

Mr RICKETT



CHAIN OF COMMAND: THE OPEN STRUCTURE AND BELOW

1. The Lord President's minute of 17 July presents Sir Geoffrey Wardale's report on the "open structure". It also presents a difficult problem in that, in our judgement, the Wardale report is a far from satisfactory platform for decisions. The Lord President asks the Prime Minister to agree to putting to Ministers a scheme of work involving:

- (1) The publication of the Wardale report.
- (2) Keeping both the Deputy and Under Secretary (DS and US) grades. (One of the defects of the Wardale report is that the costs of these grades are not given. We calculate them, including their personal secretaries, to be roughly as follows (1980 prices):

DS	150 posts	£ 8.5m
US	590 posts	£30.5m
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		£39.0m)
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- (3) As the report has indicated the presence of unnecessary posts, their removal by means of:
 - a. assessments to be made by departments themselves in accordance with the "Wardale principles" (para. 6.6, page 36) and to be reported to the Lord President by end-October; and
 - b. inspectorial teams led by retired Permanent Secretaries ("or other very senior officials") and supported by CSD.
- (4) Taking into account "any relevant results" of the Megaw pay inquiry so that, together with



the results of 3(a) and (b), a judgment can be formed "within about twelve months on what the size and organisation of the Open Structure should be".

- (5) For levels below US studies applying the Wardale principles once the pay dispute is out of the way - if Ministers agree.

SIR DEREK RAYNER'S POSITION

2. I attach a copy of Sir DR's assessment of the Wardale report. He discussed it with Mr Hayhoe on 9 June.

3. The Lord President's minute and a slightly different version of the draft letter to the Home Secretary were shown to Sir DR in draft recently. He made no objection to them.

4. His position is that:

(1) The Wardale report has not provided a sound basis for either abolishing or retaining the DS and US grades, so that we are not much better off on that score than before.

(2) If Ministers decide, on grounds of practical politics, to keep the two grades but to thin out the hierarchy by applying the "Wardale principles" it should be done rigorously: the principles should be reinforced by a working rule that Assistant Secretaries report straight to DSS while USs report straight to Permanent Secretaries.

(3) Given the history summarised by the Wardale report and the nature of the Wardale exercise itself, he is not satisfied that retired Permanent Secretaries would make satisfactory



scrutineers of existing arrangements, given that they had been responsible for them in the past.

PUBLICATION AND THE ABOLITION ISSUE

5. The crucial point is whether or not to accept the Wardale recommendation that no Open Structure ^{grade} ~~post~~ should be abolished (para. 6.1).

6. The decision is linked with the decision whether to publish the report. It is a document which could be represented as a whitewash because:

- (1) The report is hard to get hold of owing to the unscientific way in which the evidence is presented. There is a marked absence of explanation for the past growth of the Open Structure and of data about its present cost.
- (2) The evidence is not treated analytically. This makes the report allusive, in that it appears to be written much more for the sympathetic insider, who can be relied on to recognise a plausible case when he sees it, than for the critical outsider, who needs to be convinced by chapter and verse.
- (3) The omissions of the past are however admitted. Annex III shows that there has been a large expansion in numbers since 1965. The main text refers to the lack of proper definition of duties, to the presence of unnecessary posts (para. 6.2), to the lack of regular review of posts (6.3) and to the lack of incentive to keep staff costs down (6.4).



- (4) There is little recognition that the length of the Principal - Permanent Secretary hierarchy and the numbers within (up to 9 grades and some 7,000 staff) represent a substantial consumption of the nation's best talent or reference to the proposition that much more should be expected and made of the high quality talent available at the Principal and Assistant Secretary levels.

7. In addition, there are some tactical points which should be had in mind:

- (1) A decision to keep all grades in the Open Structure would make it difficult to abolish another or other grades further down should that be indicated by the rest of the review.
- (2) The Wardale exercise is not a good precedent for establishing more inspectorial teams led by ex-Permanent Secretaries. It led to an unconvincing report. Repeated "Wardales" are likely to be open to these difficulties, given the retention of all Open Structure grades:
- a. There may be long drawn-out arguments with departments, in which they will fight to keep what they have.
- b. Even if there is an initial success, the Open Structure may well "grow back": all large organisations suffer from grade drift, multiplication of grades and reluctance to get rid of passengers who clog up the hierarchy.
- c. Employing retired poachers as gamekeepers may work and look good in some fields, but it has little presentational advantage here.



8. Sir Derek Rayner's preference would be for the abolition of the US grade. He acknowledges that while it would be a decisive solution, it would also be painful, difficult and slow to achieve because it would involve 590 posts and their holders (average age 53) and its consequences would have to be worked out department by department. It would also mean having more DSs and widening the Assistant Secretary pay band because ASs would carry more responsibility.

9. It is a matter both of judgment and of logistics. The work of the Service would get done but, although the decision would please many outside Whitehall, it would involve much rough justice to individuals and would shake the machine to an extent which Ministers might think damaging. It could not be implemented without cost, monetary or human, nor at a single stroke.

10. Abolishing the DS grade would be simpler because fewer people are involved (190, average age nearly 55).

11. Abolishing either grade would not be a matter of totally neat amputation; there would be several ragged edges, as some posts would certainly have to be retained.

12. There is also the question whether Ministers would be prepared to run with abolition. Faced with the hair-raising prospect of managing the abolition of either grade in their department, but especially that of US, Permanent Secretaries are bound to brief hard against it. And, conscious of the relationship they will have by now developed with many individual officials, few Ministers are likely to be anxious to submit their officials to what they will no doubt see as a blunt-ish saw.

13. The choice therefore lies between:

- (1) Falling in with "no abolition".
- (2) Arguing that Wardale is unconvincing and that



departmental assessments now proposed should be used in order to take a better informed decision.

(3) Despite Wardale, pressing for abolition now.

14. I offer advice below.

REMOVAL OF UNNECESSARY POSTS

15. The Prime Minister may decide to accept the Lord President's advice and come down against abolition now. If so, there would still be good questions about the rigour and acceptability of the "assessment and review" approach he recommends, on both timing and method:

- (1) Is it sensible to ask departments to assess themselves and report by the end of October, in terms of either the time allowed or the seriousness with which they could do so? Almost certainly not.
- (2) What is the intended relationship between the departmental assessments and the "Wardale teams", as to content and timing? Not at all clear.
- (3) How are the "Wardale teams" to be manned and tasked? What will they cost? To whom will they report - to Ministers in charge of departments or the Lord President?
- (4) How do the departmental assessments and the "Wardale teams" relate to the Megaw inquiry? (The inquiry is to make recommendations on the principles and system by which the pay of the non-industrial civil service should be



determined "taking account of other conditions of service and other matters related to pay, including management, structure, recruitment and grading".)

- (5) Are the "Wardale principles" robust enough on their own (para. 6.6)? Would it not be better to test the Rayner general rule now rather than allow it to be eroded (draft letter, para. 3)?

THE LOWER LEVELS

16. I think that it is rather feeble to ask departments what should be done about the lower level studies (draft letter paras. 5 - 7). The better course would be to make a proposal, which takes account of the different circumstances of departments, for example after the pay dispute. Asking them "how far can we realistically expect to make effective progress over the next few months?" Invites a fairly obvious answer. I cover this point in the draft letter annexed.

ADVICE

17. If the Prime Minister is intellectually dissatisfied with the proposition that the DS and US grades should be retained, she might either ask the Lord President what are the critical factors that tilt the balance towards retention or say that she herself found the Wardale report so unconvincing as not to be an acceptable basis for decisions.

18. In the latter case, she might say that the departmental exercises should not begin with the presumption that any grade should be retained but should rather assess all departmental structures so as to provide more reliable evidence on the abolition/retention issue and to enquire into the issue of unnecessary posts. That would indeed enable the Government to take a better informed decision within the twelve months which the Lord President



mentions in his covering minute and in the draft letter (para. 4).

19. If the Prime Minister accepts that there should be no abolition and endorses the assessment and review approach proposed, she might still wish to satisfy herself on the timing and other tactical points stated above.

20. As far as the lower levels are concerned, I think that what is said to departments should be far more positive and less open-ended.

21. I attach a possible draft reply to CSD.

C PRIESTLEY
20 July 1981

Encs: Copy letter from Sir Derek Rayner to Mr Hayhoe
Draft letter to Mr Buckley