



Cabinet Office

MANAGEMENT AND PERSONNEL OFFICE

From the Minister of State  
Privy Council Office  
The Rt. Hon. Richard Luce MP

Great George Street  
London SW1P 3AL  
Telephone 01-233 8610

Tony Galsworthy Esq  
PS/Secretary of State  
Foreign and Commonwealth Office  
LONDON SW1

1 NW  
2. CP type.

20 May 1986

Dear Tony,

Last November my Minister and Sir Robin Ibbs hosted a meeting for those Ministers first appointed in 1984 or 1985. The meeting was addressed by the Prime Minister and its central objectives were to examine the managerial aspects of a Minister's job, how the Civil Service operates, what changes are taking place in its management and organisation, and how Ministers can help to improve this management and to obtain better value for money.

Following the meeting, a number of the participants have requested some written material summarising the various management reforms currently underway within the Civil Service and what the Government has achieved in this area since we came to office in 1979. To this end MPO officials have prepared the two notes attached, which Mr Luce and Sir Robin Ibbs feel may be of interest to Ministers generally and serve as a useful aide-memoire to enable them to monitor and promote progress on the various management initiatives within their own departments.

Copies of this letter and attachments go to the Private Secretaries of all Secretaries of State and other Ministers who did not attend the November meeting, to Nigel Wicks at No. 10, and to Sir Robert Armstrong.

Yours ever,  
Paul Thomas

C P THOMAS  
Private Secretary

## CURRENT MANAGEMENT INITIATIVES

Two broad streams of work are contributing to the Government's aim of better management of the Civil Service.

**First: long-term management reforms** under the Financial Management Initiative (FMI) and Personnel Work Action Programme (PWAP).

**Second:** a series of **specific efforts** to improve value for money.

### Long-term management reforms

The **Financial Management Initiative** aims to ensure that all managers have a definite view of their objectives and the means to assess how they are achieving them; clear responsibility for the best use of resources; and the necessary information, training and expert advice.

FMI is a total approach to management. It covers systems, policies and people. It emphasises the principle of 'value for money' within the Civil Service. Since launched in May 1982, there have been further initiatives from the centre - partly to develop thinking, partly to pool experience. They are:

- **Review of Consultancy, Inspection and Review (CIR) Services** - intended to apply FMI to the use of such services in support of budget-setting, rather than outside the process.

- **Work on Policy Evaluation** - intended to ensure performance is reviewed against original objectives and relevant changes.

- **Multi-Departmental Review of Budgeting Control.** Main aim: to identify how budgeting can be more successful, and make the lessons known.

- **Applying FMI principles to Non-Departmental Public Bodies ('Quangos').**

- **Development of running costs control** - to match delegated budgeting of administrative costs.

- **Information Technology Strategy** - work on the effective management of new technology which contributes to better use of information about activities, resources and people.

**The Personnel Work Action Programme** is a comprehensive programme of measures designed to improve the personnel management of staff at every level in line with the principles of the FMI. Initiatives taken include:

- Greater delegation of responsibility for managing personnel.

- Improving arrangements for appraising the performance of staff.

- Improving communications between line managers and staff.

- Strengthening links between pay and performance.

- Enabling staff to be used more flexibly.

There are also three programmes to recognise and develop Civil Servants' potential. They are:

- Top Management Programme (TMP).
- Senior Management Development Programme (SMDP) - for Grade 7 (Principal) to Grade 4 (the grade below Under-Secretary).
- Management Development Programme (MDP) - designed for executive staff.

#### **Specific initiatives to improve value for money**

The main initiatives designed to improve value for money in all departments have been:

- Property Repayment System (PRS).
- Multi-Departmental Review (MDR) of Purchasing.
- MDR of Accommodation.
- Review of stockholding.
- An Efficiency Unit initiative on capital expenditure contracts.
- A Cabinet Office (MPO) review of office services management.
- A Treasury initiative on competitive tendering.
- A review of records management.

Work by the Prime Minister's Efficiency Unit on value for money targets covers two areas. First, to create better value for money throughout Government. Second, to reinforce FMI. The recent scrutiny of value for money targets is designed partly to see how targets can become a normal part of management.

In all departments, management reform still has a long way to go. This year the National Audit Office is reporting on efficiency scrutinies, financial reporting to Parliament and progress of FMI. Further work may flow from this.

That apart, the coming year is essentially one for consolidating and following up existing initiatives and concentrating on reforms already under way.

## REFORMS: A SUMMARY OF RECENT ACHIEVEMENTS

In recent years there have been **substantial reforms** of the Civil Service.

The most visible change is a **reduction in size** of nearly 20 per cent since 1979 - from 732,000 to under 600,000.

This reduction results from the drive to improve **efficiency and effectiveness**. The Civil Service has pursued this in various ways. For example:

- Every department works **within a limit** for its manpower and, from this year, its total running costs.
- General **streamlining** and **greater efficiency** account for 80,000 of the staff reduced since 1979 - an increase in productivity of over 10 per cent. (The remaining net 50,000 reduction comes from dropping activities or functions which are either not needed or can be done better outside the Civil Service.)
- **Common service suppliers** like HMSO, PSA and COI are being put on a **more business-like footing** with customers paying for the goods and services they want.

Other achievements include:

**More professional management.** Lasting reforms of the management of public spending are making individual civil servants feel more personally responsible for **giving the taxpayer value for money**. Better financial management means civil servants are more cost-conscious. They have greater delegated responsibility for achieving objectives with the resources at their disposal. And they are much more accountable - to their managers and ultimately to Ministers.

**Personnel development and training reformed.** The aim: to improve management skills and performance at all levels. A key development has been a better system of staff appraisal. And there is increased emphasis on exchanges of staff between Civil Service and industry.

**Efficiency scrutinies and reviews.** Nearly 300 of these have been undertaken by departments with the help of the Prime Minister's Efficiency Unit and other central teams from the Management and Personnel Office and Treasury. A total of **£950 million savings** has been achieved already with **recurring savings** now running at **£300 million a year**. Further significant savings lie ahead as a result of central reviews of work common to all departments - for example, studies of Government purchasing and accommodation.

**Bureaucracy reduced.** The number of official forms is down by 15,000. And 21,000 have been improved in conjunction with the Plain English Campaign.

**Deregulation units set up in departments.** Their object: to reduce further the administrative and legislative burdens on business. All new regulations are now assessed to ensure they are not unduly burdensome or expensive.

**Certain key Civil Service posts filled by top management personnel from industry.** Their expertise is helping to ensure the benefits of reviews are fully realised. They include Mr Tony Wilson from Price Waterhouse as Accountancy Adviser to the Treasury and Head of the Government Accountancy Service; Mr Len Peach from IBM as Personnel Director, National Health Service Management Board; and Mr Michael Willacy from Shell UK as Director of. . .

**The Central Unit on Purchasing (CUP).** Set up last year, this is already achieving real benefits: for instance, at the Department of Health and Social Security a £2.5 million contract has been renegotiated to save over £0.5 million.

**Non-departmental Public Bodies ('Quangos') reduced.** Five hundred have gone as a result of a critical review. Those remaining are being further reviewed to seek progressive improvements in their performance.

## CIVIL SERVICE IN PERSPECTIVE

### - SOME KEY FACTS

Employees in	
Local authorities	2,300,000
NHS	1,000,000
Nationalised industries	1,100,000
Other public corporations	120,000
Armed forces	330,000
<b>Civil Service</b>	<b>596,500</b>

- Civil Service numbers have decreased from 732,000 in 1979 to 596,500 in 1986 - a drop of 19 per cent.
- Just over three-quarters of all civil servants work outside London.
- Nearly half of non-industrial civil servants are women.
- Around a third of non-industrial civil servants are aged under 30.