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PRIME MINISTER

Mr Channon's timing proposals for decisions on Sir D Rayner's "Last Refams".

Agree A-O?

Yes

MAD 21/4

PRIME MINISTER

THE EFFICIENCY OF CENTRAL GOVERNMENT: LASTING REFORMS

Mr Lankester's letter of 1 April asked me to let you have a proposed timetable for carrying forward the various recommendations which Sir Derek Rayner has submitted to you.

Further details are in the Annex to this minute. In general, however, I propose that:

a. I should report to you on changes in the managerial culture (Schedule 1) before the Summer Recess. Subject to your approval, I would aim to put a paper to Cabinet in July. There may be a few items on which only an interim report will be possible, but the general approach will be clear;

b. Sir Derek Rayner should let you have an interim report on departmental management and the financial framework (Schedule 2) by October 1980; we can then take stock and see what further work will be most cost-effective; *If we can. I suspect this will be very difficult*

c. the Chancellor of the Exchequer's consideration of central control (Schedule 3) will obviously be closely linked with the machinery of Government question (Schedule 4). Present plans provide for an examination of the Treasury's functions in expenditure control to be linked with a parallel study of the CSD's. This would be completed by about the end of the year. I understand that Treasury are considering how this might be speeded up;

d. I do not know how soon you will want to reach a decision on the machinery of Government (Schedule 4). But particularly in view of press speculation I am sure you will want to be in a position quickly to decide on

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the Treasury/CSD question. The precise form of agency arrangements for the common services could if necessary take a little longer. I therefore propose that Sir Ian Bancroft should report to you at the end of June on the main issue.

*Speed up*

I am sending copies of this minute to the Chancellor of the Exchequer, Sir Derek Rayner and Sir Robert Armstrong.

*P.C.*

PAUL CHANNON  
21 April 1980

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SCHEDULE 1

CHANGES IN THE MANAGERIAL CULTURE  
OF THE CIVIL SERVICE

Action by: Minister of State, CSD in consultation as appropriate with the Chancellor of the Exchequer and Sir Derek Rayner.

- (a) Means of giving special recognition, through pay or personal promotion, for success in grade; the accelerated advancement of individuals; and whether the entitlement to automatic annual increments is still justified.
- (b) A "model succession policy" for the Civil Service, so as to promote to management posts, especially the senior ones, individuals with the right track record.
- (c) Possible requirement that heads of departments should give a regular, personal account of what they have simplified, diminished or saved and that departments should publish an annual statement of their achievement in this respect.
- (d) A policy for enabling staff, especially those in staff-intensive departments, to give of their best; includes such issues as causes of absenteeism, high turnover and working environment.
- (e) Whether it would be likely to provide useful information to as a department on a pilot basis to keep a record of the cost of resources committed in support of its Parliamentary work.

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Timing and handling

I will report on (a) to (d) in July 1980, though further work will be needed.

Treasury officials and Sir Derek Rayner's office will be consulted in the course of the work; and other departments as necessary. I will consult the Chancellor and Sir Derek over my draft report.

As to item (e), the Chancellor of the Duchy has been asked, in consultation with me, to study the direct and indirect costs of Parliament. You will recall that this was mentioned at Cabinet on April 17th.

DEPARTMENTAL MANAGEMENT AND THE FINANCIAL FRAMEWORK

Action by: Sir Derek Rayner in consultation as appropriate with Chancellor of the Exchequer, Minister of State, CSD and Head of the Government Accountancy Service.

(a) How best to define the managerial authority of Ministers in charge of departments, so as plainly to establish their management function vis-a-vis that of their officials (This should include the good habits that Ministers need to practise as managers.)

(b) Defining the responsibility and accountability of officials to Ministers, especially that of Accounting Officers and those who occupy key management posts (including clarification of accountability for particular blocks of departmental expenditure).

(c) Clarifying the responsibility and authority of and the qualifications needed by Principal Finance and Establishment Officers. Steady progression towards the employment of those qualified in financial management and management accountancy.

(d) Strengthening the financial framework, with particular reference to

- the structure of PES programmes
- the relationship between these and the organisation of departments
- the presentation of information on departmental expenditure in the Supply Estimates (taking account of the needs of Ministers and senior officials, the central departments and Parliament).

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- (e) Examine need for and application of the "annuality rule".
- (f) Examine case for greater cost-consciousness in the imposition and application of regulations and standards.

Timing and handling

Sir Derek Rayner has agreed that we should approach items (a) to (c) in two stages, as suggested in my covering minute. Officials will devise a scheme of work for his approval, aimed at enabling him to report on the first stage within six months. Firm proposals on the greater use of staff with financial qualifications (second part of (c)) should await the definition of the job to be done (first part), but preparatory work will be pressed ahead meanwhile.

On (d), the Interdepartmental Group on the Survey System, led by the Treasury, will produce guidance during the summer on the structure of PES programmes, including the treatment of common services. We can then go on to the second part of this item.

On (e), the "annuality rule" is under discussion with the Public Accounts Committee. Sir Derek Rayner will consider with the Treasury what further work is necessary.

We propose deferring (f) until the results of the present "Rayner scrutiny" in the Health and Safety Executive are available (before the Summer Recess).

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Sir Derek Rayner will submit a report by October, 1980.

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SCHEDULE 3

CENTRAL CONTROL

Action by: Chancellor of the Exchequer in consultation as appropriate with Minister of State, CSD and Sir Derek Rayner.

Restate aims and methods of central control and the balance between this and departmental control. Expedite relevant work, eg on

- the Public Expenditure Survey
- current scrutiny of Public Expenditure monitoring
- intended scrutiny of Treasury expenditure control

(Also necessary for CSD to scrutinise its control functions in parallel with the second Treasury scrutiny.)

Timing and handling

See my covering minute.

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MACHINERY OF GOVERNMENT QUESTIONS

Action by: Sir Ian Bancroft in consultation with Sir Douglas Wass, Sir Robert Armstrong and Sir Derek Rayner.

(a) The relevant parts\* of the CSD should be brought back within the framework of and reformed with the relevant parts of the Treasury.

\*See para 19 of Sir DR's minute:

<u>Tsy Divisions</u>	<u>CSD Groups</u>
Specific Expenditure	Manpower
General Expenditure Policy	Management & Organisation
General Expenditure Analysis	Functions & Programmes
Accounts & Purchasing	CCTA
	Pay
	Superannuation & Allowances
	Personnel Management

(b) The office of Head of the Government Accountancy Service should be relocated in the Treasury

(c) Parts of the CSD not relevant to the control and related functions should be combined in a service agency under the reformed Treasury.

(d) The PSA should be relocated with this new agency.

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(e) There might be a new office of "Inspector General of the Civil Service", reporting to the PM, perhaps from within the reformed Treasury, but available to all Ministers on the efficiency and effectiveness of Civil Service operations.

Timing and handling

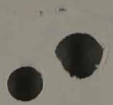
Sir Ian Bancroft will submit a report, in consultation with Sir Douglas Wass, Sir Robert Armstrong and Sir Derek Rayner, by the end of June.

If the Cabinet decides on 1 May to accept the recommendation for a special adviser on manpower, item (e) can be taken out of the study. The question whether there should be a permanent arrangement on these lines can best be considered at the end of the experimental period.

Knowledge of this study will, on the Prime Minister's instructions, be confined to a very small group.

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