. In all cases, an Action Statement will be drawn up for my approval after consultation with the Staff Side so that a clear course is set for each part of the organisation. No additional tasks may then be taken on without Ministerial approval. (I handed you, of course, a copy of the MINIS statement on the first 4 Directorates I have looked at).

I believe, as I know you and Sir Derek Rayner do also, that in order to manage their Departments successfully, Ministers need the right kind of support from within. They cannot do it all themselves. The full support and enthusiasm of the Permanent Secretary is vital. In addition we have set up the small central unit mentioned in paragraph 7 of the note which falls under the control of an Under Secretary whose other responsibilities include financial oversight of DOE's administrative expenditure and of all DOE's public expenditure programmes. He provides me with an independent brief for each of the MINIS meetings and takes the lead in drawing up the Action Statements afterwards. In this way we are building into the system the necessary degree of creative tension and radical questioning.

You will see that what I am doing essentially is to subject the whole of my Department to a detailed analysis. Needless to say, this is time-consuming. But I believe it to be essential to reach into the detail of my Department's functions (which are many and various) and the resources they consume if early results are to be achieved and staff numbers reduced in a rational way. And I am insisting upon the measurement of performance wherever this is possible and sensible so that output can be monitored

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as we move from one period to the next.

Finally, I am most anxious to achieve the maximum possible interest of the staff themselves. The Staff Side see the information coming to me and are free to comment on it and they will of course be consulted before changes are implemented.

I am copying to the Prime Minister and to Sir Derek Rayner.

Yours ever
David Howell

for MICHAEL HESELTINE
(letter approved by the Secretary of State and signed in his absence)

Paul Channon Esq
Civil Service Department

2F

PAPER BY THE SECRETARY OF STATE FOR THE ENVIRONMENT

THE USE AND CONTROL OF DEPARTMENTAL MANPOWER

1. The success of any steps to contain and reduce the size of Departments depends on the personal involvement of the Minister and on a firm approach to recruitment. These need not impose intolerable burdens upon Ministers.

2. Last May the staff-in-post of the Department (including those who provide a common service for my Department and the Department of Transport) totalled 52,122. By 1 April, through natural wastage and selective recruitment, numbers had fallen to 48,280 (ie by 7.4%) - details are at Annex A. I am satisfied the reduction has not harmed the essential work of my Department.

3. I exercise control on the basis of monthly reports of staff-in-post - on the lines of Annex A - and by vetting personally all proposals for recruitment outside certain limited delegations for identified essential needs and which are restricted to 2 senior officers. I have operated this arrangement since last May.

4. Following our decisions on the 1980 Civil Service pay settlement I intend to achieve during this year, a further cut of 3% (over and above the 1980/81 tranche of the option cuts announced on 6 December 1979) and to achieve

this as far as possible through wastage and without resort to redundancy. But the incidence of wastage can be capricious with a risk of serious mismatch between staff and functions, particularly in a Department like mine with such a wide range of activities and of classes of staff carrying them out. So while control of recruitment can bring overall numbers under control, it needs to be supplemented by an analysis of Departmental activity that provides a basis for securing an effective deployment of manpower.

5. For this purpose Ministers need management information of a kind and in a detail not traditionally available to them. The annual scrutiny arrangements proposed by Sir Derek Rayner will enable them to take a critical view of overheads, but Ministers also need information to enable them to -

- set aims and objectives
- establish priorities
- examine whether tasks should be done at all and, if so, whether they need to be done in the Department
- examine in respect of tasks that need to be done, the manpower (and associated costs) involved in order to achieve the most effective and economical arrangements.

All this across the whole of the Department's work, not only the areas which come naturally to their attention.

6. Last summer I put in hand (as a Rayner exercise) a pilot study into the management information system I would need to enable me to reach considered judgement across-the-board about the issues mentioned above. That study has been completed and the resulting information system has just been run for the first time. Each of the Department's directorates (under-secretary commands) is asked to provide information, in respect of the half-year just ended about:

- its functions and tasks, grouped by principal aims and subject areas
- the priority attached to them
- whether they are statutory or discretionary
- Vote or public expenditure involved
- the manpower and associated costs (Basic Staff Costs) involved
- the objectives of the work in the period under review
- an assessment of performance

and information, in respect of the half-year just beginning and (in less detail) the next succeeding half-year, about

- objectives to be achieved
- foreseen changes in tasks and workload

and consequently

- foreseen changes in manpower and associated costs.

7. A small central unit has been established to co-ordinate the system, provide advice, help with costing, etc and to present the information to Ministers, grouping together so far as possible directorates dealing with related work.

8. The information is presented in a standard format. The first returns have just come to me - they are for some of the Planning Directorates (sample sheets from one of them are at Annex B). I have already examined these particular returns and held a meeting with the senior officials concerned, as I propose to do in each case.

9. The point of the system is to enable me and my Ministers to reach down into the work of the DOE and take decisions on the activities consuming staff time. The information will not, of course, enable final decisions to be reached immediately on all matters but it will provide a basis for the systematic and comprehensive scrutiny which I think is essential if we are to take a permanent grip on the size of the Civil Service.

10. I expect to have completed my initial review of the Department's work (including PSA) by the summer. I shall then be considering whether modifications are needed in the system I have described.

STAFF IN POST

	DOE(C)			PSA			TOTAL	% Monthly Rate of Reduction
	Non-Industrials	Industrials	Sub Total	Non-Industrials	Industrials	Sub Total		
1 May	10334	1918	12252	19339	20531	39870	52122	
1 June	10328	1886	12214	19357	20381	39738	51952	0.3
1 July	10240	1892	12132	19284	20082	39366	51498	0.9
1 August	10226	1840	12066	19256	19757	39013	51073	0.8
1 Sept	10160	1834	11994	19166	19489	38655	50649	0.8
1 Oct	10081	1810	11891	19080	19313	38393	50284	0.8
1 Nov	10051	1808	11859	18967	19004	37971	49830	0.9
1 Dec	9989	1796.5	11785.5	18829	18854	37683	49468.5	0.7
1 Jan	9969.5	1786.5	11756	18690	18754	37444	49200	0.5
1 Feb	9928.5	1774	11702.5	18584	18576	37160	48862.5	0.7
1 Mar	9927	1764.5	11691.5	18447	18479	36926	48617.5	0.5
1 April 80	9893	1761.5	11654.5	18284	18342	36626	48280.5	0.7
TOTAL	No: 441	156.5	597.5	1055	2189	3244	3841.5	
REDUCTIONS	% : 4.3	8.2	4.9	5.5	10.7	8.1	7.4	

ANNEX A. (1)

SUMMARY OF CENTRAL DOE RECRUITMENT AND WASTAGE 1.6.79-1.3.80 (NON-INDUSTRIAL STAFF)

	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	Total
Wastage	140	108.5	138.5	140	115	110.5	73.5	100	87.5	86.5	1100
Recruitment	55	93.5	71.5	63	84	46.5	54.5	59.5	83.5	52.5	663.5
Net Loss	85	15	67	77	31	64	19	40.5	4	34	436.5
(Variations in SIP figures)[1]	(+3)	(-1)	(-1)	(+2)	(-1)	(-2)	(+0.5)	(+0.5)	(-2.5)	(-)	(-1.5)

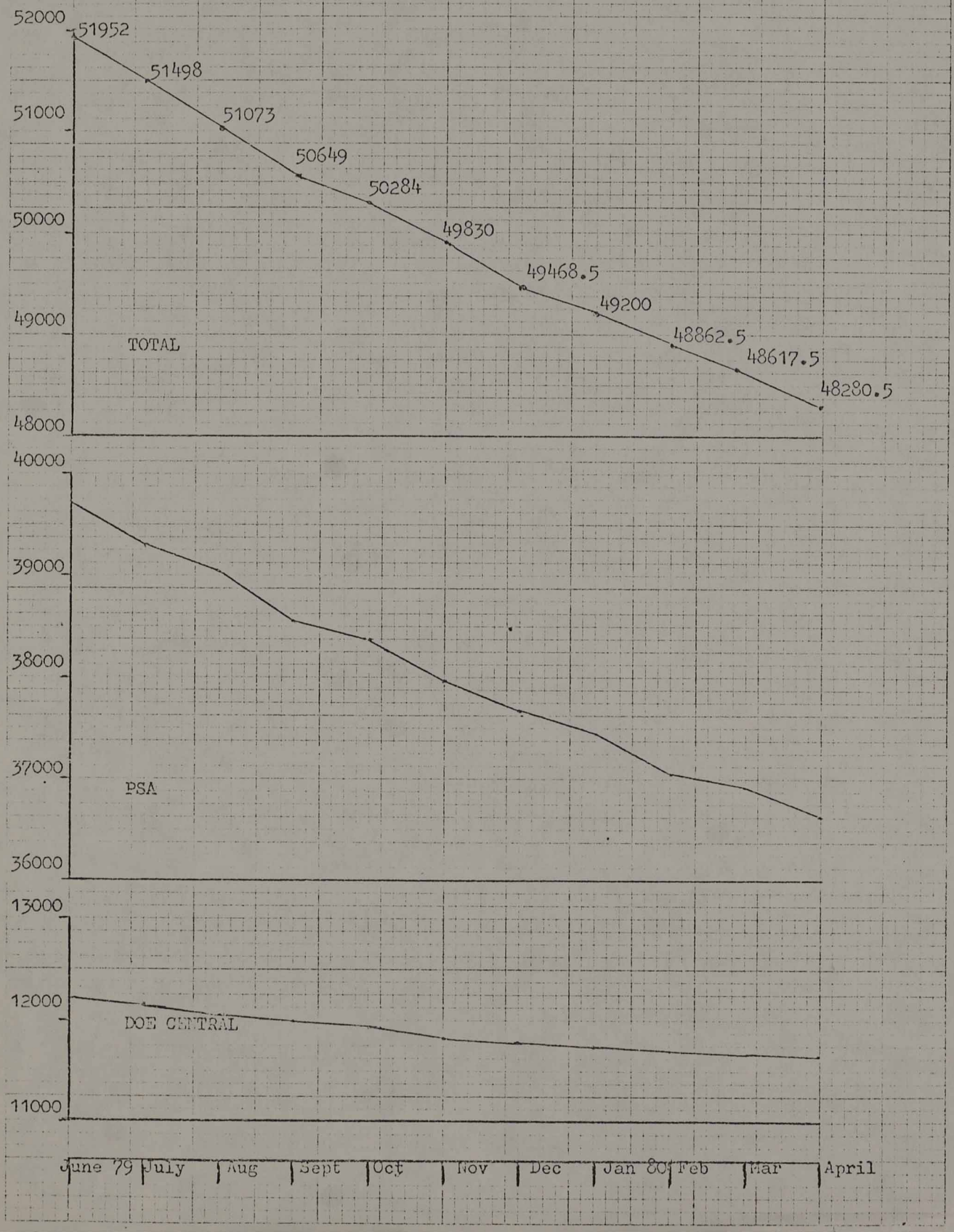
Staff in Post 1.6.79	Staff in Post 1.4.80	Net Loss[1]
10328	9893	435

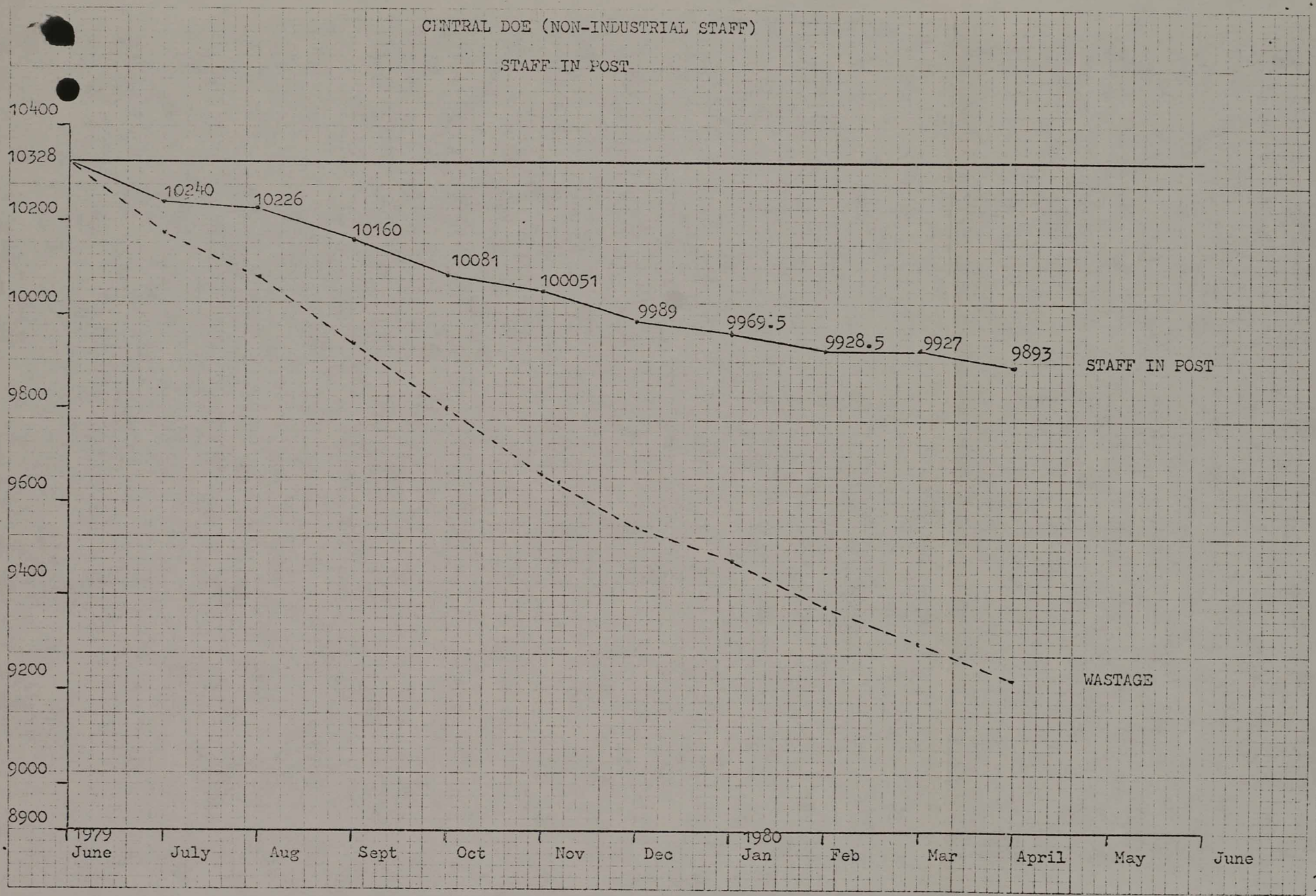
NOTE 1: The slight variations between the net loss figures derived from the wastage and recruitment records and those derived from the SIP figures are accounted for by the fact that, while the latter record any changes in the full or part-time status of individual employees during any one month, the former do not.

ANNEX A(2)

DEPARTMENT OF THE ENVIRONMENT

STAFF IN POST




CENTRAL DOE (NON-INDUSTRIAL STAFF)
STAFF IN POST
10400
10328
10200
10000
9800
9600
9400
9200
9000
8900
10240
10226
10160
10081
100051
9989
9969.5
9928.5
9927
9893
STAFF IN POST
WASTAGE
1979
June
July
Aug
Sept
Oct
Nov
Dec
1980
Jan
Feb
Mar
April
May
June

ANNEX A(4)

ANNEX B

MANAGEMENT INFORMATION SYSTEM FOR MINISTERS (MINIS)

The attached sheets represent part of the MINIS submission for the Planning Intelligence directorate.

Sheet 1 is the summary for the unit.

Sheets 2(1) show functions, costs, etc in the period October 1979-April 1980, for two of the directorates main subject areas - international planning and (part only) cartographic services.

Sheets 2(2) show related performance assessments for this period and planned performance for the next 6 months.

Sheets 5(1) and 5(2) show future objectives and manpower requirements for the directorate up to March 1981

1. MANAGEMENT INFORMATION FOR PLANNING INTELLIGENCE

PI /PAGE 1

SENIOR OFFICIAL MR. D.E. JOHNSON LOCATION(S) BECKET HOUSE: PRINCE CONSORT HOUSE

MANAGEMENT - IN CONFIDENCE

UNIT'S PRINCIPAL AIMS AND SUBJECT AREAS	COSTS: THIS PERIOD	£000s
A Professional planning and planning research staff management.	Senior official + immediate support	14.9
	AIMS/SUBJECT AREAS	
B International planning	A	12.8
	B	38.9
C Cartographic Services	C	377.1
D Minerals planning	D	145.8
E Policy planning and analysis	E	47.3
F Voluntary bodies	F	9.2
G School for Advanced Urban Studies	G	2.0
H Support for other Directorates	H	9.0
	OTHER ACTIVITIES	
	a. within unit - unspecified	26.9
	b. administrative support in unit	35.5
	c. in support of other units	-
	BASIC STAFF COSTS	719.4
	PLUS ACCOMMODATION	
	Support from other units	

STAFF IN POST: THIS PERIOD	
Unified Structure	1
Administration Group	58 11/22
Scientific Group	8
Planning and Research Officers	19
Cartographers	76
Ironstone Adviser	9/22
Secretarial Category	5 15/22
Supernumerary	
TOTAL	168 17/22

1 REF-ERENCE	2 PRESENTDAY SUBJECT AREAS THIS PERIOD: FUNCTIONS/TASKS (GEOGRAPHICAL COVERAGE)	3 THIS PERIOD: OBJECTIVES AND SUPPLY/EXPENDITURE RESPONSIBILITIES	4 CODE	5 RAT-ING	6 CO	7 REF-AS 1
B1	Co-ordination of UK contribution to EEC on urban and regional planning (in particular on project assessment)	To ensure an adequate UK representation and that UK interests are promoted and protected.	P(E)	7	2.7	B1
B2	Participation in OECD Programme on Urban Problems, in particular the formulation of projects on urban decline, guidance on urban growth, fiscal management and the role of central government.	" " "	P(0)	6	7.3	B2
B3	Participation in ECE Working Party on Urban and Regional Planning and associated Committees, contributing to projects on integrated planning and citizen participation. Preparation of UK contribution to Research Conference on changes in the nature of the urban structure (Paris, June 1980)	" " "	P(0)	4	5.7	B3
B4	Support for FCO representation on UK Commission on Human Settlements.	" " "	P(0)	3	-	B4
B5	Participation in Council of Europe activities in urban and regional planning, in particular on urban renewal.	" " "	P(0)	10	12.9	B5
B6	Organisation of the 5th European Conference of Regional Planning Ministers (COE) in London, October 1980	" " "	P(0)	10	5.8	B6
B7	Participation in bilateral agreements with France (alternatives to high-rise development) Mexico (planning policies) and the USSR (urban transport, housing rehabilitation)	To ensure adequate UK participation	P(0)	3	4.5	B7
		TOTAL			33.9	

1 REF	2 THIS PERIOD: PERFORMANCE ASSESSMENT	3 NEXT PERIOD: PLANNED PERFORMANCE
B1	Co-ordination achieved to a limited degree.	Continuation of co-ordinating role.
B2	Establishment of a 3 year work programme of interest to the UK.	Participation in three projects of interest to the UK.
B3	Major role in initiating further work on integrated planning. UK interests safeguarded at meeting of Group of Experts and in preparation for Research Conference.	Preparation for and attendance at Working Party and Committee sessions.
B4	No work this period.	Attendance at third session of UN Commission.
B5	(a) Successful first meeting of National Committee for European Renaissance Campaign.	(a) Second and third meetings of the Committee
	(b) Selection of demonstration projects and formulation of a UK programme of events which appear promising.	(b) Preparation of technical documentation projects.
	(c) Preparation of draft national report slightly behind schedule.	(c) Preparation of final version of national report.
B6	Initial preparations successfully made for the Conference	Final preparations for the Conference.
B7	Technical Aspects of visits to the UK organised for delegations from France, Mexico and USSR who expressed their appreciation.	No work foreseen.

1 REF-ENCE	2 SUBSIDIARY SUBJECT AREAS THIS PERIOD: FUNCTIONS/TASKS (GEOGRAPHICAL COVERAGE)	3 THIS PERIOD: OBJECTIVES AND SUPPLY/EXPENDITURE RESPONSIBILITIES	4 CODE	5 RAT-ING	6 CO	7 REF-AS 1
C1	Operating the existing computer statistical analysis and mapping service (E & W)	To maintain a rapid and efficient analysis and mapping service for DOE users.	M	7	11.7	C1
C2	Development of an improved system of computer statistical analysis & mapping facilities (E & W)	Design and implement the system in time to handle 1981 Census data	RD	8	3.9	C2
C3	Research on automated digitising, computer mapping & remote sensing for measuring land use change.	Developing automated computer techniques and software. RRC1 Triad D £7.8K RRC1 Triad B £19.1K	RD	7	16.4	C3
C4	Maintaining map records and records of departmental decisions on land use.	Preparation and maintenance of a new map record as recommended by a Working Party on Land Use Records in 1971, and maintenance of a card index record of planned decisions.	M	10	28.8	C4
C5	Briefing Planning Inspectors form the records.	To ensure that Inspectors are made aware of other planning decisions (upto six years previously) that have been made in the vicinity of the new case, and whether the site is affected by any planning restriction factors, e.g. conservation area.	M	10	66.9	C5
C6	Statutory work.	Maintain an effective mapping service for the DOE	M	10	25.3	C6
C7	Cartographic support for Inner City and allied Directorates	Maintain an effective mapping service for the DOE	M	7	15.6	C7
C8	Illustrate River Pollution Survey	Maintain an effective mapping service for the DOE	M	7	9.3	C8
		TOTAL C/F			177.9	

REF	2 THIS PERIOD: PERFORMANCE ASSESSMENT	3 NEXT PERIOD: PLANNED PERFORMANCE
C1	166 tables/maps produced on weekly turnover service.	Continuation of service at about same level. New contract to digitise 1981 awards for Census mapping.
C2	Awaiting decision on financial approval, no work on system specification and development started. Liaison with OPCS and others active in computer mapping started to co-ordinate handling of Census data. Working group set up to co-ordinate remote sensing system and mapping system.	Subject to DMMS approval, new system will be developed. Work load will be heavy. Existing PRO post vacant. Additional PRO support needed for this work.
C3	Stage 1 Contract on automated digitising completed satisfactorily. Computer plotting service to analyse results of land use survey (Developed Areas) inaugurated. Delay in agreement on commercial contract has restricted service on area measurement. Backlog of customer requests. Stage 2 Contract on remote sensing completed satisfactorily. Stage 3 started.	Three research contracts will reach a critical stage. Quality control at risk because of staff shortage at appropriate grade and experience.
C4	Very little work undertaken on preparation of new map records due to shortage of basic grade cartographic staff. This task was started in 1973 and is about $\frac{2}{3}$ complete.	Virtually no work is expected on preparation of new record map
	Maintenance of that part of the new map record in use for briefing has not been kept fully updated due to shortage of basic grade cartographic staff. Staff resources have had to be concentrated on function 5, below.	Only partial maintenance of the map record can be planned for, and in consequence the card index record also will not be fully maintained.
C5	This function has been satisfactorily achieved, but at the expense of function 4 above. A small backlog of cases awaiting briefing has developed within the past two months but has not reached serious proportions. An average of 510 briefings per week are being undertaken.	The principal customer unit (PIA) for this service has estimated a 7-10% increase over 1979 intake in the number of cases for briefing. The members of cartographic staff in post will not be able to keep abreast of workloads of this higher order.
C6	Priority work all targets met	Continuous programme of work.
C7	103 maps produced for 10 topics. Barely coping.	Increased production subject to availability of an additional basic cartographer.
C8	Partially dependent on WDU and Ordnance Survey. Satisfactory performance overall.	Completion within 6 months 1980 water quality survey to follow.

REF.	OCTOBER 1980 - MARCH 1981: PRINCIPAL OBJECTIVES	ESTIMATED ADDITIONAL MANPOWER REQUIREMENTS/SAVINGS	COSTS (ES
A	Continue head of profession service	Reduction of staff in post by one CO	- 3.0
B	Service COs Ministerial Conference & subsequent Campaign for Urban Renaissance. Continue links with other inter-governmental organisations.	Reduction of staff by one EO after Conference (and by further two posts at the end of the Campaign - Autumn 81)	- 3.9
C	Continue cartographic services	*Further reduction of complement by 3 posts by running down services. But recruitment of 6 basic grade cartographers	+18.1
D	Continue legislation, guidance and processing of cases.	(Reduction of complement by 4 posts when legislation and guidance completed - Autumn 81)	
E	Continue policy analysis services		
F	Continue administration of grants		
G	Review of relations with School following transfer transfer of responsibility to University.		
H	Continue input to housing directorates & D/Tp		
		* Wastage is now outstripping planned reductions and a case may need to be made for recruiting some junior staff for training.	
		TOTAL	+11.2

NO.	APRIL-SEPTEMBER 1980: PRINCIPAL OBJECTIVES	ESTIMATED ADDITIONAL MANPOWER REQUIREMENTS/SAVINGS	COSTS (EST)
A	Continue head of profession service for professional planning and research staff.		
B	Continue preparations for COE Conference of Ministers and Campaign; maintain limited but effective links with activities of inter-governmental organisations.		
C	Continue cartographic services for the Department	Reduction of complement by 3 posts by running down services.	
D	Preparation of legislation and policy guidance relating to control of mineral working. Continue processing cases before Department.		
E	Continue policy analysis service for planning directorates.		
F	Continue administration of programme of grants to voluntary bodies and review of policy towards voluntary sector with other Departments.		
	Transfer responsibility for funding of School wholely to Bristol University - July/August		
	Continue planning input to housing directorates and D/Tp		
		TOTAL	

SECRET

2

SUMMARY OF CABINET DECISIONS: 1 MAY 1980

1. Manpower target of 630,000 by end of present Parliament, with some contingency margin; flexibility on timing and distribution among Departments; savings to be found both by reduction and simplification of functions, and by improved efficiency.

2. Departmental Ministers, consulting Mr. Channon and Sir Derek Rayner as necessary, to prepare reviews of functions and activities, with plans for reductions and simplifications which can provide manpower savings; C.S.D. to be kept informed of progress, and to provide advice and assistance as necessary; Mr. Channon to report to Cabinet from time to time.

3. Mr. Channon:

(i) to put in hand programme of work on efficiency proposed in his paper to Cabinet;

(ii) to report to Cabinet in due course on the grading structure;

(iii) to report to Cabinet by end July on pay, promotion and retirement policies in the Civil Service;

(iv) to ensure that "best practice" in individual Departments, and relevant experience from Sir Derek Rayner's work, are effectively disseminated.

Prime Minister to announce Government's aims and proposals to the House; Mr. Channon to inform the Civil Service unions shortly beforehand.

SECRET

Duty Clerk

LIST OF GUESTS ATTENDING THE DINNER TO BE GIVEN BY THE PRIME MINISTER ON TUESDAY, 6 MAY 1980 AT 8.00 PM FOR 8.30 PM
LOUNGE SUIT

Prime Minister	
Sir Lawrence Airey	Inland Revenue
Sir Robert Armstrong	Cabinet Office
Sir Peter Baldwin	Transport
? Sir Kenneth Barnes	Employment
Sir Wilfrid Bourne	Lord Chancellor's Department
Mr. David Cardwell	Defence
Sir Kenneth Clucas	Trade
Sir Frank Cooper	Defence
Sir Brian Cubbon	Home Office
Sir Hywel Evans	Welsh Office
Sir William Fraser	Scottish Office
Sir John Garlick	Environment
Sir Basil Hall	Treasury Solicitor
Sir James Hamilton	Education
~~Sir Brian Hayes~~	~~Agriculture~~
Mr. Robin Ibbs	CPRS
Sir Douglas Lovelock	Customs and Excise
Sir Donald Maitland	Energy (des.)
Sir Patrick Nairne	Health and Social Security
Sir Michael Palliser	Foreign and Commonwealth Office
Sir Peter Preston	Overseas Development Administration
Sir Anthony Rawlinson	Treasury
Sir Henry Rowe	Parliamentary Counsel
Mr. K.R. Stowe	
Sir Ian Bancroft	
Mr. Clive Whitmore	
Mr. David Wolfson	

DRAFT SEATING PLAN DINNER ON TUESDAY, 6 MAY

~~Sir Peter Preston~~ ← Mr. Clive Whitmore

Sir Henry Rowe
(Lord Privy Council)

Mr. Robin Ibbs

Sir Peter Preston
~~Sir Brian Hayes~~ (ODA)

Sir Donald Maitland
(Dept of Energy designate)

Sir Kenneth Clucas
(Dept of Trade)

Sir John Garlick (DOE).

Sir Wilfrid Bourne
(Lord Chancellor's Office)

Sir Lawrence Airey
(Inland Revenue)

Sir Robert Armstrong

Sir Patrick Nairne
(DHSS)

PRIME MINISTER

Sir Michael Palliser

Sir Ian Bancroft

Sir Frank Cooper

Sir Brian Cubbon
(Home Office)

Sir Kenneth Barnes
(Dept of Employment)

Sir Peter Baldwin
(~~Industry Office~~)
Dept of Transport

Sir Basil Hall
(Treasury Solicitor)

Sir James Hamilton
(DES)

Sir Hywel Evans
(Welsh Office)

Sir William Fraser
(Scottish Office)

Sir Douglas Lovelock
(Customs)

Sir Anthony Rawlinson
(Treasury - Minister of Wales)

Mr. K.R. Stowe

Mr. David Cardwell
(MOD - Procurement Executive)

Mr. David Wolfson

ENTRANCE

RP. I

Robert Sales £500

SDA

PERSONAL AND MANAGEMENT IN CONFIDENCE

invitations sent 2/5/80

Mrs Goodchild SG

Can you now pl send formal invitations to those on the list & Sir Ian Bancroft.

1v.

10 DOWNING STREET

From the Principal Private Secretary

SIR IAN BANCROFT

CIVIL SERVICE MANAGEMENT PROBLEMS

Following the discussion at Cabinet this morning on civil service manpower and other matters, the Prime Minister has decided that it would be useful for her to meet Permanent Secretary heads of Departments at an early date. The purpose of the occasion would be to talk frankly about civil service management problems in the light of the Cabinet decisions. She wishes to take Permanent Secretaries' minds on the best way to ensure the successful implementation of the Government's policy.

The Prime Minister recognises that Permanent Secretaries operate under considerable constraints and have to deal with unions who are now more militant and resistant to change than a few years ago. She will therefore be seeking ideas from Permanent Secretaries on the best way of obtaining the commitment of staff to change. More generally, she will be looking for constructive suggestions on priorities for action which will improve the effectiveness of the management of the civil service at all levels.

The Prime Minister believes that the free discussion she wants can best take place over dinner, and she wishes this to be held as soon as possible. Pressures on her diary are such that the only free date in the next two weeks is Tuesday 6 May. She will therefore look forward to seeing you and those of your senior Permanent Secretary colleagues indicated on the attached list (to whom I am copying this minute) at 2000 for 2030 in 10 Downing Street. The Prime Minister very much hopes that in spite of the short notice everyone will be able to make arrangements to attend. If for any reason this is impossible, I should be grateful for immediate notice of this.

1 May 1980

PERSONAL AND MANAGEMENT IN CONFIDENCE

Sir Lawrence Airey	Inland Revenue
Sir Robert Armstrong	Cabinet Office
Sir Peter Baldwin	Transport
Sir Kenneth Barnes	Employment
Sir Wilfrid Bourne	Lord Chancellor's Department
Mr. D. Cardwell	Defence
~~Sir Peter Carey~~	~~Industry~~
Sir Kenneth Clucas	Trade
Sir Frank Cooper	Defence
Sir Brian Cubbon	Home Office
Sir Hywel Evans	Welsh Office
Sir William Fraser	Scottish Office
Sir John Garlick	Environment
Sir Basil Hall	Treasury Solicitor
Sir James Hamilton	Education
Sir Brian Hayes	Agriculture
Mr. R. Ibbs	CPRS
Sir Douglas Lovelock	Customs and Excise
Sir Patrick Nairne	Health and Social Security
Sir Michael Palliser	Foreign and Commonwealth
Sir Peter Preston	Overseas Development Administration
~~Sir Jack Rampton~~ Sir Donald Maitland	~~Energy~~ Energy
Sir Anthony Rawlinson (Representing Sir Douglas Wass)	Treasury
Sir Henry Rowe	Parliamentary Counsel
Mr. K.R. Stowe	Northern Ireland

Sir I. Bancroft

27

25

CONFIDENTIAL

PRIME MINISTER

CIVIL SERVICE NUMBERS AND COSTS

1. It was left undecided at Cabinet whether you or I would make a statement next week, but I think your inclination was to do it yourself - perhaps on Thursday.

2. On reflection, I think it would give added authority to what is an important step, if you were to make the statement yourself.

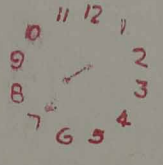
3. Next Thursday is the last possible date for a statement before the Union Conferences begin the following Monday. It would clearly be a great mistake to make a statement during the Conferences, and we cannot hold it beyond then.

4. I will send you a draft to consider over the weekend.

P.C.

PAUL CHANNON
1 May 1980

CONFIDENTIAL



CONFIDENTIAL

cc Mr Pattison

Mr WOLFSON

FOLLOW-UP TO 1 MAY CABINET

1. We spoke yesterday. I attach a draft aide-memoire for the meeting with the Prime Minister.

2. Sir Derek Rayner will be here some time after 2 30 this afternoon. Perhaps we could then have a word, with a view to knocking out a revised note by 4 45 to use as a rough agenda.

CP

C PRIESTLEY
1 May 1980

Enc: Draft note

MEETING WITH PRIME MINISTER, 2 MAY 1980

AIM

1. In light of Cabinet Conclusions on 1 May consider

a. content of Parliamentary statement next week;

b. how best to get good manpower plans from departments.

PARLIAMENTARY STATEMENT

2. Statement should cover:

a. Plan to reduce functions/activities of government on such a scale as to reduce size of Civil Service to c. 630,000 in 1984 and to increase efficiency, "less government using fewer staff better". (This should include reference to length of hierarchy.)

b. Strengthening of Ministerial control and management of resources (Rayner work commissioned by PM).

c. Updated priorities for Whitehall (Channon/Rayner work on management succession; training of Finance Officers; pay and rewards; motivation).

Query: Who is drafting? Suggest Sir DR should see draft.

GETTING GOOD MANPOWER PLANS

3. Meeting should consider:

a. How are Ministers now guided to action? Suggest PM minutes to Ministers ic Departments, calling for (i) plans to be in by a set date (say 1 November) and (ii) description of management practices and techniques.

b. What are Ministers asked to do to produce plan?* Suggest minute asks then to nominate a senior official, in consultation with Permanent Secretary, to conduct a detailed review preliminary to plan.

* This is down to Mr Channon. Suggest should be drafted in consultation with Sir DR.

c. What part is Sir DR expected to play? Suggest (i) minute indicates that Sir DR is generally available to advise Ministers and (ii) available specifically to certain Ministers (MOD, DHSS etc).

d. How should CSD play its part? Suggest needs strong input at appropriate level. Discuss CSD more generally. Suggest CSD consult Sir DR in implementing programme of work in Annex D (staff inspection, mechanisation etc).

OTHER POINTS

4. Register that work on grading structure should consider its length as well as its use.

5. Register that work is in hand on

a. lasting reforms (Rayner Appendix, some reporting July);

b. central departments (Bancroft and others, reporting June).

Seen by the Prime Minister.
1.v.80.

MR C A WHITMORE

DINNER FOR PERMANENT SECRETARIES

You asked for a draft minute and attendance list so you could set up the dinner the Prime Minister wishes to give to Permanent Secretaries to follow up today's Cabinet discussion. These I attach.

Sir Ian Bancroft thinks that the total (26 including himself but excluding the Prime Minister, you and Mr Wolfson) is just about manageable.

One or two comments on the composition of the list may be helpful. Broadly those chosen are all those of full Permanent Secretary rank. By and large this means the Heads of all the major departments, though you will see Sir Ian has thought it right to include Mr David Cardwell, Sir Peter Preston, and Mr Robin Ibbs. While nominally subordinate to Sir Frank Cooper, Sir Michael Palliser and Sir Robert Armstrong respectively, significant interests of different kinds would be unrepresented were they omitted. Sir Ian has also thought it necessary to include all three lawyers, since it could be invidious to differentiate between them, though of course with the exception of Sir Wilfrid Bourne their management responsibility is small. Finally Sir Ian has thought it right to include Sir Anthony Rawlinson as a Treasury representative, in Sir Douglas Wass's absence in the United States.

Sir Ian would be glad to discuss any queries with you if necessary.

David Laughrin

DAVID LAUGHRIN
Private Secretary
1 May 1980

DRAFT MINUTE FROM MR C A WHITMORE TO SIR IAN BANCROFT

CIVIL SERVICE MANAGEMENT PROBLEMS

Following the discussion at Cabinet this morning on civil service manpower and other matters, the Prime Minister has decided that it would be useful for her to meet Permanent Secretary heads of Departments at an early date. The purpose of the occasion would be to talk frankly about civil service management problems in the light of the Cabinet decisions. She wishes to take Permanent Secretaries' minds on the best way to ensure the successful implementation of the Government's policy.

The Prime Minister recognises that Permanent Secretaries operate under considerable constraints and have to deal with unions who are now more militant and resistant to change than a few years ago. She will therefore be seeking ideas from Permanent Secretaries on the best way of obtaining the commitment of staff to change. More generally, she will be looking for constructive suggestions on priorities for action which will improve the effectiveness of the management of the civil service at all levels.

The Prime Minister believes that the free discussion she wants can best take place ~~at a simple~~ working dinner, and she wishes this to be held as soon as possible. Pressures on her diary are such that the only free date in the next two weeks is Tuesday 6 May. She will therefore look forward to seeing you and those of your senior Permanent Secretary colleagues indicated on the attached list (to whom I am copying this minute) at 2000 for 2030 in 10 Downing Street. The Prime Minister very much hopes that in spite of the short notice everyone will be able to make arrangements to attend. If for any reason this is impossible, I ~~would~~ would be grateful for immediate notice of this.

C A WHITMORE

ANNEX

Sir Lawrence Airey	Inland Revenue
Sir Robert Armstrong	Cabinet Office
Sir Peter Baldwin	Transport
Sir Kenneth Barnes	Employment
Sir Wilfrid Bourne	Lord Chancellor's Department
Mr D Cardwell	Defence
Sir Peter Carey	Industry
Sir Kenneth Clucas	Trade
Sir Frank Cooper	Defence
Sir Brian Cubbon	Home Office
Sir Hywel Evans	Welsh Office
Sir William Fraser	Scottish Office
Sir John Garlick	Environment
Sir Basil Hall	Treasury Solicitor
Sir James Hamilton	Education
Sir Brian Hayes	Agriculture
Mr R Ibbs	CPRS
Sir Douglas Lovelock	Customs and Excise
Sir Patrick Nairne	Health and Social Security
Sir Michael Palliser	Foreign and Commonwealth
Sir Peter Preston	Overseas Development Administration
Sir Jack Rampton	Energy
Sir Anthony Rawlinson	Treasury
Sir Henry Rowe	Parliamentary Counsel
Mr K R Stowe	Northern Ireland

Civil Service

PRIME MINISTER

Beneath the brief and the two papers for discussion I have added the comments on Mr. Channon's paper by the Lord Chancellor and Mr. Pym (who is perhaps more constructive than expected): also Mr. Channon's response to the Lord Chancellor, and Mr. Ibbs' minute to you on management issues.

Two points on the brief:

1. Clive and I think that the brief assumes much too long an introduction by you: if you introduce the item briefly, perhaps by covering the ground on page 2, you might then ask Derek Rayner to speak. You need not spell out the "lasting reforms" work which is already summarised in the appendix to Derek's paper;

2. In respect of Mr. Channon's paper you were wary about bringing Mr. Heseltine in too early: the suggestion in paragraph 13 is to bring him in immediately after the paper has been introduced.

MAP

30 April 1980

Ref. A02061

PRIME MINISTER

Cabinet: Civil Service Manpower and Costs

The Cabinet has two papers before it:

(1) A memorandum by the Minister of State, Civil Service Department (C(80) 24) on numbers and costs.

(2) A minute by Sir Derek Rayner (C(80) 25) on Civil Service manpower policy.

2. The recommendations in Mr. Channon's paper are set out in paragraph 23, on page 6; those in Sir Derek Rayner's minute are sidelined.

BACKGROUND

3. In the Election Manifesto the Government committed itself to the reduction of waste, bureaucracy and over-government. The Government has made some progress, but not enough. The purposes of the meeting are:

(a) To revise and renew the Cabinet's commitment to the Manifesto objectives.

(b) To decide what to do next in order to go further in the direction set by the Manifesto, and achieve lasting improvements.

4. Ministers want, and the country wants:

(a) less government, and better government; and one of the things that means is:

(b) a smaller, but more efficient, Civil Service. Both objectives need to be pursued together, but it is convenient to discuss them separately. Mr. Channon's paper is mainly concerned with numbers, Sir Derek Rayner's with efficiency; though of course they overlap and cross-refer.

5. Your colleagues will no doubt concur in the general objectives. But I discern signs of Ministerial revulsion, if not revolt, at Mr. Channon's proposal for a further series of three annual manpower reductions of 2½ per cent a year. This suggests two tactical considerations:

(1) You might do well to start the discussion (after a general introduction) with the positive aspects of lasting reform, before leading into the painful subject of how to reduce manpower.

(2) You almost certainly would be well advised to let Mr. Channon make the running on the proposal for annual manpower reductions, and not to identify yourself with it too closely at the outset of the discussion.

HANDLING

6. On this basis, you might start with a general introduction on the following lines:

We are committed to less government and better government. This means (inter alia) a smaller and more efficient Civil Service. Some progress made, more needed.

On efficiency, work already commissioned on Rayner recommendations for lasting reforms. Colleagues will no doubt want to comment and make suggestions, and I hope will agree that these recommendations go in the right direction. They are not yet decisions: that will follow when the work is completed.

On numbers, Mr. Channon has proposals. To get the Civil Service down to 630,000 - lower than at any time since the war - in this Parliament is an attractive objective. Do we agree that it is attainable? We have already agreed to savings of over 30,000 staff. If we accepted this new objective, we should be looking for about another 40,000 off; only about 6 per cent below what we are already committed to achieving by the savings already agreed, in order to get the total numbers down by 10 per cent from present levels. Improved efficiency can do part of this, but should not be expected to do all. Less government means doing without some bits of government we now have. We have to identify functions which we do not need to perform, or which are of only marginal value.

But before we come to that, let us talk about Sir Derek Rayner's recommendations in his minute on "lasting reforms".

7. You could then tell the Cabinet the work you have commissioned as a result of Sir Derek Rayner's minute. You can say that you have asked:

(1) The Minister of State, Civil Service Department, in consultation with the Chancellor of the Exchequer and Sir Derek Rayner, to report in July on changes in "managerial culture":

(a) special recognition, entitlement to annual increments, etc.;

(b) construction of a "model succession policy";

(c) annual statements by Heads of Departments of simplifications and savings achieved;

(d) a policy for enabling and encouraging staff to give of their best. An important element in this is better working conditions. Sir Derek Rayner has stressed this, and has drawn attention to the need to spend more money on technological supports - computers, word-processors, etc. which make working conditions better and improve efficiency - and on the office environment, which is too often sub-standard. This could mean reinstating at least part of the cut in the Property Services Agency's expenditure, which would otherwise cause conditions to deteriorate.

(2) The Chancellor of the Duchy, in consultation with the Minister of State, CSD, to report on the cost of meeting Parliamentary requirements and demands.

(3) Sir Derek Rayner, in consultation with the Chancellor of the Exchequer, the Minister of State, CSD, and the Head of the Government Accountancy Service, to oversee a programme of work with a view to producing a report by October on Departmental management and the financial framework:

(a) how to define and establish the managerial authority of Ministers. This would be a suitable point at which to bring out Mr. Ibbs's point that increased Ministerial concern about management should not be allowed to reduce the responsibility and accountability of Permanent Secretaries for efficient management of resources

and staff. There is a feeling among both Ministers and Permanent Secretaries that, while Ministers can and should concern and involve themselves in deciding the objectives of management, and take an interest in the problems of management, responsibility for management should rest with the Permanent Secretaries, partly because Ministers do not have enough time (or in some cases inclination) to take it on themselves, and partly for the reason suggested by Mr. Ibbs: if we even partly remove responsibility from Permanent Secretaries, we remove from them also the incentive to involve themselves personally in promoting efficiency;

(b) how to define and establish, and delegate as necessary, responsibility and accountability of officials;

(c) how to define and establish the authority of Principal Finance Officers and Principal Establishment Officers, and what their qualifications should be (but NB Mr. Ibbs's points, that calibre is more important than specific qualifications, and that the personnel facet of the establishment function should be kept distinct from the control function);

(d) how to strengthen the financial framework;

(e) the "annuality rule";

(f) the need for greater cost-consciousness in improving regulations and standards.

(4) The Chancellor of the Exchequer, in consultation with the Minister of State, CSD, and Sir Derek Rayner, to consider the central control of expenditure (money and resources). It will be impossible to complete this until decisions have been taken on the machinery of government at the centre; but you cannot refer to this at Cabinet.

8. None of this calls for decisions at this stage. But it will be important to get the support of Ministers fully engaged behind this programme of work. If Departments do not feel that Ministers collectively, and their own Ministers in particular, really have their hearts in it, it will run into the sand. On the

whole Whitehall has so far been prepared to accept Sir Derek Rayner's work as helpful and positive; there is beginning to be a danger of his coming to be seen as a foreign body which has to be resisted and rejected. If that is not to happen, he will need all the support he can get from Ministers - and from Permanent Secretaries, who will take their cue from Ministers.

9. When the Cabinet has discussed Sir Derek Rayner's minute, you will presumably invite them to turn to Mr. Channon's paper. The discussion is likely to concentrate on the proposals for a series of manpower reductions, $2\frac{1}{2}$ per cent a year for three years from 1981-82. Not all Ministers will welcome this. It holds out the prospect of a further series of arguments and battles about how to achieve these targets, running from now to the end of this Parliament. Some will think this worth while; others will have no stomach for it. But they will probably endorse the global target: all in favour of reducing the size of the Civil Service so long as their own Departments are excused. So the discussion may well turn on the means by which reductions are to be achieved. Is Mr. Channon right in thinking that it is not enough to have a global target for the Service as a whole, and that the global target cannot be achieved without Departmental targets? Is there an alternative approach - that of finding functions and activities that can be dropped, so as to make up the total? The difficulty of this is that there are probably relatively few functions which are inherently undesirable or even just useless: it is a matter of deciding what activities are of sufficiently small value to be disposable.

10. Mr. Channon - and the Civil Service Department - believe that the proposed global reduction will be achieved only by a percentage target or series of targets which each and every Department has to meet. They think that last year's attempt to discover functions or activities which could be abandoned was not successful, and is not worth repeating. You will have to judge whether the Cabinet as a whole is prepared to accept - and act on - this view; or whether there is any alternative.

11. An alternative approach would be for every Minister to review, in some detail, the functions and activities for which his Department is responsible, and then to ask himself, in respect of each one, whether it is of sufficient positive value to continue it. This should be done without reference to a percentage target, as an exercise of values: if none are useless, some are less useful than others. This exercise could only be done within Departments, each reporting to its Minister; but there could be a role for a central official in the Civil Service Department, to help Ministers and their Permanent Secretaries set the exercise up, suggest to them what information they should seek and what questions they should ask Ministers, and be in a position to form a view from the centre of relative value as between one Department and another. So there would need to be some kind of central monitoring and advising capacity; and it would be necessary to build in some kind of externally imposed discipline, to make sure that the exercise was properly carried out throughout Whitehall. The fear must be that only a percentage target would provide the necessary discipline, and that an exercise without percentage targets would yield less than a percentage target approach. But it would be seen as reasonable and logical, rather than a succession of blind swipes, and could attract better support and less opposition, and therefore in the end be more effective.

12. If the savings are to be achieved, the large Departments must contribute. You will need to press the Ministers in charge of the biggest Departments - Defence, Health and Social Security, the Revenue Departments, and Environment and Transport. But the industrial Departments should be able to contribute their share by slimming their "sponsorship" role.

13. As to handling the discussion, once Mr. Channon has introduced his paper, you may like to invite the Secretary of State for the Environment to follow: that would give him an opportunity to say his piece about how he is achieving reduced numbers and greater efficiency in his own Department. He might be followed by the Chancellor of the Exchequer, who will sympathise with the objectives but has difficulties with the Revenue Departments. You might then invite the Lord Chancellor and after him the Secretary of State for Defence to

speak: both have circulated minutes. I am told that the Secretary of State for Employment can be expected to be helpful; it might be worth inviting him to speak early in the discussion.

14. I attach a draft of possible conclusions for this discussion. The list of conclusions may serve as a checklist, for you to make sure that the Cabinet has discussed and arrived at a view on the points on which decisions are required as a basis for further work. The references in brackets are (except where otherwise stated) to paragraphs in Mr. Channon's paper.

15. Some Ministers may argue that no decisions should be taken this meeting, and that it should be an occasion for discussion only, with a view to later decisions after a pause for reflection. The difficulty about this is that some knowledge of what is being discussed has already leaked; this has begun to create uncertainty and will continue to do so unless a statement can be made soon. If at all possible, therefore, you will want to steer the Cabinet to firm conclusions and to agreement that a statement should be made next week.

RtA

(Robert Armstrong)

30th April 1980

ANNEX

CONFIDENTIAL

The Cabinet might be guided to reach the following conclusions (mainly with reference to paragraph 23 of the paper by the Minister of State, Civil Service Department):-

The Target

(i) To agree that a target should be announced now for a specified reduced level of Civil Service manpower by the end of 1983-84 (23a.).

(ii) To agree that it should be 630,000, inclusive of a contingency margin of 10,000 administered by the Civil Service Department and giving priority to claims resulting from rising unemployment or any other external factors (23d.).

(iii) To agree that in order to reach it, with allowance for the contingency margin, each Department should aim to save $2\frac{1}{2}$ per cent, in terms of numbers and staff costs, in each of 1981-82, 1982-83 and 1983-84, in addition to the savings already agreed (23e.);

OR if any major exemptions were accepted, by an alternative formula designed to reduce the total to 630,000.

(iv) To agree that these reductions will not be achieved without changes and termination of functions, and therefore to invite all Ministers in charge of Departments to review all the functions and activities of their Departments with the aim of achieving smaller and better government, and less government on the backs of industry and enterprise.

(v) To agree that, in progressing towards this overall target, each Department should reduce its posts at Under Secretary and above by at least 10 per cent by April 1982, with April 1979 as the baseline (23c.).

(vi) To invite the Minister of State, Civil Service Department:

(a) To arrange for the programme of work summarised in Annex D of the paper to be implemented and for the CSD to discuss with each Department ways of simplifying and streamlining manpower intensive activities in that Department (23b.).

(b) To report to Cabinet in due course on the use of the grading structure (there will be a good deal of support for a determined drive to use it much more flexibly; one of the advantages of that being not only to reduce unnecessary work but to give younger civil servants a chance to exercise responsibility).

(c) To submit further papers before the end of July on pay, promotion and retirement policies.

(d) To ensure that the experience of individual Departments, and that resulting from Sir Derek Rayner's work, is effectively disseminated, and to report progress on this to Cabinet (23f.).

(vii) To agree that, if the Government is pressing forward with proposals for a smaller and more efficient civil service, they should be, and for the sake of morale should be seen to be, balanced by proposals to improve working conditions: a guarantee of fair pay for good work, the provision of advanced office machinery systems, and efficient and acceptable working conditions and office services - including catering; and to invite the Minister of State, Civil Service Department, and the Secretary of State for the Environment to bring forward proposals accordingly.

Statement to the House

(viii) To invite the Minister of State, Civil Service Department, to agree urgently with you the terms of a statement on Tuesday, 6th May, and to circulate advance copies of that statement to colleagues for information (23g.).

OR To clear the statement with all colleagues and to make it as soon as possible (Wednesday, 7th May?).

Staff Side

(ix) To invite the Minister of State, Civil Service Department, to inform the National Staff Side of the decision as soon as the announcement is made (23h.) and to assure them that -

(a) Subject to unforeseen developments, there will be no further such proposals during this Parliament.

(b) The Government is not seeking compulsory redundancy and will aim to keep it to the minimum.

(c) Each Department will consult its Staff Side about methods of reaching its target.

(x) To invite Ministers to use opportunities that arise in order to express their appreciation of the good work the Civil Service is doing and to defend it against unfair and unfounded criticism.

Other Action

(xi) To take note, with approval, of the programme of work commissioned on Sir Derek Rayner's recommendations on lasting reform.

(xii) To note that you will yourself be discussing these matters with Permanent Secretaries as quickly as possible after 1st May.

30 April 1980

MO 2/2/6

PRIME MINISTER

THE CIVIL SERVICE

As much the largest employer with the widest spread of activities I think it right to make some comments on the papers by Paul Channon and Derek Rayner (C(80)24 and 25).

2. I will get two parochial comments out of the way first:

(a) The basis of comparison between Ministry of Defence (MOD) civil servants and the Armed Forces is false. The early figures given for the Services include conscripts, whereas those given for MOD exclude locally engaged civil servants who fell between 1960 and 1980 by 100,000. On a comparable basis the Services have gone down by 42% and civil servants by 43%. The two are complementary and neither is wholly "teeth" or "tail". We must pay regard to the realities of the scale of the reductions so far.. In the MOD we must watch carefully the delicate relationship between the Services and the civilians who work closely together in all parts of the organisation.

(b) The Civil Service in the 60s and the 70s rose as a whole by around 60,000 and 6,000 despite reductions in Defence of over 60,000 and 20,000 (on the basis of Paul Channon's figures which exclude reductions in PSA on Defence works).

3. It is useful to see the figures set out over a long period of time. It would have been helpful to see long-term figures for senior and middle-ranks staff - there has been appalling grade drift and the structure has an over-thick middle. The MOD is not free from this charge. We need to expose the facts for all Departments.

4. I favour further reductions and a long term strategy to achieve this is essential. But we cannot rely on wastage. It is inefficient and seriously damaging to good management and morale. If it is decided to seek further cuts of 2½% per annum, then there are certain absolute necessities:

a. There must be changes in functions; there is no sensible way significantly to reduce numbers without this.

b. There must be flexibility in phasing all reductions to achieve the cumulative total by the end of the period.

c. An effective early retirement scheme must be introduced immediately. Redundancies cannot be avoided.

d. There needs to be a clear doctrine about costs. Either we only transfer work out if it is demonstrably cheaper or we allow a premium for the private sector in the belief that in time it will be cheaper.

e. There must be decentralisation. National agreements must not be signed which inhibit Departmental management. In short if, as Derek Rayner envisages, Ministers are to be managers, they must be allowed to manage; and they must have the tools to do the job.

f. Something positive needs to be said about the value of the Civil Service and about its pay and conditions. It is not clear to me how you get the best out of people if you appear all the time to be lambasting them in public.

5. I regret Paul Channon's timetable is so tight. I imagine it is also designed to relate to the Civil Service staff unions' conference season which is just starting. But both management and staff will require some rationale. For line managers a longer term strategy will be welcome but they are fed up with their restricted freedom to manage. Staff will be more impressed with

the rationale of the Government's strategy and the professions of confidence if they can relate these measures to something more than papers later in the year on pay, pensions, cand cash limits. This needs more thought and effective presentation.

6. Derek Rayner's paper contains some interesting ideas. On the hierarchy, the work we have been doing here for some time suggests that what is needed and what will produce results is a reduction in - or limitation of - the number of reporting levels in each management area. This will vary in relation to the nature of the work. I am bound to add that I regard an Under-Secretary who runs Devonport Dockyard (13,000 employees) or the whole of the Royal Navy Supply and Transport Service (19,000 employees) as a pretty good bargain. I strongly support some of Derek Rayner's other ideas, particularly clarifying central responsibilities, annuality, the need for better qualified managers (particularly financial managers), clarification of accountability as well as better management accounting systems. The MOD's succession planning is in fact well in advance of anything he contemplates. I would also like to see a less permanent Civil Service and more "ins and outs". We ought to sort out priorities.

7. I am sorry not to have been able to put these views to you earlier, particularly since if we are to get the strategy right it will be very difficult to reach final conclusions tomorrow. Once the Cabinet has reached conclusions I think that, given the acute importance of the issues and the effect on the Civil Service there would be very great advantage in you announcing our decisions to Parliament yourself.

8. I am sending copies of this minute to Paul Channon; Members of the Cabinet; and Sir Robert Armstrong and Sir Derek Rayner.

Ministry of Defence

30th April 1980

with compliments

MINISTER OF STATE

Mr Whitmore MM 30 VI
To see Mr Channon's
response to Lord
Hailsham

CIVIL SERVICE DEPARTMENT
Whitehall London SW1A 2AZ

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CONFIDENTIAL

Civil Service Department
Whitehall London SW1A 2AZ
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Minister of State

The Rt Hon The Lord Hailsham
of St Marylebone CH FRS DCL
Lord Chancellor
House of Lords
LONDON SW1 OPW

29 April 1980

Dear Quintin,

CIVIL SERVICE NUMBERS AND COSTS

Thank you for sending me a copy of your letter of 28 April to the Prime Minister. This raises a number of important points.

Of course, I entirely understand the difficulties you mention. But I do feel that it is essential for us to go for an overall target. If we do not do so, I am absolutely convinced that we shall not meet our collective objective, which I know you share.

There are, however, three points which I should like to mention because I hope they will be of help. First, I propose in my paper that there should be a contingency margin. This should help Departments, such as yours, who are demand-led. Secondly, I can see no reason at all why Ministers in charge of more than one Department or Agency should not spread their savings unevenly, provided the overall target is reached. Thirdly, I have proposed in my paper that each Minister should discuss his plan with the CSD. Naturally, I should want to be as helpful as possible, and I shall be very ready to have a talk with you about the problems in your Departments as soon as you are ready.

I am copying this to other members of the Cabinet and to Sir Robert Armstrong.

Yours,

Paul

PAUL CHANNON

CONFIDENTIAL

FILE Civil Service TD

cc. Master Set.

10 DOWNING STREET

From the Principal Private Secretary

29 April 1980

BF 2-5-80

Meeting with Permanent Secretaries

When the Prime Minister saw you this morning she told you that she was becoming increasingly aware that the task of improving management in the Civil Service was far bigger than she had earlier thought. The bureaucracy had a life of its own and exercised almost as many constraints on Permanent Secretaries as it did on Ministers. Moreover, because the attitude of the unions was often one of resistance and sometimes even of confrontation, getting better management in the Civil Service was much more difficult today than it had been a few years ago. The scale of problem was therefore very large. Sir Derek Rayner was doing a very good job in this area, but this was only a start. The Prime Minister was seeking ideas about how to set about the task, and she wondered whether she should see Permanent Secretaries about it. If so, there was the question of how best to meet them. Should she, for example, see them without their Ministers present?

You said that the Civil Service was there to serve the Government of the day. The present Government had policies and an approach to management which were very different from those of its predecessor, and this required a change of attitudes on the part of the Civil Service. You believed that such a change was already happening. Permanent Secretaries were already trying very hard to move their Departments in the new direction, and it would greatly encourage them if the Prime Minister were to see them. The meeting might best be confined to the 24 or so Permanent Secretaries who were Heads of Departments, and it would be better if the Prime Minister saw them all together rather than in two or more groups. One possibility was for her to arrange a simple dinner, preceded by a lengthy pre-dinner period during which she would be able to mingle with the Permanent Secretaries. There would also be an opportunity to talk to them further after dinner. You did not think that Ministers would mind if they were not present.

/ The

The Prime Minister said that she welcomed your suggestion, and would arrange a dinner accordingly. She would, however, mention it during the forthcoming Cabinet discussion on Civil Service manpower and management to make sure that no Ministers objected.

C. A. WHITMORE

Sir Ian Bancroft, G.C.B.

CONFIDENTIAL

[Blind copy: Mr Pattison]

Mr WRIGHT

CIVIL SERVICE NUMBERS, COSTS AND EFFICIENCY

Sir Derek Rayner has seen his copy of my minute to you of this morning and has commented as follows:

a. He agrees that the PM should

i. give credit where credit is due in opening discussion (eg to Sir G Howe, Mr Pym, Mr Prior and Mr Jenkin on their attitude to the scrutiny programme); and

ii. distance herself somewhat from the Channon paper.

b. While he would always put the emphasis on cutting functions and costs rather than numbers, he thinks that in an imperfect world the use of a target is a useful discipline and not to be despised.

c. He thinks that some sense of priority would be helpful in tackling the "manpower policy" (eg if he were asked to help in the efficiency drive he would like to be directed to MOD, the DE Group and DHSS), but that equity demands that all departments should be included.

d. He repeats that he does not otherwise follow the Wolfson line except in relation to tactics for discussion.

2. On his own part in discussion on Thursday, Sir DR has asked me to request that he should not be invited to introduce his paper immediately after Mr Channon has spoken to his, but to make his contribution when Ministers have had a chance to respond to Mr Channon's paper.

3. This is because he fears that Ministers may be made restive by two opening pieces from people who are not members of the Cabinet and believes that his most useful contribution can be made, not in a sermon, but in making practical suggestions on reducing activity and increasing efficiency when Ministers are dealing with the substance of Mr Channon's paper. He would, as necessary, explain the significance of those parts of his own paper which relate to the managerial framework (paras. 24 - 35 and Appendix).

CP

C PRIESTLEY
29 April 1980

FROM:
THE RT. HON. LORD HAILSHAM OF ST. MARYLEBONE, C.H., F.R.S., D.C.L.

LORD CHANCELLOR

HOUSE OF LORDS,
SW1A 0PW

CONFIDENTIAL

The Rt. Hon. the Prime Minister,
10, Downing Street.

28th April, 1980

Dear Margaret.

Civil Service Numbers and Costs

We are to consider in Cabinet on 1st May the memorandum (C(80)24) by the Minister of State, the Civil Service Department, proposing further reductions in Civil Service manpower. While I do not in any way dissent from the general strategy of reducing the size of the Civil Service by eliminating unnecessary functions and improving efficiency, I do see objections to our imposing on every Department a uniform proportionate reduction in numbers in the way proposed in paragraph 17 of the memorandum.

This approach seems to me particularly unsuitable for relatively small Departments, such as my own, where most of the staff do work which is either:-

(a) demand-led; or

(b) self-financing; or

(c) both.

As far as I am concerned, in the first place I can control neither the volume of crime or civil litigation nor the numbers of house purchases and I am not prepared to adopt policies which must lead to an increase in delays in the Courts or the Land Registry; these delays are already bad enough and in some parts of the country unacceptably long. Equally, I have no control over the number of public records generated by Government Departments for which the Public Record Office must cater; and, as you know, I am already under serious political fire as a result of a "modest proposal" to reduce the facilities which the law requires the P.R.O. to make available to the public.

Secondly, the Minister of State rightly says in paragraph 8 of his paper that we must not "do things which are plainly silly simply in order to reduce the head count"; but that is exactly what he is asking us to do when he suggests an "across the board" percentage cut in numbers. Some Departments (the Land Registry is a notable example) not only cover their own costs but make a profit for the Exchequer out of the fees they charge. To stop them earning those fees by cutting down their staff just to contribute to a head count is, to adopt his own phrase "plainly silly".

/Contd.

Thirdly, a uniform percentage cut is relatively easily borne by any Departments that have allowed themselves to grow some fat. But a Department, particularly a small one, which has been scrupulous to avoid taking on unnecessary functions or retaining superfluous staff, and which has persistently sought to improve its efficiency, starts off from a worse base - a consideration which applies equally to the suggestion made in paragraph 11 of the paper that each Department should reduce its senior posts by 10%. For these reasons, while I am wholeheartedly in favour of our effecting economies by discontinuing useless functions, by the rigorous use of staff inspections, by the introduction of mechanical aids and by a constant search for efficiency, I do not think the imposition of a uniform percentage cut in staff numbers is the right way to go about it. If we decide to set ourselves a target such as is suggested (the reduction of the Civil Service to 630,000 by the end of this Parliament) we ought to leave ourselves a wide measure of flexibility over the respective contributions of the various Departments.

I am reluctant to take up time in Cabinet by raising what may seem to some to be my own parochial problems; but others may also face similar difficulties and I am therefore sending copies of this letter to Cabinet colleagues and Sir Robert Armstrong.

Yrs.

PRIVATE & CONFIDENTIAL

28th April,1980

PRIME MINISTER

CIVIL SERVICE MANAGEMENT

To get effective cost conscious management into the Civil Service is a mammoth task. In numbers the Civil Service is the equivalent of British Leyland, British Steel Corporation, British Rail and the Post Office all together. In complexity it covers wider areas by far than all these and in its anti-management history and culture it is quite outstanding, even compared with its public corporation competition.

Based on the above, you might think the task impossible. At best, it is exceedingly difficult and will require a major effort over a long period with continual time and support from yourself.

It would be possible to argue that the task will not justify the personal effort it will require, and it should not be attempted. It must be true that it would be better not to try than to end up with another P.A.R. failure.

To succeed will require a viable strategy for changing the attitude to the importance of good management throughout the Civil Service. For decades an excellent draughtsman but poor manager has been able to reach Permanent Secretary level. A poor draughtsman but excellent manager might become an Assistant Secretary. Despite the Fulton changes in 1970, Policy is what matters in the Civil Service. The administrative class (who are, of course, concerned with policy and not administration !) become the Directors. The executive class can only aspire to becoming Senior Managers. This culture is a guaranteed recipe for poor management.

Because the change required in attitudes is so great, I do not believe it can possibly be achieved with the sort of minor structure changes envisaged in the Channon Report.

What is required ? Let me suggest the following as the basis for a discussion :

1. A Junior Minister of proven managerial competence will have to be found for each of the big number departments : Defence, DHSS, Environment, Employment, Treasury/Inland Revenue.

2. He will have to be given a broad "executive not policy" brief. He will be looking at what is done and how it is done. His only interaction with policy will be to draw attention to those cases where a change in policy would make administration easier. [At the moment policy is regarded as so much more important than administration that it sometimes appears to be assumed that policy changes are cost free.] The Rayner exercises show what can be achieved.

/3.

3. (This is a massive change). A management structure would have to be created in the big number departments so that an outstanding manager can reach Permanent Secretary level on the basis of his responsibility for administration. If we compare with industry we must create a situation where the route to the Board is as open for the Director of Administration as for the Director of Research or Marketing. At the moment all Permanent Secretaries are responsible primarily for policy. All Deputy Secretaries are responsible primarily for policy. The system makes clear that administration is a rather secondary matter. And, of course, the top Permanent Secretaries are themselves the product of the system. Are they likely to believe that mere "doers" should be as important as themselves ?

CONCLUSION

To get better management in the Civil Service, with decades of anti-management culture, is an enormous task. The Rayner/Channon proposals, by themselves, will turn out to be a brave attempt achieving minor success and major failure. It is only a major ministerial and Civil Service cultural change which can succeed. If you do not judge that major changes are politically feasible and worth the effort then you should realise that minor changes are very unlikely to succeed.

David

David Wolfson

Re your meeting with Paul Channon and the Cabinet Meeting on May 1st.

The Cabinet can set targets or objectives. Ministers may agree or disagree on Thursday and some may agree on Thursday in order to fight cuts in their Departments at a later date.

But Ministers cannot agree a viable strategy for achieving better management because one is not yet available ! If you accept the above analysis, it will be necessary to develop the strategy for achieving better management as well as give Ministers targets for making minor cuts. Changes in Civil Service department top personnel, or their responsibilities, should not be put forward until you are personally sure that the proposed plans and changes are not just desirable or necessary, but also sufficient.

1. cc Mr Wolfson ✓ DW
2. Mr Whitmore to see

MAP 30.iv

MAP.

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-~~930 5422 ext~~ 233 8224

28 April 1980

M A Hall Esq MVO
Private Secretary to the
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
London SW1

Dear Martin,

THE EFFICIENCY OF CENTRAL GOVERNMENT

Since he wrote to the Chancellor on Friday, Derek Rayner has jotted down some "principles of good management" in a further effort to be helpful to Sir Geoffrey Howe. He would be very glad to have a word with the Chancellor or to extend the text if this is the sort of thing Sir Geoffrey wants and if either of those courses would be helpful.

I am copying this only to Mike Pattison.

Yours sincerely,

Clive Priestley

C PRIESTLEY

Enc: Note by Sir Derek Rayner

PERSONAL

from Sir Derek Rayner
28 April 1980

PRINCIPLES OF GOOD MANAGEMENT

1. CREATE ACTIVITY

Do not allow others to pre-empt your ability to take new initiatives. They will try and keep you busy with their problems, your in-tray and Red Boxes. Try and create some new activity each day which will keep others busy pursuing your priorities.

2. ADVANCE PLANNING OF DIARY

Plan your diary well ahead to make room for activities and visits you wish to make, otherwise it will be filled responding to the needs of others. It is all too easy to find yourself in a position where you are seeking to find a space for what you want to do - instead of you being in charge of your own diary.

3. KNOWLEDGE IS POWER

It is very easy to be entirely dependent on others for knowledge and, even when you attempt to remedy this situation by personal visits, your journey will be so pre-planned, heavily briefed and overwhelmed by senior people that you do not establish firsthand contact with those who actually do the job. Visits should always allow sufficient time for those visited to express their views - let the agenda include items selected by junior people who actually do the job, usually E. O's and H. E. O's.

4. DELEGATE BUT NEVER ABDICATE

This is easier said than done but, in part, can be overcome by ensuring you look personally from time to time at comparatively small blocks of work. Do not content yourself with the written report, ask to see the person responsible for day-to-day business.

5. MACHIAVELLI IS NOT DEAD

There exists a strong system of communications within and across Departments, and recommendations may well be made to secure your support for the objectives of the system. Do not take decisions unless you have had sufficient time to consider them, however disastrous the supposed consequences are. Let the consequences fall on those who fail to alert you in time and to give you a clear lead.

6. ATTAIN YOUR OBJECTIVES

Never accept that your objectives are impossible. Ask that the consequences are spelt out and then select one example of the consequences and take a firsthand look as to its validity. Remember that, particularly at senior levels, those who have done well under the existing systems may only give lukewarm support to suggestions for change.

7. CONGRATULATIONS FOR A JOB WELL DONE

Most human beings prefer excellence and to be able to take a pride in their work. They will respond well to interest in their work and will flourish in an atmosphere of congratulations when a job is well done. Civil Servants often feel they survive in an atmosphere of criticism with a lack of interest in them and the conditions in which they work; personal involvement is needed to change this dis-spiriting atmosphere.

8. INVOLVE THE SPECIALIST AND THOSE WITH PRACTICAL EXPERIENCE

Most successful enterprises are a combination of "conceptual thinkers" and "nuts and bolts men". They are usually held in equal esteem and rewarded accordingly. Men near the top of the Civil Service tend to be heavily weighted in favour of the thinker and the policy maker. Make sure that your meetings include a specialist and an individual with practical experience, wherever subjects that call for those skills are under discussion. Do not be afraid to ask the apparently 'idiot' question, as the specialist and those with practical experience will willingly help your understanding and will often confirm that your question was not so foolish as it seemed. For example, some recent personal experience of mine:-

i Tax Office - "Is all the work that you do necessary?"

Answer: "No - some of the work is done for other Departments, for example, Employment, and we do not understand why it is required in the time-consuming way in which we have to provide it."

ii "Your work seems to duplicate that of the official I saw earlier."

Answer: "Yes, it does. When the operation was set up in the seventies, it was felt necessary to run a system in parallel, but it is no longer necessary."

iii "Why are the deductions so complicated?"

Answer: "We have to collect outstanding debts for local authorities and the nationalised industries, for example, the Gas and Electricity Companies. We are often blamed for a backlog of work and for overstaffing, so why doesn't the Department get payment for debt collection?"

iv "Why do we need 60,000 returns per year for builders with less than 7 staff?"

Answer: "They represent a third of those engaged in the industry, but of course the returns are not very accurate. But, worse than the returns, it takes 37 man years to keep the Register up-to-date with so many firms going in and out of business."

9. I am dealing with management information, awareness of costs and manpower and the development of management skills elsewhere.

10. One final point: make sure you have the right men for the senior posts. I am confident that the Service has the necessary talent, but it is not always in the right place and, when inevitable selection mistakes are made, inadequate steps, if any, are taken to ensure corrective action.

Francis Pym -
Patrick Jenkin
Geoffrey Howe.
Jim Prior,
Richard Wellbeloved.

PRIME MINISTER

cc: Mr. Whitmore
Mr. Wolfson

In preparation for the "manpower Cabinet", you are seeing on Tuesday Sir Ian Bancroft at 1030 (in part to discuss how to handle the Permanent Secretaries), and Mr. Channon at 1630. I attach:

(a) Mr. Channon's Cabinet paper

(b) Sir Derek Rayner's Cabinet paper

(c) A note of the decisions reached at your preparatory meeting last week

(d) Sir Derek Rayner's minute on lasting reforms

I also attach a private note from David Wolfson in the envelope pinned to this note.

You will want to give Mr. Channon some idea of how you propose to handle Cabinet. The initial idea for this Cabinet was to have a meeting purely on management and manpower questions, starting from the work Sir Derek Rayner has done for you. In recent weeks, the emphasis has switched to the targets proposed in Mr. Channon's paper, with the Rayner ideas as a means towards achieving those targets. There are signs that the Cabinet will become an argument about whether individual departments can achieve those targets and that you will therefore lose the opportunity to get your colleagues to think about how they can introduce better management, and better incentives for effective managers, into their departments.

It does seem important to have an open discussion on the management issues, to allow colleagues to focus on questions which normally get reserved for weekend boxes if not passed over altogether. If you want to use the opportunity for such a discussion, it would be best not to open with a personal endorsement of Mr. Channon's targets: you could start by stressing the scope for improving management, and giving Sir Derek Rayner a chance to talk about his experience: the discussion could later come round to the value of

/ setting

setting targets as a helpful constraint, and to the plausibility of Mr. Channon's suggestions. If you want to use the opportunity for an open discussion on this theme, you will need to warn Mr. Channon that you will not open by endorsing his proposals, but will want to hold your hand to give colleagues a chance to explain how they are facing up to the management responsibilities, and what assistance they are still looking for.

MAP

28 April 1980

with compliments

MINISTER OF STATE

CIVIL SERVICE DEPARTMENT
Whitehall London SW1A 2AZ

Telephone 01-273 5563/4086

cc M. Wright. 2.

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Minister of State

25 April 1980

The Rt Hon Michael Heseltine MP
Secretary of State
Department of the Environment
2 Marsham Street
LONDON SW1P 3EB

PRIME MINISTER

I think Mr Channon is right here: if Cabinet accepts his targets, colleagues will certainly want to be able to reassure staff that these are the last across-the-board cuts for now. MJP 28/4

Dear Secretary of State

CIVIL SERVICE MANPOWER

Thank you so much for your helpful letter. I have incorporated your main suggestion - in a slightly different way - in the paper I shall circulate today. You will find it in paragraph 18 and incorporated in the conclusions.

I am reluctant, however, to agree to your idea that we should not say to the staff that, barring some extraordinary change of circumstances, this is the final instalment for this Parliament. I do believe that continual policy and target changes in this field cause real problems of morale. Nothing is worse than uncertainty. I am extremely anxious to give an assurance on this point to the staff, but naturally would not do so in such a way as to tie our hands completely if further worthwhile savings were to emerge. This is a very important issue, however, and you may care to raise it in Cabinet on 1 May.

I am sending a copy of this letter to the Prime Minister, to whom you copied your earlier letter to me.

Yours sincerely

Paul Channon

P.P. PAUL CHANNON

(Approved by the Minister of State and signed in his absence.)

MAP

CABINET OFFICE

70 Whitchall, London SW1A 2AS Telephone 01-~~930 5422 Ext~~ 233 8224

25 April 1980

The Rt Hon Sir Geoffrey Howe QC MP
Treasury Chambers
Parliament Street
London SW1

Dear Geoffrey

THE EFFICIENCY OF CENTRAL GOVERNMENT

After our meeting with Paul Channon on 16 April I re-jigged my draft minute to the Prime Minister to tauten it and take account of points made by you orally and by your private secretary in his letter of 17 April to Geoffrey Green (CSD). And since our meeting with the Prime Minister and Willie Whitelaw on 22 April, I have further compressed the minute to make it as spare as possible.

2. I have not, however, included any "simple pointers to good management" in the text as, quite frankly, I thought that some Ministers would find it offensive and others ludicrous. Nonetheless, I should be glad, if the Prime Minister asks me to speak to deal with any points you wanted me to mullover beforehand.

3. My present views on "pointers" are set out in the minute now to be circulated to Cabinet as follows:

Para. 10	General lessons from the "project"/"scrutiny" programme so far.
Paras. 11 and 12	Repeated emphasis on the importance of scrutinising running costs, picking up my letter to Willie Whitelaw of 22 February copied to all senior Ministers.
Paras. 16 - 19	Thinking the unthinkable about what causes staff numbers, but putting it in the context of an overall manpower policy.
Paras. 21 - 23	Commissioning an official with a "seeing eye" to recommend ways of saving and simplifying.

4. I agree with much of what you said on 22 April about the danger of "crude cuts", of so spoiling the drive for greater efficiency and of finding that senior officials put more energy into "proving Ministers wrong" than into reducing functions and increasing cost-effectiveness. It is crucially important to

appraise functions. But Ministers are entitled to expect the loyal commitment of official energies to carrying out Government policies, although I agree that it is better to inspire a willing loyalty than to compel a grudging one. The Prime Minister's initiative in seeing the Permanent Secretaries should help a great deal.

5. I part company with you a little on your reference to Ministers' and officials' lack of the right mental approach to management, time and manpower. Ministerial time is at a premium and it would be a nonsense to commit too much of it to management, but as Ministers accepted a personal responsibility in this field at their first meeting I see each as clearly having the leadership and providing the political drive. The manpower exists from the Permanent Secretary downwards. There is such an abundance of intellectual and personal force in the upper reaches of Whitehall that, if the right atmosphere of enthusiasm for reform is created, Ministers will be amply supported.

6. As to mental equipment, I agree with what Willie Whitelaw said that many of the pressures on Ministers and the Civil Service have been to do more, not less, and that the conditioning, induced by Parliament itself to a substantial degree, has been against economy. But I certainly do not believe that I am the only person who cares or knows about economy in Whitehall or that I have the one formula. I have been much encouraged, if I may say so, by such things as Willie Whitelaw's firm commitment last September to give personal leadership to the scrutiny programme in the Home Office; the substantial contribution made to it by your own departments; the first-rate leadership and persistence shown by some Ministers supervising projects and scrutinies; and the excellent fieldwork done by project and scrutiny officers. All this shows that there can be a firm determination to increase economy and efficiency and to find and use effective ways of doing it (many of which exist already). There is nothing really difficult about it intellectually, although it may mean changing attitudes, and I do not think that anyone who has not had to practise economy before need feel any hesitation or self-doubt about learning by doing.

7. If you wanted a word about any of this before Tuesday, I should try and come over, but as my diary is very full you might prefer either to drop me a line or send me a note via your private secretary. I am copying this to the Prime Minister, Willie Whitelaw and Paul Channon.

Yours ever,

Derek Rayner

PRIME MINISTER

Mr Channon's forecast of the most difficult areas for Cabinet's manpower discussion. Sir R Armstrong will take these into account in briefing MF 25/4

PRIME MINISTER

CIVIL SERVICE MANPOWER

You will get the final version of my paper later today.

I understand we are to meet on Tuesday. Before then, I thought you might like to see a note on some of the difficulties that may be raised at Cabinet on 1 May.

I have talked to Patrick Jenkin. He may argue that his Department is "demand-led" and there is little scope for savings without policy changes. I pointed out to him that there are potential savings from policy changes identified in Annex 2 of Christopher Soames' paper last November (C(79)57) of some 9,000 staff - more than enough for 2½% a year. He seemed reasonably happy about this and I think may write to me next week. With luck, I think I can persuade him that the problem is not too bad.

Peter Carrington will face a real problem in relation to our Embassies abroad. But he now has the ODA as well - 2100 strong. If he prefers, the ODA can be cut harder than the Diplomatic Service. He could incidentally abolish the Directorate of Overseas Surveys! I have talked to him. The Diplomatic Service is comparatively small, and I am sure that we can find a solution that will not lead to repercussions everywhere else. I am sure that we ought not to say this at Cabinet as everyone else will complain.

Francis Pym worries me the most. But in a Department as large as MOD, we simply must be able to find savings in this way from staff inspection and other efficiency measures. Derek Rayner certainly believes this to be true. There are also other reviews in train, research and development establishments, supply arrangements for the Armed Forces, and review of the dockyards. Surely these can produce savings which will help. You will remember that last December MOD only had to make a 3% cut because we were told that these reviews were going to come up with large savings. MOD is of course crucial to the whole exercise.

I will talk to Jim Prior and Norman Fowler, who will both face problems, and will report again. Peter Walker may say that the whole exercise is arbitrary and unreasonable. But the recent management review of MAFF has shown there should be savings of about 3% in his Department. I am sure there are other savings to be found.

More generally, any colleagues with a number of Departments, say the Lord Chancellor, can spread the savings across their group of Departments as they like - though in fact we believe that all Departments can make savings. Geoffrey Howe raised this point at our recent meeting.

Some may say the target of 2½% for 3 years is too high. I do not believe - nor incidentally do CSD officials - that the target is too high. There are further savings to come from the studies and policy options we decided to pursue last December. There is scope for savings from proper use of staff inspection and from further efficiency measures. (Annex D to my paper shows what a potentially fruitful field this is.)

Some colleagues may argue that we ought not to set an arbitrary across the board percentage cut, but to look at functions first and accept that there may be wide variations between Departments. I am certain that there is still work that can be cut out. But we simply must have a target. Otherwise we shall have nothing worthwhile to announce and no firm objective. We did a "functions review" last year. It yielded only 4% then. It would waste several months, and probably yield much less now.

I will report further when we meet.

P.C

PAUL CHANNON
25 April 1980

MFJ

25 April 1980

The Prime Minister was interested to see a copy of Lord Cockfield's minute of 21 April, which you sent across to us, about the efficiency of central government. She has commented that the problem is how to measure flair and how to find sufficient quantities of staff displaying that flair.

MAP

M.A. Hall, Esq., M.V.O.,
HM Treasury.

GB

MFJ

25 April 1980

The Prime Minister has seen and noted Mr. Heseltine's personal minute of 23 April about preparations for the Cabinet discussion on 1 May.

MAP

D.A. Edmonds, Esq.,
Department of the Environment.

cc

Mr Parker
To see DRA 28/4/80

CHIEF SECRETARY

To Rayner file

Sir Derek Rayner
cc Mr. Wolfson
Mr. Pattison

You should be aware

of this.

28.iv.80

cc Principal Private Secretary
PS/Financial Secretary
PS/Minister of State (C)
PS/Minister of State (L)
Sir Douglas Wass
Sir Anthony Rawlinson
Mr. Ryrie
Mr. Littler
Mr. Bridgeman
Miss Peirson
Mr. Smallwood
Mrs. Diggle
Mr. Burr o.r.
Mr. Willetts
Mr. Cardona
Mr. Wilson (CSD)
Mr. Allen (Cabinet Office)
GECS

MCKINSEYS' PROPOSALS FOR REDUCING OVERHEAD COSTS

Hugh Parker of McKinseys wrote to you on 18 February setting out their ideas on reducing overhead costs using a technique which they call "Overhead Value Analysis" (OVA) and on improving arrangements for Government cash management. You asked us to pursue these ideas with McKinseys. We met McKinseys last week: CSD and one of Sir Derek Rayner's staff took part.

The technique of Overhead Value Analysis

2. OVA rests on a distinction between the direct costs of an organisation which tend to very in accordance with its level of activity and the overhead costs of servicing the organisation. OVA is a painstaking attempt to investigate what McKinseys call the "nooks and crannies of an organisation" and make a large number of small savings which can be quite significant in total.

3. Typically OVA is applied to the administrators and clerical staff of a private firm. The process is very intensive and the work is done by the firm's own employees. Able people equivalent to about Principal in rank are seconded to the investigation and assigned in couples to units of the organisation each consisting of at most 30 members of the staff and quite possibly less than half that number, which are to be examined at the rate of four or five a month. The actual investigation consists of a detailed listing of how every member of staff uses his time, what services he provides, and what resources he requires. Providers and users of the service are asked to put proposals on how the activities of the unit could be reduced by about 40%. Decisions are then taken

about which proposed savings are worthwhile - typically overall savings of about 20% result from the exercise.

4. McKinseys emphasised the following features of OVA:-

(i) It exhibits the interdependence of the activities of different members of staff. Thus, while an employee's output is being assessed he is also being consulted about the usefulness of others.

(ii) Reductions in staff often form a significant proportion of the savings yielded by OVA. However, they find it useful to begin the operation by guaranteeing that there will be no compulsory redundancies.

(iii) OVA is very expensive in staff time. A significant number of able staff of middle-rank are fully occupied by the investigation, those being investigated need to devote a lot of time to it, and finally top-level management must be clearly and publicly associated with the operation and closely involved in the major cost-cutting decisions.

(iv) OVA is supposed to bring long-term savings. It does not consist of dramatic across-the-board cuts which often disappear within a year but consists of a host of small unglamorous savings which are expected to last.

Comparison with the Rayner exercise and assessment of OVA

5. The Rayner exercise has some strong similarities with OVA - the use of middle-ranking personnel to conduct the reviews, the belief that those people actually doing the job would best know how efficiency can be increased, and the belief that in any large organisation many activities are historical accretions the original justification for which no longer obtains. However, there are also dissimilarities with the Rayner exercise:-

(i) It is less easy to apply the distinction between direct costs and overhead costs in the Civil Service and Rayner does not make this distinction.

(ii) OVA is more apt to organisations with large and fairly

than
unchanging executive functions/to Departments concerned with policy advice. McKinseys said that they regard it as more appropriate to the nationalised industries, parts of local government and central government Departments with large executive functions such as the DHSS record-keeping operation in Newcastle.

(iii) OVA looks at an area comprehensively whereas Rayner projects are concentrated on particular activities. An OVA-style investigation of the main Whitehall Departments would consume thousands of man-years and require a high proportion of staff time to be devoted to it while it is in operation.

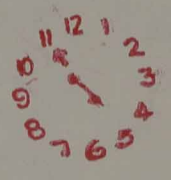
Further steps

6. McKinseys said that the purpose of their approach to us had not been to obtain work for themselves in this area. They had decided a year ago not to get involved in further work of this rather wearisome kind at all but the Government's interest in saving manpower costs had made them feel that we would be interested in knowing that this technique was available. They recognised that within central government the Rayner approach was in many respects similar and would be the main instrument. They had it in mind to try to interest one or two nationalised industries in it: Sir Peter Parker was specifically mentioned. We said that we were impressed with what they had told us - and for my part I was - and that, while the Treasury's relationship with the nationalised industries, and with local and health authorities, is not such that we can impose this or any other technique on them, we would be willing to give McKinseys support in helping to interest people in it, for example by arranging a wider presentation to which representatives of the sponsor Departments of the nationalised industries, and perhaps of DoE and DHSS, would be invited. We left it that McKinseys would first see how they got on with British Rail.

7. We are trying to arrange a meeting with McKinseys next month about the second subject raised by Mr. Parker, the costs of cash management. We will report again after that and you may like then to write to Mr. Parker. We will offer a draft.

F.E.R.B.

F E R BUTLER
24 APRIL 1980



PRIME MINISTER

Helpful comments from Mr Ibbs for May 1 Cabinet. Point 6, on reduction of functions, will be crucial if colleagues are to accept + meet the targets. We will include this in Cabinet folder.

MP 29/4

CONFIDENTIAL

Qa 05006

To: MR PATTISON

From: J R IBBS

Efficiency of Central Government and Civil Service Manpower

1. I have seen papers on the issues to be discussed at the Cabinet meeting on 1 May (including the Prime Minister's minute of 3 April, and minutes of 18 April to the Prime Minister, with draft papers by the Minister of State, the Civil Service Department, and Sir Derek Rayner respectively). The CPRS's involvement, and expertise, in this area is limited, but there are a few points which I think may be worth making.

(a) Definition of management responsibilities. I believe that greater Ministerial interest and involvement in the management of their Departments is highly desirable. It is right that Ministers should have a clear view of the capabilities of their Departments and should ensure that performance is regularly monitored against objectives. But responsibility for actively directing and monitoring is distinctly different from responsibility for actual management of a Department. There are bound to be differences in the skill, experience and amount of time that individual Ministers could bring to the task of departmental management. It seems to me important that increased Ministerial concern about management should in no way reduce the clear responsibility laid on Permanent Secretaries for the efficient management of resources and staff, and the effective implementation of agreed policies. My experience of the private sector has led me to believe that any uncertainty or ambiguity about where management responsibility lies (and I would distinguish this from policy responsibility) is a recipe for bad management. It is important that the build up of Ministers' role should not weaken the accountability of officials.

(b) Closer integration of expenditure and establishment functions. This is to be examined both departmentally and as it affects central machinery of government. I have two points:

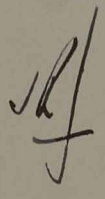
(i) Manpower/organisation aspects of establishment functions are closely related to expenditure. And centrally, both expenditure

and manpower are closely related to Treasury macro-economic policy. Bringing together these aspects of Government, and of management within a Department, has obvious merit. But the personnel facet of the establishment function is more separate and the argument for including this within a new regrouping is not as strong - indeed its inclusion might be a distraction.

(ii) I believe the calibre of those selected for critical finance or establishment posts should be regarded as more important (as it is generally in private industry) than specific professional qualifications. But access to well qualified professional staff is important.

(c) Civil service manpower reductions. The Minister of State, CSD, puts the main emphasis of his paper on simplification and greater efficiency, rather than on major changes of functions, as a means of meeting the target reductions. Clearly, it is right that one should look for the maximum contribution possible in this way. But the manpower cuts so far agreed have not been achieved without major policy decisions being required in some areas (e.g. the decision to shift payment of sick pay to employers). It would be surprising if further cuts on the scale required could in practice be achieved without a need for some other major policy decisions (both within Departments and collectively). Ministers should expect this.

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



24 April 1980

PART 2 ends:-

S/S DDE & PM 23/4

PART 3 begins:-

Hobs to MAP 24/4/80

END