

**ELEVENTH REPORT**  
FROM THE  
**EXPENDITURE**  
**COMMITTEE**

**TOGETHER WITH THE MINUTES OF EVIDENCE TAKEN  
BEFORE THE GENERAL SUB-COMMITTEE IN  
SESSIONS 1975-76 AND 1976-77  
AND APPENDICES**

**Session 1976-77**

**THE CIVIL SERVICE**

**Volume 1—Report**

---

*Ordered by The House of Commons to be printed  
25 July 1977*

---

**The Expenditure Committee is appointed under Standing Order No 87 viz :—***Expenditure Committee*

**87.—(1)** There shall be a select committee, to be called the Expenditure Committee, to consider any papers on public expenditure presented to this House and such of the estimates as may seem fit to the committee and in particular to consider how, if at all, the policies implied in the figures of expenditure and in the estimates may be carried out more economically, and to examine the form of the papers and of the estimates presented to this House ; to consist of forty-nine Members, who shall be nominated at the commencement of every session, and of whom nine shall be a quorum.

(2) The committee shall have power to send for persons, papers and records, to sit notwithstanding any adjournment of the House, to adjourn from place to place, and to report from time to time.

(3) The committee shall have power to appoint persons with technical knowledge either to supply information which is not readily available or to elucidate matters of complexity within the committee's order of reference.

(4) The committee shall have power to appoint sub-committees and to refer to such sub-committees any of the matters referred to the committee ; three shall be the quorum of every sub-committee.

(5) Every such sub-committee shall have power to send for persons, papers and records, to sit notwithstanding any adjournment of the House, and to adjourn from place to place.

(6) The committee shall have power to report from time to time the minutes of evidence taken before sub-committees.

(7) The committee and any sub-committee appointed by the committee shall have power to admit strangers during the examination of witnesses unless they otherwise order.

Monday 18 November 1974

The Expenditure Committee was nominated of:—

Mr Michael Alison	Mr Robert McCrindle
Sir Frederic Bennett	Mr Frank McElhone
Mr Arthur Blenkinsop	Mr Max Madden
Mr James Boyden	Mr Kenneth Marks
Sir Edward Brown	Dr Edmund Marshall
Mr Bernard Conlan	Mr Robin Maxwell-Hyslop
Mr Cope	Sir Anthony Meyer
Mr A E P Duffy	Dr Maurice Miller
Sir John Eden	Mr Eric Moonman
Mr Michael English	Mr Charles Morrison
Mr Geoffrey Finsberg	Mr Christopher Price
Miss Janet Fookes	Miss Jo Richardson
Mr John Garrett	Mr Nicholas Ridley
Mr W E Garrett	Sir John Rodgers
Mr W W Hamilton	Mr John Roper
Mr Peter Hardy	Mr Timothy Sainsbury
Colonel Sir Harwood Harrison	Mr Neville Sandelson
Mr Frank Hooley	Mr Sedgemore
Mr Ralph Howell	Mrs Renée Short
Mr Arthur Jones	Mr Julius Silverman
Mr Anthony Kershaw	Mr Keith Stainton
Mr Michael Latham	Mr Neville Trotter
Mr Nigel Lawson	Mr Hamish Watt
Mr Arthur Lewis	Mr Phillip Whitehead
Mr John Loveridge	

*Ordered*, That the Members of the Expenditure Committee nominated this day shall continue to be Members of the Committee for the remainder of this Parliament.—(Mr Walter Harrison.)

*Ordered*, That this be a Standing Order of the House.—(Mr Walter Harrison.)

*Ordered*, That the Minutes of the Evidence taken before the Defence and External Affairs Sub-Committee and the Social Services Sub-Committee of the Expenditure Committee in the last Parliament and reported to the House be referred to the Expenditure Committee.—(Mr Walter Harrison.)

Mr James Boyden was elected Chairman on 21 November 1974.

Notwithstanding the Order of the House on 18 November relating to nomination of Members of the Expenditure Committee the following changes were made for the remainder of the Parliament:—

*Thursday 12 December 1974*

Mr John Cope *discharged*

Mr Roger Sims *added*

*Friday 20 December 1974*

Mr Robert McCrindle

Mr Ivan Lawrence

Mr Ralph Howell

Mr Nicholas Winterton

393401

A 2

*Friday 17 January 1975*

Mr Tim Sainsbury *discharged*

Mr Robert Adley *added*

*Friday 28 February 1975*

Miss Jo Richardson

Ms Maureen Colquhoun

*Friday 7 March 1975*

Mr Michael Alison

Mr John MacGregor

*Wednesday 16 April 1975*

Mr Kenneth Marks

Mr Bryan Davies

*Wednesday 15 October 1975*

Mr Frank McElhone

Mr Giles Radice

*Friday 17 October 1975*

Mr Bryan Davies

Mr Alf Bates

*Wednesday 29 October 1975*

Mr Keith Stainton

Mr George Gardiner

*Monday 8 December 1975*

Mr W W Hamilton

Mr Robin F Cook

Mr Phillip Whitehead

Mr Ted Graham

*Monday 15 December 1975*

Mr Neville Trotter

Sir John Langford-Holt

*Wednesday 17 December 1975*

Mr Ted Graham

Mr Bryan Davies

*Wednesday 28 April 1976*

Mr Alf Bates

Mr Michael Ward

*Wednesday 7 July 1976*

Mr Robert Adley

Mr Tim Sainsbury

*Monday 1 November 1976*

Sir John Eden

Mr Neville Trotter

Mr A E P Duffy

Mr Robin Corbett

*Thursday 25 November 1976*

Mr Nigel Lawson

Mr Fred Silvester

*Thursday 23 December 1976*

Mr George Gardiner

Mr Philip Goodhart

Sir John Langford-Holt

Mr Cecil Parkinson

Mr Charles Morrison

Mr Robert Rhodes James

*Friday 21 January 1977*

Mr Cecil Parkinson

Mr John Wakeham

*Tuesday 8 March 1977*

Mr Robin F Cook

Mr Ron Lewis

Mr Christopher Price

Mr Alexander Lyon

---

*Thursday 12 May 1977*

Sir Edward Brown

Mr William Benyon

*Wednesday 20 July 1977*

Mr Roger Sims

Mr David Madel

---

The membership of the General Sub-committee is as follows:—

Mr Michael English (Chairman)

Mr Giles Radice

Mr James Boyden

Mr Nicholas Ridley

Mr John Garrett

Mr Brian Sedgemore

Mr John Loveridge

Mr Fred Silvester\*

Mr John MacGregor

---

\* Mr. Silvester replaced Mr. Nigel Lawson on 25 November, 1976.

---

**TABLE OF CONTENTS**

<b>Volume I</b>								<i>Page</i>
LIST OF WITNESSES	...	...	...	...	...	...	...	vii
LIST OF NAMES OF THOSE WHOM THE GENERAL SUB-COMMITTEE HELD DISCUSSIONS WITH IN PARIS AND WASHINGTON	...	...	...	...	...	...	...	ix
LIST OF MEMORANDA INCLUDED IN THE MINUTES OF EVIDENCE	...	...	...	...	...	...	...	xi
LIST OF APPENDICES TO THE MINUTES OF EVIDENCE	...	...	...	...	...	...	...	xiii
<b>REPORT</b>								
<i>Chapter</i>							<i>Paragraphs</i>	
I. Introduction	...	...	...	...	...	...	1-4	xvii
II. Recruitment	...	...	...	...	...	...	5-15	xviii
III. Training	...	...	...	...	...	...	16-30	xxi
IV. Career Management	...	...	...	...	...	...	31-42	xxvi
V. Pay	...	...	...	...	...	...	43-52	xxviii
VI. Pensions	...	...	...	...	...	...	53-63	xxxi
VII. Reducing Costs by Policy Changes	...	...	...	...	...	...	64-70	xxxv
VIII. The Machinery of Government	...	...	...	...	...	...	71-90	xxxviii
IX. Organisation for efficiency	...	...	...	...	...	...	91-102	xliv
X. Monitoring efficiency	...	...	...	...	...	...	103-122	li
XI. Incentives	...	...	...	...	...	...	123-132	lix
XII. Relations with Local Government	...	...	...	...	...	...	133-136	lxi
XIII. Ministers and Civil Servants	...	...	...	...	...	...	137-152	lxiii
XIV. Parliamentary Surveillance	...	...	...	...	...	...	153-162	lxvii
XV. Summary of Recommendations	...	...	...	...	...	...	163	lxx
Appendix: Definition of Civil Servant	...	...	...	...	...	...	1-7	lxxvi
PROCEEDINGS OF THE COMMITTEE	...	...	...	...	...	...	...	lxxviii

**Volume II**

LIST OF WITNESSES	...	...	...	...	...	...	...	vii
LIST OF MEMORANDA INCLUDED IN THE MINUTES OF EVIDENCE	...	...	...	...	...	...	...	xi
LIST OF APPENDICES TO THE MINUTES OF EVIDENCE	...	...	...	...	...	...	...	xiii
MINUTES OF EVIDENCE TAKEN BEFORE THE GENERAL SUB-COMMITTEE	...	...	...	...	...	...	...	1

**Volume III**

LIST OF APPENDICES	...	...	...	...	...	...	...	vii
APPENDICES	...	...	...	...	...	...	...	841

## LIST OF WITNESSES

## VOLUME II—PART I

	<i>Page</i>
<i>Monday 3 May 1976</i>	
CIVIL SERVICE DEPARTMENT	
Sir Douglas Allen, GCB, Mr J M Moore, CB, DSC and Mr B M Thimont ...	49
<i>Monday 10 May 1976</i>	
CIVIL SERVICE DEPARTMENT: MANAGEMENT SERVICES DIVISIONS	
Mr R W L Wilding, Mr S D Walker and Mr E Walker ... ..	74
<i>Monday 17 May 1976</i>	
CIVIL SERVICE DEPARTMENT: MANAGEMENT SERVICES DIVISIONS	
Mr R W L Wilding, Mr S D Walker and Mr E Walker ... ..	94
<i>Monday 24 May 1976</i>	
HM TREASURY	
Mr F Jones, CBE, Mr P Cousins and Mr J Anson ... ..	114
INLAND REVENUE	
Sir Norman Price, KCB and Mr F H Brooman ... ..	114
HM CUSTOMS AND EXCISE	
Sir Ronald Radford, KCB, MBE and Mr B H Knox ... ..	114
<i>Monday 14 June 1976</i>	
CIVIL SERVICE WHITLEY COUNCIL: STAFF SIDE	
Mr John Dryden, Mr William Kendall, Mr John Vickers and Mr Peter Jones	171
<i>Monday 21 June 1976</i>	
Mr Stanley Henig ... ..	195
JOINT CO-ORDINATING COMMITTEE FOR GOVERNMENT INDUSTRIAL ESTABLISHMENTS (TU SIDE)	
Mr F W Cottam and Mr P Adams ... ..	203
<i>Monday 28 June 1976</i>	
CIVIL SERVICE COLLEGE	
Mr E Grebenik, CB and Mr G T Morgan ... ..	210
<i>Monday 5 July 1976</i>	
CIVIL SERVICE COMMISSION	
Dr F H Allen, CB, Mr K A G Murray, CB and Mr D G Daymond ... ..	250
<i>Monday 12 July 1976</i>	
DEPARTMENT OF THE ENVIRONMENT	
Sir Ian Bancroft, KCB, Sir Robert Cox, KCB, Mr G W Moseley, Mr G C Wardale, CB, Mr M Mendoza and Mr G May ... ..	302
<i>Monday 19 July 1976</i>	
THE INSTITUTION OF PROFESSIONAL CIVIL SERVANTS	
Mr William McCall, Mr D W Downton and Mr C Cooper ... ..	327
<i>Monday 26 July 1976</i>	
DEPARTMENT OF HEALTH AND SOCIAL SECURITY	
Sir Patrick Nairne, KCB, MC, Sir Lance Errington, KCB and Sir Henry Yellowlees, KCB, MA ... ..	336
393401	A 4

	<i>Page</i>
<i>Monday 18 October 1976</i>	
DEPARTMENT OF HEALTH AND SOCIAL SECURITY	
Sir Patrick Nairne, Sir Lance Errington, Sir Henry Yellowlees, Mr R Gedling, CB and Mr R S Matthews ... ..	445
<b>VOLUME II—PART II</b>	
<i>Monday 25 October 1976</i>	
The Lord Fulton ... ..	466
The Lord Crowther-Hunt ... ..	471
<i>Monday 1 November 1976</i>	
THE CIVIL AND PUBLIC SERVICES ASSOCIATION	
Mr L Lever, Mr K R Thomas and Mr J A Graham ... ..	509
THE SOCIETY OF CIVIL AND PUBLIC SERVANTS	
Mr B A Gillman and Mr C Christie ... ..	509
<i>Monday 15 November 1976</i>	
THE INSTITUTION OF PROFESSIONAL CIVIL SERVANTS	
Mr D W Downton, Mr W McCall, Mr J S Sim, Mr V C Moores, Mr C Cooper, Mr W Wright and Miss Margaret Platt ... ..	567
<i>Monday 29 November 1976</i>	
EXCHEQUER AND AUDIT DEPARTMENT	
Sir Douglas Henley, KCB ... ..	586
<i>Monday 6 December 1976</i>	
CENTRAL POLICY REVIEW STAFF	
Sir Kenneth Berrill, KCB, Mr C R Ross, CB and Mr W J L Plowden... ..	606
<i>Monday 13 December 1976</i>	
ACCOUNTANTS IN THE CIVIL SERVICE	
Mr K J Sharp, TD ... ..	623
GOVERNING BODIES OF ACCOUNTANCY PROFESSION	
Mr Stanley Kitchen, Mr B M Currie, Mr J C R Hewgill, Mr T N Ritchie and Mr Eric Wood ... ..	637
Sir George MacFarlane, CB ... ..	643
<i>Monday 24 January 1977</i>	
The Rt Hon Lord Armstrong of Sanderstead, PC, GCB ... ..	648
Sir Derek Rayner ... ..	659
<i>Monday 31 January 1977</i>	
CIVIL SERVICE DEPARTMENT	
Mr F G Burrett, CB ... ..	674
GOVERNMENT ACTUARY'S DEPARTMENT	
Mr E A Johnston, CB and Mr L V Martin ... ..	674
<i>Thursday 3 February 1977</i>	
TOP SALARIES REVIEW BODY	
The Rt Hon Lord Boyle of Handsworth PC ... ..	695
Miss J F H Orr, Director, Office of Manpower Economics ... ..	708
Mr F G Burrett, Deputy Secretary, Civil Service Department ... ..	708
CIVIL SERVICE PAY RESEARCH UNIT	
Mr Vernon Morgan, Director and Mr M A E Gubby ... ..	719

	<i>Page</i>
<i>Monday 7 February 1977</i>	
SOCIETY OF LOCAL AUTHORITY CHIEF EXECUTIVES	
Sir Stanley Holmes, DL, Mr R M Beechey, Mr R F O'Brien and Mr J M H Scott ... ..	730
<i>Monday 14 February 1977</i>	
CABINET OFFICE	
Sir John Hunt, KCB ... ..	746
<i>Monday 21 February 1977</i>	
The Rt Hon Edward Heath, MBE, MP ... ..	760
<i>Monday 28 February 1977</i>	
The Rt Hon Sir Harold Wilson, KG, OBE, MP ... ..	780
<i>Monday 21 March 1977</i>	
The Rt Hon The Lord Diamond, PC ... ..	797
Sir Samuel Goldman, KCB ... ..	801
<i>Monday 2 May 1977</i>	
CIVIL SERVICE DEPARTMENT	
Sir Douglas Allen ... ..	808
<i>Monday 9 May 1977</i>	
CIVIL SERVICE DEPARTMENT	
Sir Douglas Allen ... ..	826

The Sub-Committee had informal discussions with the following in Paris and Washington:

1. PARIS

- M Michel Massenet: La Fonction Publique
- M Maurice Ligot: Secrétaire d'Etat de la Fonction Publique
- M Andre Laleuf: Comité d'Action pour la productivité dans l'Assurance
- M Paul Fabre: Association Française des Banques
- M le député Roger Partrat: Commission des Finances
- M le député Loic Bouvard: Commission des Lois
- M Andre Giauque: Fédération des Fonctionnaires CGT Forcé Ouvrière
- M R Bidouze: Union Générale des Fonctionnaires CGT
- M F Malcourant: Fédération de l'Éducation Nationale
- M R Panier: Union des Fonctionnaires et Agents CFDT
- M Demay de Goustine: Syndicat de Fonctionnaires CGC
- M M Morin: Fédération autonome des Fonctionnaires
- Mlle Martine Meusy: Fédération autonome des Fonctionnaires
- M Delmas-Marsalet: Commissariat-Général au plan
- Mme Euvrard: Commissariat-Général au plan
- M Paul Deroche: Directeur du Budget, Ministère des Finances
- M Pierre-Louis Blanc: École Nationale d'Administration
- M Desire Arnaud: Premier Président Cour des Comptes

## 2. WASHINGTON

Mr Bruce MacLaury: Brookings Institution  
Mr W Held: Brookings Institution  
Mr Robert Hartman: Brookings Institution  
Mr Dale McOmber: Office of Management and Budget  
Mr Edward Preston: Office of Management and Budget  
Mr Peter Modlin: Office of Management and Budget  
Mr Joseph Gleason: American Federation of Government Employees  
Mr Lou Pellerzi: American Federation of Government Employees  
Mr Lyle Gramley: Council of Economic Advisers  
Dr Alice Rivlin: Congressional Budget Office  
Mr Levine: Congressional Budget Office  
Mr Blum: Congressional Budget Office  
Mr de Leeuw: Congressional Budget Office  
Mr Greigg: Congressional Budget Office  
Representative Robert Giaimo: House Budget Committee  
Mr Thomas Johnson: American Enterprise Institute  
Dr Penner: American Enterprise Institute  
Dr Silberman: American Enterprise Institute  
Professor Fellner: American Enterprise Institute  
Governor Stephen Gardner: Federal Reserve Board  
Representative Robert Nix: House Post Office and Civil Service Committee  
Mr Smiroldo: House Post Office and Civil Service Committee  
Hon Elmer B Staats: General Accounting Office  
Hon Daniel Brill: United States Treasury  
Mr Emil Sunley: United States Treasury  
Representative Tom Steed: House Appropriations Committee Sub-Committee on  
Treasury, Postal Service and General Government  
Ms Georgiana Sheldon: Civil Service Commission  
Mr Jacobson: Civil Service Commission  
Mr Hoff: Civil Service Commission  
Senator Javitts: Joint Economic Committee of Congress  
Representative Moorhead: Joint Economic Committee of Congress  
Representative Heckler: Joint Economic Committee of Congress  
Mr John Stark: Joint Economic Committee of Congress

## LIST OF MEMORANDA INCLUDED IN THE MINUTES OF EVIDENCE

	<i>Page</i>
THE RESPONSE TO THE FULTON REPORT	
Memorandum submitted by the Civil Service Department ... ..	1
THE WORK OF THE CSD'S MANAGEMENT SERVICES DIVISIONS	
Note by the Civil Service Department ... ..	70
DEPARTMENTAL MANAGEMENT SERVICES AND OPERATIONAL RESEARCH UNITS	
Note by the Civil Service Department ... ..	103
THE STAFF OF THE CSD'S MANAGEMENT SERVICES DIVISIONS	
Note by the Civil Service Department ... ..	106
SAVINGS FROM MANAGEMENT SERVICES ASSIGNMENT WORK	
Note by the Civil Service Department ... ..	108
Memorandum submitted by the Inland Revenue ... ..	111
Memorandum submitted by HM Customs and Excise ... ..	112
Memorandum submitted by the Staff Side of the Civil Service National Whitley Council ... ..	135
TRAINING IN THE CIVIL SERVICE: THE ROLE OF THE CIVIL SERVICE COLLEGE	
Memorandum submitted by Mr Stanley Henig ... ..	191
Statement of Joint Co-ordinating Committee (TU side) ... ..	202
Memorandum submitted by the Civil Service Commission ... ..	228
ADMINISTRATION TRAINEE ENTRANTS: RESULTS OF STREAMING BY EDUCATIONAL BACKGROUND ... ..	261
QUALITIES REQUIRED IN THE ADMINISTRATION TRAINEE	
Supplementary information submitted by the Civil Service Commission ...	269
Memorandum by the Department of the Environment ... ..	271
Memorandum submitted by the Institution of Professional Civil Servants ...	321
Extract from the Fulton Report ... ..	326
AN OUTLINE OF FUNCTIONS	
Memorandum submitted by the Department of Health and Social Security ...	336
CONTROL OF MANPOWER IN THE NATIONAL HEALTH SERVICE ... ..	363
Supplementary memorandum of evidence from the DHSS ... ..	370
Joint memorandum submitted by the Society of Civil Servants and the Civil and Public Services Association ... ..	487
REFORMING THE CIVIL SERVICE	
Memorandum submitted by the Institution of Professional Civil Servants ...	529
WORK OF THE EXCHEQUER AND AUDIT DEPARTMENT	
Memorandum submitted by the Comptroller and Auditor General ... ..	582
THE ROLE OF THE CENTRAL POLICY REVIEW STAFF IN WHITEHALL	
Memorandum submitted by the Central Policy Review Staff (CPRS) ... ..	603
Memorandum by Mr K J Sharp, TD, Head of the Government Accountancy Service and Accountancy Adviser to the Department of Industry ... ..	620

	<i>Page</i>
Memorandum submitted on behalf of the Consultative Committee of Accountancy Bodies, namely, The Institute of Chartered Accountants in England and Wales, The Institute of Chartered Accountants of Scotland, The Institute of Chartered Accountants in Ireland, The Association of Certified Accountants, The Institute of Cost and Management Accountants and The Chartered Institute of Public Finance and Accountancy ... ..	630
<b>ADJUSTMENT OF PAY RESEARCH RATES FOR DIFFERENCES IN PENSIONS BENEFITS</b>	
Memorandum submitted by the Civil Service Department and the Government Actuary's Department ... ..	666
<b>ADJUSTMENT OF PAY RESEARCH RATES FOR DIFFERENCES IN PENSION BENEFITS</b>	
Memorandum submitted by Mr G Heywood, Adviser to the sub-committee ...	669
<b>CIVIL SERVICE PAY AND PENSIONS</b>	
Memorandum submitted by the Civil Service Department and the Government Actuary's Department ... ..	671
<b>REMUNERATION OF THE HIGHER CIVIL SERVICE: THE ROLE OF JOB COMPARABILITY</b>	
Memorandum submitted by the Review Body on Top Salaries ... ..	688
<b>PAY DETERMINATION IN THE NON-INDUSTRIAL CIVIL SERVICE</b>	
Memorandum submitted by the Civil Service Department ... ..	701
<b>PAY OF INDUSTRIAL CIVIL SERVANTS AND THE PRINCIPLE OF COMPARABILITY</b>	
Note by the Civil Service Department ... ..	716
Memorandum submitted by the Society of Local Authority Chief Executives ...	725

## VOLUME III

## LIST OF APPENDICES TO THE MINUTES OF EVIDENCE

1. Memorandum by Mr John Garrett, MP.
2. Departmental Management Services Resources: Note by the Civil Service Department.
3. The Management Review Process: Note by the Civil Service Department and HM Customs and Excise.
4. Management Services and Allied Fields: Supplementary evidence by National Staff Side.
5. Development Forecasts, Resource Allocation Census and Functional Costing: Memorandum by HM Customs and Excise.
6. Work being done by the CSD which does not arise directly from the Fulton Report: Supplementary note by the CSD.
7. The work of the Machinery of Government Group in the CSD: Memorandum by the CSD.
8. The Powers of the Civil Service Department: Note by the Civil Service Department.
9. Specialism and Career Progression in the Civil Service: Note by the Civil Service Department.
10. The Civil Service College: Memorandum by Mr Andrew Dunsire.
11. Training of Administration Trainees: Memorandum by the Civil Service College.
12. The Administration Trainee Scheme: Letter and note from the Civil Service Department.
13. The Civil Service College: Supplementary information from the CSD.
14. Educational Background of Administration Trainees: Note by the Civil Service Commissioners.
15. On a British "ENA": Memorandum by Mr D M Shapiro.
16. Training for Administration: The Future Role of the Civil Service College: Note by Mr Nevil Johnson.
17. Training in the Civil Service: Memorandum by Mr Duncan Smith.
18. Training for Administration: A note on schemes for training some years after entry by Mr Nevil Johnson.
19. The Education and Training of Civil Servants for Management: Memorandum by Professor T Kempner and Professor R J Ball.
20. Training of Civil Servants: Memorandum by School for Advanced Urban Studies, University of Bristol.
21. Changes in Cost of Tax Collection: Letter from Inland Revenue.
22. Simplification of the Income Tax System: Note by Board of Inland Revenue.
23. Simplification Measures proposed by the Board of Inland Revenue: Letter from Inland Revenue.
24. DHSS Joint Working Party on Simplification: Note by Special Adviser.
25. Efficiency and Effectiveness in the Civil Service: Paper by Dr Richard Chapman, University of Durham.
26. Efficiency and Effectiveness in the Civil Service: Memorandum by Mr Nevil Johnson, Nuffield College, Oxford.
27. The Open Structure in the Department of the Environment: Memorandum by the Department of the Environment.
28. The Property Services Agency: Supplementary memoranda on the level of rents and the use of directly employed labour.
29. Changes in the Organisation and Structure of the Department of the Environment since the setting up of the Department of Transport: Memorandum by the Department of the Environment and Transport.
30. Secondment of Civil Servants in the Administration Group to outside organisations: Note by the Civil Service Department.
31. The French Civil Service: Memorandum by Professor F F Ridley.

32. Summary of the Sub-Committee's informal discussions about the French Civil Service held in Paris from 12–14 October 1976.
  33. Memorandum submitted by the Association of Government Supervisors and Radio Officers.
  34. Memorandum submitted by the Association of First Division Civil Servants.
  35. Memorandum submitted by the Civil Service Union.
  36. Cash Limits and Inflation: Memorandum by the Society of Civil and Public Servants.
  37. The Industrial Civil Service: Note by the Civil Service Department.
  38. Functions, Organisations and Resources: Memorandum by the Civil Service Department.
  39. Supplementary notes by the Department of Health and Social Security on:
    - (i) Post Office charges.
    - (ii) Contracting with a commercial organisation to administer the payment of national insurance and other long-term benefits.
    - (iii) Complementing.
  40. Letter and memorandum from the Association of Chief Administrators of Health Authorities.
  41. Estimates of Manpower involved in implementing legislation: Letter from the Civil Service Department.
  42. Management Accounting in Government: Supplementary Memorandum by the Six Accounting Bodies.
  43. The Distribution of Functions between the Civil Service Department and the Treasury: Memorandum by Mr Nevil Johnson.
  44. Cost Escalation in the United Kingdom: Memorandum by Keith Hartley and Jane Cubitt.
  45. Summary of the Sub-Committee's informal discussions held in Washington from 18–22 April 1977 on budgetary control and certain aspects of the Federal Civil Service.
  46. Unnecessarily detailed control by Government Departments: Supplementary Memorandum by SOLACE.
  47. Unnecessarily detailed control by Government Departments: Comments by DOE and other Government Departments.
  48. Civil Service Reform: Memorandum by Lord Crowther Hunt.
  49. Transferability of Superannuation Rights: Note by the Civil Service Department.
  50. Adjustment of Pay Research Rates for differences in pensions benefits: Memorandum by the Government Actuary.
  51. Adjustment of Pay Research Rates for differences in pension benefits: Second memorandum by Mr G Heywood.
  52. Adjustment of Pay Research Rates: Letter from the Government Actuary.
  53. Decision to suspend Civil Service Pay Research: Letter from Mr W L Kendall, Secretary, General National Staff Side.
  54. Decision to suspend Civil Service Pay Research: Letter from Mr Frank Cottam, TU Side Secretary, Joint Consultative Committee.
  55. Memorandum by the Civil Service Pensioners Alliance.
  56. Supplementary memorandum by the Civil Service Pensioners Alliance.
  57. Comments by the Civil Service Department on the memorandum by the Civil Service Pensioners Alliance.
- Civil Service Statistics*
58. Civil Service Statistics provided by the CSD:
    - (i) Numbers of non-industrial staff in post 1968–77.
    - (ii) Non-Industrial Civil Servant's wages and salaries 1968–77.
    - (iii) Civil Service posts at Deputy Secretary level and above.
    - (iv) Deployment of scientists in the Civil Service.

59. Banded recruitment of scientists: Note by the IPCS.

The following papers, which had already been published or made widely available, were brought before the Sub-Committee:—

1. Joint Personnel Management Committee Review of progress. A follow-up to the Wider Issues Review 1976.
2. First and final reports of the National Whitley Council Joint Review Sub-Committee on Civil Service Training 1975 and 1976.
3. Economic Theory of Bureaucracy. Extracts from the Vote Motive by Professor Gordon Tullock 1976.
4. Establishing Civil Service Pay levels by Vernon Morgan published in the CBI Review, Spring 1976.
5. A Joint Framework for Social Policies. Report by the CPRS 1975.
6. Ministers and Mandarins. Lecture to the LSE Society by Sir Douglas Allen, 13 October 1976.
7. Financing Public Sector Pensions by Mr Raymond Nottage. Royal Institute of Public Administration 1975.
8. Reorganisation of the Treasury. Economic Progress Report No 67, October 1965.
9. Rt Hon Geoffrey Rippon, QC, MP. Speeches on Civil Service Reform:
  - (i) At conference organised by the Institute of Municipal Treasurers and Accountants, March 1968.
  - (ii) Speech to the Society of Conservative Lawyers on 16 June 1975.
  - (iii) Speech in debate on Procedure in the House of Commons, 2 February 1976, Hansard Volume 904 columns 993-8.
10. Local Government Chief Executive Salaries. Tables issued by SOLACE.

# ELEVENTH REPORT

The Expenditure Committee have agreed to the following Report:

## THE CIVIL SERVICE

### Chapter I

#### INTRODUCTION

1. It is 104 years since a Select Committee of the House of Commons enquired into the civil service as a whole<sup>1</sup> and **we recommend that in future the various aspects of the civil service should be regularly reviewed by appropriate committees of the House.** We as an Expenditure Committee intend to do so. There have, of course, been many reviews of the civil service set up by Governments—the most recent being the Fulton Committee of 1966-68—but, without disputing the value of such reviews, it is also highly desirable that the civil service should from time to time be reviewed by bipartisan groups of politicians.

2. One corollary of the size of the field open to us in this enquiry is, however, that much has had to be omitted. Our General Sub-Committee, which conducted this enquiry, intentionally omitted the security service but had intended to include the foreign service, upon the assumption that the CPRS review would be completed during 1976. This did not happen and the sub-committee therefore decided to omit the foreign service, even though it is, of course, part of the civil service. We note, however, that our Defence and External Affairs Sub-Committee will be reporting on the review in due course. The United Kingdom also has another civil service apart from the one considered here, that of Northern Ireland, which contains 4 per cent of all UK civil servants. Our omission of them from this enquiry does not mean that we do not recognise and pay tribute to their work. There are also examples of omitted subjects, as well as omitted groups of civil servants. We could have considered, as the Fulton Committee did, the subject of open government but this is only touched upon in this report because the Government's proposed Official Information Bill is expected to be brought in during the next session of Parliament. What we have tried to do is concentrate upon the matters we consider principally affect the efficiency and effectiveness of the civil service.

3. With all the omissions (and more could be mentioned) the subjects covered required a very considerable quantity of evidence to be taken by our General Sub-Committee. They held 43 meetings, 28 to hear oral evidence from witnesses or groups of witnesses (listed on pages vii to ix) and 15 deliberative meetings before this report was agreed by the full Committee on 25th July 1977. The sub-committee also visited Paris and Washington and we should like to thank the French and United States governments and legislatures for the assistance they gave. In addition the Sub-Committee received memoranda of evidence published herewith (listed on pages xi and xii). The Committee wish to thank all these witnesses, of course, but in addition wish to thank other persons not technically witnesses some of whom (those whom the Sub-Committee saw in Paris and Washington) are listed on pages ix and x and others not mentioned here by name who wrote to them or otherwise helped them. The CBI, for example,

---

<sup>1</sup> Select Committee on Civil Services Expenditure, 1873.  
393401

did not wish to give evidence as such but several of its most prominent members gave the Committee great help on the personnel practices of industrial organisations, though they naturally did so on the basis that we preserved their individual confidences. Many Ministers, ex-Ministers and civil servants have also similarly helped us. We should like to thank them all. Special mention must also be made of the advisers who assisted us in particular aspects of this enquiry: Mr G Heywood, FIA, FFA, and Mr M J Day, BSc, FIA, of Duncan C Fraser & Co, Mr Nevil Johnson of Nuffield College, Oxford, Mr T A E Layborn, CBE, FCIB, Professor F F Ridley of Liverpool University and Mr David Shapiro of Brunel University.

4. Before we make the recommendations in the remainder of this report, we want to put on record that we have a high opinion of the civil service. It has served the country well. Our report is about the improvements we should like made but our recommendations are really designed to help the civil service to do a good job better.

## Chapter II

### RECRUITMENT

#### *Allegations of Bias*

5. We believe that the civil service should provide a career open to all the talents, entry to which is achieved by fair competition. We know of no one who would dispute this as an ideal but our sub-committee did receive evidence which indicated that recruitment into the service may be biased in various ways. Evidence of bias was limited to administration trainees, who are promoted with special rapidity. Thus the charge of bias relates solely to the selection of some 200 administration trainees out of some 10,000 people recruited in 1976 by the Civil Service Commission (including all executive, scientific and professional recruits, some of whom will achieve rates of pay in the course of their careers at least equal to those achieved by the average administration trainee and will hold jobs of importance in the service). The charge of bias relates to an important group but it should be seen in perspective.

6. Nevertheless the charge has been made, notably in the evidence of Lord Crowther-Hunt<sup>1</sup>, who alleges that three biases exist, namely a preference for graduates from Oxford and Cambridge, a preference for former pupils of fee-paying schools and a preference for arts rather than social or natural science graduates. In the statistical sense the existence of these biases was accepted by Sir Douglas Allen, the Head of the Home Civil Service, who said "the word 'bias' there is used in a statistical sense and I would not quarrel with it in that sense".<sup>2</sup>

#### *Preference for Oxford and Cambridge*

7. The first bias, in favour of Oxford and Cambridge graduates, is illustrated by the totals of applicants and appointees over the five years 1971-75 inclusive which show that 21.6 per cent of applicants are Oxford or Cambridge graduates but that they provide 50 per cent of appointees. According to the Civil Service

---

<sup>1</sup> Q 1051-1065; Appendix 48.

<sup>2</sup> Q 1982.

Commission<sup>1</sup> this phenomenon became substantially more marked in 1975 and 1976. Oxford and Cambridge graduates in those years "accounted for almost 60 per cent of the appointees". It may be true that since many applicants will be aware of this bias, some graduates from universities other than Oxford or Cambridge may be discouraged from applying but we have no means of proving or disproving this statistically.

8. We note the situation stated by Lord Crowther-Hunt and accepted in the Civil Service Commission's evidence but it does not of course necessarily show that such bias is intended by civil service selectors. It may well be the result of a bias in the educational system, a matter with which this report does not deal. It may be that a higher proportion of the ablest pupils prefer to go to Oxford or Cambridge than to other universities and that therefore civil service selectors prefer Oxford and Cambridge graduates in consequence. Even Lord Crowther-Hunt accepts that "if the civil service is seeking to recruit the most able people it is hardly surprising that Oxbridge supplies a higher proportion than other universities".<sup>2</sup>

#### *Preference for ex-Independent School Pupils*

9. Lord Crowther-Hunt's second charge we have interpreted as a charge that there is a preference for recruits educated at independent schools. We have not complicated the argument by considering the position of direct grant schools. This charge is more serious because it raises some of the same questions as the enquiry made in 1966 by Lord Franks into the selection of undergraduates by the Oxford colleges,<sup>3</sup> and the percentage of undergraduates from such schools does not seem to have altered materially since that date. At both Oxford and Cambridge about two-fifths of undergraduates came from independent schools in 1966 and still do.<sup>4</sup> The civil service selectors therefore, if they are biased in this respect, are likely to reinforce a bias which already exists at Oxford and Cambridge. The extent of civil service bias is illustrated by the following 1973-75 figures: ex-independent schoolboys constituted 29.2 per cent of Oxford or Cambridge educated applicants and 34.6 per cent of Oxford or Cambridge educated civil service recruits. It is worth noting that this bias increased in the case of civil service recruits from other universities where the figures are: 8.6 per cent of ex-independent schoolboy applicants as compared with 21.3 per cent of recruits.<sup>5</sup> This makes it look as if the Civil Service Commission not only reinforces an Oxford and Cambridge bias, but also creates a bias which either does not exist in other universities or is much smaller there.<sup>6</sup>

10. It is of course possible that this bias in civil service selection is, like the pro-Oxford and Cambridge one, a result of a bias in the educational system. Presumably people who pay for their children's education expect them to receive a good one. It is not however clear that they do, since Lord Franks showed, in his survey published in 1966, that at Oxford ex-independent schoolboys obtained on average a poorer class of degree than other Oxford graduates, ie the Oxford entry bias lowered the quality of its graduates to some

<sup>1</sup> Annual Report, 1976, para 10.

<sup>2</sup> Appendix 48, para 4.

<sup>3</sup> Report of Commission of Inquiry into Oxford University 1966, paras. 145 and 153.

<sup>4</sup> Appendix 14, para 7.

<sup>5</sup> Ibid, tables 3, 4, 5 and 6.

<sup>6</sup> Ibid, table 2.

extent. We do not know whether this situation still exists today but, if it does, and the Civil Service Commission is recruiting the ablest graduates academically one would expect their pro-Oxford and Cambridge bias to be matched by an anti-independent school bias. Unfortunately the Civil Service Commission does not keep statistics which show the relative class of degree of applicants and recruits in terms of schools they attended. That the Commission does not keep such statistics shows that they are not concerned about a possible bias in this respect. **We are, and recommend that they should keep, assess, and publish such statistics in order to ensure and to be able to show that equally able university graduates have equal chances of entering the service.**

#### *Preference for Arts Graduates*

11. The third charge made in respect of the selection of administration trainees is that arts and humanities graduates are preferred to social and natural science graduates. The 1971-75 figures are that 42.5 per cent of applicants were arts and humanities graduates as against 56.7 per cent of recruits.<sup>1</sup> The bias alleged therefore exists but it is not clear whether or not there is any justification for it. Again, **statistics are not regularly kept of applicants and recruits by class of degree and clearly they should be**, since without them it is impossible to tell whether arts graduates are preferred in recruitment because a higher proportion of arts graduates have better academic qualifications.

12. There is, however, another line of argument which may be relevant in this case. We have some reason to believe that the best qualified scientists do not apply to become administration trainees in as high numbers as the best qualified arts graduates. This may well be because they prefer to work as scientists whilst in their twenties when scientists are reputed to do their best work as such. A scientist may prefer to work in those leading industrial companies where, after he has done scientific work, he has a ready chance of promotion to administrative work. In the civil service it is not easy to make this transition, a subject which we return to in paragraph 39.

#### *Conclusions*

13. The conclusions we draw from all this are that the three biases in civil service selection alleged by Lord Crowther-Hunt do exist but that the pro-Oxford and Cambridge bias may be expected if the Civil Service Commission "is seeking to recruit the most able"<sup>2</sup> graduates. Whether the pro-independent school bias is due to the same cause is more doubtful; one cannot be certain from the statistics. The pro-arts bias may result from fewer of the ablest scientists applying but again one cannot be certain of this. What is clear is that, by not keeping statistics which would show whether these last two biases are just traditional and irrational or have a rational basis, the Civil Service Commission has ignored the possibility that they may be the former and has thus laid itself open to a charge of prejudice which it can no more refute from its statistics than others can prove it. This shows that there may be something wrong with the constitution of the Commission. All its four members are civil servants in the Civil Service Department of Deputy or Under Secretary

<sup>1</sup> Evidence, pp 233 and 238, Tables 4 and 9.

<sup>2</sup> Appendix 48, para 4.

rank, three of whom have been civil servants all their working lives. We consider that this may make the Commission rather inbred and therefore suggest keeping its existing full-time civil servant membership places but adding to them part-time outside Commissioners, so that these outsiders form a majority of the new Commission. Such outsiders should not just be eminent names but persons who have had experience of personnel selection in large organisations or relevant trade union experience.

14. It is also important that the membership of the Final Selection Boards, who are appointed by the Commission, should include a sufficient proportion of non-civil servants. At present these Boards are made up of three civil servants and two outsiders. It would be worth the new Commission considering whether in future these proportions might sometimes be reversed and whether those outside people serving on Final Selection Boards should come from a wider variety of organisations than they do at present.

15. Another task for the new Commission should be to reassess and change the Method II entry system<sup>1</sup> to the service. Method II is an outdated name since there is no longer a Method I or any other method than II whereby graduates are recruited as administration trainees. All the criticisms made above relate to Method II and it is almost bound to inspire criticism since it depends more on interviewing applicants than on written examinations. It is not just a question of whether Method II is in itself satisfactory or not; it must also be seen to be fair. This is why it ought to be modified so that its objectivity can be demonstrated to the public.

### Chapter III

#### TRAINING

16. The Civil Service College was set up in 1970 as a result of a recommendation of the Fulton Committee which suggested that the College should have a wide variety of training and research functions. We do not consider, however, that it has been wholly successful, primarily due to the diversity of its objectives and functions, a view apparently shared by its former Principal, Mr. Grebenik, when in 1975 he added "Amen"<sup>2</sup> to the statement in the report on Civil Service Training by Mr Heaton and Sir Leslie Williams in 1974 that the College:

"... has been expected to provide a very widely assorted range of courses, more varied, probably than those of any comparable institution in this country, and of such a divergent nature as to generate not a little ambiguity, and even some inner contradictions in its role. All this, for a very large and constantly changing body of trainees of very widely varying abilities, experience and degrees of commitment and enthusiasm. It is as though the same institution were expected to combine the roles of All Souls and an adult education centre, with some elements of technical education and teacher training thrown in for good measure."<sup>3</sup>

<sup>1</sup> That is, the extended interview system of selection as opposed to Method I, which relied primarily on written examination.

<sup>2</sup> Civil Service College, Annual Report 1974-75, para 5.

<sup>3</sup> Report on Civil Service Training, para 5.3 CSD September 1974.

17. In considering training, however, one should first remember that only 9 per cent (in terms of cost) of civil service training is done by the College. The remaining 91 per cent is done by or under the aegis of individual Departments. Given the importance and cost of the work done by individual Departments, we are surprised that more attention has not been paid to it. **We propose that the CSD takes additional steps to assess and monitor departmental training schemes.<sup>1</sup> We also recommend that the Civil Service Department should urgently consider whether even more work currently done by the College could not be done by Departments or non-civil service educational institutions.** An obvious example in our view is Automatic Data Processing training to which 18 per cent of College effort is devoted and which is also at present taught to civil servants by non-civil service institutions. (Though some such training is designed to educate prospective administrators in the uses of ADP, much of it is of a routine type.) This is not because we consider that such training has been done badly by the College; we had no evidence of that. It is clear, however, that to combine this type of course in particular skills with courses designed to train prospective administrators makes (as the quotations in the preceding paragraph show) the task of administering the existing College extremely difficult. This difficulty would become even greater if the existing college were to become the instrument for putting much more effort into the training of the future top administrators of the service, something which we believe should be done.

18. There may well, however, remain an area of training which is still not the training of senior administrators but which is best done centrally. Management services training for example (to which 10 per cent of the College's effort is devoted) includes the training of management services staff, which might well be done by a less wide-ranging college but still should not be mixed up with the training of senior administrators.

19. The training of such administrators should in our view be totally revised and, in this context, we are glad to note that the Civil Service Department has set up an interdepartmental committee to review the working of the Administration Trainee scheme and the Department has told us that this review committee would wish to take account of our views. The words "administrator" and "administration" (although we have used them hitherto in this report) appear to us to have developed a flavour which seems to emphasise the differences between top civil servants and their equivalents in other large organisations such as those in public and private industry. We are therefore going to use instead, in the rest of this report, the terms more usual outside the civil service, namely top or higher management, although we recognise that within (as outside) the civil service some top managers do not actually manage very much in the way of staff since they may perform specialist functions, including those of policy formulation.

20. **We recommend that the existing Administration Trainee scheme be abolished.** That graduates with good degrees should be recruited we do not, of course, dispute and it may be that there should be some special recruitment grade for them in addition to the executive grades at which graduates are also recruited. We do, however, believe that they should be recruited by a different method as we have recommended in paragraph 15 above. Then, after short Departmental induction courses (as at present) they should be placed in and

---

<sup>1</sup> See QQ 619-624 and Appendix 17.

tried out in jobs which, if they prove able, can be of steadily increasing responsibility. This too happens now but we gravely doubt the virtue of almost guaranteeing that such entrants will reach the Assistant Secretary grade. The theory has always been that these graduates could not be recruited unless their promotion were almost assured them but we doubt whether this is actually so. In our view **such graduates should be recruited and given jobs in the service so that their abilities, other than the solely academic ones tested by their university, can be assessed. Then they should compete on even terms with others in the service, graduates and non-graduates, for entry to a course designed to train those who will reach the highest management levels of the service.**

21. **We recommend the establishment of a higher management training course and that it should be the normal practice that no one will be promoted beyond the rank of Assistant Secretary or equivalent unless he or she has completed it.** There are over 100 promotions to Under Secretary per annum (over 125 if equivalent foreign service promotions are included, as we believe they should be). To relate the course to promotions at a lower level would include so many people as to make the new course unwieldy and too costly. We realise that there will be some exceptions to this normal practice, eg high-level recruits from outside the service and people with outstanding experience and abilities in specialist fields, but such exceptions should be very definitely a minority.

22. We do not wish to define precisely the rank of students entering the course save to say that they should be persons from all parts of the service paid on salary scales whose maxima are at or below the maximum of the Assistant Secretary scale. Another criterion is that prospective students should not be too old to benefit from the course and later to use the knowledge thus acquired in the highest posts in the service. The actual selection process should certainly involve written work, though this may be combined with interviewing methods. This written work could well be based on questions seeking the applicant's policy advice on current topics as well as examinations in specific subjects of relevance, eg constitutional law, economics, international affairs, the domestic political process and management and planning in Government. It follows that all potential applicants should be given the opportunity by their departments to study the subjects of the entrance examination to the required level.

#### *The New Course*

23. The matter of primary importance, of course, is what should a new course for higher managers comprise? We suggest that the course should consist of four principal activities (which may be completed in any order) namely:

- (a) academic courses ;
- (b) 'on the job' training ;
- (c) seminars on subjects primarily determined by the students ; and
- (d) problem-solving case studies.

We do not precisely define the length of the course but consider that the academic courses, seminars and case-studies together should total rather more than the 20 weeks of the present Administration Trainee college courses. A given 'on the job' posting would not be of much use if it was for less than, say, two months but such postings would not be feasible if they were for more than about six months.

*(a) Academic Courses*

24. We mean by academic courses, (a) above, courses in relevant subjects not necessarily previously studied by the student concerned. For example, it is likely to be fairly pointless to teach a law graduate law but it may be of some relevance to a prospective manager who did not read law that he should be given some knowledge of that subject. Similarly, arts graduates might well need their basic academic training supplemented by a measure of academic training in the principles of disciplines in which they were not themselves originally trained, mainly those relevant to the administration of economic, financial, social, scientific and technological affairs and management. It follows that this part of the training course should not be uniform but should be devised to include several possibilities designed to complement different types of previous education and experience. To some extent this is already done but we are suggesting a much more comprehensive range of such courses and (which is not done now) enabling the individual to take the selection of courses he needs.

*(b) 'On the Job' Training*

25. One of the most relevant points about 'on the job' training, (b) above, is that it seems to us most inappropriate (in an age where many decisions about home policy are made in international contexts) that home civil servants do not usually have any diplomatic experience nor do members of the foreign service usually have any training or experience in home Departments. We envisage that senior home civil servants who have taken the new course would have had a few months of foreign service experience and that equivalent members of the foreign service should have had a few months service in a home Department. Since FCO staff (merely because their Department does not normally sponsor legislation) are less familiar than home Departments' staff with Parliament, the home training period of the former might well include a period directly concerned in the working of both Houses. The possibility that these students (home and foreign) have a period of internship working for a Government or an Opposition MP should be examined. It is also highly desirable that central government civil servants should have had some experience in local government or in industry and that civil servants who have had no experience outside London should be given a job in the regions.

26. All these forms of experience, if they are to be of any use, require the student to spend a few months in different jobs. We do not suggest that this should necessarily be done at the same time in each student's career nor indeed whilst, in other respects, he is a student at a civil service college. The only things that are essential are that (i) these periods of 'on the job' training should occur and (ii) they should be reported on to and assessed by the authority in charge of the new higher management course.

*(c) Seminars*

27. By seminars, (c) above, we mean short but high-powered courses conducted by the persons most knowledgeable about the subject of the seminar. Since the students will be of high quality and experienced in the service, they might well be allowed to choose the seminar subjects. In practice this may well

mean, as the French have found, that such courses will be conducted by politicians and civil servants from the Departments concerned with the subject, though sometimes, of course, persons outside Government will be found to be the most knowledgeable. The point we are making here is that full-time, permanent academic staff of a college are not necessarily the best people to lead the topical seminars we envisage. It is noteworthy in this context that the French Ecole Nationale d'Administration has a permanent academic staff of only four. It is also true, as Mr. Henig points out in his evidence, that the best academics wish to do research work and to publish the results.<sup>1</sup> As publication of such research in relation to Government is inevitably restricted to some extent, academics are less likely to be attracted to a civil service college. On the other hand, people who are or have been actually engaged in, say, negotiating agricultural policy in Brussels are likely to be the best people to organise and lead a seminar on that subject.

28. It is of course true that conducting seminars in this way, though not necessarily more costly in money, will have a "cost" in terms of the time of senior people already very busy. We think, however, that there are two reasons why this is nevertheless desirable. Firstly, the organising Departments will have to think about their policies in a more concerted way and secondly, we believe that Ministers, shadow Ministers and senior civil servants should realise that one of their duties is to train future top civil servants.

*(d) Problem-solving case studies*

29. We would expect that as the students on the new higher management training course will already have had anything between five and fifteen years of practical experience in Departments, their minds would be better stretched through case studies than by a series of lectures. We suggest that most such case studies should deal with the pressing problems of the day. If the Government of the day were embarking on some new policy, eg for tackling decaying city centres, there could be case studies on such policies.

*Students from outside the civil service*

30. So far we have discussed the new higher management training course as if entrants to it came solely from home Departments. We do not, however, envisage that the field of entrants should be so limited. Students should certainly be taken also from national institutions which may not technically be part of the civil service, eg the National Health Service. Local government employees should also be permitted to apply. The Society of Local Authority Chief Executives (SOLACE) suggested to us<sup>2</sup> that "the case should be examined for the formal training of potential senior public servants in both central and local Government possibly at a newly created institution specially staffed and financed for the purpose" Above all, although for the reasons given in Chapter I we have not taken evidence on the foreign service, we nevertheless think that it would be wrong for home civil servants to have had the new form of training whilst equivalent members of the foreign service had not. It would in fact be to their mutual benefit to be trained together.

---

<sup>1</sup> Evidence p 194, para 11.

<sup>2</sup> Evidence p 729, para 23.

---

## Chapter IV

### CAREER MANAGEMENT

#### *Unified Grading*

31. When the Fulton Committee reported in 1968 there were 47 general service classes (ie classes used in more than one Department) and over 1,400 departmental classes each used in only one Department. There are now 38 general service and 500 departmental classes so that the unification of the grading structure has not progressed<sup>1</sup> as fast as was envisaged when the Fulton Report's recommendation on unified grading was accepted. We must stress that most of these classes consist of several separate grades.

32. Yet it is fair to say that the reasons why the Fulton Report recommended a unified grading structure for the non-industrial civil service are largely as valid now as they were in 1968. These reasons<sup>2</sup> were:

- (i) “. . . we believe that the system will remove obstacles to the flexible deployment of staff . . .”
- (ii) “. . . it would promote more efficient and accountable management and the more economical use of manpower.”
- (iii) It would “make easier much needed improvements in the system of promotion . . .”
- (iv) It is “. . . the only practicable means of dealing with the fragmentation of . . . departmental classes, each with its own separate pay and career structure.”
- (v) “As long as a structure based on classes persists, the attitudes and practices associated with it will hinder the efforts of management to open up careers to all the talents . . .”

33. Since 1968, an open structure, ie a measure of uniform grading, has been created for posts graded Under Secretary or above (though a reader of the Civil Service Year Book's Table II would not necessarily realise that such “grades” there named as “Directing Actuary”, “Principal Assistant Solicitor” and “Chief Scientific Officer A” are all in fact Under Secretary grade). For reasons which are not very clear progress upon this ceased in October 1975. Incomes policy was given as one reason but does not seem to be wholly relevant and another reason given, that it would take time of staff inspectors, seems merely to mean that this matter is given no priority.

34. We gain the impression, however, that **it would not be difficult to extend the open structure downwards to Assistant Secretary and equivalent levels and we recommend that this should be done as speedily as possible. We realise that it would take much longer to extend the open structure further, below Assistant Secretary, but recommend that the Civil Service Department should reactivate its original proposals to do so and begin work on its extension to the Principal level at least.**

---

<sup>1</sup> For extent of progress see Evidence p 19, para 100.

<sup>2</sup> Fulton Report, paras 230-240.

*Promotion above Under Secretary*

35. On the basis outlined in Chapter III above, promotion in due course to Under-Secretary level should be within the normal expectation of most of those who have been selected for and completed the higher management training scheme. We seek to make no changes in the existing systems for promoting people above this level. Such promotions are already determined centrally, ie not by each individual's Department.

*Promotion to Under Secretary*

36. It is implied above that completion of the new higher management training scheme would, under our proposals, be a determinant in most cases of promotion to Under Secretary, so that selection for the course will substantially select future Under Secretaries (although there will naturally be some selected for the course who do not in the end reach that level, as well as those who do who were not originally selected for the course).

37. As we explained in Chapter III above, selection for the new course should be competitive but there will clearly be several types of competitors. There will be both entrants who were recruited as the graduate equivalent of the present Administration Trainees and other graduates recruited at the Executive Officer level who, because of their entry age, will have less experience of the service (say perhaps five years when they compete for the course). There would also be older competitors, eg Principals who had been promoted from Senior Executive Officers and grades equivalent to Principal in the various professional groups and classes.

*Promotion to ranks below Under Secretary*

38. We cannot in this report discuss promotions in the middle and lower ranks of the service but we want to make three points. One is that it seems to be a growing and fairly widespread practice in industry, not merely for superiors to write annual reports on their subordinates (as happens in the civil service too) but also to show such reports to, and discuss them with, the individuals concerned (which does not happen at present in the civil service). **There is, in our view, merit in this latter practice.** Individuals learn more of their superior's views of them and may be brought to tackle their remediable weaknesses.

39. Secondly, it is not sufficient merely to say that everyone at certain levels in the service may compete for entry to the new higher management training course. **Some means** (not necessarily the same as that mentioned in the preceding paragraph) **of reporting on prospective top civil service managers is also needed.** There is need, for example, to assess as early as possible any administrative talent possessed by individuals recruited as scientists or in some other professional capacity.

40. Thirdly, we are—as the Fulton Committee was—somewhat doubtful about the frequency with which members of the Administration Group move from job to job, not as part of an on the job training scheme such as we suggest, but merely with some vague idea of giving them experience (which is actually narrower in some ways than that we suggest). Individuals must be given time in some jobs to learn what the problems of those jobs are and show whether they have the ability to solve them.

*Transfers and Exchanges between the Civil Service and other Occupations*

41. It will be realised from our remarks in Chapter III above (where we envisage students on the new course from the National Health Service and local government) that we anticipate that some of them may wish to join the civil service. Such students should be regarded as eligible to do so. Similarly, civil servants who wish to transfer to, say, local government should be assisted to do so. Such transfers ought to raise few problems. We should like to see more transfers between the civil service and industry too though we recognise that here there is insufficient pension transferability and that precautions must be taken against conflicts of interest.

42. Our recommendations about pay in Chapter V should reduce the number of high civil servants seeking jobs in private industry but in a free society one cannot prevent such transfers after retirement. Nevertheless there has been public criticism implying that the prospect of such outside jobs can be dangled before civil servants as an influence upon them before they leave the service. For these reasons civil servants of Under Secretary rank and above are required to obtain the assent of the Government before accepting (within two years of resignation or retirement) offers of employment in business and other bodies with close financial links with the Government, eg companies which are in contractual relationship, have the Government as a shareholder or receive subsidies, loans, guarantees or other forms of capital assistance from the Government. But we were surprised to learn that there is no legal sanction whatsoever for this practice. **We suggest that there should be a contractual relationship requiring individuals to do this or, if necessary, legislation which might penalise companies which appoint ex-civil servants from specified jobs without obtaining the concurrence of the Government.**

## Chapter V

### PAY

#### *Comparability*

43. The Priestley Report of 1955 recommended that "the primary principle for determining the pay of civil servants should be fair comparison with the current remuneration of outside staff employed on broadly comparable work, taking account of differences in other conditions of service"<sup>1</sup> and since 1956 civil service pay has been based primarily upon this principle, the actual comparisons necessary being made by the Pay Research Unit. We received little British evidence that this was an unsound principle but there is an argument (used, amongst others, by the French) that it can be so, since civil servants tend to do better than non-civil servants in times of economic recession, though worse in times of boom.

44. It is also true that the comparability principle is not applied in the same way (or in some cases in any way) to all civil servants. The Trade Union side of the Joint Coordinating Committee representing industrial civil servants, pointed out to us that they would welcome the comparability principle being applied to them<sup>2</sup> which at present (with minor exceptions) is not done, since

---

<sup>1</sup> Royal Commission on the Civil Service (Cmd 9613) p 194.

<sup>2</sup> Q 486.

the Official and Trade Union sides of the JCC have no current agreed method of applying the principle.<sup>1</sup>

45. At the other end of the scale are the Under Secretaries and above whose salaries are recommended by the Top Salaries Review Body. Comparability is not applied to them. "If we were to make such comparison the sole criterion for pay in the highest levels of the public service, then it would imply larger increases than we are now recommending. From the information which we have collected it is clear that salaries at these levels in the public service are well below those for jobs of comparable weight in industry, commerce and finance".<sup>2</sup> Furthermore on two occasions Governments have cut down the recommendations made by the TSRB even though these should, on a comparability basis, have been higher in the first place.

46. Within the grades to which comparability does apply, each Pay Research Unit report is followed by negotiations between Official and Staff sides of the Civil Service Whitley Council but exceptionally, where the "comparable" level is not attracting enough recruits, it is exceeded.<sup>3</sup> Also, to maintain relativities between the Administration and Professional groups, some professional scientists and engineers are paid rather more than their opposite numbers in the private sector.<sup>4</sup> Finally, the inception of cash limits is bound to have some effect on comparability as a basis of pay determination, a matter we discuss in Chapter X below.

#### *Pay Research Unit*

47. As a general principle of pay settlement, therefore, comparability is rather a flawed one but this does not mean that pay research into comparability is not a tool useful in the determination of civil service pay. Not only the civil service but most organisations outside also look around at competitors and comparable organisations before negotiating and fixing their own pay levels. There is good reason for the civil service to do the same but we consider that the present pay research procedure has two faults. The Director of the PRU vehemently argued that it was independent but its independence in certain respects is by no means apparent to us. It is no doubt impartial in its work, not biased for or against the wishes of the Official or Staff sides of the Civil Service National Whitley Council, but it is not independent of Government; its work was in fact suspended under the current pay policy and its Director has not the power even to decide how far its work should be published.<sup>5</sup> Finally, a matter of great importance to the general public is that the Director and his staff are not seen to be independent of the civil service, whose pay they affect, because he and his staff are civil servants themselves.

**48. We feel bound to recommend that this method of staffing should be changed. The PRU should be made responsible to a board which, though it might well include the present members of the Steering Committee of the National Whitley Council to which it is currently responsible, should also include outside appointees. The new board should choose the Director and recommend**

<sup>1</sup> Q 1683 and evidence p 708.

<sup>2</sup> TSRB Report No 6 (Cmnd 5846), para 58.

<sup>3</sup> Qs 1694-96.

<sup>4</sup> Third Report of the Select Committee on Science and Technology 1975-76 Session HC 680, para 4.35.

<sup>5</sup> O 1722.

**their choice to the Prime Minister for appointment by him. The Director, and the staff chosen by him, should not in future invariably be civil servants.** Some civil servants should be in the unit because of their knowledge of civil service pay, conditions and the nature of work for which comparisons are being sought. Some outsiders, however, should also be in it since they will have had different experience, particularly of outside organisations, such as those with which comparisons are being made.

### *Secrecy*

49. The other feature of the present system which excites public suspicion is its secrecy. The comparability principle could be perfect and the PRU could make perfectly valid comparisons but members of the general public cannot, from anything published by the PRU or Government, reassure themselves that this is so. The PRU is set up to provide information to the civil service pay negotiators. It reports to the Steering Committee of the National Whitley Council and also produces a summary showing the comparisons made and the relevant pay rates. It only sends these summaries, however, to the 200 or so organisations with whom it make its comparisons. To protect the confidences of those organisations who have been used in the comparisons their names are not given. **With the same proviso about anonymity, we see no reason why there should not be general publication of PRU reports.** The PRU Director agrees with this but, as stated above, has no power to do it.<sup>1</sup> The Head of the Home Civil Service also agrees<sup>2</sup> and **we recommend that it should be done forthwith, though of course this change must be negotiated with those organisations who have been used in the comparisons.**

### *Top Salaries*

50. Whilst we had hardly any evidence (not even from their trade unions) that in general the middle and lower ranks of the civil service are underpaid, there is some evidence that the top ranks, Under Secretary and above, are underpaid by comparison with top executives in organisations outside the civil service. Comparison at high levels has its difficulties, as the TSRB pointed out in its evidence to us, but it is possible to ascertain the salaries of chief executives in local government and in industrial and commercial companies. It would seem that local authority chief executives (other than those of Westminster and Greater London who are paid more) receive from £11,750 to £18,000.<sup>3</sup> In 1976, industrial company chief executives were receiving median salaries of from nearly £23,000 (companies employing 5,000 to 7,500 people) to over £45,000 (companies employing over 50,000) with nearly half of them receiving large bonuses on top of this.<sup>4</sup> By comparison, Permanent Secretaries in charge of Departments receive £18,675 even though some Departments employ as many or more people than the largest companies. **Like other people top civil servants should be paid the rate for the job and the TSRB should compare them with top executives in other organisations to determine what this is. It should not cut down on the levels it believes fair but leave that to Governments to do if they feel it necessary.**

---

<sup>1</sup> Q 1728.

<sup>2</sup> Q 2006.

<sup>3</sup> Source SOLACE.

<sup>4</sup> Source Remuneration Economics Ltd in association with the British Institute of Management.

51. The present situation wherein top civil service salaries are relatively low by outside comparison has the undesirable consequence of "grade drift" admitted to us by Sir Douglas Allen.<sup>1</sup> The above recommendation should ease this compression of top salaries caused by the relatively low level of the highest rates. **In conjunction with new higher rates being introduced, the CSD should review all the relevant posts to ensure that they are correctly graded.**

52. Regrading on these lines might be eased if these grades had a pay range, not necessarily in order that individuals should get increments (at high levels such increments may not be appropriate, though see Chapter XI on this point) but so that the CSD had a system within which it could grade individual posts. **We note that the TSRB has itself considered this proposal for range pay and wishes to consider it further<sup>2</sup>. We welcome this.**

## Chapter VI

### PENSIONS

#### *Inflation-proofed Pensions*

53. There has been great public criticism in recent years of the inflation-proofing of public service pensions under the Pensions Increase Act 1971, as amended by the Superannuation Act 1972. There was, however, very little criticism of the basic principle of that Act at the time it was being passed; it was in fact a measure supported by all parties. The subsequent change in public opinion was clearly caused by the increase in inflation after 1971 which has had at least two specific effects. Many organisations which, in less inflationary times, have managed to supplement their pension schemes sufficiently to keep up with such inflation as there then was, have been unable to do this fully in recent years and incomes policy has held the pay increases of all save the lowest paid below the inflation rate.

54. It is understandable that the basic principle of inflation-proofing should only be criticised when it is operating effectively to protect public service pensioners from high rates of inflation. Yet the principle is in fact defensible. All national insurance pensioners (whether ex-public servants or not) have received inflation-proofed pensions since 1974 and since 1975 their right to such pensions has been embodied in the Social Security Pensions Act 1975, which itself contains an element of inflation-proofing even in relation to occupational pensions. The basis of inflation-proofing of national insurance pensions is different from the basis used to inflation-proof public service pensions, since national insurance pensions are increased by the Secretary of State having "regard to earnings or prices according to which he considers more advantageous to beneficiaries"<sup>3</sup> whilst public service pensions are tied only to price increases. In normal times, ie times without an incomes policy, one might expect earnings to rise faster than prices<sup>4</sup> and then national insurance pensions would rise faster as a result of their method of inflation-proofing than public service pensions.

55. A different line of argument can also be used to justify the inflation-proofing of civil service pensions. So long as civil service pay is based on

<sup>1</sup> Q 65. "Grade drift" means that some posts have tended to be graded higher than the job warrants. See also Appendix 58(iii).

<sup>2</sup> Q 1660.

<sup>3</sup> Social Security Pensions Act s. 23(4).

<sup>4</sup> Appendix 57, para 2.

comparability, when a condition of service differs materially between public and private sector employees, due allowance should be made for this in calculating civil service pay. Thus if most of the private sector contributes towards a pension which is not guaranteed against inflation and civil servants do not contribute but receive an inflation-proofed pension, then under the comparability principle they should receive less pay than individuals in the private sector for the same work. This is the theory on which the present system is based but there are, as will be seen below, some practical difficulties.

#### *Suspension of Pay Research*

56. There are, however, two points that need to be made about this last argument. The first is that the comparability exercises of the Pay Research Unit were suspended during Phases 1 and 2 of the incomes policy. The general reasons for this we need not enter into save to say that it was considered wrong during this incomes policy (though not during previous ones) to continue making comparisons between earnings in the public and private sectors. The Staff Side of the National Whitley Council did not agree with this suspension, possibly because they considered that in the public sector the incomes policy would be enforced more strictly than in the private sector. That might be so but what neither they nor anyone else seems to have realised is that the same suspension of the PRU involved the cessation of the Government Actuary's annual recalculations of the amount which should be deducted from civil service pay in respect of the value of inflation-proofing. In a time of high inflation such a cessation is a benefit to civil servants in employment. As stated above, the civil service trade unions cannot be blamed for this and neither can the Civil Service Department since we were surprised to learn that it was not consulted about the suspension of the PRU<sup>1</sup> before the decision was in draft. It seems simply to be the case that no one concerned realised at the time that suspending the PRU could be beneficial to civil servants. Most people who then thought about it at all seem to have thought that the suspension was against the interest of civil servants, as in part it was.<sup>2</sup> The ultimate net result of the two opposite effects of the suspension is now a matter of conjecture but both effects need to be assessed, which means that **the PRU should be reactivated as speedily as possible.**

#### *Determining the value of pensions*

57. A second point about inflation-proofed pensions is not any of those commonly used in the public discussion about them but simply the difficulty of determining the extent to which they benefit civil servants. They are (assuming them to be properly offset against pay) really a gamble which a working civil servant will lose if he retires into a less inflationary world than he worked in and win if the reverse is the case. If the trade unions who represent working civil servants accept this gamble on behalf of their members, it is difficult to say that they have not some right to do so since it is their members who lose current pay in order to assure themselves of security in retirement.

---

<sup>1</sup> Q 2000.

<sup>2</sup> Q 2000.

58. The trouble is that no one will ever know what the total outcome of the gamble is until about 80 years from the present time, ie until all present civil servants and their pensionable dependants are dead. The attempt to assess it is made by the PRU on the advice of the Government Actuary and involves the latter forecasting, over decades into the future, inflation rates, interest rates and the extent to which the private sector will grant pension increases. One man ultimately has this awesome responsibility and has hardly any chance of getting it right, which is no criticism of the Government Actuary but is a criticism of a system which sets him an impossible task.

59. In this context it is worth noting that the Government Actuary and our own adviser Mr Geoffrey Heywood disagreed about the level of adjustment which should be made to civil servants' salaries to reflect their more generous pension arrangements. The Government Actuary has conceded that an increase in the present adjustment of  $1\frac{3}{4}$  per cent might be necessary but does not accept the figure of 5 per cent suggested by Mr. Geoffrey Heywood. We have also had evidence that small variations in the allowances for future interest and inflation can affect the adjustment quite considerably. The argument is highly technical and its details can be studied in our memoranda of evidence<sup>1</sup> but the principle that these apparently slight adjustments can have enormous financial effects is incontestable. In these circumstances it is clearly desirable to have the widest possible debate on what the adjustment should be before it is finally struck.

60. One way, under the present system, of easing the Actuary's task would be to spread the responsibility for the judgments being made. It is reasonable for an actuary advising, say, a small private company to advise it on forecasts of future inflation. With larger companies such forecasts are discussed at some length. **Given that a Government with considerable resources of professional staff is involved, it seems obvious to us that some of them—not least those in the Treasury—should be brought into the discussion. Furthermore, in line with our recommendations on the publication of pay research reports generally, the forecasts of future trends made should be published so that they can be subjected to informed criticism.**

61. The above suggestion would improve matters but it does not make clear what the system is supposed to do. Some people, of course, realise this and therefore suggest scrapping the whole system of inflation-proofed pensions but this, in our opinion, is too crude a solution. We all know that inflation occurs and most people wish to protect pensioners from its consequences. Many good employers in the private sector in fact make considerable endeavours to provide supplementary sums so that the pensions they are paying can be increased in money terms. The fact that, as we stated in paragraph 53 above, most employers in the private sector have not been able to keep up fully with inflation in recent years does not mean that they would not have wished to do so.

---

<sup>1</sup> Evidence p 666-74 and Appendices 50, 51 and 52.

*Public Service Pension Schemes*

62. We do not feel that we can leave this subject without commenting upon the hotch-potch of public service pension arrangements, all of which provide inflation-proof pensions. This is best shown by the following table<sup>1</sup>:

**PUBLIC SECTOR PENSIONS**  
**TABLE SHOWING TYPES OF SCHEMES**

<i>Thousands</i>			
Type of Scheme	Sector	Employees	No in scheme
1. No contributions and no funds ...	Civil Service <sup>1</sup>	750	750
	Armed Forces	335	335
	SUB-TOTALS:	1,085	1,085
2. Contributions but no fund... ...	Police	120	120
	Fire Service	35	35
	MPs		
SUB-TOTALS:	155	155	
3. Contributions and notional funds...	LEA teachers (inc. further education).	825	630
	NHS	1,125	730
	UKAEA <sup>2</sup>		
SUB-TOTALS:	1,950	1,360	
4. Contributions and actual funds ...	Local Government	2,100	1,125
	Public Corporations and other Public Sector	1,800	1,500
	SUB-TOTALS:	3,900	2,625
GRAND TOTAL: <sup>4</sup>	7,090	5,225	

*Notes.*

(1) Civil Service Widows' and Orphans' Fund, paid by all male civil servants, would be included in the second category (contributions but no fund).

(2) UKAEA (including Radio Chemical Centre Ltd and British Nuclear Fuels Ltd but excluding AWRE)—numbers not known but probably of the order of 10,000.

(3) Fringe bodies covering about 200,000 people are excluded. Most of these bodies (eg Research Councils, Industrial Training Boards, Sports Council, Highlands and Islands Development Board) are (ranging from partly to wholly) financed from funds voted by Parliament paid under Sub-Heads in Departmental Votes. Staff of these bodies are covered by contributory schemes, non-contributory schemes and FSSU, but a breakdown is not readily available.

(4) The difference between the totals of employees and number in the schemes is due to part-time and seasonal employment which is not pensionable.

63. Pension transferability rights exist between all the above (as well as others not shown) but a difficulty about the diversity of schemes is that, when negotiating any change in any one scheme, it is usually argued that the others will be affected, as indeed they have been in the past. **It would seem to us that there are strong arguments for the Civil Service Department and the Department of Health and Social Security considering over a period of years how far a greater measure of uniformity in public sector pension schemes can be achieved.** There are many questions to which answers of principle need to

<sup>1</sup> Source of table CSD.

be worked out, eg should (or should not) nationalised industries in the market sector all have funded pension schemes but is there any need for local authorities to have them? Why should a contributory scheme, like the teachers, be unfunded or should it become non-contributory? We do not attempt to answer these questions here but someone should.

## Chapter VII

### REDUCING COSTS BY POLICY CHANGES

64. To a certain extent, Parliament is directly responsible for the size of the civil service. The civil service exists to implement the legislation enacted by Parliament. The expansion of Government intervention, the increasing complexity of new legislation combined with the proliferation of amending legislation and administrative circulars has resulted in a corresponding increase in the numbers of civil servants. The connection between new legislation and civil service numbers should be taken more seriously by Governments. We welcome the practice of accompanying Bills with financial and manpower estimates prepared by the Departments concerned<sup>1</sup> but we are perturbed that they do not seem to be checked subsequently against the eventual costs and staffing. **We recommend that more emphasis should be given to this work in future by the Exchequer and Audit Department.**

65. We have received evidence on possible simplification from the Department of Health and Social Security (DHSS) the Inland Revenue and the Civil and Public Services Association (CPSA). The point stressed by all our witnesses was that streamlining administration—and the consequent savings in manpower—can only be achieved at the expense of equity. As the Inland Revenue put it in their written evidence: “it should be recognised that greater equity can in general only be bought at the expense of more staff”.<sup>2</sup> The argument was more fully formulated by the CPSA witnesses:

“If you want simplicity of administration and cheapness, then you have got to go for rougher justice. If society in this country were prepared to go for a rougher measure of justice and if Members of Parliament were prepared to ask less detailed questions about the administration, then clearly one would be able to run the Service on a much more rough and ready, and a much cheaper, basis.”<sup>3</sup>

The CPSA witnesses argued that the decision between equity and simplicity was a political decision. As civil servants they were only qualified to offer advice. It followed that the responsibility for the equity of administration—and consequently for its expense—lay with Parliament.

66. The Executive Committees of the CPSA and Society of Civil Servants (SCS) of the time developed these arguments in their written evidence. It was their contention that the defects of the civil service are attributable to Ministers and Parliament. The civil service is at the mercy of politicians' arbitrary action in cutting manpower. In oral evidence the CPSA described politicians' behaviour:

“. . . having got the political capital from introducing some particular piece of legislation, you are then frightened of paying the cost, and you

<sup>1</sup> Appendix 41.

<sup>2</sup> Appendix 22, para 11.

<sup>3</sup> Q 1100.

introduce some device in order arbitrarily to cut it down. We think of that as playing the game by rather unfair rules, and that we are entitled to point the unfairness out to you”<sup>1</sup>

The presumption here is that the civil service is just about as efficient as it can possibly be. As Mr Gillman, General Secretary of the SCS, put it, “If you ask me whether we consider that the civil service is as cost effective as most other large organisations, given the particular constraints of working within the Parliamentary system, I would say that as far as I can tell, yes it is”<sup>2</sup> It follows that any inquiry into civil service efficiency is pointless, as it approaches the question from the wrong end. We disagree with this view.

67. Our evidence on the contrary suggests that Departments are aware of the effect which the complexity of legislation has upon administration and that they have a good idea how to simplify where it is possible to do so. Lord Armstrong recalled :

“ . . . many, many cases where they opposed further complication on the ground that it would add to staff and costs, and so on, but those were pushed aside on the ground of equity or of meeting special needs, or for other reasons that you are familiar with. Certainly they have tried very hard to avoid the kind of increase that they could see coming from the additional complications of taxation, social security, etc.”<sup>3</sup>

Both the DHSS and the Inland Revenue have produced proposals for simplification. Yet our witnesses appeared acutely conscious of the political element involved in decisions on simplification and the political constraints within which they operated. There is a powerful case for simplifying the administration of Social Security. As Lord Armstrong put it : “ There is no doubt whatever that that system could be drastically simplified at a very considerable reduction in administration ”<sup>3</sup> A Joint Working Party was set up in the DHSS to consider simplification following settlement of an industrial dispute in 1972. The CPSA and SCS stated in their evidence that the working party was received with “ pretty enormous enthusiasm ” from Union representatives,<sup>4</sup> partly because union members “ resent the public antagonism that comes with complex systems of administration ”<sup>5</sup> However, as Mr Graham of the CPSA explained, in his view the committee came up against the inevitable political brick wall :

“ . . . the working party in its early stages was able to do a number of things, like changing forms and simplifying procedures and all the rest of it, but it did not get very far before it came up against problems of legislation and the fact that to introduce further simplification procedures might involve an increase in public expenditure in some form or another, or actual changes in the legislation, and therefore that became very quickly a fairly political matter.”<sup>6</sup>

This interpretation of the working party’s history is entirely consistent with the philosophy of the CPSA : Parliament emerges as the villain of the piece, obstructing the conscientious efforts of civil servants. The CPSA version of

---

<sup>1</sup> Q 1120.

<sup>2</sup> Q 1105.

<sup>3</sup> Q 1472.

<sup>4</sup> Q 1143.

<sup>5</sup> Q 1148.

<sup>6</sup> Q 1143.

the story was convincingly challenged by the DHSS in a note submitted in written evidence. They maintained that the working party concentrated initially on problems capable of immediate solution, and that problems requiring legislation were taken up later. They denied the claim of the CPSA that the need for legislation was an important factor in the rejection of proposals for simplification, and they produced evidence to prove that where change had been considered necessary, legislation had in fact been introduced.<sup>1</sup> It may be that the political obstacles to suggestions for simplification have been exaggerated by the civil service unions.

68. There is considerable scope for simplification at the Inland Revenue. The Inland Revenue has submitted written evidence describing the Department's research into tax simplification since the 1971 survey of Pay-as-you-earn.<sup>2</sup> In their evidence to the Layfield Committee, representatives of the Inland Revenue suggested changes in the building society mortgage interest relief and life assurance premium relief which, together with the withdrawal of secondary personal allowances and the conversion of child allowances to non-taxable cash benefits, would result in savings of 4,500 staff at the Inland Revenue, without affecting the net benefits to individuals. Again, a change to a self-assessing system would permit large-scale reductions in staff; drastic simplification of the present income tax system is an essential prerequisite for any self-assessing system. Sir Norman Price, in his evidence, was concerned to stress that it was not the Department's business to decide on simplification. "All we do is to follow what the law is. We draw attention to possible savings from time to time".<sup>3</sup> He attributed the Department's failure to achieve reductions in staff—or rather the increase in staff in tax offices—to political decisions:

"If we are allowed to get on with our business we can deliver the goods, but over the last 15 years we have been constantly frustrated in our plans. We have begun to plan for the saving of staff and it has been called off when a new scheme has been brought in. We have had a very, very sad experience in the last 15 years".<sup>4</sup>

Against this, we submit that the only possible conclusion that emerges from a study of recent Finance Acts is that the Board of Inland Revenue has tended on occasion to complicate the tax system.

69. We have not taken sufficient evidence to enable us to make specific recommendations on policy. Our evidence has been more concerned with the framework within which the debate about simplification versus equity is conducted. It is our view that there should be more serious investigation of the possibilities of reducing costs through administrative simplification. To present a Minister with a clearly argued brief setting out the pros and cons for simplification is by no means tantamount to taking a political decision or pre-empting the Minister's decision. **We recommend the inauguration of a programme of regular surveys on the possibilities of reducing costs through policy changes.** These surveys should not be confined to the Inland Revenue and the DHSS. The case for simplification is most obvious in those Departments dealing with taxation and transfer payments but we believe that there is scope for simplification over the entire area of public administration. We cannot measure the importance of policy changes as a factor in total civil

<sup>1</sup> Appendix 24.

<sup>2</sup> Appendix 22.

<sup>3</sup> Q 235.

<sup>4</sup> Q 361.

service costs. It may well be possible to obtain savings on a large scale through simplification, apart from the savings that may be obtained through a thorough reorganisation of the civil service but we have not had sufficient evidence to judge.

70. What has emerged from our enquiries, however, is that two Departments—the DHSS and the Inland Revenue—are fully aware that large savings could be made in their administrative costs through simplification and they were quite prepared to tell us about them in public. Their forthcoming attitude to this is welcome, but it contrasts with the point of view that giving such information is “political” and should be avoided by civil servants. If civil servants are prepared, when questioned by our sub-committee, to put the options for administrative savings as a trade off for policy changes, then they should be prepared to put such opinions before Parliament on a regular basis. It is the Government alone which will decide such matters, but without being given the necessary information neither Parliament nor the public will be able to form an opinion upon whether the Government has decided wisely or not. To state options is not to enter the arena of politics: it is but to practice the “Open Government” which so many Governments preach. **We believe that Parliament should be regularly informed of potential savings from policy changes, in order that it may have sufficient knowledge for informed debate and criticism. We do not think that the disclosure of such information could be construed as political activity by civil servants. We therefore recommend that the Government devise methods by which they could continually report the options in this respect to Parliament.** An analogy might be with the French Comité Central d’Enquête which did not hesitate to make and publish any suggestions (including proposed legislative changes) which it considered necessary to secure administrative efficiency, although we should not like any such body in Britain to consist wholly of civil servants, as the French one did.

## Chapter VIII

### MACHINERY OF GOVERNMENT

71. We are convinced that the civil service could be managed better. Our recommendations fall into two parts: changes in organisation to secure efficiency and new systems of control to check the achievement of efficiency. In this and the following chapters we deal with the following subjects:

- (a) Division of responsibility between the Treasury and the CSD.
- (b) Hiving off and Departmental Agencies.
- (c) Accountable management through accountable units. Management information.
- (d) Accounting to Parliament and the public.
- (e) Control of public expenditure through cash limits.
- (f) Monitoring Departments efficiency.

72. The structure of the centre of Government is of crucial importance for the control of the civil service. We do not believe that the present division of responsibility between the Treasury and the CSD is satisfactory. We are of

the opinion that reconstruction at the centre is imperative. Sir John Hunt, in his evidence, suggested three possible avenues of reform. The first option was “to put the Treasury public expenditure divisions into the CSD, in a Department of Expenditure and manpower control . . . leaving the Treasury as Ministry of Finance”.<sup>1</sup> The second option was “to put the CSD management services back into the Treasury, to brigade these with the people on the public expenditure side concerned with efficiency”, leaving the CSD responsible for personnel, appointments and recruitment.<sup>2</sup> Thirdly, there was “the status quo, but to make it work better”.<sup>3</sup> There is also a fourth option Sir John did not mention, namely to return the CSD to the Treasury.

73. It is important first to point out the disadvantages of the present system, to explain why a change is desirable. We are not concerned in any way to deprecate the achievements of the CSD. On the contrary, we believe that it has made a valuable contribution to the civil service. However, our evidence suggests that it has lost its original drive. Moreover, the CSD has been handicapped by its ambivalent relationship with the Treasury and the inadequacy of its own powers.

74. Civil service management has been established by the CSD as a Government function of central and continuing importance. However we do not believe that the CSD in its present form has a prominent part to play at the centre of Government. It was a product of the post-Fulton boom; with the evaporation of Fulton enthusiasm and the virtual shelving of the report, it has lost its *raison d'être*. This point was made by Sir John Hunt in his evidence: “the ‘clout’ . . . of the CSD in part depended upon the immediate post-Fulton progress and dynamism, and all the rest of it, and a Department cannot for ever exist on the basis of one report”.<sup>4</sup>

75. It is our view that the separation of control of expenditure from responsibility for efficiency is indefensible. Unless responsibility for expenditure and efficiency is combined at a single central point of Government, there can be no effective control of the civil service. The existing division of responsibility between the Treasury and the CSD is artificial and illogical—an attempt, in the phrase of Sir Samuel Goldman, to divide a “seamless garment”.<sup>5</sup> The relationship between the Treasury and the CSD was not adequately considered by Fulton. The report simply stated that “the principle on which the division should be based is that all the functions that now belong to the Treasury in its role as ‘employer’ should be transferred to the CSD, leaving to the Treasury responsibility for advising the Chancellor of the Exchequer on the overall control and allocation of public expenditure, on financial and fiscal policy and on the general management of the economy”.<sup>6</sup> There was no consideration of the problems created by separation of expenditure from manpower and efficiency; indeed the Report did not recognise the possibility that problems might arise.

76. In the first place, a Department's expenditure as a whole cannot be arbitrarily divorced from the efficient use of manpower. Particularly in labour-intensive areas of Government, such as the Inland Revenue or the DHSS,

<sup>1</sup> Q 1817.

<sup>2</sup> Q 1818.

<sup>3</sup> Q 1818.

<sup>4</sup> Q 1817.

<sup>5</sup> Q 1969.

<sup>6</sup> Fulton Report, para 266.

questions of manpower are really about finance. Secondly, although the CSD controls expenditure on manpower, it does not have enough leverage over the Departments who cannot be expected to conduct a policy argument with both the Treasury and the CSD. In practice the realistic dialogue is with the Treasury; the CSD is reduced to rubber-stamping, to translating the agreed policy into manpower:

“ . . . Departments tend to regard their battle as with the Treasury and . . . having won that, they say, ‘ We have agreed to do this. Now let us go and get the manpower from the Civil Service Department.’ ”

77. Again the point is that money is power and that unless responsibility for efficiency is backed by responsibility for a Department's total expenditure, it cannot be controlled effectively from the centre. It is important to consider this question in connection with the new leverage over Departments conferred upon the Treasury by cash limits. Our evidence suggests that the impotence of the CSD vis à vis the Departments, so far as efficiency is concerned, accounts for the disappointing performance of the CSD staff inspection and management services. We consider this subject in more detail in Chapter X. Here it is only necessary to note that the system of dual control inhibits the relationship of the centre with the Departments and that, unless manpower and efficiency are combined with expenditure, there will be no inducement for Departments to accept central management services and staff inspection.

78. The parallel existence of two Departments at the centre creates problems. There is a danger of the uneconomic duplication of resources. Conversely, as Sir John Hunt put it, there is a risk of some aspects of efficiency “ falling down the middle between the two Departments ”.<sup>2</sup> Moreover, because of the illogical division of responsibility between the Treasury and the CSD, detailed and continuing collaboration between the two Departments is essential. In 1968 the management side of the Treasury was simply hived off to form the CSD and the relationship between the management and expenditure sides of the old Treasury was not dramatically altered by the establishment of a separate Department. Sir Douglas Allen pointed out that “ there was a considerable degree of independence before the split, in that the Treasury was really a double-headed organisation ”.<sup>3</sup> According to Mr. F. Jones of the Treasury, “ the decision to set up two separate Departments did not affect the problem of co-ordination in kind, but only in degree ”.<sup>4</sup> Collaboration between the two Departments was ensured by personal contacts established in the Treasury before 1968. However, as Sir John Hunt pointed out, “ That is, inevitably, through no one's fault, a wasting asset, and you cannot go on running a Department simply on old contacts ”.<sup>5</sup> With the emergence of a new generation of civil servants at the Treasury and the CSD, it will become increasingly difficult to maintain the necessary degree of intimacy between the two Departments and the deficiencies of the status quo will become all the more blatant.

79. It follows from our criticisms of the existing system **that we cannot consider the third option outlined by Sir John Hunt—“ the status quo, but to make it work better ”—as either practicable or desirable.** We do not believe that any adjustments to the status quo could alleviate its fundamental disadvant-

---

<sup>1</sup> Sir John Hunt: Q 1823.

<sup>2</sup> Q 1817.

<sup>3</sup> Q 34.

<sup>4</sup> Q 329.

<sup>5</sup> Q 1817.

ages. The only constructive suggestion we have received along these lines was from Sir John Hunt, who recommend "much greater flexibility towards approaching efficiency reviews, and so forth, between the two Departments".<sup>1</sup> He suggested the combination of management review, staff inspection and policy review into a unified operation, conducted as a "tripartite effort" by the CSD, the Treasury and the Department concerned.<sup>2</sup> There is much to commend about this proposal; the disadvantage of it is that it does not provide a solution to the fundamental problem, the separation of expenditure from efficiency. Most of the arguments we have heard in defence of the status quo derived from conservatism, from reluctance to change, rather than intellectual conviction. Lord Armstrong had expressed his confidence in the status quo as follows: "I personally think that the present set-up is about right, which is perhaps not surprising because it is how I designed it".<sup>3</sup> It is surely significant that none of our witnesses was able to put up a reasoned defence of the existing system.

80. We approach the question of change at the centre with caution. Change at this level can be counterproductive, even damaging. It can cause unnecessary dislocation and expense, it may cause demoralisation and discontent among civil servants. We applaud the sentiments of Mr. Edward Heath on this point:

"I think that it is very important that we should recognise that stability in itself has an importance, and although after a time, certain changes may be necessary, if we play around at the edges too much and create disturbance in that way, we do not in fact improve the situation however much it may appear to us to be tidier or nicer".<sup>4</sup>

Sir Samuel Goldman pointed out that there has been a tendency for recent Governments to introduce change all too readily, without really working out the balance of advantages.<sup>5</sup> The thinking underlying this propensity to change is that change is in itself a good thing; and that changes in institutions will produce corresponding improvements in performance. Recent experience has demonstrated just how transitory and unpredictable the consequences of institutional change are. We would stress that we only advocate change because we are convinced that it is absolutely necessary. Finally, it is necessary to make allowances for the political element in changes at this level. Sir John Hunt sounded a note of warning on this point:

"It is not just a question of what makes the best organizational sense, although that is clearly very important, because the cost effectiveness of your policies is important, but the civil service is an instrument of Ministerial policies and to some extent its structural organization must reflect not only those policies, but also how a Prime Minister feels that he can best deploy his Ministerial strength and the team that he has got. So I think that it is a political, as well as an organizational matter".<sup>6</sup>

81. Nevertheless, we are convinced that the status quo cannot be allowed to continue and that **responsibility for efficiency and control of expenditure should be vested in a single, central Department.** There are two alternative

---

<sup>1</sup> Q 1818.

<sup>2</sup> Q 1831.

<sup>3</sup> Q 1487.

<sup>4</sup> Q 1910.

<sup>5</sup> Q 1969.

<sup>6</sup> Q 1818.

methods of achieving this. The public expenditure side of the Treasury could be put into the CSD to form a Department of expenditure and manpower control (option 1); or the entire responsibility for efficiency could be put back into the Treasury (option 2).

82. The first option was recommended to us by several of our witnesses. This course would have the advantage of combining responsibility for expenditure and efficiency in a powerful Department with plenty of authority under a senior Cabinet Minister. Civil service affairs would not be swamped by Treasury macro-economic preoccupations. The disruption at CSD would be minimal. Again this, it is highly doubtful whether it is feasible or desirable to remove public expenditure from the Treasury (in Sir John Hunt's phrase: "separate responsibility for controlling expenditure from responsibility for raising the taxes to finance it".<sup>1</sup>)

83. We are not convinced by the arguments advanced in support of splitting the Treasury. **We believe that the removal of public expenditure from the Treasury would be an irresponsible act.** It would admittedly ensure more effective control of the civil service. But it is our belief that it would seriously interfere with the management of the economy and in our view this is too high a price to pay. We were impressed by the argument of Lord Diamond a former Chief Secretary to the Treasury

"I doubt whether it is sufficiently understood how in practice the task of economic management, which I regard as one of the most important of all Government tasks, would be rendered the more difficult if there were an attempt made to take out of it one of its most important elements—namely the day-to-day management of public expenditure. . . . To attempt to separate out, somehow or other, on the basis of a line which must be ill-drawn (because there is no line which can be well-drawn) an important part—perhaps as much as one quarter of the total of economic activity in terms of the responsibilities attached to it—and to withdraw an instrument—is going to lead to greater problems, to greater strains on the Chancellor, to less strength for the Chief Secretary to carry out his responsibilities and a measure of incoherence, not to say chaos, in the attempt to carry it out."<sup>2</sup>

84. Lord Diamond's argument was further developed by Sir Samuel Goldman, a former Second Permanent Secretary to the Treasury, in his evidence. He pointed out, first, that "public expenditure management, as an instrument of economic control, has become increasingly integrated with the other aspects of the economy".<sup>3</sup> The internal structure of the Treasury has been adjusted to accommodate this development; the most notable instance here was the reorganisation of the Treasury in October 1975. He concluded from this that "the arguments in favour of retaining the integrity of the Treasury seem to me to have been strengthened over the last few years".<sup>4</sup> Certainly the technical difficulties involved in splitting the Treasury have increased substantially. Secondly, Sir Samuel stressed that public expenditure is essentially a "dynamic

---

<sup>1</sup> Q 1817.

<sup>2</sup> Q 1959.

<sup>3</sup> Q 1970.

<sup>4</sup> Q 1969.

thing, changing, evolving, developing, refining all the time” and he referred—with some justification—to “a very distinct absence of this concept and understanding in some of the evidence you have received”.<sup>1</sup> It was important to escape from the notion that “the management of the public sector is going to be carving it up between them and throwing it to them like a bone to a dog and saying ‘Now get on with that!’—and nothing else”.<sup>2</sup> The dynamic nature of public expenditure would create considerable practical problems in the event of a Treasury split. Constant communication and co-ordination between the two Finance Ministries would be imperative; the difficulties caused by the interdependence of the CSD and Treasury at present would be multiplied enormously. Thirdly, Sir Samuel was of the opinion that the removal of public expenditure from the Treasury would prevent movement towards integrating the revenue and expenditure sides of the Budget. “This is precisely because, as I say, over and over again, one finds (and increasingly so) that the problems which have to be deal with in the field of public spending are closely integrated with, and mixed up with, revenue problems, the problems of raising the cash”.<sup>3</sup> Your Committee has consistently advocated the combination of the revenue and expenditure sides of the Budget and we believe that any movement away from this would be extremely retrograde.<sup>4</sup>

85. Your Committee are convinced that, if the centre of Government is to discharge its functions in relation to the control of the civil service and the management of the economy effectively, two conditions are indispensable. **The control of public expenditure must be combined with responsibility for efficiency and public expenditure must remain within the Treasury. We believe that these conditions are satisfied by the second option, transferring the control of civil service efficiency from the CSD to the Treasury. Personnel, appointments, recruitment, training and pay and pensions should remain in the CSD.**

86. There are difficulties about dividing the CSD but there is a logical case for separating personnel from management services. There is an innate contradiction between the two functions—the interests of efficiency may well conflict with human interests—and it clearly makes sense to administer them separately.

87. The transfer of control of efficiency from the CSD would involve taking the relevant parts of the management services divisions and the manpower divisions out of the CSD. The management services divisions of the CSD are responsible for management reviews, for operational research in the CSD and the Treasury and the co-ordination of interdepartmental operational research and for a consultancy service to the Departments on efficiency, management accounting and internal audit. The manpower divisions are responsible for the policy on control of manpower, application of cash limits, co-ordination of work on Supply Estimates and PESC, for the manpower budgets of departments, complementing of departments for grades not delegated and for staff inspection. These divisions have a total staff of about 200. The detailed reallocation of functions would best be decided by the two departments involved.

<sup>1</sup> Q 1980.

<sup>2</sup> Q 1980.

<sup>3</sup> Q 1981.

<sup>4</sup> see Expenditure Committee, First and Fourth Reports Session 1975-76, HC 69-1, para 18 and HC 290, para 12.

88. We believe that only the control of efficiency should be transferred to the Treasury. Pay should remain at the CSD, along with personnel, appointments, recruitment, training and pensions. This is the logical line of division. Manpower and efficiency should logically be combined with expenditure.

89. Any change of the kind we have in mind will cause some disruption in the CSD but this is a matter of moving no more than 200 people from the CSD to the Treasury. This limited amount of short term disruption is not a high price to pay for such important improvements at the centre of Government. Nor do we believe that the transfer of management services and manpower to the Treasury would create problems at the Treasury. We note (without making specific recommendations) that the Ministerial structure at the new Treasury may need some reinforcement.

90. We believe that this increase in the power of the Treasury must be accompanied by more effective means of Parliamentary scrutiny of its actions: by the reformed Exchequer and Audit system and by strengthened Parliamentary committees, as we propose in Chapter XIV.

## Chapter IX

### ORGANISATION FOR EFFICIENCY

#### *Hiving Off*

91. The Fulton Committee distinguished between the introduction of accountable units within the area of Ministerial responsibility and hiving off, the delegation of authority to autonomous public boards. That Committee displayed a preference for retaining executive work within the area of Ministerial responsibility, as it was uncomfortable about divorcing execution from policy-making. However, it recognised that the boundary of Ministerial responsibility was not necessarily correctly drawn as it was and a review of the possibility of a considerable extension of hiving off was recommended.<sup>1</sup> We have not received much evidence on hiving off. The Civil Service Department, in their extensive review, *The Response to the Fulton Report*, devote only a single paragraph to the question. They maintain that there has been some progress on this front and point to the Civil Aviation Authority (1971) and the Manpower Services Commission (1974). They are unenthusiastic about the prospects for an extension of hiving off. Their arguments are that firstly, commercial activities which could be made self-financing are not common in central Government, and that in areas which are not self-financing, the requirements of public financial control limit managerial independence; secondly, hiving off may create more problems than it solves in work with a high policy content; thirdly, even in work with a low policy content hiving off may be counter-productive, as the process of hiving off will itself add substantially to the Minister's work-load.<sup>2</sup> The Society of Civil Servants (SCS) and the Civil and Public Services Association (CPSA) amplify the case against hiving off in their joint Memorandum. They argue that the motive behind hiving-off has frequently been specious, an attempt to secure apparent reductions in public sector manpower for political reasons by simply removing staff from the civil service establishment. This they describe

---

<sup>1</sup> Fulton Report, paras 147, 188-190.

<sup>2</sup> Evidence pp 22-23, para 120.

as the "numbers game motive", and they point to the effects of the creation of the Manpower Services Commission.<sup>1</sup> More importantly, the SCS and the CPSA assert that hiving off has contributed to industrial unrest in the Civil Service. The prospect of hiving off creates insecurity amongst staff. Within hived-off bodies the lack of career opportunities depresses morale and discourages able civil servants from entering them. **We believe that hiving off is only viable in limited areas of Government and that it should be approached with caution.** The experiments that have been conducted with hiving off demonstrate just how difficult it is to operate in practice. In particular, we were impressed by the consideration that hiving off necessarily involves a diminution in the area of ministerial control and we believe that more attention should be devoted to developing proper control mechanisms for hived off bodies.

### *Departmental Agencies*

92. A new development since Fulton has been the establishment of departmental agencies, in particular the Property Services Agency and the Procurement Executive. These represent a compromise between hiving off and the organisation of executive work recommended by Fulton. The rationale behind the agencies was explained to our sub-committee by Lord Armstrong. "I came to the conclusion that the right thing to do was to try to isolate organisations within which this kind of accountable management ought to be able to apply, and to put at the head of an organisation somebody who, I felt, believed in this sort of thing, and who could then apply it downwards, and give him the right sort of relationship to Ministers."<sup>2</sup> This was amplified by Mr. Edward Heath in his evidence. This was the thinking behind the Procurement Executive which, it was suggested, was set up under Sir Derek Rayner as a "kind of management showpiece".<sup>3</sup> Both agencies are concerned with executive work. As Sir Robert Cox, Chief Executive of the Property Services Agency, explained in his evidence to us, when the Agency was set up in 1972 the politically sensitive work of the Ministry of Public Building and Works was removed from the executive work:

"This means that the Agency could be left, quite properly, I think, to get on with the day-to-day work of its construction and property management activities without needing to bother Ministers a great deal; and within these largely non-political fields I would say, yes, I have a great deal of freedom of management."<sup>4</sup>

Because the policy element has been eliminated as far as possible from the agencies' work, they enjoy considerable independence from Ministerial control. But this is not to suggest that the agencies' status is in any way similar to a hived-off organisation under an autonomous public board. They are still within the ambit of ministerial control despite their freedom of manoeuvre in day-to-day administration. Within the agencies, the work has been broken down into separate accountable units and management accounting is used extensively. With effect from 1st April 1977 the previous system of four accountable management units within the Procurement Executive was revised to provide for a single Accounting Officer for Votes 7-10 (Defence Procurement). This and other

<sup>1</sup> See Evidence p 491, and Appendix to this Report, para 6.

<sup>2</sup> Q 1475.

<sup>3</sup> Q 1524.

<sup>4</sup> Q 772.

changes in the structure of the Procurement Executive and its relationship with the Ministry of Defence were foreshadowed in the 1977 Statement on the Defence Estimates (paras. 158 and 159). The Supplies Division of the PSA has been set up as a separate accountable unit, operating on the basis of a trading fund. However, this approach “has not been found suitable” for the major part of the PSA’s work, accommodation and property services.<sup>1</sup>

### *Accountable Units*

93. The Fulton Committee recommended the introduction of accountable units over a considerable area of executive work. They advocated the organisation of executive work into separate “commands”. The manager of each command should be given clear-cut responsibilities and commensurate authority and should be held accountable for programmes against budgets, standards of achievement and other tests. Within his unit he should set up sub-systems of responsibility and delegated authority on similar lines.<sup>2</sup> There has not been a determined effort to implement these recommendations. We find it hard to understand Lord Armstrong’s opinion, “I do not feel unhappy about what I tried to do in that area”.<sup>3</sup> The CSD report in their memorandum that accountable management has “been the subject of a good deal of study in recent years”.<sup>4</sup> Unfortunately, they enter into almost no detail on this point. The only examples they quote are the Employment Services and Training Services Agencies of the Manpower Services Commission which are by no means representative of the bulk of executive work under ministerial control. As the IPCS point out in their memorandum, the transition to management accounting has only been completely achieved in those organisations which have “switched from vote accounting to trading funds”, notably the Supplies Division of the PSA.<sup>5</sup> Accountable units have only been systematically introduced in the new agencies, the PSA and the Manpower Services Commission. There are substantial built-in obstacles to the introduction of accountable units. The traditional structure of the civil service, and particularly the system of parallel hierarchies (in which the work of a division is divided between a group of administrators and a group of specialists), inhibits the effective allocation of authority. Here it is only necessary to stress two points. First, as the IPCS point out in their evidence, the CSD has abandoned the attempt to impose an integrated structure in the face of opposition from the Departments.<sup>6</sup> We have already discussed this in Chapter IV above. It would appear that there is an element in the civil service opposed to the introduction of accountable management and its implications for the status quo. Second, parallel hierarchies have not even been completely eliminated in the PSA and the Procurement Executive. The structure of the PSA has not been integrated below the level of Under Secretary. There has been no real advance in this area since the reorganisation of 1969. In the Procurement Executive a system of parallel hierarchies still prevails, despite the stress in the Rayner Report on the importance of an integrated structure.<sup>7</sup>

---

<sup>1</sup> Evidence p 286, paras 84, 85.

<sup>2</sup> Fulton Report, para 154.

<sup>3</sup> Q 1501.

<sup>4</sup> Evidence p 23, para 121.

<sup>5</sup> Evidence p 530, para 10.

<sup>6</sup> *Ibid*, paras 16–21.

<sup>7</sup> *Ibid*, paras 22–38.

94. The introduction of accountable units forms the crux of our recommendations for the increased efficiency of the civil service. Without accountable units the system of accounting and controls that we recommend is impracticable. We do not believe that the Fulton proposal of accountable units has been taken sufficiently seriously in the Civil Service. **We recommend a determined drive to introduce accountable units in all areas of executive work and, where possible, in administrative work.** Further, our evidence suggests that accountable units in Government are large, by commercial standards. Both Sir Derek Rayner<sup>1</sup> and Mr. Stanley Kitchen<sup>2</sup> were agreed on this point. **Accountable units in Government should be scaled down to the size most conducive to effective informed control by the officer in charge.** Only if the head of an accountable unit is really aware of what is going on inside that unit can he be held properly accountable for its performance.

### *Public Accountability*

95. Accountable management will be effectively driven home if the heads of accountable units, or groups of units, are made publicly accountable for their actions but it may be thought that this poses questions about the doctrine of Ministerial responsibility. That doctrine was a nineteenth century invention, designed essentially for a limited system of government. The expansion of public control has inevitably resulted in certain modifications of the doctrine in practice. This was explained to us by Sir John Hunt:

“The concept that because somebody whom the Minister has never heard of, has made a mistake, means that the Minister should resign, is out of date, and rightly so. I think, equally, that a Minister has got a responsibility which he cannot devolve to his permanent secretary, for the efficiency and drive of his department.”<sup>3</sup>

It is important to stress that we recommend public accountability only in association with accountable units. Accountable units are generally practicable in executive work and possibly in many areas of administrative work. The introduction of publicly accountable heads would require some civil servants to be directly answerable in public to such bodies as Select Committees of the House of Commons but this would no more infringe ministerial responsibility than the presence of Accounting Officers as respondents before such a Select Committee (the Public Accounts Committee) does now. It would merely be an improvement upon our nineteenth-century constitutional machinery which might go some way towards bridging the gulf, of which complaint is often made, between the people and their administration. We are not suggesting that civil servants should become publicly accountable for political decisions. That would politicise the civil service, which we have no desire to do, but that does not mean that they should not account for management decisions.

### *Management Accounting*

96. Accountable management depends upon the provision of adequate management information which, as the Fulton Report recommended, requires the identification of those parts of the organisation that form convenient centres

---

<sup>1</sup> Q 1521.

<sup>2</sup> Q 1434.

<sup>3</sup> Q 1855.

“to which costs can be precisely allocated as the responsibility of the man in charge”<sup>1</sup> The allocation of costs and the quantification of benefits depends upon the general introduction of management accounting. This has only been completely implemented in those organisations which have shifted from vote accounting to trading funds. The new system of accountable management at the PSA—operating since 1st April 1976 as the basis of a trading fund—was described by the DoE in their memorandum.<sup>2</sup> Our evidence suggests that management accounting is being introduced in the public sector, although on a fairly haphazard and limited scale. Lord Armstrong described it as “pretty embryonic” and Mr. Hewgill, Director of Technical Services, Institute of Cost and Management Accountants, stated that although it was ‘done quite well’ in some areas—notably the Ministry of Defence—in others it was ‘rather less well done’.<sup>3</sup>

97. There are two main difficulties involved in the introduction of management accounting. New systems must be designed by professional management accountants and civil servants must be trained to understand them. With regard to the first point, the Fulton recommendation on the employment of accountants upon an increasing scale in the civil service does not seem to have had much effect. When Fulton reported there were 309 accountants in the Professional Accountant class; now the number is 377. In spite of this, Mr K J Sharp, who was appointed Head of the Government Accountancy Service in November 1975 in accordance with the Melville/Burney Report, appeared fairly complacent about the position of accountants in the civil service. He argued that it was too early to judge whether accountants’ career prospects in the Civil Service were improving but that the tide was beginning to turn in their favour.<sup>4</sup> Against this, the members of the Consultative Committee of Accountancy Bodies formulated some trenchant criticisms of the treatment of accountants in the Civil Service. They compared the role of accountants in business with their role in the Civil Service. In business, accountants are commonly appointed to high level management posts and their role extends beyond management accounting and internal audit; in the civil service they are confined to executive work and excluded from policy-making and their career prospects and pay compare unfavourably with the private sector and with other specialists in the government service.<sup>5</sup> In the words of Mr Stanley Kitchen, President of the Institute of Chartered Accountants in England and Wales:

“We feel that as a profession we can offer a degree of management interest which extends well beyond the technical services.”<sup>6</sup>

### *Accounting to Parliament*

98. The requirement of better management information poses questions about the traditional system of vote accounting. The supply system does not provide management information; it was designed simply to ensure the Parliamentary control of funds and it provides no information about the performance of individual divisions and units nor about the objectives of spending programmes. Moreover, the introduction of management accounting and trading

<sup>1</sup> See Fulton Report, para 151.

<sup>2</sup> Evidence p 285, para 84.

<sup>3</sup> Q 1477 (A), Q 1431 and Appendix 42.

<sup>4</sup> QQ 1374–1382.

<sup>5</sup> Evidence p 633–4, paras 16–22.

<sup>6</sup> Q 1417.

funds, together with PESC and cash limits has resulted in a proliferation of accounting methods in the public sector. Our witnesses were generally cautious on this point. They admitted the inadequacy of the supply procedure for management purposes but they were prepared to accept the proliferation of accounting methods as a necessary fact of life. Thus Lord Armstrong told us:

“ . . . I have never seen a system of accounts, whether it is those presented to Parliament or those presented to the public at large under the Companies Act, that was of the slightest use for management purposes at all. You always have to invent your own.”<sup>1</sup> He also said “ We give to Parliament a combination of what Parliament wants and what Ministers are willing to let it have, which is a funny thing.”<sup>2</sup>

This point was also made by Mr. Sharp, who admitted that “ as management information ” (the supply procedure) “ obviously leaves some scope for improvement ” but suggested that “ if you want accounts to deal with management information, they may be in a different form from accounts, as happens in the commercial world.”<sup>3</sup> Further, it was argued that there were positive advantages about the present system. Mr. Hewgill, Director of Technical Services, Institute of Cost and Management Accountants, argued that:

“ The vote accounting is a very satisfactory way of controlling the cash which is coming in, and the resources which are being purchased with that cash. Any organisation, no matter how small or large, would require this information, willy nilly.”<sup>4</sup>

He concluded that what was required was “ a multiple means of analysis, and not necessarily a different basic accounting system.”<sup>5</sup> This was also the view adopted by Mr. F. Jones, a Deputy Secretary at the Treasury on the proliferation of accounting systems:

“ The point I would like to make is that each of the systems is there for its own purpose, and each has its own usefulness.”<sup>6</sup>

99. Our witnesses' approach on this point was perhaps influenced by two considerations. Firstly, when questioned closely on the question of accounts, they protested that it was the responsibility of the Treasury and refused to express an opinion. Mr. Sharp, who as head of the Government Accountancy Service, might have been expected to have views on the matter, would only insist that it was “ fundamentally a question for the Treasury to answer.” Mr. R. W. L. Wilding head of the CSD Management Services Divisions, concurred in the view that the responsibility was the Treasury's.<sup>8</sup> The attitude of the Treasury was predictably conservative. The vote accounting system had not changed since 1866 and they saw no reason for changing it now. In the words of Mr. F. Jones:

“ . . . the system of voting money which is in existence, and which has been accepted and agreed by Parliament is one which we would not want to

---

<sup>1</sup> Q 1476.  
<sup>2</sup> Q 1477A.  
<sup>3</sup> Q 1408.  
<sup>4</sup> Q 1432.  
<sup>5</sup> Q 1432.  
<sup>6</sup> Q 348.  
<sup>7</sup> Q 1412.  
<sup>8</sup> Q 143.

change without careful consideration being given to what we would gain or lose by it.”<sup>1</sup>

Secondly, a complete reconstruction of the accounting system would be a substantial exercise, a point we do not dispute.

100. Nevertheless, **it is our opinion that the advantages of a change in the system of accounts outweigh the disadvantages.** The present proliferation of systems is wasteful of resources and leads to unnecessary duplication. The supply procedure should not be adhered to simply because it has always been there. There are reasons for arguing that as a method of ensuring Parliamentary control of public expenditure it is anachronistic, if not obsolete, that the accounts that Parliament is presented with simply do not correspond to the realities of public expenditure and that as an instrument of control they are useless. **We believe that the accounts presented to Parliament should correspond with the accountable units.** This would reinforce the public and financial accountability of the heads of accountable units. It would also provide for more effective and realistic Parliamentary control of public expenditure. On this point we agree with Mr. McCall, General Secretary of the IPCS, who stated in his evidence to us:

“ I think that public and parliamentary scrutiny might very well be greatly assisted if we could ensure that the parliamentary votes coincided with the management accountable units. I would have thought that that would have been a very great advantage to you in your work.”<sup>2</sup>

We also believe that Parliamentary scrutiny would be much improved if analyses were presented to Parliament which showed the objectives of individual spending programmes and the results of past programmes. **We recommend that the Treasury undertake research into the possibility of such a development in consultation with our General Sub-Committee.**

#### *Charging Departments for common services*

101. **Charging individual Departments for common services, such as stationery and office space, is an important method of securing economies in public expenditure.** We have received detailed evidence on this subject to which we give the references below.<sup>3</sup> At present, the bulk of these services are provided on an allied services basis, and charged to a vote for which the Department providing the service is accountable. In the absence of any financial constraints, there is a real danger that resources will be used extravagantly and wastefully. Only if Departments are forced to pay for common services will there be any incentive for them to economise in these areas.

#### *Cost comparison with the Private Sector*

102. An accurate system of management information should be buttressed by comparisons with the private sector, though we would stress that these comparisons are intended simply as yardsticks, as checks on efficiency. We are not concerned here with the question of dismantling blocks of the public sector and turning them over to private enterprise. In the absence of competition, it is important to ensure that public sector services are provided at competitive prices; tenders from the private sector and comparisons with abroad are all

<sup>1</sup> Q 350.

<sup>2</sup> Q 1190.

<sup>3</sup> On office space: Evidence p 275, paras 22–24, Qs 749–764, and 775. On stationery and printing: HC 1976–77 No 385.

useful checks. Our evidence revealed serious resistance to any form of comparison with the private sector. When questioned on this point the CPSA witnesses replied,

“The trouble about yardsticks in this way is that I really do think that it is impossible to compare us even with a nationalised industry, because of the particular problems that the civil service has to face in satisfying Parliament’s essential needs. We have to maintain a series of records to a degree that other organisations do not, simply because you, Sir, and your colleagues have a constitutional right, and indeed the duty, on behalf of your constituents, to ask the Executive questions.”<sup>1</sup>

It is undeniable that there are areas of civil service work where the political element predominates and outside comparisons are pointless. But this is not to argue that there is no scope for comparison with the private sector; rather, the problem is to identify those areas where comparisons will be meaningful as against those where the immense scale and complexity of some civil service activities precludes realistic comparisons with the private sector. **We conclude that comparisons with the private sector should be normal practice in whatever areas of the civil service they are feasible.**

## Chapter X

### MONITORING EFFICIENCY

#### *Cash limits*

103. We have always welcomed cash limits as an important advance in the control of public expenditure in conditions of inflation.<sup>2</sup> We believe that there is considerable scope for the adaptation of cash limits to our proposals for the control of the civil service. As Sir John Hunt explained to us, cash limits are still in the experimental stage:

“We are only putting our foot into the water of cash limits as it were. One has yet to see, and one has also introduced cash limits at a time when the government has in any case, for other reasons, been having to cut back on public expenditure”.<sup>3</sup>

104. Our evidence suggests that there is opposition and apprehension about cash limits in the civil service unions. The Society of Civil Servants and the Civil and Public Services Association were the most trenchant in their criticisms. In their joint memorandum they described cash limits as “a negative, insensitive, short-term means of controlling cash expenditure, which is no substitute for the proper planning and control of resources: a mechanism which cannot be reconciled with effective long-term planning and an ordered scheme of social priorities”.<sup>4</sup> Two further arguments were advanced against cash limits; that they interfere with the existing pay machinery and that they prevent proper Parliamentary control of public expenditure.

---

<sup>1</sup> Q 1106.

<sup>2</sup> See Expenditure Committee Ninth Report, Session 1974–75 HC 474, para 7.

<sup>3</sup> Q 1826.

<sup>4</sup> Evidence p 493.

105. The impact of cash limits on pay bargaining is now becoming clear as free collective bargaining is being restored. Mr Gillman, General Secretary of the SCS, was of the opinion that "we could . . . if we are not careful, enter a time of industrial strife and turmoil in the civil service";<sup>1</sup> when questioned further, he added that "We do not threaten it, but we do confidently forecast it".<sup>2</sup> In a subsequent memorandum, the CPSA outlined their views on the desired relationship between pay and cash limits: "Settling pay on the basis of fair comparisons must mean that any cash limits set simply reflect the results of pay negotiations and are not used as an arbitrary constraint on them".<sup>3</sup> Their argument was that cash limits are only viable in association with an incomes policy; with the return to free bargaining, the application of realistic cash limits will only result in industrial unrest. The attitude of the IPCS and the National Whitley Council was more accommodating. Mr W McCall, General Secretary of the IPCS, was adamant that cash limits should not be a pay policy in themselves.<sup>4</sup> Yet he sympathised with Parliament's anxiety to control expenditure more effectively—"we start from a position of goodwill to overcome the problems"<sup>5</sup>—and he was confident of achieving a solution. "There are two ways of looking at this. In one respect you can say that civil service pay has got to be kept within the cash limits. The other way is to say that the cash limit has got to accommodate the work which Parliament wants done and the industrial relations procedures which have been established."<sup>6</sup> Mr Dryden then Secretary General of the Staff side, was also convinced that "the engenuity of man can cope with problems of that magnitude without overstraining itself."<sup>7</sup> Both Mr. McCall and Mr. Dryden were in favour of adjusting the time table of negotiations, so that the outcome of negotiations can be taken into account in cash limits.<sup>8</sup>

106. **We, however, concur with the Government that effective cash limits should be fixed before pay negotiations are entered into.** As the Chancellor of the Exchequer said in the House on 15 July 1977: "For 1977-78 the cash limits have already been fixed and published in Cmnd. 6767 . . . For 1978-79 the assumptions used will reflect the Government's policy on pay".<sup>9</sup> The principle of cash limits would fall to the ground if they merely incorporated existing staffing levels and the results of pay bargaining automatically. Unions, like those they are negotiating with, must understand that: "Spending authorities will not be able to rely on supplementary provisions beyond the cash limits."<sup>9</sup>

107. The second argument against cash limits is about Parliamentary control of expenditure. This argument was expressed by the CPSA and the SCS in their evidence. Their premise was that cash limits did not make sufficient allowance for inflation and that as a result the civil service would be subject to unplanned cuts of a drastic nature. These cuts would prevent the civil service from performing its job properly; it would be forced to frustrate Parliament's will simply in order to make ends meet. "Since the vast majority of civil service spending in terms of resources is carrying out what Parliament has

---

<sup>1</sup> Q 1109.

<sup>2</sup> Q 1116.

<sup>3</sup> Appendix 36.

<sup>4</sup> Q 1219.

<sup>5</sup> Q 1220.

<sup>6</sup> Q 1221.

<sup>7</sup> Q 415.

<sup>8</sup> Q 1222 and Q 415.

<sup>9</sup> Cmnd 6832, para 31.

decided that it should carry out, and if the resources are not going to be kept, and are going to be cut back without Parliament being able to scrutinise and control that, it seems to us that Parliament's knowledge and, therefore, control of departmental spending, will begin to slip away."<sup>1</sup> We were not impressed by this argument. The real problem is that Parliament has no effective control over the appropriation of public expenditure. It is our view that cash limits, rather than frustrating Parliamentary control, will enable Parliament to exercise a more detailed and informed control over expenditure. The Government should build into cash limits such allowance for increases in the rate of inflation as they see fit. It is necessary to change the existing attitudes in the departments, the assurance that there can always be recourse to a supplementary estimate. The departments must plan their yearly expenditure on the assumption that they will receive no more than their allotted cash blocks. Indeed as the CPSA witnesses admitted in evidence, many of the examples which they quoted as "a feed-back of the way in which cash limits are preventing Civil Servants from doing the job that they are supposed to be doing" were in fact largely due to inexperience in dealing with cash limits.<sup>2</sup> Further, we agree with the recommendation in a supplementary memorandum from the CPSA that "the Treasury publish the facts for open discussion."<sup>3</sup> The CPSA was primarily concerned that the cuts made in compliance with cash limits should be publicly identifiable. Their recommendation has a more general relevance to cash limits. Publication of more detailed information on cash limits would permit more informed Parliamentary discussion: Parliament would be in a position to intervene more meaningfully in the dialogue between the Treasury and the Departments. **A reappraisal of the entire apparatus of Parliamentary control of expenditure is overdue (see Chapter XIV). Cash limits should also be reviewed from this point of view.**

108. Cash limits suggest new possibilities for the control of civil service efficiency. As Mr F Jones, a Deputy Secretary at the Treasury explained to us, the Treasury's leverage over the Departments is enhanced ". . . if for any reason we think there is a possibility of cash limits being exceeded, or a department may come along to us or the CSD and say, 'It looks as if we are getting uncomfortably near our cash limit', one of the questions which will arise will be, 'How has this happened? Is there no way it can be avoided?' In that way cash limits will be a useful lever and pointer as to whether a department is maintaining the public expenditure plan which it undertook to do when the cash limit was set."<sup>4</sup> This confirms our opinion that cash limits render the present division of responsibility for control between the Treasury and the CSD obsolete; that by investing the Treasury with an interest in the efficiency of departments, they destroy the *raison d'être* for a second department which is also concerned with efficiency.

109. Cash blocks should be broken down within the Department to coincide with accountable units, where possible. The rationale behind the present allocation of cash blocks is outlined in the White Paper, *Cash Limits on Public Expenditure*.<sup>5</sup> "These are designed to be large enough to provide spend-

---

<sup>1</sup> Q 1109.

<sup>2</sup> Q 1110-1.

<sup>3</sup> Appendix 36.

<sup>4</sup> Q 338.

<sup>5</sup> Cmnd 6440.

ing authorities with scope for finding the most economical and effective way of carrying out their programmes within the limits whilst at the same time ensuring effective financial control.<sup>1</sup> This principle is important. It is essential that **the cash blocks should be negotiated with the Treasury at departmental level if public expenditure is to be effectively controlled. At the same time, the cash blocks must be systematically broken down to coincide with the individual accountable units within each Department.** Only if each accountable unit has a definite and limited amount of money at its disposal will the system of accounting and accountability outlined in Chapter IX operate effectively.

#### *Departmental Control of Expenditure*

110. If external constraints on Departments' expenditure are to be effective, it is important to ensure that the Departments' finances are in order in the first place. There is no point in cash limits if the Departments do not take them into account in their plans. Only if the Departments' expenditure is planned on the basis of cash limits will control of expenditure be realistic. We recommend more rigorous expenditure and policy planning in the Departments. Expenditure should be planned ahead on a yearly basis, coinciding with the timing of cash limits. In a previous enquiry, we received evidence from the Treasury that in most Departments the rate of expenditure is not even over the year. For this reason the Treasury have insisted on monthly profiles against which to check monthly expenditure. We welcomed this as an important refinement in expenditure planning. Where possible, expenditure plans should be the responsibility of individual accountable units, just as cash limits should coincide with accountable units. **Information on Departments' expenditure plans should be public, just as information on cash limits should be public.**

111. There should be more rigorous monitoring of expenditure in the Departments. At present, the Permanent Secretary is responsible for a Department's finances; by virtue of his accounting officer appointment he is accountable to the Public Accounts Committee. Understandably, the Permanent Secretary is primarily concerned with policy. The introduction of accountable units will permit the establishment of a two-tier system of financial accountability within the Departments. The heads of individual accountable units will be responsible to the Permanent Secretary for the performance of their unit. The Permanent Secretary will remain accountable to the Treasury for the performance of the entire Department: it is his job to ensure that the accountable units adhere to their budgets. This improvement in the allocation of financial responsibility within the department should inject more reality into the accounting officer appointment of the Permanent Secretary; it should also drive home the public accountability of the accountable units.

#### *Management Services*

112. There is considerable scope for improvement in the present organisation of management services. It is important to recognise the central relevance of this functions to the efficiency of the civil service. There is still a tendency to give management services insufficient weight—despite the Fulton Report and its stress on efficiency auditing. Yet management services are essential to the apparatus of controls we propose. Cash limits and budgeting only

---

<sup>1</sup> Cmnd 6440, para 9.

make sense if the expenditure which is being controlled is necessary in the first place and this can only be ascertained by adequate efficiency audits. Again, to be effective expenditure restraints must be complemented by some form of control over the efficient deployment of manpower: hence the vital importance of allowing management services staff sufficient power. Moreover, our proposals for management accounting and accountable units will, unless closely supervised, result in an unnecessary proliferation of managerial staff; here again management services staff have a critical role to play.

113. The effectiveness of the existing system of staff inspection and management services has been frustrated by uncertainty and structural defects in three areas. The relationship of the CSD with other departments has not been satisfactorily defined; the sovereignty of each department in efficiency matters has seriously inhibited the work of the CSD. Secondly, the powers of the CSD to implement its proposals are inadequate; our recommendations for the reconstruction of the centre of Government should put this right. Thirdly, there is the question of the separation of staff inspection from management services.

114. Departments are at present ultimately responsible for their own efficiency, so that it is difficult to understand what authority—if any—the centre of Government can have over them. Clearly defined responsibility at the centre for monitoring the control of efficiency would result in more incisive and more realistic intervention. **We recommend that the ultimate responsibility for monitoring the control of efficiency should be vested in the Treasury.**

115. Secondly, and following on from this, there is the question of the power of the centre to enforce its recommendations. The CSD obviously lacks the Treasury's "clout";<sup>1</sup> it cannot enforce its point of view simply by withholding cash. Moreover, there are indications that the power and prestige of the CSD does not even match up to the recommendations of the Fulton Committee. Even Lord Armstrong admitted to some doubts on this point. "This was endlessly debated, and in discussions that I took part in, people said, 'Oh, yes, of course, you yourself with your background bring the power with you. What is going to happen when you are not there?' I did not find it easy, but I do, in fact, think that it has enough power."<sup>2</sup> Mr. Wilding's defence of the CSD's power was even less convincing.

"There are times when we have made proposals to departments which have not been followed through. Whether we should have had a better batting average if we had been in some terms a more powerful department as opposed to having produced better recommendations, I think there is no way of telling. But, on the whole, I have not over the last four years felt conscious of the lack of ability to make things happen in the places where we have agreed with the department or they have asked us to come in and we do so."<sup>3</sup>

116. Thirdly, it is necessary to consider whether staff inspection should be combined with management services, or whether the two functions should remain separate. The Fulton Committee recommended the combination of the two functions, on the grounds that they should form a 'unified operation'<sup>4</sup>

<sup>1</sup> Q 1817.

<sup>2</sup> Q 1485.

<sup>3</sup> Q 133.

<sup>4</sup> Fulton Report, para 164.

In practice, however, staff inspection and management services have remained divided. Staff inspection is compulsory, whilst management services are optional and advisory. The thinking behind this was explained to us by Sir Douglas Allen:

“Right from the early days of the service these two things have been regarded as, one a control function, and the second, the management services function, a function which is one of advising and encouraging people to look after themselves—an aspect of self-control.”<sup>1</sup>

However, Mr. Wilding’s evidence suggested that the situation was less cut and dried than Sir Douglas had implied. He attributed the failure to combine the two functions to the drive over the past two or three years to raise the standards of staff inspection. That drive had been completed and methods of combining staff inspection with management services were now under active consideration in the CSD.<sup>2</sup> There is a powerful case for combining the two functions. The existence of separate authorities responsible for staff inspection and management services represents an uneconomic duplication of effort and resources; it would clearly be to the advantage of both if they were operated in tandem. Combining management services with staff inspection would not necessarily involve shifting management services onto a compulsory basis—although our evidence suggests that the introduction of an element of competition into management services would produce beneficial results. The balance sheet on this point was neatly drawn up by Sir Patrick Nairne:

“... I think that you cannot get the best economies in your staff unless what is being done by the staff inspectors and what is being done by the management services or by O & M is complementary, one to the other. On the other hand, I have to admit that psychologically there is a difference in the way in which you handle the two.”<sup>3</sup>

117. Staff inspection was defined by Fulton as “assessing the numbers of staff required for the efficient performance of a given amount of work.”<sup>4</sup> There are staff inspectors in all the Departments and there are about 50 staff inspectors in the CSD. As Mr. B. Thimont, then Principal Establishment Officer and Principal Finance Officer at the CSD, explained the CSD staff inspectors are not there simply to check up on the departmental staff inspectors; collaboration rather than tension is the dominant theme in the relationship:

“... in the last analysis ... the responsibility and control rests with the CSD. But it is not in the nature of ‘narks’ going out from the CSD just to check up on individual staff inspections; it is very much in the nature of a joint effort with the staff inspectorate teams in the individual Departments.”<sup>5</sup>

We have not collected sufficient evidence on staff inspection to enable us to go into detail on this subject. However, it would appear that the departmental staff inspectors have insufficient power. They have no means of imposing recommendations which are unpopular with senior management bearing in mind they may even place their careers at risk. If their proposals are rejected, it is

---

<sup>1</sup> Q 10.

<sup>2</sup> Q 98.

<sup>3</sup> Q 989.

<sup>4</sup> Fulton, para 164.

<sup>5</sup> Q 22.

only by threatening to bring in the CSD that they may eventually obtain acceptance of a recommendation and of course they will not always wish to argue a case so strongly. In view of the crucial importance of effective control of public sector manpower in conditions of economic stringency, it is clearly imperative to reinforce staff inspection, both in the departments and at the centre. The transfer of staff inspection from the CSD to the Treasury would assist in the tightening-up process.

118. There are disadvantages in the provision of central management services on an optional basis. There is an obvious danger that the least efficient Departments will not request advice whilst the larger Departments (which possess management services units<sup>1</sup>) tend to be, in Sir Douglas Allen's phrase, "very jealous of their efficiency"<sup>2</sup>. The problem is how to ensure that the smaller Departments without units apply for CSD services and that the larger Departments call on its expertise when they need it. In practice, it appears that the CSD places a fairly liberal interpretation upon an invitation. Sir Douglas Allen was confident that "we keep a pretty good eye on where we think things are going wrong and suggest our services in small Departments."<sup>3</sup> Mr. Wilding was concerned to correct the impression that "we only go in when we are asked".<sup>4</sup>

"... it quite frequently happens that we can solicit, or sometimes a little bit more than that, an invitation to come in. If, for example, staff inspectors who are not in this position but have a right of entry came up with a problem which they think we might well need to have a look at, they would say so, and we should consider with the Department whether this was a matter which it was proper for their own Management Services to tackle, or whether it was one in which we could give a hand. A good deal of talk goes on about where we can best help Departments and we are not solely passive in waiting for initiatives from them".

Mr. Wilding's argument points to the desirability of combining management services with staff inspection, both on a mandatory basis. **Under the present régime of management services administered on a request basis, one hopes that the CSD intervenes when necessary but it is desirable to convert this probability into a certainty. That can only be achieved by placing management services on the same basis as staff inspection, ie their entry should be compulsory, though not their recommendations, particularly in the 28 Departments without management services units of their own.**

*Management Reviews*

119. So far, reviews of the Scottish Office, Home Office, Inland Revenue, Welsh Office, Treasury, Customs and Excise, the Ministry of Defence and the CSD have been completed. Our evidence suggests that there is considerable uncertainty as to the purpose of the reviews. They were a response by the CSD to the Fulton Report's recommendation on high level efficiency audits and their aim was defined in a joint memorandum by the CSD and Customs and Excise : "to help the top management of each department to improve the efficiency and

<sup>1</sup> The larger Departments are: Agriculture, Fisheries and Food, Customs and Excise, Defence, Education and Science, Employment, Environment, Health and Social Security, Home Office, Industry, Inland Revenue, National Savings, Scottish Office and the Stationery Office (Evidence p 104, para 5).

<sup>2</sup> Q 23.

<sup>3</sup> Q 12.

<sup>4</sup> Q 132.

effectiveness of its organisation and management including the planning and control of its resources".<sup>1</sup> We had some difficulty in ascertaining exactly what this amounted to in practice. Mr. Wilding denied that it was his objective to review the efficiency of the departments; efficiency was the responsibility of the departments themselves.<sup>2</sup> The reviews are concerned only with the organisation of departments.

"We have not yet attempted in the course of a management review to assess the efficiency with which the department conducts one of its own major blocks of work. We have been more concerned with trying to make sure that it has the kinds of control and the kinds of systems which would enable it to do that for itself."<sup>3</sup>

Thus, the review of the Inland Revenue was not concerned with the cost of collecting tax, despite the fact that it is possible to measure the productivity of tax collection in money terms. A review of organisation which does not take efficiency into account at all represents an uneconomic and ineffective deployment of resources. Management reviews should be viewed as an investment in efficiency: there should be more stress on securing adequate returns and quantifying the savings their recommendations would entail. Substantial sums are devoted to management reviews—the review of the Customs and Excise, was estimated to cost £166,000<sup>4</sup>—yet the CSD conclude in their memorandum on savings from management services work that the "aim of all this work is necessarily to bring about the more efficient use and control of resources in the long term; and it is rarely possible to quantify direct and immediate savings."<sup>5</sup> It should be.

120. The CSD does not have the power to enforce the recommendations contained in the management reviews. The reviews are conducted in collaboration with the Departments and it is up to the Departments to implement them. The machinery of the management reviews is constructed with a view to committing each Department to its review. A review is conducted by a Steering Committee, chaired by the Permanent Secretary of the Department concerned and composed equally of members of the CSD and the Department. The reasoning behind this was explained to us by Mr. Wilding:

"That was a form which we adopted quite deliberately in the belief, which I think our experience has confirmed since then, that if you want something to happen at the end of one of these reviews the most essential condition is that the department concerned should feel that this is its own report, its own recommendation, something which is committed to itself."<sup>6</sup>

Furthermore it is not apparent to us that Ministers are normally shown proposals considered by a Management Review Steering Committee but rejected, although they are of course asked to approve of recommendations made by such committees. We attempted to determine how management reviews actually worked in this and other respects and asked Sir Norman Price, then Chairman of the Inland Revenue, whether we could see the various papers submitted to review

---

<sup>1</sup> Appendix 3, para 3.

<sup>2</sup> Q 205.

<sup>3</sup> Q 97.

<sup>4</sup> Appendix 3, para 10.

<sup>5</sup> Evidence p 109, Appendix C, para 2.

<sup>6</sup> Q 100.

teams in the case of his Department. He had no objection.<sup>1</sup> We did not, however, receive them and must assume from this reluctance to produce such papers that they would not be likely to alter our view that current management reviews, substantially by Departments of themselves, are weak instruments.

121. The transfer of responsibility for efficiency from the CSD to the Treasury would have considerable advantages for management reviews. It would no longer be necessary to give Departments the major voice in reviews; the enhanced authority of the Treasury would be in itself sufficient to ensure the adoption of the reviews. Moreover, objectivity would be guaranteed; there would no longer be any danger of the Departments confining the reviews to the subjects that were convenient for them.

122. Our criticisms of the existing system for checking efficiency suggest a series of conclusions. **Firstly, the oversight of efficiency should be clearly defined as the responsibility of a central department. Secondly, that department should have the power to enforce its recommendations and for this reason it is desirable that the responsibility for efficiency should be transferred from the CSD to the Treasury. Thirdly, responsibility for efficiency should be combined with staff inspection as the two are complementary and the transfer of efficiency and staff inspection to the Treasury would permit the combination of expenditure with manpower control.**

## Chapter XI

### INCENTIVES

123. The system of incentives and the general attitude towards work in the civil service should be reviewed. An important factor in the efficiency of the civil service is the motivation of individual civil servants. Yet the assumptions and ethics of civil service employment have not changed substantially since the Northcote-Trevelyan Report.

124. Sir Derek Rayner, in his evidence, suggested a constructive approach on the question of motivation:

“Efficiency in the civil Service is dependent, as in business, on motivation, and whereas in business one is judged by overall success, in my experience the civil servant tends to be judged by failure. This inevitably conditions his approach to his work in dealing with the elimination of unnecessary paper work, and in eliminating excessive monitoring, and leads to the creation of an unnecessary number of large committees, all of which leads to delays in decision taking and the blurring of responsibility.”<sup>2</sup>

125. This approach has important implications for the civil service. Firstly, much of the nineteenth century constitutional machinery which surrounds—and occasionally obstructs—the civil service was originally designed to prevent corruption. This is of course crucial in any public service; and on this score the civil service can claim an extremely good record. It is impossible to dispense with guarantees against corruption altogether in the civil service but it is

<sup>1</sup> Q 277-78.

<sup>2</sup> Q 1510.

important to consider both sides of the question, to inquire whether the costs incurred in achieving this objective outweigh the benefits and to investigate the possibility of cheaper and more direct methods of insuring against corruption.

126. Secondly, there is the question of responsibility. The implication of the nineteenth century doctrine of Ministerial responsibility was that all decisions were taken by the Minister. In consequence the internal structure of departments was originally designed to ensure that major decisions were referred up through the hierarchy to ministerial level or just below. The post-war expansion in Government activity has changed the practice of ministerial responsibility<sup>1</sup>. It is also true that responsibility to Ministers and ultimately to Parliament requires much greater record-keeping than is usual in organisations outside the civil service. These factors have important consequences for the motivation of civil servants. There is no obvious premium on success, yet the penalties attached to failure are enormous. The Fulton proposal for a reduction in the number of working levels in the hierarchy of Departments was designed to deal with this problem.<sup>2</sup> We do not believe that it went far enough. We favour a more radical approach to the problem. We believe that civil servants should be encouraged to assume personal responsibility for their actions. This point was put to us by Sir John Hunt: "What one would obviously like to get is for a person to be able to say, as you can say in the private sector, 'I took this decision. It seemed to me right at the time. I was wrong.'"<sup>3</sup> Sir Derek Rayner was of the same opinion.<sup>4</sup>

127. We were impressed by the American experiments with motivation. An increasingly important factor in the increase in the productivity of Federal agencies has been the recent emphasis on what the Americans call "the people factor". According to the report of the Joint Financial Management Improvement Program on Productivity Programs in the Federal Government, it would appear that motivation has been influenced by two factors. Firstly, there has been more stress on relating promotion to performance. We believe that there is considerable scope for this here. If civil servants are aware that their promotion prospects depend to an important degree upon their performance, and that their performance is under close supervision there will be an incentive for them to act with initiative and assume responsibility. Secondly, the introduction of accountable units and the measurement of inputs and outputs provides a framework for a system of incentives related to productivity :

"Since productivity measurement is primarily a scorekeeping technique, it provides a basis for the generation of incentive plans, productivity bargaining, suggestion award systems, and assessment of motivational programmes."<sup>5</sup>

128. We were told in the United States that productivity indices had been devised for 67 per cent of Federal agencies' work and we obtained a copy of the published document in which these indices are described. Sir Douglas

---

<sup>1</sup> Q 1855.

<sup>2</sup> Fulton Report, para 159.

<sup>3</sup> Q 1854.

<sup>4</sup> Q 1515.

<sup>5</sup> JFMIP Productivity Programs in the Federal Government: Volume 1 1976 Chap 1, p 4.

Allen told us that similar indices existed here and more could be constructed<sup>1</sup> but since they are not published, as they are in the United States, we do not know whether they are as precise or useful as those of the United States and **we recommend that they be published.**

129. We were also impressed by some of the techniques used by the United States Government to motivate its civil servants. Productivity indices such as those mentioned above can be used to measure the performance of individual civil servants and such performance ratings can be related to their pay and promotion though we recognise the considerable risks involved in judging performance by purely quantitative measures. **We should like to see more research done in this country to investigate the possibilities of so relating pay and promotion to performance.**

130. We considered recommending the use of merit pay (the French 'primes'<sup>2</sup>) in this country but rejected it. We do not consider that the secrecy upon which it is often based would inspire confidence in it as a system in this country. The use of publicly-known incremental scales as incentives is, however, in our view a different matter and **we recommend that one United States system should be introduced as soon as possible. This is the speeding up or withholding of increments.** Although we believe that most people in a given grade should continue as at present to receive automatic increments, it should be possible for their superior to hasten or retard their progress up the incremental scale, according to his opinion of each individual's efficiency. Two safeguards will be necessary. The extent to which superiors exercise their power must be supervised to control any of them who may be inclined to be too harsh or too generous towards their subordinates. Secondly, subordinates must be given a right of appeal against increments being withheld.

131. There are more general consequences of this recommendation. Pay scales of some character, eg range pay (mentioned in Chapter V) will be needed for the ranks above Assistant Secretary. Secondly, incremental scales should be of sufficient length if the system is to provide an incentive throughout most of an individual's career.

132. We would not, however, like to suggest that civil servants, any more than other people, are motivated purely by self-interest. Good administrators seek altruistically to promote the interests and objects of the organisation they are administering. If, in a search for efficiency, they make financial savings without reducing the output of their organisation, such savings currently accrue to the Exchequer.

## Chapter XII

### RELATIONS WITH LOCAL GOVERNMENT

133. In the time available, our Sub-Committee could not take evidence from all the organisations concerned with the various aspects of local government but did take evidence from the Society of Local Authority Chief Executives

<sup>1</sup> Q 2104.

<sup>2</sup> See Appendix 32.

(SOLACE) which, as its name implies, is the association of the principal local government officers and which, unlike some local authority organisations, has members in all types of local authority throughout Britain.

134. In their first memorandum of evidence<sup>1</sup>, SOLACE made six specific suggestions, our comments upon which are as follows:

“(1) There is the need for a fundamental review of relations between the civil service and the local government service preferably by a small joint body of senior civil servants and senior chief executives with a view to seeing how a real partnership can be established and maintained. A definition by the civil service of their concept of their role in relation to the local government service would help”.

**We think such a review would be valuable and recommend that this suggestion should be acted upon.**

“(2) After the initial review, consideration should be given to such a joint body continuing in being and meeting as and when necessary to make sure that the partnership is working effectively and to take remedial action when necessary, such as the elimination of duplication”.

**This too seems a valuable suggestion.** It is noteworthy that the Consultative Council on Local Government Finance is primarily a political body where Ministers and their civil servants meet such organisations as the Association of County Councils (the Greater London Council is anomalously represented separately as well as by the Association of Metropolitan Authorities) and the officers of such associations of councillors but, not, in the main, representatives of local government officers associations. As a result there may well be a gap in communications which needs filling.

“(3) The Consultative Council on Local Government Finance should be developed into a forum where the roles of central government and local government can be developed, a way being found for each partner to be given equal access to information and research.

(4) There should be a co-ordinating body or organisation of senior civil servants from all central government departments concerned with local government who will meet regularly to oversee, reconcile and co-ordinate all government policy and advice affecting local government.

(5) Consideration should be given to the establishing within each central department of a small group of advisers trained and experienced in local government.”

**These three suggestions should form part of the agenda of the review mentioned above.** With regard to (4), we and our General Sub-Committee commented in 1975 upon the lack of co-ordination between the central Departments concerned with local government.<sup>2</sup> Since then there has been some improvement, associated with the formation of the Consultative Council, but it is clear that SOLACE at least (who might be described as at the receiving end of central government instructions) is still dissatisfied with the present degree of co-ordination.

---

<sup>1</sup> Evidence p 725.

<sup>2</sup> First Report of the Expenditure Committee, Session 1975-76, HC 69-1, para 17.

“(6) The case for academic as well as vocational training of senior central and local government staff should be examined in depth and, if made out, acted upon. At the same time, positive plans should be made for the interchange of personnel between the civil service and the local government service as part of a continuing process of secondment in both directions.”

We have referred in Chapters III and IV above to these matters. We would welcome a closer association between central and local government officers and see no reason why further progress should not be made towards reducing the barriers to movement between the two services but this again is something which must be discussed in detail by them.

135. The second SOLACE memorandum<sup>1</sup> speaks for itself and gives a detailed picture of interference by central government in local government, unnecessarily increasing the work-load and no doubt the staff of both. One of the prime aspects of this was mentioned in paragraph 10 of the first SOLACE memorandum where they said :

“A prime example is the use of a purely financial control such as the loan sanction procedure to dictate matters far beyond pure finance such as the need for a particular project and its detailed design.”<sup>2</sup>

136. This is perfectly fair criticism and it is probably significant that the DoE made no comment upon it. It is clear that the existing loan sanction procedure is anomalous in that it requires the DoE to approve the capital expenditure of quite small sums which, if they were current expenditure, would not need detailed central approval at all. Indeed, the Government's own Green Paper states : “The project-by-project controls exercised under the present system are unnecessarily detailed”. We therefore welcome the Government's proposal “to discuss with local authority associations a new system of capital expenditure approvals”<sup>3</sup> though we hope that the Government will discuss the details with local authority chief officers as well. Any new system should make it quite clear that approval of an individual project within an approved programme will not be required unless such a single project is so large as to be completely unusual.

## Chapter XIII

### MINISTERS AND CIVIL SERVANTS

137. All civil servants naturally say that they exist solely to serve the Government and that they take their policy instructions automatically from Ministers. They could scarcely be expected to give your sub-committee evidence other than to this effect. However, many who have been, or who are, Ministers believe that Ministers do not always get the service which it is claimed that they get. They say that they find on their coming into office that some Departments have firmly held policy views and that it is very difficult to change these views. When they are changed, the Department will often try and reinstate its own policies through the passage of time and the erosion

---

<sup>1</sup> Appendix 46.

<sup>2</sup> Evidence p 726-7.

<sup>3</sup> Cmnd 6813 paras 5.1 and 5.3.

of Ministers' political will. Many Departments are large and it is not difficult to push forward policies without a Minister's knowledge, particularly if there is any lack of clarity in defining demarcation lines between different Ministers' responsibilities, as has been known to happen.<sup>1</sup>

138. Further it is often said to be extremely difficult to launch a new policy initiative which is not to the liking of a Department. Delay and obstruction are said to be among the tactics used, together with briefing Ministers in other Departments to oppose the initiative in Cabinet or Cabinet Committee. The workload on Ministers is immense and procrastination or repetition of the difficulties of a policy would be tactics that Ministers would find difficulty in overcoming.

139. In considering these allegations it is necessary to make two points which to some extent would justify these practices to the extent that they may exist. First, the workload of most Departments is so great that all decisions cannot be taken by Ministers. It is natural in these circumstances that Ministers would want to delegate some matters for decision to the civil service. We merely observe that any such delegation should be decided by Ministers, not by civil servants, and the succeeding incumbents in the relevant ministerial offices should be informed of it.

140. Secondly, the civil service has a duty to preserve the overall consistency of Government policy when a Minister embarks on a course conflicting with that of a Minister in another Department. It may be right for the one Minister to be frustrated, and the other (or the Prime Minister) alerted, until such time as the two have met and argued the matter out to a decision, either in or out of Cabinet. In addition, when a Permanent Secretary considers that his Minister is acting improperly he has a right to appeal to the Prime Minister and should do so.

141. Beyond these instances, however, there seems to us to be no justification for any of the practices mentioned in paragraphs 137 and 138. It is often argued that the civil service is entitled to prevent what is called "the worst excesses of left or right" in the interests of stable Government policy. This point of view used to be argued, particularly in relation to the French civil service, but also in relation to Britain in the years following the last war. It is still thought by some to be a justification for the civil service resisting measures which Ministers might wish to take, which in the opinion of the civil service are "going too far". In the opinion of Your Committee the duties of the civil service should be limited to pointing out the possible consequences, including the political consequences, of any policy but should not include opposing or delaying the policy. If the policy indeed turns out to be unwise or destabilising, the political party in office pays the price. They carry the responsibility, they should have the power to implement their policies.

142. The danger with the argument of preventing "the worst excesses" is that it becomes open to civil servants to decide what are and what are not "worst excesses". If they assume the right to do that, then the step to assuming views on all party matters is but a small one. Whatever the truth of the allegations discussed above may or may not be, it is relevant to consider the powers of Ministers in relation to their advisers so that they may best discharge their responsibilities.

---

<sup>1</sup> Q 836.

143. The important question arises whether Ministers should be able to insist on organising their Departments in ways which they believe will facilitate the better performance of their duties. They may wish to change certain of their advisers. They may wish to press ahead with setting up accountable units, or with hiving off (or the reverse) of certain parts of their Department. They may wish to operate a "Cabinet" system, or import special non-civil service advisers. At present all these matters are for the civil service to decide, with ultimate responsibility resting with the Head of the Civil Service, who is in turn responsible to the Prime Minister. We think it would be wrong if this chain of responsibility were used to frustrate Ministers from achieving that organisation of their Department which they favoured. In theory this should not happen at present. In the event of disagreement on such a matter between a Minister and his Permanent Secretary the decision would rest ultimately with the Prime Minister. Nevertheless, while we expect the Minister to have regard to the legitimate expectations of civil servants, we believe that Permanent Secretaries should be entirely responsive to the wishes of their Minister in relation to the management of the Department and should only invoke the ultimate responsibility of the Head of Civil Service and the Prime Minister in the most extreme circumstances. It should be normal practice for the Minister's wishes in these respects to be implemented.

144. One important reason why Ministers might want certain organisational changes is to ensure that they can get their policies implemented quickly and efficiently, without any obstruction. There are a number of actions they might wish to take in order to achieve this.

145. First we believe it right that Ministers should be able to have any civil servant with whom they find it difficult to work moved for reasons of personal or political incompatibility. This should always be a recognised practice, which carries no stigma or criticism for the civil servant concerned. It is clearly more difficult both for a Minister and a civil servant to work together if their minds work in opposite directions or if they simply dislike each other. This view was given to us both by Mr Stanley Henig<sup>1</sup> and also by Lord Armstrong: "The answer is yes . . . to the extent of having him moved away and ceasing to be an adviser on a particular thing".<sup>2</sup>

146. Lord Armstrong explained to us that the present practice is that authority to appoint, dismiss or change a Permanent Secretary lies with the Head of the Civil Service. In practice all decisions in relation to Permanent Secretaries are made with the concurrence of the Prime Minister. If it is a question of a Minister wishing to change his Permanent Secretary, he may do so with the agreement of the Prime Minister. **We believe this to be correct procedure.** If a Minister wishes to change a more junior adviser it is his Permanent Secretary whose agreement he must get. **We believe that, contrary to the present official position, Ministers should be able to require Permanent Secretaries to make changes of this sort.**

### *Special Advisers*

147. Next we turn to the question of special advisers whom a Minister may wish to bring into his Department from outside the civil service. This practice

---

<sup>1</sup> Q 457.

<sup>2</sup> Q 1494.

is becoming more commonplace and, after some initial resistance to it, is now accepted by the civil service. Sir John Hunt told us "I personally believe in the system. I think that on the whole it has worked well".<sup>1</sup>

148. **We agree that there is merit in the system of Ministers bringing in a limited number of special advisers (though not, as now, limited to two per Cabinet Minister, apart from the Prime Minister).** They may help Ministers as politically committed experts on particular subjects or act as links with outside organisations and they can assist him to chase up progress and secure that his political will prevails. In no way do their careers depend upon the civil service, so their loyalties are entirely to the Minister personally. **We believe that the installation of special advisers should become an accepted feature of administration.** Only with the assistance of such advisers can Ministers maintain a level of political control over an increasing Civil Service. This is another reason why the present normal limitation of two per Cabinet Minister should be abolished.

149. Second, Ministers may wish to employ the "Cabinet" system which operates in France. The difference between the British and the French systems is that in Britain the Permanent Secretary is responsible for the whole operation of the Department, whilst in France the Minister runs the Department through a "Cabinet" of his senior advisers, most of whom he chooses and appoints personally. Originally these were mostly brought in from outside but more lately they have been drawn from inside the civil service. Lord Armstrong explained, "The difference is that instead of having a Permanent Secretary in line charge of these people he is a chef de Cabinet."<sup>2</sup> We do not suggest that the system of having a Permanent Secretary in charge should be changed. On the other hand, we see no reason why a Minister's Private Office should not be expanded to include his special advisers, his Press officer and any other persons he considers essential to his day-to-day deliberations. The change is more one of form than of responsibility. Whether a Minister wishes to do this or not should surely be for him to decide. **We believe a Minister should be free to adopt any organisation he thinks fit for the efficient discharge of business, including a group of advisors, or even backbench MPs, without executive authority in the Department.**

150. Finally, we believe a Minister should have power to organise his Department so as to increase its efficiency and effectiveness. In theory he has such power, but in practice, as we have discussed earlier in this report, the civil service are responsible for their own control. We do not want at this stage to add more to the discussion on this topic, except to emphasise that **if a Minister in charge of a Department wishes to make organisational changes, he should undoubtedly be free to do so after due consultation with the Permanent Secretary and the trade unions.**

#### *Salaries of Ministers*

151. From 1830 to 1930 (as, for that matter, as late as 1954) the Permanent Secretary to the Treasury was paid half the Prime Minister's salary. Now he is paid £20,175, as against the Prime Minister's £23,000, and a similar or worse erosion of differentials has occurred between other Ministers and civil servants.

---

<sup>1</sup> Q 1865.

<sup>2</sup> Q 1496.

We have noted the United States' practice which is to pay no civil servant more than members of Congress or the higher political ranks of the Administration (corresponding to our Ministers). This would not be appropriate in the UK. The House of Commons has resolved that in the next Parliament the salaries of its backbenchers should be equated with civil service Assistant Secretaries<sup>1</sup> and we are bound to concur with that opinion. **We feel, however, that Ministers should be paid at the level determined by the Top Salaries Review Body.**

*Secrecy of previous Administration's papers*

152. Irrespective of the more general arguments about open Government, we feel bound to point out that the present rule that no Administration sees the papers of its predecessor of a different party, must inevitably increase the power of the civil service relatively to Ministers since civil servants alone can see such papers. We note that not every parliamentary system derived from our own adopts this rule in quite the form in which it exists in the UK. For example, in the Republic of Ireland Ministers are allowed to see but not to quote from their predecessors' papers. **We therefore recommend that the Prime Minister and the Leader of the Opposition should jointly consider the present rule and consider whether some mutually agreed relaxation of it might not be advantageous to Ministers of successive Governments.**

## Chapter XIV

### PARLIAMENTARY SURVEILLANCE

*Audit*

153. One principal instrument of parliamentary control of the executive (including the civil service) is or ought to be the Exchequer and Audit Department set up by the Exchequer and Audit Departments Act 1866, which was amended slightly by the Exchequer and Audit Departments Act 1921. It would not be surprising if Acts of Parliament passed so long ago were now in need of revision and **we are of the opinion that by comparison with other countries our system of public audit is out of date.**

154. One very clear illustration of this is obtained by comparing our E & AD with the General Accounting Office of the United States which differ in three primary respects. Firstly, the GAO's jurisdiction is much wider than that of the E & AD. The GAO audits all federal agencies except certain agencies engaged in bank supervision and in intelligence activities. This means that even in a federal state the GAO will pursue the use of public funds granted to states and local governments, as well as the use made of public subsidies to private companies. The wide range of GAO reports is illustrated by the list for one month (February 1977) reproduced in our written evidence<sup>2</sup>. In the UK on the other hand, the E & AD (which under s.2 of the 1921 Act has an almost unlimited jurisdiction to audit revenue) is limited to auditing expenditure, other than that in Appropriation accounts, only "if so required by the Treasury and in accordance with any regulations made by the Treasury". We can see that some accounts could not be audited in any public way, e.g. those of the Security Service, but even so the present statutory limitation on the E & AD seems to us too wide. **The Acts should be amended and should state as a**

<sup>1</sup> CJ 22 July 1975.

<sup>2</sup> Appendix 45.

---

**principle that the E & AD may audit any accounts into which public money goes even if such public money is not the bulk of receipts into such accounts. Where public money is the bulk of receipts into an account, the E & AD should always audit them, subject only to such specific exceptions as are made in the amended Act.**

155. An obvious field where the principles we advocate above might take effect is the field of local government which, after all, is responsible for approximately one-third of public expenditure, most of which is money received from the Exchequer. We note the Government's views expressed in the Green Paper on Local Government Finance and agree with the Government's desire to abolish the right of local authorities to appoint their own auditors.<sup>1</sup> The Government seems confused, however, when it wishes the District Audit to remain associated with the Department of the Environment and yet "entirely independent of the departments in the exercise of their statutory duties in carrying out audits. . . ."<sup>2</sup> **The Comptroller and Auditor General should in our view take over responsibility for the 591 staff of the District Audit from the Department of the Environment and thus secure the independence from the executive sought by the Green Paper.** Above all we fail to see the need for the institution described in paragraphs 7.6 and 7.7 of the Green Paper as the "independent institution". Since it would be appointed (and therefore presumably dismissable) by Secretaries of State, it could hardly be truly described as independent. "The Government propose that the Head of the Audit Service should produce an annual report" which the "independent institution" should "comment on". It may be desirable that the Comptroller and Auditor General (who would be "the Head of the Audit Service" under our proposals) should produce an annual report in addition to the ad hoc ones he currently produces. The Parliamentary Commissioner for Administration, an officer more recently instituted by Parliament, does both. What we are certain about is that the Comptroller and Auditor General should report to a Select Committee of the House of Commons which would undoubtedly be capable of attracting the "sufficient publicity" desired in the Green Paper and would be more "independent" than a body of nominees "put forward by the local authority associations" and Ministers.

156. A second respect in which the E & AD differs from the GAO is the nature of the audit each conducts. Our impression is that the E & AD still devotes most of its resources to financial audit, although it has gone beyond this limited role to some extent in recent years. Our evidence from the GAO, however, is that only 10 per cent of their resources are devoted to financial audit, 50 per cent are devoted to management audit and 40 per cent to cost benefit analysis. Without advocating specific percentages, we think the GAO's emphasis is more modern and realistic than the E & AD's and **recommend that the E & AD should be empowered to conduct audits of the management efficiency and effectiveness of all that it audits financially.**

157. Perhaps one basic reason for the differences between the E & AD and the GAO is the composition of their staff. In the case of the GAO, four-fifths of its staff have professional qualifications and more than half of them are accountants, the remainder being economists, statisticians, engineers, etc.<sup>3</sup> In the

---

<sup>1</sup> Cmnd 6813, para 7.9.

<sup>2</sup> *Ibid* para 7.8.

<sup>3</sup> Appendix 45.

case of the E & AD, recruits to the auditing grades were until 1975 normally school leavers and hardly ever members of the professional accountancy institutes. They did, however, have three years part-time external training which, in the E & AD's view, was up to professional standards although it did not lead to a professional qualification. From 1975 onwards, however, all new recruits are required to be graduates or professional accountants (in fact they are all graduates). They must also now, when in service, qualify as Associates of the Chartered Institute of Public Finance and Accountancy. So in time the qualification level of E & AD staff will rise but it will not—on present recruitment policies—include significant numbers of people with other useful professional qualifications, e.g. economists, engineers and statisticians such as the GAO has. **In our opinion the E & AD should change its recruitment policy still further, to provide staff capable of conducting extended audits of the kind we mention above, though we of course recognise the improvement made in the last two years.**

158. Another difference between the institutions is that the GAO is more independent in recruiting its staff, whereas the E & AD uses the Civil Service Commission to recruit its staff and the CSD approves numbers and grading. Finally, the Comptroller and Auditor General is appointed by the Head of the Civil Service and the Prime Minister almost invariably from amongst high Treasury civil servants. Both the method of appointment and the field of recruitment seem to us to be unduly limited. **We suggest that future appointments to this office should only be made after consulting the relevant Select Committee of the House of Commons (at the present time, the Public Accounts Committee) and that other possible sources of recruitment should be considered.**

#### *Parliamentary Staff*

159. The staff of Parliament is akin to the service of the judiciary in its impartiality and gives equal service to all Members of its House, whether they are Ministers or backbenchers on the Government or Opposition side of the House. **It is, in our view, undesirable that final control over such parliamentary staff should be vested in the Treasury and the Civil Service Department, as to a considerable extent it currently is.** At present, the Services Committee consider the Estimates for the services of the House of Commons. The Bottomley Committee proposed the establishment of a House of Commons Commission and recommended that it be responsible for the Estimates for the House of Commons Vote.<sup>1</sup> The Government has accepted the main conclusions of the Bottomley Committee<sup>2</sup> and we believe that **the Commission should discharge in relation to the services of the House the functions discharged by the Treasury in relation to other Estimates. This would place the House of Commons in the position of many other legislatures of determining its own expenditure upon its own staff. We so recommend.**

160. We regard the Comptroller and Auditor General and the Exchequer and Audit Department as properly part of the staff of Parliament, although the relevant Acts do not. **Any amending Act should place them under the House of Commons Commission so that it will become clear that they should initiate enquiries if requested to do so by the House or one of its Committees.** At present the C & AG appears to claim more independence even than a judge<sup>3</sup>

<sup>1</sup> HC 1974-75 No 624, p 15, para 4.6, p 16, para 4.11.

<sup>2</sup> Official Report, 4 December 1975, c 1978-79

<sup>3</sup> Qs 1274-1285.

(who must decide on a case brought before him) or than the Parliamentary Commissioner for Administration (who similarly responds to complaints made to him). **No one can at present apparently oblige the C & AG to initiate an enquiry. This in our view needs alteration, and we recommend accordingly.**

### *Committees*

161. Apart from its staff and subordinate organisations, the House must act for much of the time through Committees. Unfortunately, the House does not possess a comprehensive set of committees relating to each Department of State such as exists in, for example, the United States and EEC countries. The nearest thing to such committees are the sub-committees of this Expenditure Committee upon which less than 10 per cent of Members of the House sit. **We wish to see backbenchers sitting on committees set up for a Parliament specifically related to the Departments of State and so recommend. Those committees should have an adequate specialist staff.**

162. Such committees of course require some effective power and in this context it is noteworthy that the House has, almost accidentally, lost control of the process of appropriating expenditure. No money can be spent by Government unless it is a statutory charge upon the Consolidated Fund (eg the civil list and judges' salaries) or is approved by the annual Appropriation Act but that Act is the only one whose committee stage is never discussed other than formally. This is because the Bill merely repeats the sums already agreed to by the House in Supply resolutions but in practice these resolutions are never discussed in detail either, because they cannot be discussed in a Standing or Select Committee and the time theoretically allowed for their discussion on the floor of the House (Supply Days) is used for major policy debates initiated by the Opposition of the day. **One way of ensuring that appropriations are discussed in any detail would be to require Select Committees such as we recommend above to consider them, no doubt referring them after such consideration to the Select Committee related to the Treasury for consolidation. We so recommend.**

## SUMMARY OF RECOMMENDATIONS

### *163. Introduction (Chapter I)*

(1) In future the various aspects of the civil service should be regularly reviewed by appropriate committees of the House (paragraph 1).

### *Recruitment (Chapter II)*

(2) The Civil Service Commission should keep, assess and publish statistics showing the type and class of degree of applicants and recruits, in terms of type of school and university attended, in order to ensure, and to be able to show, that equally able university graduates have equal chances of entering the service (paragraphs 10 and 11).

(3) The Civil Service Commission of four civil servants seems rather inbred and should be expanded by adding outside part-time Commissioners to the existing full time civil servant membership, so that these outsiders form a majority of the new Commission (paragraph 13).

(4) It would be worth the new Commission considering widening the membership of the Final Selection Boards (paragraph 14).

(5) The new Commission should also reassess and change the Method II entry system to the service (paragraph 15).

### *Training (Chapter III)*

(6) The CSD should take additional steps to assess and monitor departmental training schemes and urgently consider whether work currently done by the Civil Service College could not be done by Departments or non-civil service educational institutions (paragraph 17).

(7) The existing Administration Trainee scheme should be abolished. Graduates with good degrees should still be recruited and given jobs in the service so that their abilities other than solely academic ones can be assessed. They should then compete on even terms with others in the service, graduates and non-graduates, for entry to a new higher management training course (paragraph 20).

(8) The normal practice should be that no one will be promoted beyond the rank of Assistant Secretary or equivalent unless he or she had completed the new higher management training course (paragraph 21).

(9) The new course should consist of academic courses (paragraph 24) "on the job" training (paragraphs 25 and 26), seminars (paragraph 27) and problem solving case studies (paragraph 29).

(10) NHS, local government staff and civil servants in the foreign service should be admitted to the new course (paragraph 30).

### *Career Management (Chapter IV)*

(11) The unified grading of the open structure at the top of the civil service should be extended downwards to Assistant Secretary and equivalent levels as speedily as possible. Work should begin on a further extension to Principal level at least (paragraph 34).

(12) There is merit in showing annual reports to and discussing them with the individuals concerned (paragraph 38).

(13) Some means of reporting on prospective top civil service managers is also needed (paragraph 39).

(14) We anticipate transfers in and out of the civil service (paragraph 41) but suggest that the Government's concurrence should be required contractually or by legislation when ex-civil servants are appointed by companies to jobs with close financial links with Government (paragraph 42).

### *Pay (Chapter V)*

(15) The Pay Research Unit should be made responsible to a board which, though it might well include the present members of the Steering Committee of the National Whitley Council, should also include outside appointees. The new Board should recommend their choice of Director to the Prime Minister and both the Director and some of his staff should not in future invariably be civil servants (paragraph 48).

(16) Anonymised PRU reports should be published in agreement with the firms with which pay comparisons are made (paragraph 49).

(17) Top civil servants should be paid the rate for the job and the Top Salaries Review Body should compare them with top executives in other organisations to determine what their pay should be. It should not cut down on the levels it believes fair but leave that to Governments to do if they feel it necessary (paragraph 50).

(18) When new higher rates are introduced the CSD should review all relevant posts to ensure they are correctly graded (paragraph 51). We also welcome the TSRB's intention to consider range pay for these grades (paragraph 52).

#### *Pensions (Chapter VI)*

(19) The PRU should be reactivated as speedily as possible (paragraph 56).

(20) The system of the Government Actuary alone forecasting future trends should be changed. The resulting forecasts should be published (paragraph 60).

(21) Public service pensions are a hotch potch which the CSD and the DHSS should consider rationalising (paragraphs 62 and 63).

#### *Reducing costs by policy changes (Chapter VII)*

(22) The Exchequer and Audit Department should place more emphasis on checking the financial and manpower estimates published with Bills against eventual costs and staffing (paragraph 64).

(23) A programme of regular surveys on the possibilities of reducing costs by policy changes should be inaugurated (paragraph 69) and Parliament should be regularly informed of potential savings from policy changes. The Government should devise methods by which they could continually report the options in this respect to Parliament (paragraph 70).

#### *Machinery of Government (Chapter VIII)*

(24) Splitting the Treasury by merging its public expenditure divisions with the CSD would be an irresponsible act (paragraph 83). Responsibility both for controlling all expenditure and for securing efficiency should be combined in the Treasury. Those parts of the CSD concerned with the control of manpower and the efficiency of the civil service should be transferred to the Treasury, the CSD retaining responsibility for personnel, appointments, recruitment, training, pay and pensions (paragraph 88).

#### *Organisation for Efficiency (Chapter IX)*

(25) Hiving off diminishes ministerial control and proper control mechanisms for hived off bodies should be developed (paragraph 91).

(26) There should be a determined drive to introduce accountable units in all areas of executive work and, where possible, in administrative work. They should be scaled down to the size most conducive to effective control (paragraph 94).

(27) The advantages of a complete reconstruction of the present system of accounting to Parliament would outweigh the disadvantages. In particular the accounts presented should correspond with the accountable units (paragraph 100).

(28) The Treasury in consultation with our General Sub-Committee should undertake research into the possibility of presenting analyses to Parliament showing the objectives of individual spending programmes and the results of past programmes (paragraph 100).

(29) Common services should be charged to Departments (paragraph 101).

(30) Cost comparisons with the private sector should be normal practice in whatever areas of the Civil Service they are feasible (paragraph 102).

#### *Monitoring Efficiency (Chapter X)*

(31) We concur with the Government that effective cash limits should be fixed before pay negotiations are entered into (paragraph 106).

(32) Cash limits should be reviewed in relation to the apparatus of Parliamentary control of expenditure (paragraph 107).

(33) Cash blocks must be systematically broken down within the Department to coincide with accountable units (paragraph 109).

(34) Information on Departments' expenditure plans should be public, just as information on cash limits is (paragraph 110).

(35) Ultimate responsibility for monitoring the control of efficiency should be vested in the Treasury (paragraph 114).

(36) Management services should be on the same basis as staff inspection, ie their entry into Departments should be compulsory though not their recommendations (paragraph 118).

#### *Incentives (Chapter XI)*

(37) Productivity indices should be published (paragraph 128) and more research should be done into the possible relating of pay and promotion to performance (paragraph 129).

(38) The United States system of speeding up or withholding of increments should be introduced as soon as possible (paragraph 130).

#### *Relations with Local Government (Chapter XII)*

(39) A small joint body of senior civil servants and senior local authority chief executives should review relations between the civil service and the local government service and consideration should be given to this joint body continuing in being (paragraph 134.)

(40) The new system for capital expenditure approvals proposed by the Government in its recent Green Paper, should not require approval of individual projects within an approved programme, unless the project is so large as to be completely unusual (paragraph 136).

#### *Ministers and Civil Servants (Chapter XIII)*

(41) Ministers should normally, after due consultation, be able to carry out changes in the management of their Departments, the ultimate responsibility of the Prime Minister and the Head of the Civil Service only being invoked in exceptional circumstances (paragraphs 143 and 150).

(42) Special advisers brought in by Ministers should become an accepted feature of administration and should not be limited to two per Cabinet Minister (paragraph 148). A Minister should be free to adopt any organisation he thinks fit for the efficient discharge of business, including a group of advisers, or even backbench MPs, without executive authority in the Department (paragraph 149).

(43) Ministers should be paid at the level determined by the Top Salaries Review Body (paragraph 151).

(44) The Prime Minister and the Leader of the Opposition should jointly consider the present rule that no Administration sees the papers of its predecessor of a different party, to decide whether some mutually agreed relaxation of the rule might not be advantageous to Ministers of successive Governments (paragraph 152).

### *Parliamentary Surveillance (Chapter XIV)*

#### *Audit*

(45) Our system of public audit is out of date and the Exchequer and Audit Departments Acts should be amended and should state as a principle that the E & AD may audit any accounts into which public money goes even if such public money is not the bulk of receipts into such accounts. Where public money is the bulk of receipts into an account, the E & AD should always audit them, subject only to such specific exceptions as are made in the amended Act (paragraphs 153 and 154).

(46) The Comptroller and Auditor General should take over responsibility for the District Audit from the DOE (paragraph 155).

(47) The E & AD should be empowered to conduct audits of the management efficiency and effectiveness of all that it audits financially (paragraph 156).

(48) The E & AD should change its recruitment policy to provide staff capable of carrying out these extended audits (paragraph 157).

(49) The relevant Select Committee of the House of Commons (at the present time the Public Accounts Committee) should be consulted about the appointment of future Comptrollers and Auditors General and other possible sources of recruitment than the Treasury should be considered (paragraph 158).

#### *Parliamentary Staff*

(50) The proposed new House of Commons Commission should discharge in relation to the services of the House the functions discharged by the Treasury in relation to other Estimates (paragraph 159).

(51) The C & AG and the staff of the E & AD should be placed under the House of Commons Commission and thus become Parliamentary staff so that it will become clear that they should initiate enquiries if so requested by the House or one of its Committees (paragraph 160).

#### *Parliamentary Committees*

(52) A comprehensive set of Select Committees specifically related to the Departments of State should be set up with adequate supporting specialist staff (paragraph 161).

---

(53) These Select Committees should be required to consider appropriations of expenditure in detail thus enabling the House to regain control of the process of appropriating expenditure (paragraph 162).

*Definition of Civil Servant (Appendix)*

(54) An agreed definition of civil servant should be worked out jointly by the CSD and our General Sub-Committee, which would continue to be applicable irrespective of changes in organisational structure. (Appendix paragraph 7).

---

## APPENDIX

### DEFINITION OF CIVIL SERVANT

1. Apparently, the only legal definitions of "civil servant" are those contained in Superannuation Acts. The Superannuation Act 1965, s.98(2), reads as follows:

"In this Act 'civil servant' means a person serving in an established capacity in the permanent civil service and references in this Act to persons ceasing to be civil servants, to persons retiring from being civil servants and to retired civil servants shall be construed accordingly."

"Civil service" upon which the above definition depends is defined in s.98(1) of the same Act as:

"In this Act 'civil service' means the civil service of the State."

This is by no means a clear definition since "the State" (as distinct from the Crown or various other institutions) does not seem to be an entity known to the law in the United Kingdom in any other context and "the State" is not the employer of any civil servant. The Act itself seems to recognise this because it goes on to say in s.98(3):

"For the purposes of this Act no person shall be deemed to have served in the permanent civil service unless he holds his appointment directly from the Crown or has been admitted into the civil service with a certificate from the Civil Service Commissioners."

This definition, though it is no doubt satisfactory for pension purposes, is most unsatisfactory in many other respects. It implies, for example, that there is an impermanent civil service the members of which are not civil servants and there are in fact many people commonly regarded as civil servants who do not fall within it. However, for what it is worth, there seem to be about 746,000 people who are civil servants in law.

2. Because of the difficulties mentioned above previous enquiries into the civil service have adopted a different definition, described in 1931 by the Tomlin Commission in the following words:

"Servants of the Crown, other than holders of political or judicial offices, who are employed in a civil capacity and whose remuneration is paid wholly and directly out of moneys voted by Parliament."

Though it was adopted in 1968 by the Fulton Committee this definition too is, however, an unsatisfactory one since it implies that whether a person is a civil servant or not should be determined by whether he or she is paid out of monies voted annually by Parliament. Thus members of the Royal Household, for example, seem to be civil servants under the Superannuation Act but were not so regarded by the Tomlin Commission or the Fulton Committee, though it is difficult to imagine anyone who is more of "a servant of the Crown" than such members of the Royal Household. This Tomlin definition embraces 725,000 people.

3. The full difficulties of defining "civil servant" are perhaps best realised by considering who in the working population is primarily paid for his employment directly or indirectly from the Exchequer. That includes all local government employees and indeed in many countries, eg France, such employees—even

including teachers—are regarded as civil servants, though they are not so regarded in Britain. Such a definition, if adopted in the UK, would add another 3 million people.

4. Even restricting the definition to exclude local government employees does not solve all the problems. There are also, under the central government, organisations with employees not paid from the Exchequer, eg nationalised industry corporations (1.9 million employees) and companies in the beneficial ownership of the Crown (400,000 employees). If an individual is employed by a subsidiary of, say, ICI, he usually regards himself as an employee of ICI as a whole and, although this may not be technically correct in law, it has an element of common sense about it since his salary will form part of ICI's consolidated accounts. Yet an employee of say, British Leyland, probably does not regard himself as a civil servant and is not so regarded by others and in any case the UK has no consolidated accounts as such.

5. Apart from employees of organisations which are corporate persons in law, there are also employees of various other organisations the precise status of which is unique and even doubtful. The largest case of this is the National Health Service (1 million people) whose remunerated staff are not regarded as civil servants, although the head of the NHS is a Secretary of State. That staff also seems to be technically the employees of a variety of bodies, whilst general medical practitioners, for example, contract with the Family Practitioner Committees. It is by no means clear to us why some at least of the administrative staff of the NHS should not be regarded as civil servants.

6. The importance of all this is that the vagueness of definition has given scope for a fruitless juggling of statistics in which numbers of "civil servants" are bandied about which are really almost meaningless for the purposes of sensible discussion. For example, until 1974 there were about 33,000 "civil servants" in the Department of Employment of whom 18,000 were transferred to the Manpower Services Commission and its agencies in that year and thus disappeared from the statistics of civil servants. In 1976, the employees of the Manpower Services Commission and *its* two agencies, by then 21,000 strong, were all transferred back to the civil service thus reappearing in the civil service statistics.<sup>1</sup>

**7. We recommend that an agreed definition of civil servant which would continue to be applicable irrespective of such changes in organisational structure should be worked out jointly by the CSD and our General Sub-Committee.**

---

<sup>1</sup> Civil Service Statistics 1975 and 1976.

## PROCEEDINGS OF THE COMMITTEE

MONDAY 25th JULY 1977

Members present:

Mr James Boyden in the Chair

Mr W Benyon	Mr Alexander Lyon
Mr Arthur Blenkinsop	Mr John MacGregor
Mr Bernard Conlan	Mr Max Madden
Mr Robin Corbett	Mr David Madel
Mr Bryan Davies	Dr Edmund Marshall
Mr Michael English	Mr Robin Maxwell-Hyslop
Mr Geoffrey Finsberg	Sir Anthony Meyer
Miss Janet Fookes	Mr Eric Moonman
Mr John Garrett	Mr Nicholas Ridley
Mr Ted Garrett	Sir John Rodgers
Mr Peter Hardy	Mr John Roper
Col Sir Harwood Harrison	Mr Tim Sainsbury
Mr Frank Hooley	Mr Sedgemore
Mr Robert Rhodes James	Mr Julius Silverman
Mr Ron Lewis	Mr Fred Silvester
Mr John Loveridge	Mr John Wakeham

Report from the General Sub-Committee (Developments in the Civil Service since the Fulton Committee) brought up and read.

Motion made, and Question proposed, That the Report be read a second time paragraph by paragraph.—(*Mr Michael English.*)

Amendment proposed, to leave out from the word “be” to the end of the question and insert the words “re-committed to the General Sub-Committee”.—(*Mr John Roper.*)

Question, That the Report be re-committed to the General Sub-Committee, put and negatived.

Another Amendment proposed, at the end, to add the words “in the next session of Parliament”.—(*Mr Bernard Conlan.*)

Question, That the Amendment be made, put and negatived.

Another Amendment proposed, at the end, to add the words “on Wednesday at half-past Four o'clock”.—(*Mr Geoffrey Finsberg.*)

Question, That the Amendment be made, put and negatived.

Main Question put and agreed to.

Paragraph 1 read.

Whereupon Motion made, to leave out Chapter I and insert new Chapter I as follows:—

*Introduction*

1. Politicians exist to improve society by facilitating social change. That they are not very successful at this is in part due to the structure of power in our society which is undemocratic and hence unresponsive to changing needs

and circumstances. Civil servants exist to serve elected politicians. That they do not do so well as they should is too well established to merit long and hard debate. It is the experience of all of us whether as Members of Parliament with access to ministers and civil servants, as Parliamentary Private Secretaries, or as former ministers and civil servants. As such our experience conflicts sharply with the evidence given to the Committee by the previous Prime Minister, Sir Harold Wilson, and by the present Secretary to the Cabinet, Sir John Hunt, in as far as that evidence related to the relationship between ministers and civil servants. We did not feel that these eminent witnesses, who could have helped the Committee so much had they been frank with it, treated the Committee with the openness that we would have liked or that Parliament and the public would have expected.

2. We regard the resolution of the struggle for power between the executive, by which we basically mean the Cabinet, and the bureaucracy, by which we mean those top civil servants who claim to be policy advisers in favour of political power and authority and against bureaucratic power and authority as a central need of our age. It is part of the struggle for democracy itself. As such it should be seen as one of a series of parallel struggles for the democratic control and extension of power in our society, taking place between the elected House of Commons and the unelected House of Lords, the executive and the bureaucracy, Parliament and the executive, party political supporters and party representatives, shop stewards and combine committees on the one hand and trade union officials on the other, and finally workers and managers as against shareholders. Although our study of the civil service leads us into only two of these struggles—that between the executive and the bureaucracy and that between Parliament and the executive—we believe that if democracy is to flourish in the United Kingdom we will have the solution of all these problems our first priority in the decade to come. We hope that this report is a partial contribution to that end.

3. From the point of view of politicians most of the problems of the civil service stem from the fact that top civil servants misconceive their role in our society. They come to the civil service, as we show in a later chapter, with what Balliol men used to refer to as the unconscious realisation of effortless superiority—though judging by the evidence we received from Sir Douglas Allen their superiority is becoming less unconscious. Their self-anointed superiority brings them almost immediately up against their obvious and almost complete lack of experience, the lack of which does not improve as much as it might with their work, experience or training. In short, there is a conflict between their superior intellect and the little that they have to offer in a practical way. There is, as should be, no role in our society for people with little to offer in a practical way but civil servants have got round this stumbling block by inventing a role for themselves. The role that they have invented for themselves is that of governing the country. They see themselves, to the detriment of democracy, as politicians writ large. And of course as politicians writ large they seek to govern the country according to their own narrow, well-defined interests, tastes, education and background, none of which fit them on the whole to govern a modern technological, industrialised, pluralist and urbanised society. They justify this role to themselves and to others by reference to their superior intellect and by the difficulties, real or imagined, of Ministers deciding or being told about the very large number of important decisions that have to be taken.

They can and do relegate Ministers to the second division (appropriately enough they call their own union the First Division) through a variety of devices. These include delay, which is a potent one when governments are in a minority situation or coming to the end of their political life ; foreclosing options through official committees which parallel both cabinet sub-committees and a host of other ministerial committees ; interpreting minutes and policy decisions in ways not wholly intended ; slanting statistics ; giving Ministers insufficient time to take decisions ; taking advantage of Cabinet splits and politically divided Ministerial teams ; and even going behind Ministers' backs to other ministries and other Ministers, including the Prime Minister. In doing all these things they act in what they conceive to be the public good. Some would say they perceive that good in the interest of their own class : others that they see it in terms of the tenets and taboos of their caste. In doing all these things there is an esprit de corps which can be frighteningly intense as between Ministers' Private Offices and as between Permanent Secretaries. Fifteen years ago the complaint was often heard that civil servants in one Ministry regarded their colleagues in another Ministry as though they were representatives of foreign powers. Today the complaint is more that they are tempted to regard Ministers as representatives of foreign powers wanting to pursue policies different and apart from their own. Morale is high and not unexpectedly growing as civil service power itself grows. But this is hardly the point. In doing all these things civil servants are frustrating democracy. They are arrogating to themselves power that properly belongs to the people and their representatives.

4. There are plenty of examples of course in history where bureaucracies have risen above their station and taken over the role of government. Some bureaucracies, unlike our own, have actually governed effectively and efficiently. Whereas the French bureaucracy has sometimes proved itself undemocratic and effective the British bureaucracy has proven to be undemocratic and ineffective in the post-war years. Our own bureaucracy is more dangerous than some other bureaucracies because it is an intelligent and hard working bureaucracy. It is this fact taken together with the empirical observation that few individuals or groups ever give up power voluntarily that makes reform more difficult. Being intelligent enough to realise some of their own limitations in governing our complex society some of the ablest of our civil servants have seen that their future, if not our future, lies in the development of corporatism rather than in the development of democratic institutions. They are the power-elite of our ageing democracy, providing us with government by bureaucracy but, like everyone else who seeks to govern Britain, they can only do so by consent. They see corporatism as one way of achieving this consent. It is against the whole development of corporatism that the major political parties need to guard and many of our suggested reforms are intended to help them in stopping further moves in that direction.

5. It would be as wrong to accuse top civil servants of overt party political bias as it would be foolish not to recognise that Labour governments seeking to alter society in a socialist direction have more difficulty with civil servants (who are seeking in conjunction with other establishment figures from the City, the Bank of England, industry, the established Church and the monarchy to maintain the status quo) than do Conservative governments who wish to leave things roughly as they are. By their very nature bureaucracies become conservative however radical their intake. Conservative governments who come

unstuck in the same manner as Labour governments are those who want to change society in a radical direction. Seen in this light the nineteen seventies has been a good decade for the civil service and a bad decade for the politicians. For it is a matter of record and observation that civil servants obstructed the radical Selsdon-man policies of the last Conservative government as much as they have frustrated the more socialist policies of this Labour government. Sir Bryan Hopkin, the Chief Economic Adviser to the Treasury, commented on his impending retirement that the politicians had "messed up capitalism". It might be truer to say that he and others at the Treasury had messed up everything over the past 25 years.

6. It is not difficult to find illustrations of these points though our aim must be to concentrate on reform rather than to complain about the past. As a Committee dealing with the policies which have lain behind the government's public expenditure cuts we have been embarrassed by civil servants arguing the impossible even to the extent of producing mutually exclusive theories. Civil servants at the Department of Industry have been culpable in frustrating the interventionist industrial policies of the current government. In this case political bias may have played a part. The result is that instead of an industrial strategy we have a series of industrial problems. The Department of Trade contains civil servants who are steeped in nineteenth century Board of Trade attitudes, totally out of sympathy with any ideas of a positive trade policy, and gullible in the extreme when it comes to understanding and taking appropriate counter action over the way in which other countries take the United Kingdom for a ride over trading rules and practices. Civil servants at the Department of Trade are also known to be hostile to any meaningful form of industrial democracy although it is Labour Party policy. Glib statements to the effect that multi-national corporations will not invest in the UK if Bullock is implemented are a substitute for proper analysis and argument. The Home Office, the graveyard of free-thinking since the days of Lord Sidmouth early in the nineteenth century, is stuffed with reactionaries ruthlessly pursuing their own reactionary policies, which is not so bad when reactionary governments are in power but less good otherwise. So far as the EEC is concerned officials have on more than one occasion badly advised ministers and some Foreign Office officials interpret being a good European as being synonymous with selling out British interests. The Vichy mentality which undoubtedly exists in some parts of our Foreign Office establishment does not to the best of our knowledge and belief reflect the views of Her Majesty's ministers. And so we could go on.

7. We recognise that our nation is not very good at facing up to problems such as those we have outlined and develop further in this report but we believe that it is urgent that steps be taken to re-establish or possibly establish for the first time political power and authority in the land. This will necessitate more than fundamental changes in the recruitment, training and organisation of the civil service even if changes in these spheres are desperately needed. It will call for a conscious effort to build up countervailing political power. It will require a more open society, an end to Section 2 of the Official Secrets Act, and more public scrutiny of the processes by which we are governed and the information upon which decisions are taken. It will require that Ministers and the Cabinet be given weapons to take on the civil service. Whether through the appointment of powerful ministerial back-up teams or "cabinets", chosen by

Ministers and including Members of Parliament if Ministers so desired and to whom civil servants at Deputy Secretary and Under Secretary level would report and be accountable, or through developing the role of political advisers, or through political appointments of top civil servants at Under Secretary level and above, or through other devices Ministers must inject more party political clout into the upper echelons of the administration. It will require that Parliament and back-bench MPs be given weapons first to help the Cabinet in combating the power of the bureaucracy and second to help check what the executive itself is doing. The establishment of powerful investigatory committees on a systematic basis covering the work of each Department by the House of Commons is one overdue weapon in this field. A more powerful and professional system of audit and efficiency answerable to Parliament is another long overdue weapon. The latter proposal might be linked to the former.

8. Arising out of the work of our General Sub-Committee on Public Expenditure we see the need, for example, to set up Select Committees on Economic Affairs which should, through statutory backing, be given a new and important investigatory and advisory role in economic affairs. The new Committee should have its own specialist staff. Indeed the major political parties represented on the Committee should have their own specialist advisers paid for through government funds. These might work along the same lines as the advisers to the Joint Economic Committee of Congress in the United States. The Committee would do its own forecasting and develop its own model. The Treasury would be compelled by statute to provide the Committee with revenue data; revenue forecasting and other factual data and economic projections. Legislation would provide for the Chancellor personally and his civil servants to give evidence to the Committee both before the budget and public expenditure processes begin and after they have been presented each year. That legislation would compel the Chancellor and the Treasury to take account of the views of the Committee before policy decisions were taken. The Chancellor and the Treasury would be expected to answer the arguments put forward by the Committee before decisions were taken. In practice all this would mean that Chancellors and their civil servants would be encouraged to take heed of the views of the majority of the Committee which hopefully and normally would mean the views of the back bench members of the governing party. This new process would open up and revolutionise economic debate in the UK. Cabinet ministers could find themselves strengthened against the power of Treasury civil servants. Similar developments must take place to cover the activities of other government departments.

9. We recognise that the changes which we propose would alter the balance of power within the Constitution. But they would steer a middle course between those who see Parliament merely as the servant of the executive and a place where the only function of back-bench Members of Parliament is to get the government's business through: and those who believe that we should move firmly in the direction of the separation of powers and in the process take the purse strings away from the executive and give them back to Parliament. Indeed under our proposals it is clear that back-bench Members of Parliament would be playing a dual role—helping the executive in its struggle with its own bureaucracy on the one hand and challenging the executive itself on the other hand. The main effects of our proposals would be to place far more power than at present in the hands of back-bench Members of Parliament in general and in the hands of back-bench Members of Parliament of the majority party in par-

ticular. They would get round the objection voiced by the present Leader of the House, the Rt Hon Michael Foot, MP, that if the emphasis in Parliament moved from the floor of the House and into a new and powerful committee structure then we would get consensus government by all-party committees. Effectively our proposals would lead to the dispersal of power in Parliament and down through and into political parties and those groups which support political parties. This we believe is the right way for democracy to develop and for the House of Commons to play a much more important role in the development of that democracy than at present.

10. We are conscious that in a country where democracy has gone to sleep there will be profound resistance—not least by the bureaucrats—to the necessary changes which we put forward in this Report but who better than a group of elected politicians to begin the process. We believe that our proposals will contribute to four major objectives:

- (1) a more relevant and efficient civil service
- (2) a bureaucracy which is properly accountable to the executive for which it works
- (3) an executive, which together with its bureaucracy is properly accountable to Parliament; and
- (4) an executive and a Parliament which accept the reality of the party political struggle as being the essence of democracy in Britain today

11. Nothing in this Report is intended to be construed as in any way criticising the loyalty, dedication and hard work of the majority of our civil servants. They serve their country well and are not over-rewarded for that service. As a Committee we certainly deplore the now fashionable sniping at them and regret that amongst the snipers are a number of ill-informed politicians whose primary aim is not to sustain and improve our public services or the administration of the country but rather to make our public servants, including civil servants, a scapegoat for economic ills which cannot properly be laid at their door. We salute civil servants at large and pay just tribute to them.”—(*Mr Sedgemore.*)

Question put, That the proposed new Chapter I be read a second time.

The Committee divided:

Ayes 11

Mr Bernard Conlan  
Mr Robin Corbett  
Mr Bryan Davies  
Mr John Garrett  
Mr Ted Garrett  
Mr Peter Hardy  
Mr Ron Lewis  
Mr Alexander Lyon  
Mr Max Madden  
Mr Sedgemore  
Mr Julius Silverman

Noes 15

Sir Frederic Bennett  
Mr W Benyon  
Mr Michael English  
Mr Geoffrey Finsberg  
Miss Janet Fookes  
Col Sir Harwood Harrison  
Mr Robert Rhodes James  
Mr John Loveridge  
Mr John MacGregor  
Mr Robin Maxwell-Hyslop  
Sir Anthony Meyer  
Mr Nicholas Ridley  
Sir John Rodgers  
Mr Fred Silvester  
Mr John Wakeham

Report from the General Sub-Committee again considered.

Paragraph 1 agreed to.

Paragraphs 2 to 5 read, amended and agreed to.

Paragraphs 6 to 8 read and agreed to.

Paragraphs 9 and 10 read, amended and agreed to.

Paragraphs 11 and 12 read and agreed to.

Motion made, to leave out paragraphs 13 and 14 and insert new paragraphs as follow:

“We conclude that the three biases alleged by Lord Crowther-Hunt do exist. We are agreed that they are irrational and cannot be explained away in terms of the civil service recruiting the most able graduates. We recognise ‘a bias of the civil service recruiting in its own image’, a bias of the civil service paying too much attention to certain literary skills; a bias of the civil service in favour of the rounded individual of the sort created by the atmosphere of Oxford and Cambridge; and a bias of class, caste and cast of mind. We believe that these biases stem from a mistaken understanding of the role of civil servants by civil servants in our society and from a desire, whether conscious or unconscious, on the part of the Civil Service Commission to recruit policy advisers who will quickly develop into establishment politicians writ large.

We therefore recommend that urgent steps be taken to exclude these biases from recruitment and we call for more attention to be given to recruiting civil servants who are capable of advising on the needs of a modern pluralist, urbanised technological society. We have no doubt that this will mean *inter alia* introducing substantial changes in the composition of the Civil Service Commission.”—(*Mr Sedgemore.*)

Question put, That the proposed new paragraphs be read a second time.

The Committee divided:

Ayes 10	Noes 13
Mr Arthur Blenkinsop	Mr W Benyon
Mr Robin Corbett	Mr Michael English
Mr Bryan Davies	Mr Geoffrey Finsberg
Mr John Garrett	Miss Janet Fookes
Mr Peter Hardy	Col Sir Harwood Harrison
Mr. Max Madden	Mr Robert Rhodes James
Mr John Roper	Mr John Loveridge
Mr Sedgemore	Mr John MacGregor
Mr Julius Silverman	Mr Robin Maxwell-Hyslop
Mr Michael Ward	Sir Anthony Meyer
	Mr Nicholas Ridley
	Mr Fred Silvester
	Mr John Wakeham

Paragraph 13 read as follows:

The conclusions we draw from all this are that the three biases in civil service selection alleged by Lord Crowther-Hunt do exist but that the pro-Oxford and Cambridge bias may be expected if the Civil Service Commission “is seeking to recruit the most able” graduates. Whether

the pro-independent school bias is due to the same cause is more doubtful ; one cannot be certain from the statistics. The pro-arts bias may result from fewer of the ablest scientists applying but again one cannot be certain of this. What is clear is that, by not keeping statistics which would show whether these last two biases are just traditional and irrational or have a rational basis, the Civil Service Commission has ignored the possibility that they may be the former and thus has laid itself open to a charge of prejudice which it can no more refute from its statistics than others can prove it. This shows that there may be something wrong with the constitution of the Commission. All its four members are civil servants in the Civil Service Department of Deputy or Under Secretary rank, three of whom have been civil servants all their working lives. **We consider that this may make the Commission rather inbred and therefore suggest keeping its existing full-time civil servant membership places but adding to them part-time outside Commissioners, so that these outsiders form a majority of the new Commission.** Such outsiders should not just be eminent names but persons who have had experience of personnel selection in large organisations or relevant trade union experience.

Amendment proposed in line 19 to leave out "majority" and insert "minority"—(*Mr Geoffrey Finsberg*.)

Question proposed, That the Amendment be made.

Amendment, by leave, withdrawn.

Paragraph agreed to.

Paragraph 14 read, amended and agreed to.

Paragraphs 15 and 16 read and agreed to.

Paragraph 17 read, amended and agreed to.

Paragraph 18 read and agreed to.

Paragraphs 19 to 27 read, amended and agreed to.

Paragraph 28 read and agreed to.

Paragraph 29 read, amended and agreed to.

Paragraphs 30 to 32 read and agreed to.

Paragraph 33 read, amended and agreed to.

Paragraph 34 read and agreed to.

Paragraphs 35 to 37 read, amended and agreed to.

Paragraph 38 read as follows :

"We cannot, in a report of any reasonable length, enter in detail into promotions in the middle and lower ranks of the service but we want to make three points. One is that it seems to be a growing and fairly widespread practice in industry, not merely for superiors to write annual reports on their subordinates (as happens in the civil service too) but also to show such reports to, and discuss them with, the individuals concerned (which does not happen at present in the civil service). **There is, in our view, merit in this latter practice.** Individuals learn more of their superior's views of them and may be brought to tackle their remediable weaknesses."

Amendments made.

Another Amendment proposed, in line 7, to leave out from the word “service)” to the end of the paragraph.—(*Mr Robert Rhodes James.*)

Question, That the Amendment be made, put and negatived.

Paragraph, as amended, agreed to.

Paragraph 39 agreed to.

Paragraphs 40 and 41 read, amended and agreed to.

Paragraph 42 read as follows:

“Our recommendations about pay in Chapter V should reduce the number of high civil servants seeking jobs in private industry but in a free society one cannot prevent such transfers after retirement. Nevertheless there has been public criticism implying that the prospect of such outside jobs can be dangled before civil servants as an influence upon them before they leave the service. For these reasons civil servants of Under Secretary rank and above are required to obtain the assent of the Government before accepting (within two years of resignation or retirement) offers of employment in business and other bodies with close financial links with the Government eg companies which are in contractual relationship, have the Government as a shareholder, or receive subsidies, loans, guarantees, or other forms of capital assistance from the Government. But we were surprised to learn that there is no legal sanction whatsoever for this practice. **We suggest that there should be a contractual relationship requiring individuals to do this or, if necessary, legislation which might penalise companies which appoint ex-civil servants from specified jobs without obtaining the concurrence of the Government.**”

An amendment made.

Another Amendment proposed, in line 15, to leave out from the word “this ” to the end of the paragraph.—(*Mr. Geoffrey Finsberg.*)

Question, That the Amendment be made, put and negatived.

Paragraph, as amended, agreed to.

Paragraph 43 read, amended and agreed to.

Paragraphs 44 to 48 read and agreed to.

Paragraph 49 read, amended and agreed to.

Paragraphs 50 to 52 read and agreed to.

Another paragraph brought up and read as follows:

There are obviously, in any country, two possible ways of paying civil servants in geographic terms. They can be paid on national scales irrespective of where they are located or alternatively those in the same grade can be paid salaries according to their location. In Britain the situation seems to be rather confused and this confusion was reflected in the trade union evidence. Both the Staff Side of the National Whitley Council and the Trade Union side of the Joint Consultative Council advocated national scales for their members. We agree with this. It seems the logical basis for a country as small geographically as ours is but we must point out that the principal deviation from such national scales is London weighting, which applies up to and including Under Secretary level. This seems to us distinctly illogical, not least because it is contrary

to other regional policies of Governments which have in the past sought not to attract people to London but to disperse civil servants from London. The supposed justification for London weighting is the higher London costs of housing and transport, since other costs of living in London are generally comparable with those outside. It would of course be unfair to civil servants to abolish London weighting whilst the private sector continued to pay it or something akin to it, but it is certainly arguable that the civil service, whose pay arrangements directly or indirectly affect several million people out of the country's 26 million working population (see Appendix) has (by retaining London weighting when it abolished other geographic differentials in 1956) caused it to be retained or adopted elsewhere in the public and private sectors. However, that may be, it exists, with the result that everyone really advocates not national pay scales but a double scale in which Londoners are paid more than others. To alter this would need joint agreement between not just the Government and the civil service trade unions but between employers generally and the TUC. Whether the Government would wish to initiate this we doubt but it is nevertheless a substantial aspect of regional policy.—(*Mr Michael English.*)

Question, That the proposed paragraph be read a second time put and negatived.

Another paragraph brought up and read as follows:

“The Civil Service unions also expressed concern about the need to reconsider some aspects of the Hardman Report's effect on civil service dispersal in the light of the changed situation today. The Hardman report (which included the results of a cost/benefit analysis of such a dispersal policy) was published in 1973 on the basis of figures compiled in 1972. So much has happened since then in the economic and social field, including changes in the relative position of the South-East and other regions that we think that the IPCS makes a reasonable point when they argue that the dispersal programme should be reappraised. Without wishing to enter into any arguments about the merits of dispersal either in general or in particular cases, **we recommend that it would be desirable to update the Hardman Report so that dispersal policy can be related to the facts of the current situation.**”—(*Mr John MacGregor.*)

Question put, That the proposed paragraph be read a second time.

The Committee divided.

Ayes 12

Mr Bryan Davies  
Mr Michael English  
Mr Geoffrey Finsberg  
Col Sir Harward Harrison  
Mr Robert Rhodes James  
Mr John Loveridge  
Mr John MacGregor  
Mr David Madel  
Dr Edmund Marshall  
Mr Nicholas Ridley  
Mr Tim Sainsbury  
Mr John Wakeham

Noes 13

Mr Arthur Blenkinsop  
Mr Robin Corbett  
Mr John Garrett  
Mr Ted Garrett  
Mr Frank Hooley  
Mr Max Madden  
Mr Robin Maxwell-Hyslop  
Sir Anthony Meyer  
Mr John Roper  
Mr Sedgemore  
Mr Julius Silverman  
Mr Fred Silvester  
Mr Michael Ward

Paragraph 53 read and agreed to.

Paragraph 54 read, amended and agreed to.

Paragraphs 55 to 59 read and agreed to.

Paragraph 60 read, amended and agreed to.

Paragraph 61 read and agreed to.

Paragraphs 62 read as follows:

“ An alternative to scrapping inflation-proofed pensions is to bring pension increases directly into the pay comparison process conducted by the PRU, ie the PRU should assess the extent to which its analogue pension schemes have in fact been updated to keep pace with inflation. It then becomes possible to determine what (if any) relative benefit the civil service system actually gives its current pensioners. For example, if over a given period private schemes have in general kept pace with only 90 per cent of inflation, it is then possible to calculate the value of the extra 10 per cent of inflation uprating received by civil servants. It is this actual amount which has to be considered and, completely in accordance with the 1971 Act, this amount is the amount to be used in calculating civil service pay comparisons.”

Question put, That the paragraph stand part of the Report.

The Committee divided.

Ayes 10

Mr Michael English  
Mr Geoffrey Finsberg  
Colonel Sir Harwood Harrison  
Mr John Loveridge  
Mr John MacGregor  
Mr David Madel  
Mr Robin Maxwell-Hyslop  
Mr Nicholas Ridley  
Mr Tim Sainsbury  
Mr Fred Silvester

Noes 11

Mr Arthur Blenkinsop  
Mr Robin Corbett  
Mr Bryan Davies  
Mr John Garrett  
Mr Ted Garrett  
Mr Max Madden  
Dr Edmund Marshall  
Mr John Roper  
Mr Sedgemore  
Mr Julius Silverman  
Mr Michael Ward

Paragraph 63 read as follows:

“ We see no objection, incidentally, should the civil service trade unions prefer it, to civil service pay negotiators choosing whether they wish to have 100 per cent inflation-proofing with—if the private sector had done less—an offsetting pay deduction, or some lesser percentage of inflation-proofing which would reduce the offsetting pay deduction. This would, however, need an amendment to the 1971 Act (unlike our suggestion in the preceding paragraph) and if this were done it might be desirable to include in pay negotiations representatives of the Civil Service Pensioners' Alliance as well as those of civil service trade unions. **Whether this is done or not, however, we recommend that pension comparisons done in the way we have described above should be included in future pay comparisons and, like the rest of those comparisons, published as we recommend in paragraph 49 above. The civil service and its pensioners as a whole would not thereby lose by comparison with their present theoretical situation but it would be easy to show the public what is happening, ie that if civil service**

pensioners outpace private sector ones, civil servants themselves 'pay' for it by limiting their pay increases below comparable private sector pay increases."

Question, That the paragraph stand part of the Report, put and negatived.

Paragraphs 64 and 65 read and agreed to.

Paragraph 66 read, amended and agreed to.

Paragraphs 67 to 69 read and agreed to.

Paragraph 70 read, amended and agreed to.

Paragraph 71 read and agreed to.

Paragraph 72 read, amended and agreed to.

Paragraphs 73 to 76 read and agreed to.

Paragraphs 77 to 81 read and agreed to.

Motion made, to leave out paragraphs 82 to 92 and insert new paragraphs as follows:

"We believe that there is a need to split the Treasury into two separate departments. The need is for (i) a Planning and Budget Department dealing with public expenditure plans and long strategic economic and industrial planning, and taking on the functions of the CSD and (ii) a Department of Finance dealing with overall monetary and fiscal policy.

We believe that our proposals will (i) bring together the control of expenditure and the responsibility for efficiency (ii) provide a countervailing economic power to the Treasury and (iii) encourage the government to involve itself more in long term planning."—(*Mr Sedgemore.*)

Question, That the proposed paragraphs be read a second time, put and negatived.

Paragraph 82 agreed to.

Paragraphs 83 to 89 read and agreed to.

Paragraph 90 read, amended and agreed to.

Paragraphs 91 to 93 read and agreed to.

Paragraphs 94 and 95 read, amended and agreed to.

Paragraph 96 read and agreed to.

Paragraph 97 read, amended and agreed to.

Paragraphs 98 and 99 read and agreed to.

Paragraph 100 read, amended and agreed to.

Paragraphs 101 to 103 read and agreed to.

Paragraph 104 read, amended and agreed to.

Paragraphs 105 to 107 read and agreed to.

Motion made, to leave out paragraphs 108 and 109 and insert new paragraph as follows:

"A reappraisal of the entire apparatus of Parliamentary control of expenditure is overdue (see Chapter XIV). This review should include an examination of the relationship of cash limits to pay bargaining in the service."—(*Mr John Garrett.*)

Question put, That the proposed paragraph be read a second time.

The Committee divided.

Ayes 7

Mr Robin Corbett  
Mr John Garrett  
Mr Frank Hooley  
Mr Max Madden  
Mr John Roper  
Mr Sedgemore  
Mr Michael Ward

Noes 13

Mr W Benyon  
Mr Michael English  
Mr Geoffrey Finsberg  
Col Sir Harwood Harrison  
Mr Robert Rhodes James  
Mr John Loveridge  
Mr John MacGregor  
Mr David Madel  
Mr Robin Maxwell-Hyslop  
Mr Nicholas Ridley  
Mr Tim Sainsbury  
Mr Fred Silvester  
Mr John Wakeham

Motion made, to leave out paragraphs 108 and 109 and insert new paragraph as follows:

“The Treasury were anxious that we should go on record in this report as supporting severe and insensitive cash limits in the public sector during the operation of Phase III as it was originally envisaged. Recognising that we took no evidence on the subject of cash limits during this inquiry and not wishing to exacerbate pay negotiations in the public sector during the very difficult Phase III of our economic recovery, we feel that the whole subject should be deferred to another day and to a more exhaustive inquiry.”—  
(*Mr Sedgemore.*)

Question put, That the proposed paragraph be read a second time.

The Committee divided.

Ayes 10

Mr Robin Corbett  
Mr Bryan Davies  
Mr John Garrett  
Mr Frank Hooley  
Mr Alexander Lyon  
Mr Max Madden  
Mr John Roper  
Mr Sedgemore  
Mr Julius Silverman  
Mr Michael Ward

Noes 14

Mr W Benyon  
Mr Michael English  
Mr Geoffrey Finsberg  
Col Sir Harwood Harrison  
Mr Robert Rhodes James  
Mr John Loveridge  
Mr John MacGregor  
Mr David Madel  
Mr Robin Maxwell-Hyslop  
Sir Anthony Meyer  
Mr Nicholas Ridley  
Mr Tim Sainsbury  
Mr Fred Silvester  
Mr John Wakeham

Paragraph 108 read as follows:

**We, however, concur with the Government that effective cash limits should be fixed before pay negotiations are entered into.** As the Chancellor of the Exchequer said in the House on 15th July 1977: "For 1977-78 the cash limits have already been fixed and published in Cmnd. 6767. . . . For 1978-79 the assumptions used will reflect the Government's policy on pay". The principle of cash limits would fall to the ground if they merely incorporated existing staffing levels and the results of pay bargaining automatically. Unions, like those they are negotiating with, must understand that: "Spending authorities will not be able to rely on supplementary provisions beyond the cash limits".

Question put, That paragraph 108 stand part of the Report.

The Committee divided.

Ayes 14

Mr Benyon  
Mr Michael English  
Mr Geoffrey Finsberg  
Colonel Sir Harwood Harrison  
Mr Robert Rhodes James  
Mr John Loveridge  
Mr John MacGregor  
Mr David Madel  
Mr Robin Maxwell Hyslop  
Sir Anthony Meyer  
Mr Nicholas Ridley  
Mr Tim Sainsbury  
Mr Fred Silvester  
Mr John Wakeham

Noes 10

Mr Robin Corbett  
Mr Bryan Davies  
Mr John Garrett  
Mr Frank Hooley  
Mr Alexander Lyon  
Mr Max Madden  
Mr John Roper  
Mr Sedgemore  
Mr Julius Silverman  
Mr Michael Ward

Paragraph 109 read as follows:

The second argument against cash limits is about Parliamentary control of expenditure. This argument was expressed by the CPSA and the SCS in their evidence. Their premise was that cash limits did not make sufficient allowance for inflation and that as a result the Civil Service would be subject to unplanned cuts of a drastic nature. These cuts would prevent the Civil Service from performing its job properly; it would be forced to frustrate Parliament's will simply in order to make ends meet.

"Since the vast majority of Civil Service spending in terms of resources is carrying out what Parliament has decided that it should carry out, and if the resources are not going to be kept and are going to be cut back without Parliament being able to scrutinise and control that, it seems to us that Parliament's knowledge and, therefore, control of, departmental spending, will begin to slip away."

We were not impressed by this argument. The real problem is that Parliament has no effective control over the appropriation of public expenditure. It is our view that cash limits, rather than frustrating Parliamentary control, will enable Parliament to exercise a more detailed and informed control

over expenditure. The Government should build into cash limits such allowance for increases in the rate of inflation as they see fit. It is necessary to reform the psychology in the departments, the assurance that there can always be recourse to a supplementary estimate. The departments must plan their yearly expenditure on the assumption that they will receive no more than their allotted cash blocks. Indeed as the CPSA witnesses admitted in evidence, many of the examples which he quoted as "a feedback of the way in which cash limits are preventing Civil Servants from doing the job that they are supposed to be doing" were in fact largely due to inexperience in dealing with cash limits. Further, we agree with the recommendation in a supplementary memorandum from the CPSA that "the Treasury publish the facts for open discussion". The CPSA was primarily concerned that the cuts made in compliance with cash limits should be publicly identifiable. Their recommendation has a more general relevance to cash limits. Publication of more detailed information on cash limits would permit more informed Parliamentary discussion: Parliament would be in a position to intervene more meaningfully in the dialogue between the Treasury and the Departments. **A reappraisal of the entire apparatus of Parliamentary control of expenditure is overdue (see Chapter XIV). Cash limits should also be reviewed from this point of view.**

An Amendment made.

Question put, That the paragraph, as amended, stand part of the Report.

The Committee divided.

Ayes 14

Mr Benyon  
 Mr Michael English  
 Mr Geoffrey Finsberg  
 Colonel Sir Harwood Harrison  
 Mr Robert Rhodes James  
 Mr John Loveridge  
 Mr John MacGregor  
 Mr David Madel  
 Mr Robin Maxwell Hyslop  
 Sir Anthony Meyer  
 Mr Nicholas Ridley  
 Mr Tim Sainsbury  
 Mr Fred Silvester  
 Mr John Wakeham

Noes 10

Mr Robin Corbett  
 Mr Bryan Davies  
 Mr John Garrett  
 Mr Frank Hooley  
 Mr Alexander Lyon  
 Mr Max Madden  
 Mr John Roper  
 Mr Sedgemore  
 Mr Julius Silverman  
 Mr Michael Ward

Paragraph 110 read and agreed to.

Paragraph 111 read, amended and agreed to.

Paragraph 112 read and agreed to.

Paragraphs 113 to 116 read, amended and agreed to.

Paragraphs 117 to 121 read and agreed to.

Paragraph 122 read, amended and agreed to.

Paragraphs 123 to 126 read and agreed to.

Paragraphs 127 and 128 read, amended and agreed to.

Paragraphs 129 to 133 read and agreed to.

Paragraph 134 read, amended and agreed to.

Paragraph 135 read and agreed to.

Paragraphs 136 to 139 read, consolidated and agreed to.

Paragraph 140 read, amended and agreed to.

Paragraph 141 read and agreed to.

Paragraph 142 read as follows:

“There is one subject upon which your Sub-Committee have received little or no formal evidence and that is the extent to which Civil Servants as opposed to Ministers can and do decide policy matters. Therefore we have had to rely in this chapter upon the experiences of Ministers and ex-Ministers.”

Paragraph disagreed to.

Paragraphs 143 to 146 read and agreed to.

Paragraph 147 read, amended and agreed to.

Paragraph 148 read and agreed to.

Paragraph 149 read, amended and agreed to.

Paragraphs 148 and 149 consolidated.

Paragraphs 150 and 151 read and agreed to.

Paragraphs 152 and 153 read, amended and agreed to.

Paragraphs 154 and 155 read and agreed to.

Paragraphs 156 to 158 read, amended and agreed to.

Paragraphs 159 and 160 read and agreed to.

Paragraph 161 read, amended and agreed to.

Paragraph 162 read as follows:—

An obvious field where the principles we advocate above might take effect is in the field of local government which, after all, is responsible for approximately one-third of public expenditure, most of which is money received from the Exchequer. We note the Government's views expressed in the Green Paper on Local Government Finance and agree with the Government's desire to abolish the right of local authorities to appoint their own auditors. The Government seems confused, however, when it wishes the District Audit to remain associated with the Department of the Environment and yet “entirely independent of the departments in the exercise of their statutory duties in carrying out audits. . . .” **The Comptroller and Auditor General should in our view take over responsibility for the 591 staff of the District Audit from the Department of the Environment and thus secure the independence from the executive sought by the Green Paper.** Above all we fail to see the need for the institution described in paragraphs 7.6 and 7.7 of the Green Paper as the “independent institution”.

Since it would be appointed (and therefore presumably dismissable) by Secretaries of State, it could hardly be truly described as independent. "The Government propose that the Head of the Audit Service should produce an annual report" which the "independent institution" should "comment on". It may be desirable that the Comptroller and Auditor General (who would be "the Head of the Audit Service" under our proposals) should produce an annual report in addition to the ad hoc ones he currently produces. The Parliamentary Commissioner for Administration, an officer more recently instituted by Parliament, does both. What we are certain about is that the Comptroller and Auditor General should report to a Select Committee of the House of Commons which would undoubtedly be capable of attracting the "sufficient publicity" desired in the Green Paper and would be more "independent" than a body of nominees "put forward by the local authority associations" and Ministers.

Question put, That paragraph 162 stand part of the Report.

The Committee divided.

Ayes 14

Mr Bryan Davies  
 Mr Michael English  
 Mr John Garrett  
 Mr Robert Rhodes James  
 Mr John Loveridge  
 Mr Alexander Lyon  
 Mr John MacGregor  
 Mr Max Madden  
 Mr David Madel  
 Mr Robin Maxwell-Hyslop  
 Mr Nicholas Ridley  
 Mr Tim Sainsbury  
 Mr Sedgemore  
 Mr John Wakeham

Noes 5

Mr Geoffrey Finsberg  
 Mr Philip Goodhart  
 Col. Sir Harwood Harrison  
 Mr John Roper  
 Mr Michael Ward

Paragraphs 163 to 166 read and agreed to.

Paragraph 167 read, amended and agreed to.

Paragraph 168 read as follows:

Apart from its staff and subordinate organisations, the House must act for much of the time through Committees. Unfortunately, the House does not possess a comprehensive set of committees relating to each Department of State such as exists in, for example, the United States and EEC countries. The nearest thing to such committees are the sub-committees of this Expenditure Committee upon which less than 10 per cent. of Members of the House sit. **We wish to see backbenchers sitting on committees set up for a Parliament specifically related to the Departments of State and so recommend. Those committees should have an adequate specialist staff.** Consideration should also be given to such staff being available to Members on a party basis.

Amendment proposed, in line 7, to leave out from the word "sit" to the end of the paragraph.—(*Mr John Roper.*)

Question, That the Amendment be made, put and negatived.

Another Amendment proposed in line 9, to leave out from the word "staff" to the end of the paragraph.—(*Mr Geoffrey Finsberg.*)

Question put, That the Amendment be made.

The Committee divided.

Ayes 13

Mr W. Benyon  
Mr Geoffrey Finsberg  
Mr Philip Goodhart  
Colonel Sir Harwood Harrison  
Mr Robert Rhodes James  
Mr John Loveridge  
Mr David Madel  
Mr Robin Maxwell-Hyslop  
Sir Anthony Meyer  
Mr Nicholas Ridley  
Mr Tim Sainsbury  
Mr Fred Silvester  
Mr John Wakeham

Noes 8

Mr Bryan Davies  
Mr Michael English  
Mr John Garrett  
Mr Alexander Lyon  
Mr Max Madden  
Mr John Roper  
Mr Sedgemore  
Mr Michael Ward

Paragraph, as amended, agreed to.

Paragraph 169 read, amended and agreed to.

A paragraph (Summary of Recommendations) brought up, read and agreed to.

Appendix.

Paragraphs 1 to 6 read and agreed to.

Paragraph 7 read, amended and agreed.

Title of Report amended.

Ordered, That this be the Eleventh Report of the Committee to the House.

*Ordered*, That the Chairman do make the Report to the House.

Ordered, That the provisions of Standing Order No 85 (Select Committees (Reports)) be applied to the Report.