1976-77 (535-II Part I) **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. The Civil Service. Volume II-(Part I). Minutes of evidence. Evidence taken from 3 May to 18 October 1976 (in two parts)**

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 II—(Part I)

MINUTES OF EVIDENCE
EVIDENCE TAKEN FROM 3 MAY TO 18 OCTOBER 1976 (IN TWO PARTS)

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

535—II

97

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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 such 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.

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Monday 18 *November* 1974

The Expenditure Committee was nominated of :

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

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

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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 Phillip 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

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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 James Boyden
Mr John Garrett
Mr John Loveridge
Mr John MacGregor
Mr Giles Radice
Mr Nicholas Ridley
Mr Brian Sedgemore
Mr Fred Silvester

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MINUTES OF EVIDENCE TAKEN BEFORE THE EXPENDITURE COMMITTEE (GENERAL SUB-COMMITTEE)

MONDAY, 3 MAY 1976

Members present:

Mr Michael English, in the Chair

Mr John Garrett
Mr Nigel Lawson
Mr John Loveridge
Mr John MacGregor
Mr Giles Radice
Mr Nicholas Ridley
Mr Brian Sedgemore

THE RESPONSE TO THE FULTON REPORT

Memorandum submitted by the Civil Service Department

SECTION 1: THE CIVIL SERVICE DEPARTMENT: ITS ROLE AND RESPONSIBILITIES

FULTON'S RECOMMENDATIONS (Recommendations 115–123 and 127)

To ensure that their wide-ranging proposals could become fully effective, the Fulton Committee believed that the role of central management should be changed and enlarged, governed by the principle of looking at the job first before selecting the individual best fitted to fill it. This was to be the role of a new Civil Service Department (CSD) having the appropriate degree of ultimate authority where the interests of the public service as a whole were affected.

2. This new department would absorb the functions of the Civil Service Commission and take over the Treasury's functions in respect of the pay and management of the Civil Service. Staff would be a mixture of short-term and long-term appointments, having able people from other Government departments and outside the service, and would include a significant number of specialists. It would exercise an appropriate measure of central management for all the major occupational groups and should include a planning unit.

3. The official head of the CSD would be designated Head of the Home Civil Service and receive a lead in pay over the other official heads. The Prime Minister would have overall responsibility for the CSD, assisted in day-to-day operations by a senior Cabinet Minister, but retaining direct responsibility for senior appointments, the machinery of Government and security. A committee, composed of a rotating membership of Permanent Secretaries, scientists, other specialists, and one or two eminent people from outside the Service, would assist the Head of the Civil Service in making his recommendations to the Prime Minister for top appointments.

PROGRESS

4. On the day of publication of the Report* the Prime Minister announced† that the Government accepted the proposal to establish a new CSD. It came into existence on 1 November 1968, encompassing the Civil Service Commission, and the functions exercised by the Pay and Management Group of the Treasury. Formal arrangements were made to ensure the continued independence of the Commission in the selection of individuals for appointment to the Civil Service. The Prime Minister, as Minister for the Civil Service, is responsible for the work of the CSD, retaining direct responsibility for machinery of Government, appointments and security, and otherwise delegating day-to-day responsibility to a Cabinet Minister. The official head is designated the Head of the Home Civil Service but shares his lead in pay with three other official heads of departments (rather than having the unique lead proposed by Fulton).

*Cmnd 3638.
†Official Report, vol 767, col 455.

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5. The functions of the CSD may be broadly classified under two headings:

(i) personnel management—responsibility for policy and central arrangements for recruitment, selection, training, promotion, postings and general career management; terms of service, including control of rates of pay and allowances; the structure of the civil service in terms of grades and occupational groupings; the development and execution of policy on civil service superannuation; co-ordination of pension arrangements throughout the public sector; catering, welfare and security.

(ii) administrative and managerial efficiency—responsibility for the development and dissemination of administrative and managerial techniques; for the general oversight of the organisation of departments and for continuing study of the machinery of Government; providing central managenent services, e.g. organisation and methods, computers, and operational research; exercising central authority in respect of departmental administrative expenditure generally, and departmental manpower requirements in terms of both numbers and gradings.

The CSD also provides certain common services for a number of departments, for example catering services and a computerised payroll service.

6. The CSD is staffed by a mixture of long-term and short-term appointments, including specialists (e.g. scientists, engineers, psychologists and other professionals. The staffing policy recognises the desirability of securing a high degree of interchange of personnel between the CSD and the civil service generally. The present move is towards a cadre (including short-term appointments) of some 100 per cent. of complement (excluding most posts in the College and some other highly specialised posts which are open to all in the service), with up to 25 per cent. of the CSD's posts at any one time, particularly at more senior levels, being filled by interchange from the service generally.

7. In July 1968, with the Prime Minister's approval, a committee consisting of a number of senior officials, including senior professional civil servants, was set up to assist the official Head of the Home Civil Service in making his recommendations to the Prime Minister for the filling of Home Civil Service vacancies at Deputy Secretary level and above. The committee has met monthly since then.

8. The planning of the CSD's work is supervised and directed by the Permanent Secretary's Management Group, comprising the Department's Permanent and Deputy Secretaries and Principal Establishment/Finance Officer. It is served in this function by the Central Division.

9. By separating the management of the civil service from the Treasury and bringing it directly under the Prime Minister, the Government established it as a central function in its own right. In turn, this has helped the CSD to develop as a central department in its own right, with its own outlook and professional skills.

SECTION 2: CSD'S RELATIONS WITH OTHER DEPARTMENTS AND STAFF ASSOCIATIONS

FULTON'S RECOMMENDATIONS

Other Departments (Recommendations 124–126)

10. Fulton recommended that there should be delegated to individual departments the maximum authority in staff and organisation matters compatible with the requirements of the service as a whole. The manner in which this balance might develop was illustrated:

(i) departments should play a greater part in recruitment, both in the direct recruitment of specialist staff and in stating their future requirements for centrally recruited staff;

(ii) on questions of departmental efficiency and organisation the main role of the CSD was seen as that of encouraging use of the most modern techniques, assisting reorganisation at higher levels and, in the last analysis, taking an active role in ensuring that necessary improvements are made;

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(iii) in the management of staff, especially the planning of careers, whilst the main responsibility would remain with the employing departments, the CSD should be responsible for informing itself about exceptionally able civil servants; consulting the employing departments about their training and development; and taking the initiative in proposing appropriate moves;

(iv) the CSD should be involved in all promotions to the Senior Policy and Management Group (Under Secretary level and above) being represented on the departmental promotion boards.

The Treasury (Recommendations 127–130)

11. The CSD would take over the functions then exercised by the " Pay and Management " group of the Treasury, including:

(i) responsibility for advising the Prime Minister on machinery of Government questions;

(ii) general supervision of departmental organisation;

(iii) the development and dissemination of administrative and managerial techniques.

It should have sole responsibility for applying the Government's incomes policy to the public service, and for ensuring that departments are efficiently and economically staffed.

12. Working procedures between the central departments themselves, and between these and spending departments, should be so devised to reduce administrative complications to the minimum, and arrangements should be based upon the clearest possible distinction between the functions and responsibilities of the two departments.

Staff Associations (Recommendation 131)

13. The CSD and the staff associations should jointly take part in a review to determine a new pattern of joint consultation reflecting the results of the changes stemming from the Report.

PROGRESS

Other Departments

14. These recommendations have been accepted, the role of the CSD being one of partnership with the other departments in running the Civil Service and in planning and implementing the developments that are needed in it. In management services, there has been a move towards greater self reliance within departments on their own management services and computer resources, while the CSD builds up its competence in specialist techniques and deals with inter-departmental problems after necessary consultation. In personnel management, while the CSD plays a larger part, each department continues to have the main responsibility for its own staff, and progress is being achieved mainly by extending and improving personnel management work within departments; with the CSD co-ordinating departmental thinking and offering advice and guidance where possible.

15. The CSD is consulted about all appointments at Under Secretary level, and forthcoming vacancies at Under Secretary level throughout the Service are monitored by the CSD to ensure that the most suitable candidates are considered for promotion. A representative from CSD is frequently invited by departments to sit on departmental promotion boards when candidates for promotion to Under Secretary are being considered. To enable the CSD to make an effective contribution in ensuring consistency of practice throughout the service, and to exercise a central role in managing the career development of staff with high potential, a comprehensive register of all staff at and above Under Secretary, and staff below this level who have the potential to be considered for appointments at and above Under Secretary level, is maintained in the CSD. Departments are asked annually to review their lists of promotable staff and to send up-to-date assessments to the CSD. Particular attention is paid to staff considered to have the potential to rise to Deputy Secretary and Permanent Secretary level and the CSD seeks to ensure that such staff have as wide an experience outside their own departments as possible at an early stage in their careers. In addition Departments are asked to train as many as possible

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of their high quality staff in the specialist areas of personnel and finance work with a view to building up a nucleus of staff for eventual succession to the key posts of Principal Establishment Officer and Principal Finance Officer.

16. Departments have been asked to frame schemes for career development of their staff, and the CSD has co-ordinated these studies. As a result, a more systematic approach to career development is being introduced throughout the Civil Service.

The Treasury

17. Responsibilities between the CSD and the Treasury are divided as recommended by Fulton, with the transfer of the functions of the old Treasury Pay and Management Groups.

The CSD exercises these functions in such a way as to foster increased efficiency and economy in the Civil Service in the performance of its tasks while the Treasury continues to exercise its responsibilities in the economic and financial fields.

18. The working procedures established between the spending Departments and the two central departments have proved themselves and are well understood. Department estimates are addressed to the Treasury, but the CSD is responsible for any decision involving the scale of staffing. Hence, while the Treasury retains general responsibility for public expenditure management, the CSD is specifically responsible for questions involving manpower. The Treasury's domestic Estimate and the CSD's domestic Manpower Estimate are approved by the CSD Manpower Group. Other domestic CSD expenditure is subject to Treasury approval in the normal way.

Staff Associations

19. Joint consultation has been a vital component in the effective implementation of the changes stemming from Fulton. The existing Whitley system, with more than fifty years experience, provided the necessary vehicle, but some specific developments were thought necessary to cater for Fulton.

On the official side the inter-departmental consultative machinery was headed by a steering committee under the chairmanship of the Official Head of the Home Civil Service, consisting of Permanent Secretaries and top professionals from several departments. Four sub-committees were also set up to deal with grading structure, recruitment, management and training, and the organisation of work. Special arrangements were also made by the Staff Side of the National Whitley Council.

20. The Fulton Report recognised that the short term implementation of the recommendations would raise different problems for the consultation machinery from those of the long term. In the short term, adaptable machinery would be needed, capable of speedy decisions. The then existing Whitley machinery was therefore adapted by establishing a special Joint Committee of the National Whitley Council as the main forum for both consultation and negotiation, without any limiting terms of reference. Its task was a general one—the reconstruction of the Civil Service, with the Fulton Report as the basic factor in that programme. The Committee prepared four annual reports, 1969–72, outlining the issues involved in implementing Fulton, explaining how they were being tackled and describing those on which action had been taken.*

21. The changes in Civil Service structure which resulted from those discussions inevitably affected the staff associations for the grades involved. The absorption of some departmental grades into the Administration Group has led their staff associations to merge with the service-wide associations. For example, associations representing departmental grades in the Department of Employment and the Court Service have merged with the Civil and Public Services Association or with the Society of Civil Servants. Another type of merger has been that of a number of associations representing staff in Customs and Excise, who first formed a single Customs and Excise Group and then merged with

*Developments on Fulton (1969); Fulton: A Framework for the Future (1970); Fulton—The Reshaping of the Civil Service: Developments During 1970 (1971); The Shape of the Post-Fulton Civil Service (1972).

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the Society of Civil Servants. Nevertheless, the merger of the main general service classes into the Administration Group and the aggregation to it of other departmental classes has created some problems over the demarcation of representation between associations.

22. We understand that the National Staff Side have been reviewing the longer term internal organisation of the Civil Service trade union movement. Meanwhile, substantial improvements have been made in the ability of staff representatives to perform their tasks through the conclusion of a comprehensive, liberal and up-to-date agreement on the facilities available to them.

SECTION 3: RECRUITMENT

FULTON'S RECOMMENDATIONS

23. The recommendations in Fulton which relate to, or have an important bearing on, recruitment fall into the following six, broad categories.

(*a*) Integration of recruitment, training and career management.
(Recommendations 14–18, 20–23, 26)

24. Fulton saw recruitment as essentially inseparable from training and career management; thus the Civil Service Commission should become part of the new CSD, and departments should have more say in the recruitment of individuals.

(*b*) The relevance of previous academic study.
(Recommendations 24, 25, 32)

25. A majority of the Committee believed that an important qualification for the recruitment of graduates to administrative posts should be the relevance of their studies to their future work, and that at lower levels academic qualifications could be pointers to directions of specialization of new recruits.

(*c*) Methods of selection and problems of delay.
(Recommendations 19, 27–29)

26. Fulton proposed an investigation into the recruitment of graduates for administrative posts, to consider ways of making the selection process more objective. The Committee was also concerned about the slowness of recruitment procedures generally and the delay in offering appointments to successful candidates, and proposed an inquiry into the operation of the Commission.

(*d*) Introduction of a training grade for the graduate entry.
(Recommendations 31, 36, 37, 43; Appendix F)

27. Fulton recommended the introduction of a training grade for the graduate entry, and noted that the service might need to recruit more graduates for administrative work.

(*e*) New terms of employment.
(Recommendations 62, 66, 70, 77, 78)

28. Fulton proposed new terms of employment under which there should be a two-year period of probation for all appointments except temporary staff, and on successful completion of probation an individual would be offered indefinite employment, subject to appropriate notice and termination only on specified grounds. Fulton also recommended that the proportion of temporary staff should be substantially reduced, and that the pension scheme should be extended to cover temporary staff.

(*f*) The value of outside experience.
(Recommendations 33, 60–61, 64)

29. Fulton stressed the importance of more contact between the service and the outside world. There was a need for late entry of staff at all levels; more period appointments, particularly of specialists; and ministerial appointments of special advisers.

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PROGRESS

(*a*) **Integration of recruitment, training and career management**

30. The setting up of the CSD in November 1968, and the integration into it of the Civil Service Commission, gave practical effect to the recommendation that there should be a closer and more coherent relationship between recruitment, training and all other aspects of Civil Service management. Formal arrangements were made to ensure the continued independence and political impartiality of the Civil Service Commissioners in the selection of individuals for appointment to the Civil Service. In practice, these arrangements have worked well.

31. Arrangements for the division of recruitment between departments and the Civil Service Commission have been reviewed not only in the light of Fulton's recommendations for greater departmental influence on recruitment but also in the context of the changes in recruitment and establishment arrangements resulting from the introduction of the new Civil Service Pension Scheme in June 1972, including the abolition of non-pensionable temporary appointments of indefinite duration (see para 138 below).

32. Greater flexibility has been introduced into the recruitment arrangements to ensure that departments get the staff they need as quickly as possible. For scientists and for some other grades, new " decentralised " arrangements have been introduced which make departments responsible for the administrative handling of the recruitment process. The Commission participates in short-listing and in the selection board, for which the Commission normally provides the Chairman. A substantial measure of recruitment was already delegated to departments; this has been extended to permit the delegation of recruitment of Assistant Scientific Officers and of Professional and Technology Officer Grades III and IV.

33. Fulton proposed that departments should be better represented on central selection boards, and that these boards should be primarily composed of younger people. Both proposals reflected existing practice for example in the recruitment of scientists and HM Inspectors of Taxes. It is difficult to free serving civil servants from their day-to-day work in sufficient numbers to cope with recruitment needs. But departmental representation has been increased as recommended; for example, in the extended interview system of selection for graduate administrators, most interview teams now include a youngish Principal serving in a line management job, while about a third of the intakes are chaired by serving Under Secretaries despite the difficulty of securing such people. A high proportion of young psychologists is also employed. In the recruitment of Executive Officers (EOs) the composition of boards has been altered so that there are now two departmental members rather than one, and two members drawn from the Commission's panel of interviewers.

(*b*) **The relevance of previous academic study**

34. The Prime Minister announced in the House of Commons on 21 November 1968 that the Government had rejected the majority recommendation that in selecting graduates for administrative posts, preference should be given to those whose university studies had been in subjects considered closely relevant to Civil Service work (Official Report Vol 773 Cols 1553 and 1554). This decision did not however imply dissent from the more general recommendation that candidates should be selected with a potential for developing the kinds of quality and expertise which are relevant to Civil Service work—including the ability to use quantitative methods and to understand numerical techniques. Some of the tests taken before and during the extended interview system of selection are designed to explore those characteristics, and successful candidates are given relevant training after entry.

35. In the case of specialist posts, entrants with such qualifications as the HNC, or with 'A' levels in scientific and technical subjects, are already assigned to posts where their qualifications are relevant. Non-specialist qualifications may be regarded as tentative pointers to the work to which school-leavers are assigned, but, if they are to specialise, performance during the early years of service seems to provide a more useful guide than their qualifications before entry.

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36. The majority of school-leavers come into the Administration Group in the clerical and executive grades. Assignment to departments depends largely on their preferences for location and department and the existence of vacancies. For school-leaver and graduate entrants to the EO grade, the Commission provides departments with information about special aptitudes or suitability for a particular type of work when this can be established at the selection stage. Departments are also provided with candidates' application forms and other recruitment papers, so that they now have much more detail about the candidates assigned to them than hitherto.

(*c*) **Methods of selection and problems of delay**

37. As a direct result of Fulton, two investigations were completed in 1969 into methods of selection and problems of delay in recruitment procedures.

38. The Civil Service Commission was restructured on a line-management basis following a report by Cooper Brothers and Co into the working of the Commission. This change resulted in a substantial speeding up of the competition procedures (up to 30 per cent. improvement in many cases with a 15 per cent. reduction in staff), helped by computerising some of the major schemes involving written examinations.

39. The report of the Davies Committee* into the extended interview (Method II) system of selection of graduate administrators found no fundamental weaknesses but suggested a number of (mainly procedural) changes, covering such questions as the selection and training of assessors, follow-up and research. These have been adopted. They dismissed the idea that there was social bias either in the procedures or on the part of assessors, and concluded ". . . the make up of the entry . . . reflects the character of the candidates who chose to compete rather than the choice made by the selectors from within that field." Overall the Committee concluded that the Method II selection system was one which the public service could point to with pride and added " no other post-war development in the field of personnel selection in this country has had so strong and so pervasive an influence. . . ."

40. In 1973 the CSD's Behavioural Sciences Research Division were asked to undertake an evaluation of procedures used in the selection of specialists, with particular reference to the part played by the board interview. BSRD conducted a pilot study on the recruitment of HM Inspectors of Factories, and a number of improvements have been made to the selection methods used in that recruitment. Following publication of the BSRD report, a Commission working party was set up in August 1975 to consider ways of improving selection methods for a wide spectrum of specialist posts. In the meantime, experiments are being tried in the selection of Actuarial Officers and Legal Assistants.

41. The Method 1 system of selection of graduate administrators has been abolished, but separate entry competitions for grades such as Inspectors of Taxes and Department of Employment Cadets were shown to be necessary and have continued, with departments playing an increased part in the selection processes.

(*d*) **Introduction of a training grade for the graduate entry**

42. A survey of departments' manpower requirements pointed to a clear need for some strengthening of the service's middle management in order to cope with the greater complexity of Government administration and the increasingly sophisticated techniques required to tackle it. The survey showed that graduate recruitment needed to be expanded, and that the extra graduates would be required for a wide range of administrative work and would need to possess much the same blend of personal and intellectual qualities as had been sought in Assistant Principals, though to a rather less marked degree.

43. Arrangements for managing an expanded graduate entry were introduced with the merger of the Administrative, Executive and Clerical Classes into the Administration Group on 1 January 1971. The merger was accompanied by a major change in the recruitment of graduates for administrative work. The object of this change was to provide the necessary strengthening of the Civil Service's middle management without

*Cmnd 4156.

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diminishing the attraction of the service for the most able graduates who had previously entered the Administrative Class as Assistant Principals and who would continue to be a vital source of supply for many of the top posts in the service. It was decided to recruit to the graduate entry to the Administration Group about twice as many graduates as had been recruited as Assistant Principals and from a rather wider range of abilities; and at the same time to provide better opportunities for earlier rapid advancement, on equal terms with the graduate entrants, for the most talented young men and women already in the service. Under these arrangements graduate and in-service candidates are selected under the same procedure for appointment as Administration Trainees. With a few modifications the procedure is the former " Method II " system of selection for Assistant Principals. With the introduction of the new grade of Administration Trainee the grade of Assistant Principal was abolished. The best Administration Trainees are selected for promotion to HEO(A) (" fast-streamed ") between two and four years after becoming ATs. Departments' recommendations for promotion to HEO(A) are subject to review by the Central Probation Board whose functions have been extended for the purpose. HEO(A)s are considered for direct promotion to Principal after two-three years in the grade.

44. In addition to graduates recruited under the Administration Trainee scheme, the number of graduates who enter the Administration Group as Executive Officers has been rising steadily over the past few years: there were about 1,300 in 1973, 1,800 in 1974 and 1,800 again in 1975, compared with about 300 in 1968.

(*e*) **New terms of employment**

45. Fulton's recommendations relating to new terms of employment are dealt with in Section 4. The following paragraphs are concerned with their implications for recruitment and probation, which must also be viewed against the decision, recommended by Fulton, to extend the pension scheme to cover temporary staff.

46. Important changes have been made in recruiting arrangements following the introduction in June 1972 of the new Civil Service Pension Scheme (see Section 10). All civil servants, apart from certain special cases, are now covered by this scheme. This has meant the disappearance of the non-pensionable unestablished or " temporary " civil servant. The Civil Service Commission has always been the guardian of standards in permanent appointments to the Civil Service, and has a particular responsibility to ensure that staff are selected on the basis of fair and open competition. New recruiting arrangements have been introduced which ensure that the Commission fulfils this traditional function and at the same time enable departments to play their part in selecting staff. All applicants for Civil Service posts are now tested against the appropriate standard, and if successful are given established appointment at the outset, subject to confirmation on satisfactory completion of probation. The Commission's Certificate of Qualification remains the hallmark of permanent appointment. Unestablished appointments are made only where there is a shortage of applicants fully up to the appropriate entry standard; where there is a doubt about the applicant's health; or where for certain grades it is impracticable to test against standard on initial recruitment and all recruits have to be tried out in the job. Unestablished appointees are established after a satisfactory period of trial service, or their appointments are terminated if their service is unsatisfactory. Established and unestablished appointments are made from the same recruitment scheme, which is run by the Commission where recruitment is centralised and by departments where it has been delegated. Departments are free to recruit staff for limited period appointments of up to five years, and for casual or seasonal employment.

47. A standard period of probation would run counter to the concept that as a matter of good management practice probation periods should be kept as short as possible, provided that they fulfil their function, so that recruits may know where they stand as quickly as possible. Accordingly the existing probation periods, which are one or two years according to the level and nature of the post, have been retained, rather than making all probation last two years.

48. The corollaries of offering an established appointment at the initial recruitment stage are first that selection must be as reliable as possible, and, second, that probation

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should be an effective supplement to selection and a real beginning to career management. The new pattern of recruitment leaves unchanged the character of probation; it provides a testing time during which a recruit shows by his performance his fitness for confirmation in an established appointment.

Fulton also recommended that probation should be made more effective. Meaningful probation has an important part to play in the management of new recruits, and it has been stressed to departments that termination of appointment, or where appropriate re-grading, must be used without hesitation where it is clear that the individual is not up to the required standard. The central probation arrangements have been maintained for Administration Trainees, direct-entry Principals and grades in the Science Group above Scientific Officer.

49. It was also necessary to consider the position of existing unestablished staff, and any others appointed during the latter half of 1972 pending the introduction of the new recruitment arrangements. It was decided that all unestablished staff in post before the introduction of the new pattern of recruitment, apart from certain special cases, should be nominated by their department for establishment as soon as their performance on the job was considered to be satisfactory, provided they had served for not less than the probation period appropriate to their grade; and that they should in any event be nominated on completion of five years' service.

(*f*) **The value of outside experience**

50. The value to the civil service of contact with the outside world has been acknowledged, and Fulton's recommendations have been accepted in principle.

51. Late entry currently takes place at Principal level in the Administration Group, and is very common in all specialist fields. In addition, some direct recruitment of older Executive Officers (i.e. beyond the normal direct recruitment upper age limit of 28) has taken place in recent years in order to meet specific needs. (See also Section 6 para 91 on the interchange of staff with other employments.)

52. Period appointments are quite common in the specialist fields and can occur at high levels. The number of such appointments is believed to have increased but there is no central information on them.

53. It has been the practice over several Administrations for special advisers to be appointed by Ministers. Since the present Government returned to office in February 1974, this has happened on a larger scale than hitherto, with the number of special advisers totalling at one time some 40. Most of these, whether full-time or part-time, have been paid from public funds and treated as civil servants on period appointments. Guidance on the appointment and conditions of service of special advisers is a matter for the Prime Minister of the day; special advisers are normally subject to Civil Service rules of conduct.

SECTION 4: TERMS AND CONDITIONS OF EMPLOYMENT

FULTON'S RECOMMENDATIONS

54. The recommendation on terms and conditions of employment made in the Fulton Report fall into the following three broad categories.

(*a*) **Terms of Employment** (Recommendations 77, 78)

55. Fulton considered that new terms of employment were required to encourage greater mobility into and out of the civil service. The Committee recommended that because the term "Establishment" induced an atmosphere within the Service that offered too much protection it should be abolished. It proposed new terms of employment, including a two-year period of probation for all appointments except temporary staff, and the offer of indefinite employment to individuals who successfully completed their probation, subject to a reasonably long period of notice. The service should be able to end the employment only on certain specified grounds, including redundancy and culpable inefficiency. It also proposed that the process of confirming a civil servant in his appointment should be handled as simply as possible.

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(*b*) **Working Environment** (Recommendation 92)

56. Fulton remarked on the " generaliy shabby " appearance of many Government offices, and the damaging effect which poor working conditions could have on efficient working and staff morale. It recommended improvements, especially in lavatories and wash-room facilities.

(*c*) **Pay** (Recommendations 93, 108–111, 30)

57. Fulton recommended that civil service pay should continue to be determined by the principle of " fair comparison," and that negotiation and arbitration in the settling of pay claims should be preserved. Other proposals about pay were that each grade except Permanent Secretary should carry a range of pay; annual increments should continue up to the level of Under Secretary, but it should be possible to accelerate them for especially good work, and withhold them when they had not been earned; above this level there should be " bands " of pay, and the progress of each officer through the band should be determined by an annual review of his performance; and the pay of typists should be examined to combine scales suitable for girls who wanted a career in the service with scales appropriate for those who preferred a short-term contract.

PROGRESS

(*a*) **Terms of Employment**

58. Most of the distinctions between " established " and " unestablished " status have been removed. Following the introduction of the new superannuation scheme for the civil service in June 1972, all appointments qualify for pension purposes, and all candidates who achieve the appropriate standard on initial recruitment and are successful, are given established posts from the outset, subject to confirmation of their appointment on the satisfactory completion of a probationary period.

59. The grounds for prematurely ending a civil servant's employment have been clearly laid down, as the Fulton Committee recommended (see paragraph 140). In all cases, as much informal notice as possible is given, and when retirement is in the public interest, established staff are guaranteed at least six months' formal notice.

60. With the introduction of the new pension scheme (see para 138), " temporary " status was abolished, so that a further recommendation of the Fulton Committee—that temporary staff should be offered short-term appointments for a specified period of years —was covered indirectly.

(*b*) **Working Environment**

61. Action on the working environment of civil servants has been jointly co-ordinated by CSD and the Property Services Agency (PSA), and since 1973 by the Working Environment Joint Unit (WEJU) which is staffed by, and reports to, both. The Joint Committee on Accommodation of the National Whitley Council has replaced the occasional Official Side/Staff Side meetings which formerly dealt with accommodation matters.

62. While many civil servants already enjoy reasonable working conditions, there has been wide agreement for some years that for many others improvements were needed in the interests of efficiency and good staff morale.

The quality of accommodation is governed in the long term by a set of office accommodation standards which are being systematically reviewed in consultation with professional experts, departments, the Staff Side and the Treasury. Meanwhile, the many existing offices which are below the present standards are being improved in annual instalments, as resources permit, according to priorities decided in consultation with the occupying departments and the Staff Side. Progress in has to take account of the need for strict economy in public expenditure.

63. Following the report of an inter-departmental working party on office cleaning, and discussions with representatives of employers and employees in the contract cleaning trade, revised arrangements are being introduced which should result in significant improvements in the standard of cleaning in Government offices.

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(*c*) **Pay**

64. Civil service pay has continued to be determined by the principle of fair comparison subject to the requirements of national incomes policy. The Civil Service Arbitration Agreement continues to provide for reference to the Civil Service Arbitration Tribunal in cases where the Official and Staff Sides cannot reach an agreed settlement on pay or other specified matters. At the time of the Fulton Report the pay of the main grades was the subject of a pay research survey every three years; during 1970 it was agreed with the National Staff Side that the length of the cycle should be reduced to two years and in 1974 a comprehensive new pay agreement was concluded which provided for annual pay reviews in accordance with the established principles of fair comparisons and for consolidation and improvement of the detailed procedures. Under the recent White Paper " The Attack on Inflation," however, the process of comparison and the 1974 pay agreement are for the time being suspended.

65. The salaries of high-level public servants (including senior civil servants from the grade of Under Secretary upwards) are determined separately. The Top Salaries Review Body (TSRB) was set up in November 1970 to make recommendations to the Prime Minister about such salaries, and the first interim review of Higher Civil Service pay by this body was operative from 1 January 1972. The TSRB's first substantive review was not completed, however, until the end of 1974. It was accepted in principle by the Government for Civil Service grades, and the recommended new rates were promulgated from 1 January 1975; but in view of the national economic situation, the increases for those earning over £13,000 were staged, the second part being payable from 1 January 1976. Under the terms of the White Paper " The Attack on Inflation " the second stage will not now be paid from that date though the full promulgated amounts will continue to be reckonable for pension purposes.

66. Fulton's recommendation that there should be a range pay system based on performance for senior civil servants has not been accepted; a team of management consultants and civil servants, set up in 1969, advised that the existing system of fixed salaries at Under Secretary level and above should continue. The former Standing Advisory Committee on the Pay of the Higher Civil Service, in their Ninth Report, agreed with the Fulton recommendation on range pay; and the TSRB discussed the point in paragraphs 42–44 of their Report No 6. The TSRB noted the near-unanimity of evidence expressed to them against the introduction of range pay, but said that they hoped the issue will remain alive and be the subject of further discussion in due course. The CSD therefore intends to give further consideration to the question of merit pay in this area at an appropriate time.

67. The proposal in the Fulton Report that pay at lower levels should be used more flexibly to recognise merit has not so far been implemented, but in the typing and machine-operating areas new salary structures have been introduced as a general measure which lay greater emphasis on proficiency and experience. Additionally, an exercise was carried out by the Pay Research Unit during 1975 to ascertain the practice in outside organisations on the relationship between proficiency or merit and long service payments. The report on this has been received recently, but incomes policy constraints rule out the possibility of any early practical action. The rules for starting pay on appointment for Administration Trainees, Scientific Officers, Professional and Technical Officers and analogous grades, and members of the Typing and Secretarial grades, do provide, however, that relevant outside experience (which may include obtaining higher qualifications) is recognised by awarding increments above the minimum of the relevant entry scale. Up to six increments may be awarded to Administration Trainees. Scientific Officers and Professional and Technical Officers may be awarded increments up to the maximum of the scale. Typing and Secretarial grades may be awarded up to two increments for experience.

SECTION 5: TRAINING

FULTON'S RECOMMENDATIONS

68. Fulton stressed the need for a more professional Civil Service in which administrators would have a thorough knowledge of the subject matter of their field as well as

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skill in the techniques of administration, and similarly, in which specialists would be equipped to an appropriate degree for administration and management. To achieve this the creation of a Civil Service College was proposed. Nearly all Fulton's recommendations on training were about the work the College would do, which included in particular the provision of training courses in administration and management together with a wide range of shorter more specialised courses, and research into problems of Government administration and policy.

PROGRESS

The Civil Service College (Recommendations 38–51, except 43–46, 49)

69. The Prime Minister announced on the day of publication* that the recommendation for a College had been accepted, and it was formally opened two years later. The development of the College is described in the four progress reports on Fulton issued by the Civil Service National Whitley Council during 1969–72, and the Civil Service College Annual Reports.

70. The following list of the groups of courses offered by the College for 1975–76 illustrate the way in which Fulton's recommendations have been met:

(i) courses and seminars designed for civil servants at about Senior Executive Officer level and above:

(*a*) senior Seminars, intended primarily for civil servants at about Assistant Secretary level and for more senior people, which include a number for civil servants who have recently been promoted to Under Secretary;

(*b*) the Senior Course which is an introductory course designed for civil servants at about Assistant Secretary level who have had little or no formal training in management or administration;

(*c*) the middle management courses designed for Senior Executive Officers and staff at an equivalent work level;

(*d*) courses in specific subjects designed for civil servants in the range Senior Executive Officer to Assistant Secretary and for those at equivalent levels. These are divided under the broad headings of public administration, personnel management, social policy and administration, economics, and statistics and operational research;

(ii) courses designed to provide career-related training for staff at Higher Executive Officer level in all groups;

(iii) courses designed for specialists:

(*a*) the introductory course for graduate specialists, the aim of which is to help the specialist at an early stage in his or her career to gain better understanding of the system of Government in Britain and to improve his or her management capabilities;

(*b*) the course for Assistant Statisticians and Economic Assistants for which Actuarial Officers may also be nominated.

(*c*) the practical course for statisticians, which aims to introduce new entrants to the Statistician Group to the practical side of Government statistical work;

(*d*) the introductory course for lawyers, held for new entrants to the Legal Category are aimed at increasing understanding of the structure and operation of the Legal Civil Service and its relationship to the Civil Service as a whole;

(*e*) the administration course for specialists, which forms part of the training for civil servants who have been accepted for the Senior Professional Administrative Training Scheme (see para 85);

(*f*) refresher courses for economists, lawyers, statisticians, and other specialists.

*Official Report vol 767, col 456.

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(iv) courses for Administrative Trainees and for Higher Executive Officers (A) which aim to introduce management techniques and the machinery and practice of Government;

(v) courses for departmental tutors and lecturers;

(vi) a range of short job-related courses for staff at HEO level and below working in small departments that do not have their own training facilities;

(vii) management services and accountancy courses;

(viii) ADP training for computer staff;

71. The following features of the College relate to Fulton recommendations about how it should operate:

(i) courses and seminars are run at three centres, in London, Sunningdale and Edinburgh. The latter two have residential facilities;

(ii) the College employs a small number of full-time staff engaged in research projects mainly arising out of the need for teaching material;

(iii) courses have not been confined to civil servants but have included members from all fields of public service, from nationalised industries and private industry, the universities, and overseas Governments;

(iv) about 40 per cent. of the teaching is provided by College staff, with the remainder coming from departmental civil servants, universities, and all sectors of industry and business;

(v) the College forms part of the Civil Service Department but has its own Advisory Council under the Chairmanship of the Permanent Secretary, on which serve eminent members of the academic and business worlds, and of local government, as well as senior civil servants from the Home Civil Service and the Foreign and Commonwealth Office. The National Staff Side is represented on the Council, and the views of the Staff Side are also taken into account through the Joint Committee on Training. As a development of the recommendations of the Heaton/Williams Training Review (see paragraph 74) a Liaison Committee on which senior departmental civil servants and the Staff Side are represented has been set up to advise the College and to improve liaison with departments and the Staff Side. A Consultative Committee, on which a number of Principal Establishment Officers serve, has also been established as a forum for the interchange of information and views on College teaching and research between the College and its principal customers.

Graduate Trainees (Recommendations 43–45)

72. The training of graduates under the Administration Trainee scheme follows very largely the recommendations in Fulton, allowing for the rejection by the Government of the majority recommendation 24 (" preference for relevance "). These graduates receive a short induction course soon after their arrival in their own departments. Thereafter the initial pattern was a three-month course at the College after about two years on the job, followed, for those " fast-streamed " (see para 43) by a second course at the College of about the same length shortly before promotion to Principal. This pattern is now being changed to shift the balance of training more heavily towards the general body of Administration Trainees rather than the fast stream and also to shorten courses. The new pattern is a ten-week course at the College after about one year's service in the grade followed by a second ten-week course after about two years in the grade, for all Administration Trainees. Those who are fast-streamed would return for a third ten-week course shortly before promotion to Principal. The first-stage courses were introduced in the summer of 1974 and the second-stage courses in the autumn of 1975. The new third-stage course for fast-streamers has not yet been developed, but, as originally conceived, would be needed in the academic year 1977–78. This change in the pattern has not altered the fact that those who rise to Principal other than through the fast stream i.e. by way of HEO and SEO are, of course, eligible for the courses offered by the College for those grades.

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73. There are also four-week introductory courses for graduate specialists designed for honours graduates and those with equivalent qualifications to help the specialist at an early stage in his career to gain a better understanding of the system of Government in Britain and to improve his management capabilities. And there are four-week courses designed to give Assistant Statisticians and Economic Assistants, at about the end of their second year of service, a general understanding of the machinery of Government; of the social and economic environment within which Government is carried on; of the various constraints that bear on the decision-making process; and of the role of Statisticians and Economists in that process. These are the courses referred to in paragraph 70 iii *a.* and *b.* above.

Training outside the College (Recommendations 35, 46–49)

74. Most civil service training takes place within the employing department. In 1971–73 the CSD and departments, in conjunction with the National Staff Side, conducted a detailed review of management training at EO, HEO and SEO levels, and the implementation of the resulting recommendations, although necessarily a long-term project, is progressing satisfactorily. There was also a similar review of supervisory and developmental training at the clerical level. The balance between central and departmental training was one of the principal questions to which Mr Neville Heaton and Sir Leslie Williams were asked to direct their attention when they were appointed in 1973 to conduct a review of civil service training. The conclusion has been drawn from their report that the existing balance between the two is about right. Both the Civil Service College and departments continue to send people to courses at outside educational establishments (including the universities and business schools mentioned by the Fulton Committee). There has been an increase in the number of civil servants attending external courses since the Fulton Report, although use of the business schools decreased after the establishment of the Civil Service College. Training for school leavers includes encouragement and opportunities to gain qualifications appropriate to their work through studies both inside and outside the service.

SECTION 6: PERSONNEL MANAGEMENT AND CAREER PLANNING

FULTON'S RECOMMENDATIONS

(*a*) **The Use of Specialist Skills** (Recommendations 1–13 and 114)

75. Fulton was concerned that the Civil Service should exploit professionalism to the full. To this end, the Service should act more quickly to identify and recruit new specialist skills where needed; should allow specialists more responsibility; and should provide training in administration and management to enable these specialists to discharge their responsibilities and to progress to top management levels. In addition, more emphasis should be placed on administrative specialisation: administrators should specialise, particularly in their early years, in a particular area of administration, defined by subject matter rather than by department or group of departments, and should possess the basic concepts and knowledge relevant to their area of specialisation. Initially, there might be two broad areas of administrative specialisation (economic and financial, and social) each with its own internal specialisms. CSD would develop and refine the groups after an analytical survey. The training and deployment of administrators should reflect their specialisms. Specialised administrators would not of course replace those specialists whose primary concern was the practice of their specialism. Both administrators and specialists could make useful contributions in areas such as contracts, computers, O & M, personnel management. Some members of both disciplines should be encouraged to specialise in one or other of these areas.

(*b*) **The Management of New Entrants** (Recommendations 34, 37) **and Career Management** (Recommendations 52–59)

76. Fulton was concerned with the wastage among young COs, CAs, and EOs attributtable in part to the under-use of their talents. The Committee felt that there should be a review of grading at these levels to separate jobs appropriate to older civil servants from those appropriate to young entrants, who with training and experience should be capable of rising in the service. The best of young entrants should become eligible

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with graduate entrants for rapid promotion. On completing their training period, they should move to a level appropriate to their ability and performance without regard to seniority.

77. More emphasis should be placed on personnel management and the individual career planning of both specialists and administrators. Proper career management entailed less frequent changes of jobs, particularly for administrators, and planned job rotation within a related area. In determining developed paths, more account should be taken of the personal interests and wishes of the individual.

78. In determining promotion, seniority should count when it reflected experience of value at the higher level, but there should be more opportunity for rapid promotion of the really able. Promotion boards should place more emphasis on superiors' assessments of candidates and less on actual performance before the Board. Assessments should place more weight on performance on the job measured against set objectives. For promotions to Assistant Secretary, Under Secretary, and their equivalents, the Permanent Secretary should be assisted by a committee including specialists and, for promotion to Under Secretary, a representative of the CSD.

79. Increased emphasis on personnel management would involve expansion of both personnel and organisation branches. PM and organisation work would itself call for greater expertise, including experience of personnel work outside the service, leavened by periods spent in operating divisions. Titles such as " Personnel " and " Organisation " should replace the outmoded " Establishments " label.

(*c*) **Interchange of Staff with Other Employments** (Recommendation 63)

80. A joint working party, with local government and industry was suggested to consider increasing the temporary interchange of civil service staff with those from private industry and commerce, nationalised industry, and local government, not necessarily head-for-head, and difficulties existed in releasing high-quality staff, especially at the level of Principal and above.

(*d*) **The Civil Service as a Career** (Recommendations 68, 106–7)

81. The civil service should remain a career service, even at the highest levels. This would ensure a professional service, able to deal impartially with Ministers (with security of employment) and outside firms (without viewing them as potential employers). Equally, the accessibility of top jobs to career civil servants would promote recruitment and reduce the frustrations within the service that might result from political appointments at high levels.

82. Where specialisation was necessary, occupational groups were also necessary. Civil servants would generally be recruited and trained as members of these groups: occupational groups would tend to develop career patterns. Entry would be at different levels, depending on the work involved, and it might become usual for members of particular occupational groups to skip certain grades. Such grade skipping would make it possible to extend the field of candidates for promotion from the grade immediately below.

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(*a*) **The Use of Specialist Skills**

83. Following the reorganisation of the Civil Service Commission in 1969, recruitment procedures were speeded up and it has been possible to use these in the recruitment of specialists once departments have defined their needs. A whole range of specialists have been recruited, including geophysicists and petroleum engineers for the Department of Energy in connection with North Sea oil; interpretive and landscape planners and designers for the Countryside Commission; medical officers; and operational research specialists to meet widespread extension of the use of this specialism in the civil areas of Government activity.

84. Various arrangements serve to ensure that special skills are fully used, and to provide avenues for increased responsibility in the formulation of policy and participation in administrative work generally. The individual merit promotion scheme, operated centrally, continues to allow staff making outstanding contributions in scientific and

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technological research and development to obtain promotion to higher grades without involvement in the managerial responsibilities normally associated with these levels. The trend has been maintained of specialists playing a leading part in the management of their own specialisms. The field of influence of Heads of Professions has been increased in many areas and senior line management is now also more generally involved in personnel management aspects. Centrally there has been an increase in the scope of Management Committees comprising senior specialist staff advising the CSD on all aspects of personnel management for the relevant specialist groups. Such Committees now exist for the Science Group, the Professional and Technology Group, Economists, Statisticians, Lawyers, Information Officers and Psychologists. The avenues for specialists to participate in and influence activities outside their specialisms now lie through the open structure at the higher levels, and at lower levels through opportunity posts and lateral movement, as described in paragraphs 101–103.

85. In addition, to give specific effect to the recommendation that the service should provide training in management and administration to enable these specialists to discharge their responsibilities and to progress to top management levels, there is a further avenue through the Senior Professional Administrative Training Scheme (SPATS) which has been in operation since May 1972. Its main purpose is to provide those specialists who show potential to reach the more senior posts with an opportunity, early in their careers, to broaden their experience in the wider fields of administration and management. Candidates for SPATS come largely from those who have achieved early promotion to the Principal level within their own specialisms, and those selected attend a specially devised programme of twelve weeks' training in administration and management at the Civil Service College, followed by up to two years in a post (normally in their own department) which will broaden and deepen their knowledge and experience and enable them to return to their specialism better equipped for the responsibilities they may have to assume later in their careers. Since its inception some 224 candidates have been put forward, either on their own initiative or by their department, all have been interviewed by a special panel, and 150 have been declared successful.

86. In response to Fulton's proposals for more specialisation in the administrative area, CSD arranged and co-ordinated an analysis by departments of their requirements for particular types of expertise and skills in administrative work. The survey showed that the needs of the work did not accord with the proposal to develop administrators in two main streams: a greater variety of expertise was required and staff would be needed with sufficient breadth of experience to respond to the changing demands of the work. Consequently, the emphasis in career development for the Administration Group has been on planning individual careers for a much wider range of staff than previously, using past experience and developing aptitudes where they could best serve departments' requirements for particular knowledge, skills and specialisations. To effect this, improved personnel record systems have been set up, personnel staff have been trained in career development techniques, and the scope for developing staff along predetermined career paths has been examined. As a result departments are now much better able to select those with the right aptitudes for well defined areas of specialisation such as ADP work, contracts work, personnel work etc and to plan accordingly for individuals to spend a substantial proportion of their careers in these fields.

(*b*) **Management of New Entrants and Career Management**

87. More resources are being devoted to personnel, including career management. The use of new standard Staff Report Forms and Job Appraisal Reviews is now widespread; and departmental efforts are now being directed to a systematic introduction of career interviews as an aid to planning the general direction of a person's career so as to develop potential to the full. Considerable effort has been devoted to the production of manpower planning models and their use for servicewide and departmental long-term manpower planning projections. These have helped to indicate ways to reduce the effects of present or potential distortions to grade structures, which also helps to improve career prospects. The emphasis on manpower planning is now passing to departments. The recent introduction of a more refined central personnel record system (PRISM) will aid this work in addition to increasing the facility for matching jobs against individual experience where appropriate. The use of terms such as " Establishments work " has generally given way to other terms such as personnel work.

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88. Studies were made, between 1969 and 1972, of the scope for regrading in the CO/CA area, and at the EO/CO boundary. The studies indicated that the scope for this was not in fact very large. Discussions were opened with the Staff Side and these highlighted a number of pay implications which could not be resolved. However initiatives have been taken in the personnel management area. Departments are taking steps to identify and make best use of talent in the CO and EO grades: there is general acceptance of the CSD's view that it is particularly important for new entrants to these grades to be put on the right path for development from the outset, and Establishment Officers have recently agreed to the reissue of CSD advice concerning induction arrangements, career interviews in the early years, and selection of suitable jobs for young entrants. CSD has encouraged departments to devote increased resources to career management of young EOs in particular, pointing out that, on available evidence, these are likely to be more than offset by consequent reduction in EO wastage in the early years. The Administration Trainee scheme, which has replaced the old Assistant Principal scheme, has made it possible for the best of the Administration Trainee entry to obtain promotion to Principal, via the Higher Executive Officer (Administration) grade, in as little as four years. In addition, changes have been made to the standard seniority requirements in the Administration Group, enabling good-quality entrants as Executive Officers, both graduates and non-graduates, to obtain early and rapid promotion.

89. Promotion board procedures have been reviewed and improved, and candidates may now appeal against non-selection for interview. No specific instructions have been issued to departments about the use of a small committee for promotion to posts at the level of Assistant Secretary, Under Secretary, etc, since the procedure needed varies with the size, etc, of the department concerned, but CSD are consulted about all promotions to Under Secretary level.

90. Particular care is being taken to ensure that specialists are included under all centrally devised personnel management policies and that implementing measures are suitably adapted to specialists' needs, particularly in the field of career interviewing. For certain smaller specialist groups, e.g. statisticians and economists, careers are increasingly being managed centrally. At departmental level there has been a considerable increase in the number of specialists in Personnel Divisions, particularly in those departments who employ the largest specialist groups (Science Group & P&T Group). This has been coupled with the development of career development panels or analogous arrangements for reviewing the career progression of large numbers of staff. In the Science and P&T Groups there is now an agreed policy of early promotion to the Principal level for the most able so as (inter alia) to allow them to reach a level where they may compete for open structure posts at a comparable age with members of the Administration Group. Considerable attention has been given to the problems inherent in isolated small groups: this is a difficult problem but some progress has been made to date. The training of specialist staff has been the subject of various detailed reviews both in respect of administration and management training and also in general professional needs (including the correct balance of numbers of professionals who should be "grown" within the Service). The results have been incorporated in both central and departmental training programmes. The majority of specialists still clearly prefer career paths within their own specialisms, but opportunities for other career paths have been fostered as described below and in paragraphs 84, 85, and 101–103.

(*c*) **Interchange of Staff with Other Employments**

91. A scheme for the interchange of administrators was launched in 1968, after consultation with the CBI, to promote secondments between the civil service and industry and other organisations for periods of about two years. Subsequently, a task force under the chairmanship of Sir Hermann Bondi considered ways of increasing interchange among scientists from various sectors of employment; and, following its recommendations, a small unit has been established in CSD to facilitate interchange for scientists and engineers working in related fields to and from the civil service.

92. If the experience for secondees is to be of lasting benefit to the people themselves, and to their parent and host organisations, considerable care must be taken in finding jobs which will stretch them and match their needs. The scale of operation of the scheme is therefore conditioned by the considerable effort it takes to identify candidates and

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jobs and to match the two. It is affected also by the ability of departments and other organisations to release their high-quality staff and to absorb newcomers into key jobs. Both require a degree of sacrifice: the parent organisation in releasing key personnel and the host organisation in taking someone in who is not immediately 100 per cent. effective. Departments are encouraged to arrange their own secondments with other organisations, and for its part the CSD actively promotes wider participation by departments and the private sector as well as local authorities and nationalised industries.

93. So far as the scheme for interchange of administrators is concerned, there are currently 23 civil servants seconded into industry, local authorities and other UK organisations, and some 56 people from industry and other organisations on secondment into the civil service. The CSD has sought the participation of more than 80 companies and other organisations during the past two years; the majority, though favouring the scheme in principle, have been unable to participate at the present time.

94. Under the scheme related to scientists and engineers, a total of 52 secondments have been arranged in the period 1973–75, roughly equally by the CSD centrally and by departments themselves. Twenty-nine secondments have been into the Service and 23 out.

The above figures do not include a considerable number of civil servants seconded to and gaining wider experience in a number of international organisations. Nor do they include people working in the civil service on period appointments, who bring outside experience with them and can be expected to resume their normal career in the private sector after completing their assignment in the service.

(d) **The Civil Service as a Career**

95. The civil service has remained a career service. The recommendations on occupational groups have formed part of the background against which the structural developments such as Administrative and Executive Classes, Science and P & T Group mergers have taken place. Arrangements have been introduced for grade skipping in certain occupational groups. In the Science Group, for example, a general provision is made for staff to be promoted two steps above their current grade in exceptional instances, while in the Administration Group promotion to Principal is open to both SEOs and HEO(A)s and similarly an Assistant Secretary post may be filled by either a promoted Principal or a promoted Senior Principal. More generally, however, the shortening of the qualifying period for promotion and the abolition except in certain special cases of a minimum age for promotion ensure that there are no artificial barriers to the rapid progression of the most able and that posts at the higher levels are filled by those most fitted.

SECTION 7: STRUCTURE

FULTON'S RECOMMENDATIONS (Recommendations 101–106, 112, 114)

96. Fulton saw the system of classes as being based on distinctions which were no longer valid between various sorts of work and as being unnecessarily rigid. The structure hampered the ability of the service to adapt itself to new tasks; led to inefficient organisation of work; and created inequalities of opportunity for similarly able and qualified people. The structure of the civil service should serve two overriding objectives:

(*a*) it should enable all civil servants whatever their background, skill or discipline to make their full contribution to the work of Government (para 197);

(*b*) it should promote the effective management of the work (para 198).

Paragraph 214 added a number of principles on which the structure should be based: essentially, one should look at the needs of the job first and design a structure which allows these to be met.

97. Fulton concluded that there should be a fundamental change in the structure of the service. Classes should be abolished, and all civil servants organised in a single grading structure in which there would be a number of different pay-levels matching different levels of skill and responsibility; the correct grading for each post to be determined by an analysis of the job (para 192). Where the work required civil servants to specialise, occupational groups would be needed, for example the administrative groups, the present specialist disciplines and the supporting grades.

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98. In his statement in the Commons on 26 June 1968 (Official Report Vol 767 Col 456) the Prime Minister said:

> "The Government accept the abolition of classes within the Civil Service and will enter immediately into consultations with the Staff Associations with a view to carrying out the thorough-going study proposed by the Committee, so that a practicable system can be prepared for the implementation of the unified grading structure in accordance with the timetable proposed by the Committee."

99. The National Whitley Council Joint Committee (paragraph 20 above) took the view that the introduction of a new structure was "far too great an undertaking to be completed in a single heave," and that it would therefore need to be tackled by stages. They accordingly drew-up a programme of work which included parallel examination of unified grading in various segments, starting at the top; the creation of a common structure at and above Under Secretary level; the merging of the main general service classes into two or three large interim grading structures, within each of which all class barriers would have been removed; the absorption of the remaining general service and departmental classes within the merged structures where practicable; the examination of the possible use of supporting grades, as part of an overall study of structure; and development of free lateral movement.

100. This work led to:

(i) the creation of a unified pay and grading structure for all grades of the service at Under Secretary level and above from January 1972 (the "Open Structure");

(ii) three major mergers abolishing a number of large classes and creating three new occupational groups: the Administration Group in the General Category from January 1971; the Science Group in the Science Category from September 1971; and the Professional and Technology Group in the Professional and Technology Category from January 1972.

These mergers established the system of categories and occupational groups, with common pay scales within the categories at each grade level. They and the Open Structure accounted for more than half of the non-industrial civil service.

101. As studies* proceeded in close consultation with the staff associations, it became apparent that the removal of structural barriers which hampered the efficient and effective deployment of staff was subject to a law of diminishing returns. Restructuring entails a great deal of effort and upheaval which is well worth while where a structural barrier stands in the way of the optimum deployment of a large number of people but much less so where few people need or wish to cross from one group to another. In the latter circumstances it can make better sense to concentrate scarce personnel management resources on identifying and helping the small numbers of individuals to make the move. It was therefore felt best to use scarce skills and experienced personnel management resources on promoting flexibility in staff deployment between different areas of work in the interests of efficiency and individual development rather than on the wide-ranging and comprehensive regrading task involved in unified grading. The Fulton Joint Committee therefore concluded that "the best course at this juncture would be to pursue the aim of more flexible deployment in the interests of efficiency and staff development by concentrating resources on new arrangements for personnel management and on the development of the category and occupational group system." (1972 Report, para 4.)

102. Although this policy involved a departure from the unified grading approach recommended by Fulton, it did not mean the abandonment of further consideration of the extension of unified grading below Under Secretary level (see paragraph 108 below), on which a great deal of exploratory work had already been done. Moreover, consistently with the aims expressed in the Fulton Report, the revised approach continued to seek the creation of structures which would emphasise the unity of the civil service while preserving the occupational and other groupings dictated by the needs of the work and

* The progress of these studies is recorded in the 4 Joint Committee Reports for the years 1969 to 1972. (See para 20).

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by recruitment, pay and personnel management considerations and ensuring flexibility of staff movement unimpeded by the barriers attributable to the system of classes. This was carried forward by the extension of the system of categories and groups and by providing greater opportunities for movement within and between groups.

103. Fulton saw the development of free lateral movement between occupational groups as fundamental to the selection of the best man for the job and, with the agreement of the staff associations, arrangements have been introduced to facilitate such movement. Apart from the fitting of specialists for top management posts by training in managerial and administrative skills (see paragraph 85) encouragement is given to transfers of staff to work outside their normal sphere, enabling specialists to move into the generalist area and vice versa. Such transfers may be permanent or (when they are intended to test suitability for other work or to provide a wider range of experience) temporary. In addition there are some 1,800 posts specifically designated as opportunity posts together with a large number of others where a measure of flexibility regarding the origin of the incumbent exists. These are posts which benefit from a succession of staff from different disciplines passing through them. In these cases the staff remain members of their own disciplines, able to return to their specialisms at the end of their tour of duty. The arrangements are reviewed regularly to ensure that they are operating as fully and effectively as possible.

104. Since 1972 work on restructuring has accordingly been directed to the further development of the system of categories and occupational groups in three main ways.

105. The first has been the absorption of general service and departmental classes into existing occupational groups, or by the creation of new groups within existing categories. It was agreed with the Staff Side in 1973 that resources should be concentrated on restructuring the larger classes and that the smaller classes should only be considered if there were compelling reasons or if they were easy to restructure. Economists, Statisticians, Information Officers and Librarians now form separate occupational groups in the General Category. The special departmental class of the Department of Employment, the Court Service Clerks, MOD Group Officers, and GCHQ Specialist Classes have all been absorbed within the Administration Group, and the Agricultural Economist Class within the Economist Group. The Illustrator Class and the MOD Marine Service Grades have become new occupational groups within the P & T Category. The Royal Corps of Naval Constructors, the Royal Naval Engineering Service and the Telecommunications Group BAOR have been absorbed within the P & T Group.

106. The second main line of development has been the downward extension of the existing categories to cover the supporting grades. We have completed a special study of the lower grades which support scientific and technical work (Project ST), and specific proposals are under discussion with the Staff Side relating to the structure of the Assistant Scientific Officer and other grades supporting the Science Group, and relating to the absorption within the P & T Group of the Telecommunications Technical Officer and Radio Technician Classes. The possibilities of a merger of the Messenger/Paper keeper and Office-keeper classes into a new Category are also under examination. These studies have shown that the work needs of many of the classes which support existing groups and categories do not readily adapt to the pay and grading requirements for absorption into these categories, and it is becoming increasingly apparent that reclassification as separate categories may in the end be necessary (see the following paragraph).

107. The third main line of development has been the formation of new categories as necessary to meet the needs of classes which cannot be fitted appropriately into existing categories. A Training Category has been established to contain the Instructional Group; a Secretarial Category for Typists/Personal Secretaries; a Legal Category for lawyers; a Social Security Category for DHSS Local Officers; a Data Processing Category for Machine Operators (now known as Data Processing Operators); and a Police Category for the Departmental Police. Additional categories are under consideration for Prison Officers, Photoprinters/Duplicator Operators, Teleprinter/Cypher/Radio Operators, and Cleaners; and there may have to be others.

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108. Consideration of the possibility of extending unified grading below Under Secretary level was resumed in 1975 but, in view of the pay implications of the study, further work was halted following the introduction of the Government's incomes policy restrictions.

109. By January 1972, when the General, P & T and Science Categories had been established in substantially their present form, they accounted for a little over 50 per cent. of the non-industrial civil service. Since then we have brought a further 20 per cent. of staff within the new structure, and proposals relating to a further 20 per cent. are currently at different stages of consideration. The remaining 10 per cent. consists mainly of classes which give rise to particularly difficult restructuring problems, and includes a very large number of very small departmental classes (75 per cent. of the residual classes in fact contain only about 1½ per cent. of the total non-industrial staff). As it can take as long to deal with a small class as with a large one, the effort required to complete the exercise will be considerable and time-consuming whilst the result, in terms of annual percentage advance, will be small.

110. Progress has been slower than expected partly because of the intrinsic difficulties of each restructuring task, but also because since 1972 incomes policies have placed restrictions on changes involving pay increases (which most do). Very little can be brought to completion under present conditions. It is not possible in these circumstances to judge how much longer it will take to bring the restructuring programme to a satisfactory conclusion or to attempt to set a target date.

111. Thus, although the restructuring of the service has not taken the precise form envisaged in the Fulton Report, the objectives which Fulton set have been, and will continue to be, met in ways which are deemed to be the most effective given the inevitable constraints on suitable resources. Given that the opportunities for promotion in the service, as in any other organisation, are limited by the needs of the work, the progress of an individual in a competitive situation depends upon his ability and suitability for a higher post. Training, job appraisal, career interviewing and other personnel management techniques have been designed to develop the individual's potential; arrangements have been introduced to enable scientific and other professional staff to acquire and use administrative and managerial skills; any barriers to vertical and horizontal movement have been or (by the extension of existing groups and categories, and by the encouragement of lateral movement between occupational groups) are in process of being removed; and appointment to the most senior posts at the top of the service is open to all, irrespective of their background, who are qualified to fill them. Of some 860 posts at Under Secretary level and above, nearly 40 per cent. are now occupied by people whose earlier service was wholly or mainly in specialist grades.

112. The new occupational groups and categories are designed specifically to promote the effective management of the work in the particular areas which they cover; yet they are sufficiently flexible to permit their modification to take account of changing pay and personnel management requirements.

SECTION 8: ACCOUNTABLE AND EFFICIENT MANAGEMENT

Fulton's Recommendations

113. Fulton saw a structure in which units and individuals had clearly defined authority and responsibilities for which they could be held accountable as the basis of efficiency in large organisations; the achievement of such a structure for the civil service would require changes in the organisation of work, the adoption of new methods of assessing the achievement of objectives, and a strengthening of the services responsible for efficiency.

(*a*) Hiving Off (Recommendation 100)

114. Starting from the premise that Ministerial responsibility to Parliament, and the wide-ranging nature of problems, made clear delegation of authority particularly difficult in the civil service, Fulton thought that considerable benefits could be gained from "hiving off" large-scale executive operations to independent boards. However, Fulton

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noted that this principle had attracted a good deal of criticism and that detailed studies would be necessary to identify suitable cases: in view of this, and the need to examine the constitutional and Parliamentary implications of creating these bodies (in addition to the problem of allocating responsibilities between them and central government), the whole question should be subject to an early and thorough review.

(*b*) **Accountable Management** (Recommendations 82–4)

115. Where areas of work could not be removed from the Civil Service altogether but where achievement could be measured in quantitative or financial terms, Fulton recommended the creation of accountable units within the Civil Service. The heads of these units would have precisely defined responsibilities and authority, and would be held responsible for performance against budgets; they in turn would set up sub-systems of responsibility and delegated authority. The establishment of such accountable units would necessitate changes in accounting procedures to supplement traditional Vote accounting with cost data.

116. Where performance could not be assessed in terms of measurable output, Fulton recommended that the objectives and priorities of work units should be clearly established as a basis for reviewing progress, and that within these units individuals should be made aware of their own responsibilities and authority. The principle to be applied here should be management by objective.

(*c*) **Refinement of Hierarchies** (Recommendations 85–7)

117. Arguing that accountability was diminished by the diffusion among branches or departments of responsibility for different aspects of a particular problem, Fulton recommended that wherever possible the organisation of work should be problem-oriented, rather than department-oriented. The responsibility for organising relevant material and advancing a solution should be allotted to one man or team. Fulton also felt that accountability could be enhanced by reducing the number of levels through which work passed, thus reducing duplication of effort and diffusion of responsibility.

Where tasks involved both specialists and administrators, Fulton felt that accountability would best be served by a single, integrated hierarchy, the skills required at each level determining the discipline of the incumbent.

(*d*) **Departmental Management Services units** (Recommendations 88–91)

118. To ensure the continuing efficiency of the Civil Service and the adoption of the best management techniques, Fulton recommended that each major department should have a Management Services unit with responsibilities extending beyond those of existing O & M divisions; in particular these units should be capable of conducting periodic efficiency audits and O & M investigations at all levels; O & M and staff inspection should be combined at the operational level; MS units should themselves be subjected to periodic efficiency audit. Fulton stressed the importance of expertise in management services work; administrators and specialists should both spend long periods in it, should preferably have a relevant academic or professional qualification, and should receive specialised training in their work; outside consultants should continue to be brought in for special assignments.

(*e*) **Secretarial Assistance** (Recommendation 94)

119. Fulton identified the inadequacy of office services as a source of inefficiency; shared and central secretarial assistance should be extended, their availability being determined by the needs of the work, irrespective of level.

PROGRESS

(*a*) **Hiving Off**

120. Following the Fulton Report and, later, the 1970 White Paper on the Reorganisation of Central Government (Cmnd 4506), there was extensive consideration of the possibilities for "hiving off" elements of departmental work. In theory "hiving off" has advantages as a means of limiting the burden of work on Ministers, and could facilitate the introduction of a greater degree of accountable management. In practice a number

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of factors have limited its application. Activities which were commercial in character, and were or could be made wholly or largely self-financing, were found to be uncommon within central Government. In areas of activity which is not self-financing, the requirements of public financial control limit managerial independence. There are difficulties in removing from Ministerial responsibility work which has a high policy content, or significant discretionary authority in relation to individual citizens. In areas with a low degree of direct Ministerial involvement, there is a risk that the process of " hiving off " may in itself simply add to Ministers' burdens. Therefore the relative advantages and disadvantages of " hiving off " a particular block of executive work need to be carefully assessed. However, in recent years, important areas of departmental responsibility have been transferred to non-departmental agencies. For example, a major part of the work of the Civil Aviation Authority, which was set up in 1971, was previously directly performed by the Department of Trade and Industry. More recently, since 1974 a range of functions have been transferred from the Department of Employment to new statutory bodies: the Manpower Services Commission and its Agencies; the Health and Safety Commission and its Executive; and the Advisory, Conciliation and Arbitration Service.

(*b*) **Accountable Management**

121. Ways in which more effective and accountable management can be achieved within the structure of Ministerial responsibility have been the subject of a good deal of study in recent years. Where achievement can be measured in quantitative or financial terms, management accounting is being used increasingly in departments to supplement traditional vote accounting, e.g. the systems being developed in the Employment Services Agency and the Training Services Agency of the Manpower Services Commission. Budgetary control is one of the techniques frequently introduced. Training courses are being run centrally for staff who will be handling the new procedures, and some departments have made their own arrangements. Advice and assistance with implementation is also available at the centre.

With the passage of the Trading Funds Act 1973 it will be possible for units providing certain quasi-commercial services to be financed through trading funds rather than directly from Votes. The Royal Ordnance Factories adopted a trading fund from 1 July 1974, the Royal Mint from 1 April 1975, and PSA (Supplies Division) from 1 April 1976; in HMSO preparatory work for trading fund financing is well advanced.

122. Where quantitative or financial assessment cannot always be made there has been a large-scale programme of experiments with management by objectives (MbO) covering many different types of work. These now cover some 40 installations, involving 12,000 managers and about 90,000 staff, the largest being that covering the DHSS's regional and local office organisation. A review of this programme has shown useful results but also some drawbacks and scope for improvement. Departments report that in some respects MbO has proved over-elaborate and costly to install, and staff sides have in some cases been worried by aspects of reviewing and recording performance which in their view produce unfair pressure on individuals. Where formal systems have been adapted from commercial experience, they have not always been found satisfactory, and the need is now seen in terms not of applying MbO as a single system but of clarifying the general principles which should underlie good management, and recommending practical and flexible guidelines for improving management systems. Following discussion in the National Whitley Joint Committee on Management Services, a joint statement has been issued to guide future developments in this field.

(*c*) **Refinement of Hierarchies**

123. The initiative in this area must rest with departments to mould their organisation to their own needs. Studies have been carried out of the flow of work in departments and of the working of different kinds of hierarchy. Some departments have already introduced changes in their organisation. For instance, the Ministry of Public Building and Works, as it then was, introduced a new structure in 1969 consisting of directorates responsible for the whole of given programmes in which the top posts are open to members of all disciplines.

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(*d*) **Departmental Management Service Units**

124. A comprehensive review of management services in the Civil Service was carried out in 1969–70 to identify needs and deficiencies, suggest how these should be met, and relate requirement to resources. The review found that much good work had been done, especially at middle and lower levels, but that there was scope for more to be done on higher-level organisation, management information and project control.

125. The review recognised that the requirements of departments differed and took as its objective the setting out of guidelines rather than the provision of a blueprint for the organisation of management services in each department. A number of improvements have followed. All major departments now have management service units which can draw upon the range of skills appropriate to their requirements and in all the largest departments management service activities are the whole or major responsibility of an Under Secretary. There is close co-operation between staff inspection and O & M staff.

126. A programme of management reviews of all major departments was begun in 1972 and continues. Each review is carried out under the direction of a Steering Committee comprising senior members of the Department and representatives of CSD and (in some cases) other departments, and is assisted by a Review Team comprising staff provided by the Department and CSD Management Services Divisions jointly. The Team usually includes a management consultant seconded by his company to the CSD. These management reviews cover all aspects of the efficiency of a department, including its management and organizational structures and its systems for allocating and controlling resources and for planning and doing its work. Reviews of the following Departments have been completed: Scottish Office, Home Office, Inland Revenue, Welsh Office, Treasury, Customs and Excise. Reviews of the Ministry of Defence and CSD are in progress.

127. Training arrangements for senior O & M staff have been reviewed, and new courses have been introduced at Principal level and above. Departments have continued to make use of outside consultants, with the emphasis on association of the internal management services staff with consultants wherever practicable.

(*e*) **Secretarial Assistance**

128. The initiative for studies and implementation of the recommendation for extending shared and central secretarial services rests primarily with departments; but Management Services (General) Division of CSD is undertaking joint reviews with departments in suitable areas as opportunities arise and two studies have been completed recently in DHSS (where the secretarial proposals were invalidated by a subsequent major organizational change) and Welsh Office (where management are currently considering detailed proposals). However, it is clear from these early studies that the recommendation to extend a secretarial service to a greater number of staff is likely to increase the number of Personal Secretaries, typists and clerical staff and these are the grades to which it is hardest to attract recruits. Further studies could be inhibited by staff shortages at these lower levels and the likely additional staff costs.

SECTION 9—PLANNING IN DEPARTMENTS

FULTON'S RECOMMENDATIONS (Covers Recommendations 95–99)

129. In discussing policy planning, Fulton emphasised the growing importance of long-term planning and the need to have responsibility for it clearly defined and allocated. They suggested that the planning work in a department needs to be so organized that it is free from the continuous distraction of day-to-day business, but not set too far apart from the main stream of the department's work. They recommended that planning should be undertaken in special planning units, staffed by comparatively young people. They also drew attention to the need for some inter-departmental co-ordination of planning activities, although they pointed out that this concerned the machinery of Government and was therefore outside their terms of reference.

130. In the discussion which led up to the recommendation that departments should appoint a Senior Policy Adviser, Fulton drew attention to the many and heavy burdens

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on Permanent Secretaries. While confirming that Permanent Secretaries should continue to have responsibility, under their Ministers, for all the affairs of their departments, they suggested that there was a need for some other officer (Senior Policy Adviser) to take the lead in forward thinking and advising the Minister on long-term questions. Normally the Senior Policy Adviser would be a career civil servant, but occasionally he might be appointed from outside the service. He would be the head of the planning unit, and Fulton hoped that he would often be comparatively young. Fulton also envisaged the possibility of a need in some big technical departments to appoint a Chief Scientist or Engineer to take charge of the department's technical work.

PROGRESS

131. Planning in the Civil Service can encompass a range of activities. At departmental level three main fields of planning activity can be identified:

(i) the provision of information and data as an input to interdepartmental and " central " planning: this heading which includes, for example, the preparation of the Public Expenditure Survey (PESC), Vote and manpower estimates, participation in interdepartmental reviews of policy, and contribution to economic forecasting, is outside the scope of the Fulton proposals.

(ii) review of departmental policies to analyse their costs and benefits: work under this heading may take the form of prior analysis of policy options, or of review of existing policies and the arrangements and procedures for carrying them out.

(iii) management of resources: work under this heading includes assessment and allocation of financial and manpower resources in the light of the outcome of policy reviews and to reflect decisions on priorities.

132. The Fulton proposals for planning units seems to be concerned only with the second of these. Departments may therefore have units which are responsible for planning but do not undertake the particular functions described by Fulton. Conversely, analysis of policy options may be undertaken by for example, economists, statisticians and operational research staff, who are not called policy planning units; while virtually every department includes organizational units typically described as " Policy divisions " which are normally responsible for analysing policy options and advising Ministers on particular aspects of Government policy, and for monitoring and reviewing the administration and effectiveness of current policies.

133. Departments deal with many different tasks in different external circumstances, and it is the business of each to make its own best arrangements. Nearly all the major departments have taken specific steps in recent years to strengthen their planning machinery in one way or another. The evolution of Programme Analysis and Review (PAR) has led to the setting up of planning machinery in many departments. The PAR procedure involves detailed analysis of the policy options in a particular area of expenditure and subjects are selected so as to cover some 10 or 12 major expenditure programmes each year. It thus complements the broader planning and control of all expenditure which is exercised through the PESC machinery.

134. The planning systems within a department are always examined during the course of the regular management reviews referred to in paragraph 126.

135. Similar considerations bear on the organisational concept of a single Senior Policy Adviser, operating separately from the normal policy analysis and other planning work described above. It is also difficult to see how the concept of a single Senior Policy Adviser, standing to some extent apart from normal divisional responsibilities and playing an independent role, can be reconciled with the requirements of accountability and organizational effectiveness which Fulton highlighted. It has generally been judged that the main aims of the recommendation can be better achieved by strengthening the machinery for planning without changing the existing accountabilities of Permanent Secretaries in the field of policy advice. This should ensure that a Minister has adequate policy advice available to him from his senior officials, and that his department is fully alert to outside advice and opinion. The task of the Central Policy Review Staff (CPRS) includes the working out of a better definition of major Government objectives as a

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strategic background against which the policy on specific major issues can be seen; and also to improve the quality of the analysis available to Ministers collectively on major issues which involve more than one department or are of such national importance that they require collective Cabinet decision. Fulton's recommendation on the need for Chief Scientists has been overtaken by the White Paper " Framework for Government Research and Development " (Cmnd 5046) published in July 1972. This sets out in detail the arrangements for the management of applied research and development in Government departments and the role of Chief Scientists in departments.

136. In recommending that planning units should be staffed by comparatively young people, Fulton hoped that in this way some of the most able, vigorous and suitably qualified young civil servants would be able to have an early and direct impact on top policy making. In practice, while different types of planning unit need staff of differing experience and qualifications, policy planning units of a non-specialist nature are frequently headed by relatively young Assistant Secretaries of high ability.

SECTION 10: PENSIONS AND RETIREMENT

FULTON'S RECOMMENDATIONS

137. Fulton considered that " while the Civil Service should remain predominantly a career service, there should be greater mobility between it and other employments." This view implied, among other changes, substantial developments in the pension scheme. Related to this were proposals for changing the provisions for compulsory early retirement, and for reviewing retiring age, in the interests of a more efficient service.

PROGRESS

Civil Service Superannuation (Recommendations 65, 69–76)

138. The Superannuation Act 1972 gave the Minister for the Civil Service power to lay down pension terms in administrative documents, thus enabling agreements with the Staff Side, e.g. on premature retirement (see para 140 below), to be put into effect without further legislation.

139. The Joint Superannuation Committee of the National Whitley Council reviewed Civil Service Superannuation arrangements and their report was published in February 1972 and gave rise to the introduction in June 1972 of the Principal Civil Service Pensions Scheme. That scheme provides for pension rights and their preservation for all those who have served for five years whether on established or unestablished terms; payment of transfer value, if desired, without any minimum qualifying period of service and now extended also to include the private sector; a short-service gratuity for those who have served for less than five years; a pension based on pay in the last year of service (rather than, as Fulton suggested, on the best three years); and a more flexible " added years " provision. The review examined, as Fulton recommended, the feasibility of a change to a contributory pension scheme but concluded that the disadvantages of such a scheme outweighed any likely benefits.

Retirement (Recommendation 67, 79–81)

140. Agreement was reached in 1972 on the arrangements and compensation terms for premature retirement. The main points were the introduction of the concept of premature retirement on grounds of limited efficiency and for structural reasons; the provision of improved terms of compensation for those retired for these reasons and for redundancy, and the revision of the procedures not only for these " retirements in the public interest " but also for retirement on grounds of inefficiency and for dismissal on disciplinary grounds, the main feature of which was the introduction of an independent Appeal Board. These changes implement Fulton's recommendations.

141. The question of the appropriate age for retirement is kept under review. An inter-departmental working party has recently studied the practice in departments and the adequacy of the central guidance on the subject, without recommending any immediate change in the general approach.

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SECTION 11 : THE CIVIL SERVICE AND THE COMMUNITY

FULTON'S RECOMMENDATIONS

142. Fulton stressed that alongside the development of a greater professionalism in the Civil Service, there must be a continuing awareness of the needs of Parliament and of the community as a whole. The recommendations made to encourage this fall into four main categories :

(*a*) **Consultation and Secrecy** (Recommendations 132–134)

143. Fulton considered that the administrative process was surrounded by too much secrecy. There should be more consultation with the different parts of the community before decisions were made. The Government should aim to make public as much as possible of the information on which decisions were based, and should set up an inquiry to make recommendations for getting rid of unnecessary secrecy ; the Official Secrets Acts would be included in such a review. Fulton also recommended that the convention of anonymity should be modified and that civil servants should be able to go further in explaining what their departments were doing.

(*b*) **Ministers and Civil Servants** (Recommendations 135–137)

144. Fulton considered that Ministers should have some freedom to change the permanent staff immediately surrounding them. A Minister should always be able to choose a new Private Secretary to suit his own ways of working ; more exceptionally, he should be free to change the Senior Policy Adviser (if such a post were introduced), and even the Permanent Secretary.

(*c*) **Manpower** (Recommendation 138)

145. Fulton stressed that Ministers and civil servants should keep the need for economy in administration constantly in mind. They attached great importance to the developing practice whereby new policy proposals were accompanied by detailed estimates of manpower costs.

(*d*) **The Implementation of the Fulton Proposals** (Recommendation 139)

146. Fulton hoped that the Government would take steps to review the progress made in implementing their proposals.

PROGRESS

(*a*) **Consultation and Secrecy**

147. The White Paper " Information and the Public Interest " (Cmnd 4089, 1969) endorsed Fulton's wish to see more consultation and less secrecy in Government. It reported that there had been an increasing trend in recent years to publish forecasts and other considerations involved in policy decisions ; for instance in Green Papers, in the Financial Statement accompanying the Budget and in the practice of publishing a report by planning consultants and holding a public enquiry before the siting of a new town. It concluded that such information should be published as a part of the decision-making process wherever possible. The White Paper also welcomed the growing practice of publishing statistical and other descriptive material about the work of Government, and urged that it should continue. The White Paper found that many civil servants were already accustomed to explaining their work publicly—to Parliament and the press (at senior levels), and to local meetings (in the regions). It recommended further, though gradual, advance in this direction.

148. In 1971 the Franks Committee was appointed to make a more detailed enquiry into section 2 of the Official Secrets Act 1911, which prohibits the unauthorised communication of any official information. The Committee found that the existing law applied to too wide a range of " disclosures," and that there was too much uncertainty attaching to its interpretation and enforcement. It recommended that a new " Official Information Act " should replace section 2 of the 1911 Act. The Government has announced its intention to replace this Section (Official Report, Vol 889, cols 1398–1399).

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(*b*) **Ministers and Civil Servants**

149. Ministers agree all transfers of staff to posts with which they are in close contact, and the factors mentioned in the Fulton Report are fully taken into account. All appointments and moves of Permanent Secretaries require the approval of the Prime Minister.

(*c*) **Manpower**

150. As Fulton recommended, the practice whereby new policy proposals are accompanied by detailed estimates of manpower costs has been continued. The Prime Minister announced, in November 1968 (Official Report, Vol 773, No 17, cols 1546–1547), that in future the Memoranda accompanying Government Bills would include forecasts of any changes, or postponement of changes in the non-industrial and industrial staff in Government departments that are expected to result from a Bill. This information is now given; so, where necessary, are estimates of the effect on manpower requirements in the public sector as a whole.

151. Since the publication of Fulton the controls over staff numbers have been progressively modified and improved. There is a rigorous check each autumn on the detail of each department's requirements, and agreed estimates of manpower and administrative expenses are prepared for the following financial year.

152. Within the agreed manpower estimates there is a constant regard to the need for economy. Complements are reviewed by staff inspectors, and CSD monitor and assist departmental inspection with an eye to consistency throughout the Civil Service.

(*d*) **The Implementation of the Fulton Proposals**

153. The Prime Minister announced during the House of Commons debate on the Fulton Report in November 1968 (Official Report, Vol 773, col 1555) that he had approved a proposal that the CSD should regularly publish progress reports. Reports for 1969, 1970–71 and 1972–73 have been published. In addition, the National Whitley Council Joint Committee on the Fulton Report has issued four annual reports which have been widely circulated.

SECTION 12: ACCOUNTANTS, LAWYERS AND RESEARCH OFFICERS

FULTON'S RECOMMENDATIONS

154. Fulton thought that, in addition to the problems common to specialists as a whole, three groups had special problems which required particular attention.

(*a*) **Accountants** (Recommendations 140–147)

155. Because of the severely restricted role of the Professional Accountant Class, and the limited outlets for its members into managerial posts, the Civil Service had failed to take advantage of important developments in industry and commerce during recent years, notwithstanding a vast increase in public expenditure. Qualified accountants had a valuable contribution to make, first in areas of Civil Service work similar to industrial operation, and secondly at high-levels of policy-making and management (this did not imply that accountants should have a unique claim to the work of financial management: managers at all levels should have an appropriate understanding of the importance of sound financial management). The practice of employing private accountancy firms was sensible, and it would be wrong for the service to try to be self-sufficient, but this ought not to be a substitute for a strong force of highly qualified professional accountants within the service. In view of the national shortage of qualified accountants, and despite the need for the broader experience of private practice, the service should produce some of its own talent: in particular, trainee accountants should be articled to members of the profession and 'A' level entrants should be encouraged to take professional qualifications. Accountants should remain an identifiable occupational group within the service, extended to include cost and works (now cost and management) accountants but the work of accountants should be examined with a view to its partial devolution to less qualified staff. And accountants, especially younger ones posted to management services, should

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receive broader training to keep their knowledge up to date and should have adequate central career management arrangements, with temporary and late entry appointment.

PROGRESS

156. In the light of the Fulton Report, an interdepartmental working party was set up under CSD chairmanship in 1969 to examine the problems of accountants in the Civil Service and make proposals for dealing with them. The working party made a number of specific recommendations, as a result of which detailed changes were made in the recruitment of accountants and direct-entry Principals (the latter to encourage accountants particularly to apply); a central career development panel for accountants was set up; a staff inspection was mounted to examine the scope for devolving work from qualified accountants to supporting staff; and consultations among departments were started to see how professional accountants could be used more widely by the service.

157. Many of these initiatives could not be sustained in practice: the staff inspection found little significant scope for further devolution, and the Career Development Panel was unable, given the prevailing difficulties with recruitment and the different work needs of departments, to establish central career management at that time. It was clear that a deeper and more detailed diagnosis was required, and Sir Anthony Burney, a distinguished professional accountant in private practice, and Sir Ronald Melville, then Permanent Secretary at the Ministry of Aviation Supply, were accordingly invited to undertake a thorough enquiry. This was started in 1971 and their report, The Use of Accountants in the Civil Service, was published in 1973.

158. The chief recommendations of the Melville–Burney Report concerned the creation of a Government Accountancy Service and the appointment of a head of profession to be responsible for it, and for the professional standards and careers of its members. Various more detailed recommendations concerning the recruitment and career management of accountants enlarged the ideas already put forward in the Fulton Report. Mr K. J. Sharp TD, lately the President of the Institute of Chartered Accountants of England and Wales, is being appointed as head of profession from 3 November 1975. The other recommendations of the Melville–Burney Report, and the broader issues of the role of accountants in the Civil Service, and of attracting high-calibre accountants to it, will be followed up when he is in post.

159. In the meantime, a number of more limited, but nevertheless significant, developments have been effected:

(i) the recruiting arrangements for Basic and Senior Grade Accountants have been intensified, and flexibility has been improved, since the beginning of 1975: procedures have been speeded up and age limits modified: there has been some slight improvement in the rate at which vacancies are being filled:

(ii) the Ministry of Defence (Procurement Executive) has developed its training of executive officers for the ICMA qualification, and now employs nearly 100 professionally-qualified cost and management accountants;

(iii) bursary schemes have been established recently to provide for more administrators from all departments either to be trained as cost and management (ICMA) accountants at the Royal Army Pay Corps Training Centre, or to be articled to private practices outside the service while training as chartered accountants; and the Civil Service College now runs a three-week course in financial management for administrators and a series of specialised accounting and internal audit courses for staff not requiring to be professionally qualified but who need to be trained to a level enabling them to operate competently new accounting and audit systems;

(iv) the CSD has a special Management Services Division concerned with advice upon the development of accounting systems in departments, staffed by professionally qualified accountants; the Treasury also has a Management Accounting Unit under the Treasury Officer of Accounts which is similarly staffed; the Exchequer and Audit Department is proposing to follow the District Audit

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Service in training its executive staff for the CIPFA qualification; there are now nearly 800 professionally qualified accountants in the Civil Service (of which over 400 are outside the Professional Accountant Class).

(*b*) **Lawyers** (Recommendations 148–155)

160. Fulton noted that there was a serious shortage of lawyers to meet the continually increasing demands falling on the Legal Service. Their proposals were designed to improve the career management of lawyers and to give them the opportunity to make a wider contribution to the work of the service. The Treasury Solicitor should become Head of the Legal Service, with appropriate support. Central management should have a general concern with all staffing questions, and particularly for stimulating movement of staff between departments and into wider fields of work. Improved career opportunities should result in attracting a bigger flow of young lawyers into the service. Conveyancing and litigation, but not advisory work, should be centralised, thus making more economic use of legal staff and permitting more devolution to non-professionals, which should be encouraged to the greatest possible extent. The service should also seek to help itself in overcoming the recruitment problem by producing some of its own qualified lawyers.

PROGRESS

161. In the light of the Fulton recommendations the Management Committee for the Legal Class discussed possible ways of organising the legal work of the service to better advantage and of improving the career management of legal staff. Before agreement was reached on these matters the situation was altered by the machinery of Government changes of October 1970, which raised the question whether legal services for the new "giant" departments, DOE and DTI, should be provided by the Treasury Solicitor or by departmental legal branches. Sir Edmund Compton, who had recently retired from the post of Comptroller and Auditor General, was invited to study the organisation of the means for providing legal advice and services to the major departments in England and Wales, to consider what changes were called for, and to suggest suitable arrangements for the management of the legal class, having regard, amongst other material, to the report of the Fulton Committee (evidence and findings).

162. In his report, submitted in July 1971, Sir Edmund Compton concluded that for the departments in which legal advice is a continuous element in the policy making and management of the department, the department's own lawyers would be the proper source of that advice. This judgement applied to all the main departments in England and Wales with the exception of the Treasury, CSD, Ministry of Defence and Ministry of Posts and Telecommunications. In these departments, where legal advice is only intermittently required, it should continue to be provided by the Treasury Solicitor. As regards civil litigation and conveyancing Sir E. Compton concluded that generally speaking the expertise required is not special to the needs of particular departments and that, on grounds both of management of the business and effective deployment of the men, centralisation under the Treasury Solicitor should be the rule. He suggested a pragmatic examination of departments employing their own non-advisory legal staff to test whether the work is so closely connected with the advisory side as to justify its retention, with the object of transferring the work to the Treasury Solicitor if a clear case for retention was not made. On the question of staff management, Sir E. Compton recommended a collective system of central management, with the Treasury Solicitor as Head of the Legal Career Service. Adequate provision should be made for central authority to be equipped with information and knowledge of personalities. The Treasury Solicitor either personally or through his Establishment Officer should have a recognised right to take the initiative in enquiring into staff situations and personalities and in proposing changes of postings, particularly between departments.

163. The main recommendations in the Compton report were accepted and put into effect. The Treasury Solicitor has been appointed as Head of the Legal Career Service, consisting of the legal staff of most of the major departments in England and Wales. Some departments, such as the Lord Chancellor's Department and the Inland Revenue,

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remain outside the Legal Career Service but there is provision for consultation as necessary between those departments and central management. The former Management Committee has been reconstituted, with the Treasury Solicitor as Chairman, to advise on problems affecting the legal groups generally, and a Central Career Panel is charged with assisting the Head of the Legal Career Service to keep under review the manning of legal branches and the career development of members of the service.

164. Litigation and conveyancing work for Government departments, except in a few highly specialised fields, has been centralised in the Treasury Solicitor's Office, departments continuing to be responsible for their own legal advisory work.

165. A number of changes have been made in the arrangements for recruitment and promotion with a view to encouraging young lawyers to enter the service. The recruitment position has recently improved so far as numbers are concerned, but the proportion of candidates of high quality is still disturbingly low.

166. Agreement in principle has been reached with the Law Society on articling clerks to solicitors in the Civil Service; a detailed scheme is being worked out to accommodate both non-professional staff serving in legal branches and young honours graduates direct from University. A " Legal Apprentice Scheme " already operates in the Scottish Legal Service. As regards the other side of the profession, a number of former non-professional staff who read for the Bar while in the Civil Service are now members of the Legal Group.

167. The shortage of lawyers has made it difficult to give much positive encouragement to movement between departments, nor has there been any great demand from the staff themselves for such moves. Similarly, although opportunities are available to lawyers (as to other specialists) to gain experience of administrative work, very few have shown any desire to do so.

168. Devolution of work to non-professional staff has been taken a considerable way, and the scope for further extension may not be great. Improved career planning and personnel management will help in identifying staff with special aptitude for legal support work and in enabling them to find a satisfying career in that field, aided by appropriate training.

(*c*) **Research Officers** (Recommendations 156–158)

169. Fulton felt that the status and career prospects of Research Officers had been unduly depressed, reflecting a relative neglect by the Civil Service of research in social and some economic matters, and were inferior to those of both economists and administrators. Research Officers were often too far removed from the mainstream of policy decisions, were frequently asked to do work of a quality below their capabilities, and were often without clerical assistance. Research should be recognised as an essential component of policy-making: research staff have special skill in the conduct of research, are free from the demands of day-to-day administration, and may have valuable qualities fitting them for a contribution to policy-making, yet not appropriate to administration. Researchers should be employed especially in planning units and the Civil Service College, and the service should allow for the in-and-out movement of researchers between central and local government, universities, research foundations, and the like. And particular attention should be given to the early identification of researchers with talents suiting them for high-level administrative posts.

PROGRESS

170. Proposals for the reorganisation of the Research Officer Class have been the subject of prolonged and detailed discussion between the CSD, other employing departments and the staff side. The disparate functions and numbers of Research Officers in different departments, and the present grade structure of the Research Officer Class have seriously impeded agreement upon an improved yet practicable structure.

171. Recent revised proposals, now with the Staff Side, are designed to minimise the procedural difficulties of restructuring while nevertheless effecting the essential improvements required: more clearly defined and homogeneous functions, provision for the

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grading of posts above the Senior Research Officer (Principal—equivalent) level as the needs of the work occasion, add scope accordingly for more appropriate career management. The proposals provide for the establishment of a new Research and Planning Category comprising two occupational groups: a Social Science Group and a Planning Research Group. The proposed grade structures of the new Category provide for posts at Senior Principal and Assistant Secretary-equivalent levels. Posts and officers now in the Research Officer Class, and certain others already grouped at the higher levels in other groups or classes, would be transferred to the new Groups. Special arrangements would be put in hand to establish appropriate career management machinery and review entry requirements.

172. Precise definitions of "social science" or "planning" to describe the work of the new groups in practical terms have proved to be elusive. The delineation of the new groups closely reflects departments' experience with attempts to bring about career moves for individual officers within the Research Officer Class. In general terms the Social Science Group will comprise posts where work is concerned directly with systematic approaches to discussion about patterns of behaviour among people in contemporary society, about the impact of Government policies thereon, and about the implications for future policy thereof. And the Planning Research Group will comprise posts whose work is similar, but concerned more directly with resource allocation, environment and infrastructure—physical or industrial, and local, regional, national or international. The proposals contain a statement to the effect that the tasks of both groups will include, for example:

(*a*) establishing and/or maintaining a departmental capability in relevant fields by linking selected, valid, external research and experience to departments policy interests, and conducting relevant research, development, consultancy, and other work within departments;

(*b*) playing an active part in helping policy divisions to bear in mind the implications for their work of relevant external experience and research findings;

(*c*) attempting to form a perspective of longer-term trends as a means of anticipating future difficulties;

(*d*) refining the methods and practical utility of relevant disciplines, establishing professional standards against which methods and results may be evaluated, and maintaining the objectivity of enquiry and reporting;

(*e*) contributing to the proper control of relevant work commissioned from outside the Civil Service;

(*f*) fully exploiting available data to improve the practical value to policy, and assisting the development of appropriate data and statistics.

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INDEX OF REFERENCES TO FULTON'S RECOMMENDATIONS

LIST OF RECOMMENDATIONS

THE TASKS OF THE MODERN CIVIL SERVICE AND THE MEN AND WOMEN THEY DEMAND (CHAPTER 2)

	Section	*Paragraphs*
The service should act more quickly to identify and recruit new specialist skills that are needed. It should allow specialists to carry more responsibility than they do at present; the obstacles preventing them from reaching top management should be removed; there should be a deliberate policy of training in administration and management for specialists who are to carry these greater responsibilities (paragraphs 36 and 39).	6	83–86
2. New principles should be applied to the selection, training and development of administrators; they must possess the basic concepts and knowledge relevant to their area of administration (paragraph 41).	6	83–86
3. The administrator should specialise, particularly in his early years, in an area of administration (paragraph 42).	6	83–86
4. Administrative specialisation should be based on categorisation by subject-matter rather than by departments or groups of departments (paragraph 44).	6	83–86
5. We propose as a starting-point two broad groups of administrative jobs which provide a field for specialisation on the basis of their subject-matter: economic and financial, and social, each with its own internal specialisms; this pattern should be reflected in the training and deployment of administrators (paragraphs 45–47).	6	83–86
6. Economic and financial administrators should, in addition to their skill in administration, have appropriate qualifications, experience and training in such subjects as economics, finance, business administration and statistics, especially as applied to Government work; to their basic knowledge of their field they should add any further specialisation that particular areas of Government work require (paragraph 49).	6	83–86
7. The deployment of economic and financial administrators should not be limited to the main economic departments; they should be deployed in any department in posts that are mainly financial or concerned with economic administration and management (paragraph 49).	6	83–86
8. There will be a continuing need in some departments for economic and financial administrators who have been specially trained to apply their skills to work of a high scientific and technological content (paragraph 50).	6	83–86
9. Social administrators should have training and experience, in addition to their administrative skills, in the social studies relevant to modern Government; the emphasis should vary depending on the social area of Government concerned (paragraph 51).	6	83–86
10. Most social administrators should be concentrated in the main social departments, but many should be employed throughout the Service; there will be jobs in the economic departments for which social administrators are needed (paragraph 51).	6	83–86
11. Administrators should not replace those specialists whose primary concern is the practice of their specialism (paragraph 52).	6	83–86

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	Section	*Paragraphs*
12. It should be the task of the Civil Service Department to develop and refine these groups and keep them up to date (paragraph 55).	6	83–86
13. Some, both administrators and specialists, should be encouraged to specialise and make their careers in the kinds of work for which many different kinds of background and experience can be appropriate, such as contracts, computers, O & M, personnel (paragraph 56).	6	83–86
RECRUITMENT, TRAINING AND CAREER MANAGEMENT (CHAPTER 3, APPENDIX E, APPENDIX F)		
The responsibility for recruitment		
14. Recruitment, training and career management should be as closely integrated as possible; recruitment should be in the hands of those who also share a direct responsibility for the individual's subsequent training, deployment and development (paragraph 62).	3	30–33
15. The Civil Service Commission should cease to be a separate and independent organisation; it should become part of a new Civil Service Department and its staff should be integrated with it; some of its functions should be shared with the employing departments (paragraph 63).	3	30–33
16. The selection of recruits should be, and should be seen to be, independent of any form of patronage (paragraph 64).	3	30–33
17. Recruitment should be for specific ranges of jobs (paragraph 66).	3	30–33
18. Departments should have a greater influence on the selection of individuals; a higher proportion of staff should be recruited direct by departments; the employing departments should be better represented in the central recruitment of staff (paragraph 67).	3	30–33
Recruitment procedures and the problems of delay		
19. The procedures of formal competition should be restricted to posts for which there are many well-qualified candidates for a small number of posts, and even then it should be made possible to offer outstanding candidates rapid appointment; where it is in practice certain that there will be posts for all suitable candidates; they should be brought in without delay once it is clear that they are up to the required standard (paragraph 69).	3	37–41
The principles and methods of recruitment		
20. Specialist staff should normally be recruited direct by the department or establishment that is to employ them; recruitment should be by interview before a board, consisting of a majority from the employing department or establishment but including a kindred specialist from outside the Service and a representative of the Civil Service Department (paragraph 73).	3	30–33
21. Non-graduate specialists should be recruited by similar procedures to those recommended for graduate specialists (paragraph 88).	3	30–33
22. Of the non-specialist entry:—	3	30–33
(*a*) School-leavers with " A levels " should continue for the most part to be recruited by the Civil Service Department, but departments should be associated closely with the process.		
(*b*) School-leavers with " O levels " should continue to be recruited by individual departments (paragraph 88).		

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	Section	*Paragraphs*
23. Representatives of departments should be in a majority on selection boards, both central and departmental; they should be primarily composed of men and women with a good many years to go before retirement (Appendix E, paragraph 11).	3	30–33
24. In the recruitment of graduates, etc., for administrative work the Service should aim to recruit those with the best qualifications, aptitudes, qualities and experience for the jobs falling into one of the broad categories of administration. In the view of a majority of the Committee this means that the relevance of graduates' university studies to their future work should be an important qualification for recruitment to administrative posts (paragraphs 71 and 75). Those appointed without relevant qualifications should be required to take either a special, additional training course at the Civil Service College or a relevant post-graduate degree or course of study at a university (paragraph 79).	3 and 5	34–36 72
25. Over the years an increasing importance should be attached to the requirement that undergraduates seeking appointment to administrative posts should understand the use of numerical techniques and be able to apply quantitative methods to the solution of their problems (paragraph 81).	3	34–36
26. Non-specialist graduates should be recruited centrally by the Civil Service Department (paragraph 82).	3	30–33
27. There should be two main methods of entry for non-specialist graduates:—	3	37–41
(*a*) In the view of a majority, Method I should be retained in a modified form on a trial basis only. The papers should be restricted entirely to those with a direct relevance to the problems of modern Government.		
(*b*) Method II should involve a procedure based on that of the present Civil Service Selection Board, but with changes in the procedure and staffing of the selection process (paragraph 82).		
28. There should be an inquiry into the methods of selection to consider ways of making the process of selection more objective in character, the problem of reducing the time taken by the selection process, and the evidence of trends in recruitment (paragraphs 70 and 83, Appendix E, paragraphs 20–23).	3	37–41
29. Separate entry competitions should continue to be held for such groups as Tax Inspectors and Ministry of Labour Cadets, wherever they are found to be appropriate (paragraph 83).	3	37–41
30. Graduate recruits to both administrative and specialist posts who are judged outstandingly able and well-qualified on entry should be offered a starting salary two or three increments above the basic for the entry grade (paragraph 86).	4	64–67
31. The Service should not seek to employ more graduates than a rigorous analysis of the work shows to be necessary (Appendix F, paragraph 8).	3	42–44
32. Recruits with such qualifications as the H.N.C. or with "A levels" in scientific or technical subjects should normally be posted to jobs for which their qualifications are relevant. For administrative staff recruited at this level their "A level" qualifications may be pointers to the direction in which they should specialise (paragraph 87).	3	34–36

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	Section	*Paragraphs*
Late entrants and recruitment for short-term appointments		
33. The prime factor in the appointment of late entrants should be the relevance of the skills, qualifications and experience they already possess for the job or range of jobs in which it is proposed to employ them (paragraph 89).	3	50–53
The management of new entrants		
34. There should be a complete review of grading at the levels of Clerical Assistant, Clerical Officer and Executive Officer to separate the jobs appropriate to the older civil servant from those appropriate to the young entrant who with training and experience should be capable of rising in the Service (paragraph 93).	6	87–90
35. School-leaver recruits should be regarded as under training for the first three or four years; they should receive substantial induction training; they all should be carefully watched by personnel management; more specialised training should be provided as aptitudes and potential begin to emerge (paragraph 94).	5	74
36. A training grade should be introduced for the graduate entry and for those of the non-graduates who have shown the highest ability (paragraph 95).	3	42–44
37. When they leave the training grade trainees should go straight to the level justified by their performance, without regard to the claims of seniority (paragraph 96).	3 and 6	42–44 87–90
Training		
38. A Civil Service College should be created (paragraph 99).	5	69
39. The College should provide major training courses in administration and management:— (*a*) Courses for specialists who need training in administration and management; (*b*) Post-entry training for graduates recruited for administrative work; (*c*) Additional courses in management for those in their thirties and forties moving into top management; (*d*) Refresher courses in the latest management techniques; (*e*) Courses for the best of the school-leaver entry. Some of these courses should be wholly or partly residential (paragraph 100).	5	70–71
40. The College should provide a wide range of shorter courses in both general management and vocational subjects, for all levels of staff and particularly for the more junior; there should be a review of the balance between central and departmental training (paragraph 101).	5	70–71
41. The College should have research functions (paragraph 102).	5	71
42. Major courses should be concentrated in a single establishment close to London; a non-residential centre in London will also be needed (paragraph 104).	5	71
43. Graduate trainees in the administrative groups should, after an induction course, spend up to two years in their departments in jobs selected to test their ability and aptitudes and develop their capacity to take responsibility. As many as possible should get the experience of working at the places and at the levels at which the Service meets and deals with individual members of the public (paragraph 106).	3	42–44

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	Section	*Paragraphs*
44. Their main formal training should last up to one year, and should consist mainly of: (*a*) Further training in the subject-matter of the various administrative groups; (*b*) The techniques of modern management; (*c*) Advanced and specialised training in the application of an individual's specialism to his field of activity; (*d*) The machinery and practice of Government and administration. The trainee should spend some further time in his department undertaking more responsible work. As many as possible should gain experience of work outside the Service. All should have some practical experience in the supervision and control of staff. The whole process should take up to five years (paragraph 106).	5	72–73
45. Many specialist graduates should go to management courses at the Civil Service College after a few years in the Service. Many should also be selected to return to the College at an appropriate stage for longer and more general courses in administration and management (paragraph 108).	5	72–73
46. The 18-year-old entry should be encouraged to take additional qualifications appropriate to their work; training and further education facilities outside the Service should be supplemented as necessary within the Service itself; bursaries and paid leave should be made available. Those going into management work will require training; the best should be picked out to join the graduates on major training courses (paragraph 109).	5	74
47. The College should put in hand a rapid and large-scale programme for the further training of the present generation of civil servants (paragraph 110).	5	74
48. Courses at the Civil Service College should not be restricted to civil servants; on many courses a proportion should be set aside for men and women from other spheres (paragraph 111).	5	74
49. The Civil Service College should not attempt to provide the total amount of training required by civil servants; departments should continue to run their own courses; more civil servants should attend courses at universities and business schools (paragraph 112).	5	74
50. The College will need its own full-time staff but should also employ on a part-time or *ad hoc* basis civil servants, and teachers and instructors drawn from universities, business schools, industry and commerce, nationalised industry and local government (paragraph 113).	5	71
51. The Civil Service College should be under the general direction of the Civil Service Department, but it should have its own governing body consisting of civil servants and men and women from outside (paragraph 114).	5	71

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	Section	*Paragraphs*
Career management		
52. During the early years of a man's career he should remain within the specialism or group for which he is trained; he should move between jobs and perhaps between departments, but usually within the area of his specialism, and, in the case of the administrator, at much less frequent intervals than now; the basic principle of career management should be a progressive development within a specialism and between related fields of activity; the personal interests and wishes of the individual should be taken into account more positively (paragraph 115).	6	87–90
53. Increased attention to personnel management and individual career planning should apply to specialists no less than to administrative staff (paragraph 115).	6	87–90
54. Personnel and organisation branches should be expanded to meet much greater demands (paragraph 115).	6	87–90
55. Seniority should count for promotion when it reflects experience of value for higher posts; but there should be more opportunity for the really able to move rapidly up. In the assessment of staff more weight should be given to performance on the job measured against set objectives (paragraph 117).	4	87–90
56. It should be evident to all that a man's performance before a promotion board is not the decisive factor in determining fitness for promotion; the primary job of the board should be to produce a fair and uniform judgement of individuals' promise and potentiality based primarily on their superiors' assessment of their performance in their present job (paragraph 119).	6	87–90
57. For promotions to posts at the level of Assistant Secretary, Under Secretary, etc., the Permanent Secretary should be assisted by a small committee (a " paper board "); there should be specialists on the committee, and, for promotion to Under Secretary level, a representative of the Civil Service Department (paragraph 120).	6	87–90
58. The terms " establishments division " and " establishments work " should be used no longer (paragraph 121).	6	87–90
59. Personnel management and organisation work will call for higher expertise and greater specialisation. Those specialising in it should from time to time get experience of work in the field outside the Service; they should have had experience of working in an operating division (paragraph 122).	6	87–90
MOBILITY, PENSIONS AND A CAREER SERVICE (CHAPTER 4, APPENDIX G AND APPENDIX H)		
Late entry		
60. Late entry should be considerably expanded; there should be no restriction on the levels to which suitably qualified and experienced people from outside the Service can be directly appointed (paragraph 124).	3	50–53
Temporary appointments		
61. There should be more temporary appointments on short-term contracts, particularly of specialists (paragraph 125).	3	50–53

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	Section	*Paragraphs*
62. The Service should find means of reducing the proportion of other temporary staff and should examine ways of ensuring that civil servants do not continue to serve on a temporary basis for unduly long periods (paragraph 127).	3	45–49
Interchange of staff with other employments		
63. Determined efforts should be made to bring about, as a two-way process, the temporary interchange of staff, both administrative and specialist, with other employments on a much larger scale; the Service should set up joint working parties with local government and with industry to agree on a method and organise the practical details of a programme (paragraph 128; Appendix G, paragraph 11).	6	91–94
Personal appointments by Ministers		
64. A Minister should be able to employ on a temporary basis such small numbers of professional experts as he personally considers he needs to help and advise him; this practice should be put on to a regular and clearly understood basis (paragraph 129).	3	50–53
Movement out of the service		
65. All civil servants who have served for an appropriate qualifying period should be able to transfer or preserve their pension rights on voluntarily leaving the Service (paragraph 136).	10	138–139
66. The Service should take the system of probation much more seriously (paragraph 132).	3	45–49
67. The Service should have wider powers to retire on pension those who have ceased to earn their keep, and should use them with more determination (paragraph 133).	10	140–141
The Civil Service as a career		
68. The Civil Service should remain a career service in the sense that most civil servants should enter at young ages with the expectation, but not the guarantee, of a life-time's employment; and that the great majority of those who come to occupy top jobs will be career civil servants (paragraph 134).	6	95
Pension arrangements		
69. Full transfer arrangements should be made with private pension schemes wherever this is practicable; a frozen pension should be awarded on voluntary leaving in cases where a more satisfactory transfer arrangement has not yet been made (paragraph 136; Appendix H, paragraph 9).	10	138–139
70. Every civil servant—subject to having served for the appropriate qualifying period—should be entitled to a pension related to the length of his service; the pension scheme should be extended to cover temporary staff (paragraph 137).	3 and 10	45–49 138–139
71. Five years should be substituted as the qualifying period both for a frozen pension and for a pension on final retirement (Appendix H, paragraph 10).	10	138–139
72. The management should retain reserve powers to withhold the preservation of pension rights, but they should be used very sparingly (Appendix H, paragraph 11).	10	138–139

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	Section	*Paragraphs*
73. The possibility of basing retirement pensions not on the average salary over the last three years of service, but on the average salary over the best three years, should be considered (Appendix H, paragraph 22).	10	138–139
74. The feasibility of a change to a contributory pension scheme should be examined as quickly as possible (Appendix H, paragraph 26).	10	138–139
75. The existing " added years " provision should be replaced by a wider power that can be more flexibly applied (Appendix H, paragraph 28).	10	138–139
76. The need to legislate in order to make changes in the pension scheme is an unnecessary complication; another method should be looked for (Appendix H, paragraph 30).	10	138–139
Terms of employment		
77. " Establishment " should be abolished (paragraph 142). The new terms of employment should be:	3 and 4	45–49 58–60
(*a*) For all appointments except temporary staff, there should be a two-year period of probation;	3	45–49
(*b*) On successful completion of probation, an individual should be informed and offered indefinite employment subject to a reasonably long period of notice; we suggest up to six months on each side. The Service should be able to end the employment only on one of the following grounds:— (i) redundancy, (ii) ill-health, (iii) disciplinary reasons, (iv) culpable inefficiency, (v) early retirement in the interests of the Service. In each case there should be appropriate safeguards for the person concerned.	4	58–60
(*c*) Temporary staff should whenever possible be offered short-term appointments for a specified number of years (paragraph 143).	4	60
78. The process of confirming a civil servant in his appointment should be handled in a way that reduces the administrative complications involved in the process. It should be deferred until successful completion of probation. There should be considerable delegation of authority, subject to appropriate checks by the Civil Service Department (paragraph 144).	3 and 4	45–49 58–60
Compulsory early retirement		
79. Section 9 of the Superannuation Act should be abolished and section 10 should be extended to all civil servants so that a civil servant over the age of 50 may be prematurely retired for inefficiency with the immediate payment of the pension earned by his service (Appendix H, paragraphs 15–16).	10	140–141

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	Section	*Paragraphs*
80. A new procedure should be introduced for the senior ranks of the Home Civil Service to deal with those officers whose retirement is " desirable in the public interest "; the procedure should include provision for an appeal to an independent board; the person concerned should be given the maximum amount of warning at all stages of the procedure. There should be some enhancement of pension in the case of officers retired prematurely under this procedure (Appendix H, paragraphs 17–21).	10	140–141
Retiring age		
81. The Service should pay continuing attention to the problem of determing the right retiring age in the light of current research and national policies towards retirement. (Appendix H, paragraph 29.)	10	140–141
THE STRUCTURE OF DEPARTMENTS AND THE PROMOTION OF EFFICIENCY (CHAPTER 5, APPENDIX I)		
Accountable and efficient management		
82. The principles of accountable management should be applied to the work of departments. Where measures of achievement can be established in quantitative or financial terms and individuals held responsible for output and costs, accountable units should be set up; work of this kind should be organised into separate " commands "; the manager of each command should be given clear-cut responsibilities and commensurate authority and should be held accountable for performance against budgets, standards of achievement and other tests; within his unit he should set up sub-systems of responsibility and delegated authority (paragraphs 153–154).	8	121–122
83. In much administrative work, measurable output cannot always be made the criterion for assessing performance; the principle to be applied is management by objective; the objectives and priorities of the branch should be clearly established; individuals at all levels should know what they are responsible for and what authority they have (paragraphs 155–156).	8	121–122
84. The establishment of accountable units must involve an addition to the Service's traditional accounting to supplement the formal Parliamentary accounts with cost data (paragraph 151).	8	121–122
85. When several departments, or several branches within a department, have a substantial interest in the same problem, methods should be devised of concentrating in one man or group the responsibility for organising the material and putting forward a solution; departments should make opportunities for adopting the problem-solving approach whenever they can (paragraph 158).	8	123
86. The Service should make experiments in reducing the number of working levels in the organisation of the flow of business (paragraph 159).	8	123
87. Where administrators and specialists are jointly engaged on a common task, there should be a single integrated structure under a single head, who should be the man with the most appropriate qualifications for the job. Below him administrators and specialists should be integrated in teams or unified hierarchies, in which the individual posts are filled by administrators or specialists according to the requirements of the task (paragraphs 160–162).	8	123

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	Section	*Paragraphs*
The departmental management services unit		
88. Each major department should contain a management services unit with wider responsibilities and functions than are given to O and M divisions at present and, in particular, with the following changes:— (*a*) There should be efficiency audits involving all aspects of the department's work at all levels, with special attention to studies designed to improve organisational efficiency; (*b*) The management services unit should be made responsible for promoting the use of the best management techniques; (*c*) O and M should be equipped to operate effectively at all levels in a department; (*d*) The functions of O and M and staff inspection should be combined in the same unit, which would mount operations of varying scale and depth according to the problem (paragraph 165).	8	124–127
89. The staff of the management services unit should be drawn from administrators, appropriate specialists, including accountants, and those with experience of similar work outside the Service; many should spend long periods in this type of work; many should have a relevant degree or professional qualification and experience as a manager or administrator in an operating division, followed by more specialised training in management techniques and subsequent refresher training (paragraphs 166–167).	8	124–127
90. Departments should continue to bring in outside consultants for special assignments (paragraph 168).	8	124–127
91. Management services units themselves should be periodically subjected to external efficiency audit (paragraph 170).	8	124–127
The working environment		
92. Much more needs to be done to improve the physical surroundings in which civil servants work (paragraph 171). In particular, lavatories and washroom facilities should be improved (Appendix I, paragraph 5).	4	61–63
93. The pay of typists should be examined in order to combine scales suitable for girls who want a career in the Civil Service with scales appropriate for those who would prefer a short-term contract (Appendix I, paragraph 6).	4	64–67
94. Shared and central secretarial assistance should be extended; the criterion should be the needs of the work at any level (Appendix I, paragraph 7).	8	128
Policy planning work		
95. A department's responsibility for major long-term policy planning should be clearly allocated to a planning and research unit (paragraph 173).	9	131–136
96. Planning Units should be staffed by comparatively young men and women who should not normally remain in them beyond their mid-forties (paragraphs 175–176).	9	131–136

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	Section	*Paragraphs*
The overall direction of departments		
97. There should be a Senior Policy Adviser or Advisers in most, if not all, departments to assist the Minister; he should be the head of the Planning Unit; his prime job would be to look to, and prepare for, the future and to ensure that day-to-day policy decisions are taken with a full recognition of likely future developments; he should have direct and unrestricted access to the Minister and should be free to determine, after consultation with the Permanent Secretary but subject only to the approval of the Minister, what problems his Planning Unit should tackle; he should not have responsibility for the day-to-day operations of the department; his rank should not normally be below that of Deputy Secretary (paragraphs 182–184).	9	131–136
98. In some big technical departments, it may be right to appoint a chief scientist, engineer, etc., to take charge of the department's technical work (paragraph 185).	9	131–136
99. One man, the Permanent Secretary, should continue to have overall responsibility for all the affairs of the department; he should be head of the office under the Minister (paragraph 186).	9	131–136
The delegation of responsibility to autonomous public boards		
100. We recommend an early and thorough review of the question of " hiving off " (paragraph 180).	8	120
THE STRUCTURE OF THE CIVIL SERVICE (CHAPTER 6 AND APPENDIX J)		
101. The structure of the Service should be based on the following principles:—	7	98–112
(*a*) Both the grading of a post and the selection of the man to fill it should be based on an evaluation of the job;		
(*b*) Management should appoint to each post the person it considers best fitted to fill it;		
(*c*) No posts should be the preserve of any group except in so far as the individuals comprising the group may be uniquely qualified for them;		
(*d*) It should be the right and duty of management to determine the new qualifications and experience required for particular posts from time to time;		
(*e*) In filling individual posts, management should promote the right man even if he is not the next in the order of seniority, or bring him in from outside the Service if he cannot be found within it or if it believes that an appointment from outside would bring a valuable reinforcement of skill and experience;		
(*f*) The pay for posts should continue to reflect the rate for the job on the basis of fair comparison with market rates for jobs of comparable responsibility and authority outside the Service;		
(*g*) The structure should permit work to be organised in such a way that chains of command reflect the demands of the task and, where necessary, cut across any groupings by discipline or type of skill (paragraph 214).		

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	Section	*Paragraphs*
102. To give full effect to our proposals, the present multitude of classes and their separate career structures should be replaced by a classless, uniformly graded structure (paragraph 218).	7	98–112
103. The salary range or scale for each grade should be relatively broad and there should be overlapping of salaries between grades (paragraph 219).	7	98–112
104. All the jobs now performed by the many different classes should be fitted into the appropriate grade by a process of job evaluation (paragraph 220).	7	98–112
105. The structure proposed is essentially a pay structure; it should not be used to determine the actual organisation of work (paragraph 221).	7	98–112
106. At all levels where the work requires civil servants to specialise, occupational groups will be needed and civil servants should generally be recruited and trained as members of them; they should include the administrative groups, the present specialist disciplines and the supporting grades (paragraph 223).	6 and 7	95 and 98–112
107. Occupational groups will tend to develop their own career patterns, and it should be established that it is normal to skip grades on promotion (paragraph 225).	6	87–90 and 95
108. The principle of "fair comparison with the current remuneration of outside staffs employed on broadly comparable work," established by the Royal Commission on the Civil Service 1953–55, remains valid. Outside comparisons should be made as part of the process of job evaluation, assessing the importance of the job to the work of the Service and establishing the rate for jobs of similar responsibility outside the Service (paragraph 226).	4	64–67
109. Negotiation and arbitration in the settling of pay claims should be preserved (paragraph 227).	4	64–67
110. Each grade should carry a range of pay except (in the view of a majority) the grade equivalent to that of Permanent Secretary, which should be paid at a flat rate (paragraph 228).	4	64–67
111. Progression through the pay-scale of each grade should be more flexible; annual increments should continue up to the level of Under Secretary, but:— (*a*) Additional increments should be granted for especially good work and for success in gaining relevant qualifications; (*b*) Increments should be withheld when they have not been earned. Above this level the range of pay for each grade should become a "band" of pay; the progress of each officer through the band should not be on a regular incremental basis but determined by an annual review of his performance (paragraph 229).	4	64–67
Supporting grades		
112. The case for a unified grading structure applies to the supporting grades as well as to the other levels of the Service (Appendix J, paragraph 2).	7	98–112

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	Section	*Paragraphs*
113. Departments should make special efforts to select and train those in the supporting grades who wish and have the aptitude to move to other types of work (Appendix J, paragraph 7).	6	90
Priorities in the establishment of a united grading structure		
114. The Civil Service Department should mount a major study to work out the details (including the number of grades and the system of job evaluation appropriate to the Service) of a scheme for a unified grading structure together with the time-scale for its application (paragraph 243).	7 and 6	98–112 83–86
THE CENTRAL MANAGEMENT OF THE CIVIL SERVICE AND RELATIONS WITH STAFF ASSOCIATIONS (CHAPTER 7)		
115. The role of central management should be changed and enlarged; its primary role should be to ensure that the Service is continuously governed by the principle outlined in Chapter 1 (paragraphs 247 and 248).	1	4–9
116. Central management should have the appropriate degree of ultimate authority in those questions that affect the interests of the public service as a whole (paragraph 248).	1	4–9
117. The expanded and unified central management of the Service should be made the responsibility of a new department created specifically for that purpose; the first main step to be taken in the reform of the Service should be the setting up of a new Civil Service Department which should absorb the functions of the Civil Service Commission, and carry the responsibilities for central management (paragraphs 248 and 254).	1	4–9
118. The new department should be staffed by a mixture of long-term and short-term appointments; departments should release some of their best men for a period of service in it, and some should be appointed from outside the Service (paragraph 255).	1	4–9
119. The department should include specialists; there should be an appropriate measure of central management for all the major occupational groups (paragraph 256).	1	4–9
120. The new department should include a Planning Unit (paragraph 257).	1	4–9
121. The official head of the Civil Service Department should be designated Head of the Home Civil Service; he should receive a lead in pay over the other official heads of departments in the Home Civil Service (paragraph 258).	1	4–9
122. We hope that the Prime Minister will remain directly responsible for senior appointments as well as for the machinery of Government and security (paragraph 259). In putting forward names for top appointments to the Prime Minister, the Head of the Civil Service should be assisted by a committee of variable composition drawn from a panel with a rotating membership consisting of Permanent Secretaries, scientists and other specialists and one or two eminent people from outside the Service (paragraph 260).	1	4–9
123. The Prime Minister may wish to delegate day-to-day responsibility, outside the area for which he is directly responsible to a non-departmental Minister of appropriate seniority who is also a member of the Cabinet (paragraph 261).		4–9

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	Section	*Paragraphs*
Relations between the Civil Service Department and other Departments		
124. The principle should be to delegate to individual departments the maximum authority in staff and organisation matters compatible with the requirements of the Service as a whole (paragraph 263).	2	14–16
125. On questions of departmental efficiency and organisation, the main role of the Civil Service Department should be to encourage the use of the most modern techniques; it may have a special part to play in assisting reorganisation at the higher levels of other departments; in the last analysis it should be in a position to call departments to account for failure to use the recommended techniques, to carry out investigations of departmental organisation and to recommend the improvements (paragraph 263(*c*)).	2	14–16
126. In the management of staff, especially the planning of careers, the main responsibility must remain with the employing departments; but the Civil Service Department should play a larger part than the Treasury does today and should have more ultimate authority; it should be responsible for informing itself about those civil servants who are identified as capable of filling the highest posts, should consult with the employing departments about their training and development and should take the initiative in proposing appropriate moves; it should have a voice, especially during the early years of the new system, in promotions to the Senior Policy and Management Group and should be represented on all the departmental boards for promotions within the group (paragraph 263(*d*)).	2	14–16
Relations with the Treasury		
127. The functions now exercised by the " Pay and Management " group of the Treasury should be transferred to the Civil Service Department, including:—	1 and 2	4–9 17–18
(*a*) responsibility for advising the Prime Minister on machinery of Government questions;		
(*b*) general supervision of departmental organisation;		
(*c*) the development and dissemination of administrative and managerial techniques		
—in addition to the broad responsibility for the management of the Civil Service; the division should be based on the principle that all the functions that belong to the Treasury in its role as " employer " should be transferred (paragraphs 265–266).		
128. The Civil Service Department should be solely responsible for applying the Government's incomes policy to the public service; within the normal rules of collective Cabinet responsibility, it should have the final authority on any given pay settlement (paragraph 267(*a*)).	2	17–18
129. The central responsibility for ensuring that departments are efficiently and economically staffed should rest solely with the Civil Service Department; it should be its task to determine the scales of the staffs necessary for the efficient discharge of the tasks of departments (paragraph 267(*b*)).	2	17–18
130. Working procedures between spending departments and the two central departments, and between the central departments themselves, should be devised in order to reduce administrative complications to the minimum; arrangements should be based upon the clearest possible distinction between the functions and responsibilities of the two departments (paragraph 268).	2	17–48

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	Section	*Paragraphs*
Whitley Council machinery and the role of staff associations		
131. The staff associations and the Civil Service Department should jointly take part in a review to determine the new pattern of joint consultation appropriate in the light of the Government's decisions on our report; the pattern of joint consultation should reflect, not determine, the results of the changes we propose (paragraphs 273–274).	2	19–22
THE CIVIL SERVICE AND THE COMMUNITY (CHAPTER 8)		
Consultation and secrecy		
132. Consultation with the interests concerned should be as wide as possible and should form part of the normal processes of decision-making (paragraph 278).	11	147–148
133. The Government should set up an inquiry to make recommendations for getting rid of unnecessary secrecy; the Official Secrets Acts should be included in such a review (paragraph 280).	11	147–148
The anonymity of civil servants		
134. The convention of anonymity should be modified and civil servants, as professional administrators, should be able to go further than now in explaining what their departments are doing, at any rate so far as concerns managing existing policies and implementing legislation (paragraph 283).	11	147–148
Ministers and civil servants		
135. There should be no obstacle in the way of the Minister's selecting within the department, or on occasion more widely within the Service, as his Private Secretary the individual best suited to his ways of working, and no stigma should attach to a person who is moved out of this job (paragraph 286).	11	149
136. We expect that Ministers will not normally wish to replace their Senior Policy Advisers; this must however be possible when a new Minister finds the current holder of this office too closely with, or wedded to, policies that he wishes to change (paragraph 286).	11	149
137. It should be more exceptional for a Minister to change his Permanent Secretary, but Ministers should not be stuck with Permanent Secretaries who are too rigid or tired (paragraph 286).	11	149
Manpower		
138. We attach considerable importance to the developing practice whereby new policy proposals are accompanied by detailed estimates of manpower costs; these, no less than other costs, should be the subject of Parliamentary and public debate (paragraph 301).	11	150–152
The implementation of our proposals		
139. We hope that the Government will take steps to review the progress made in implementing our proposals (paragraph 304).	11	153
PROBLEMS OF THREE SPECIALIST GROUPS: ACCOUNTANTS, RESEARCH OFFICERS AND LAWYERS (APPENDIX D)		
Accountants		
140. The practice of bringing in accountants from outside for major jobs outside the normal routine should continue (paragraph 9).	12	156–159

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	Section	*Paragraphs*
141. A strong force of highly-qualified professional accountants within the Service is also needed; more qualified accountants are needed:— (*a*) in the Senior Policy and Management Group; (*b*) in purchasing; (*c*) in developing accountable and responsible management; (*d*) in management services (paragraphs 9–10).	12	156–159
142. Trainee accountants should be articled to members of the profession within Government departments; some entrants with "A levels" should be encouraged to take professional qualifications in accounting for which they should be rewarded with additional increases of pay (paragraph 11).	12	156–159
143. The work now done by qualified accountants already in the Service should be examined to see whether some of it could not be devolved upon less qualified staff (paragraph 11).	12	156–159
144. Accountants should continue to be an identifiable occupational group within the Service; the group should include cost and works accountants (paragraph 12).	12	156–159
145. The accountant needs broader training in his early years and also at intervals during his career (paragraph 14).	12	156–159
146. Late entry and temporary appointments should be encouraged (paragraph 14).	12	156–159
147. There should be adequate central management of accountants by the Civil Service Department (paragraph 15).	12	156–159
Lawyers		
148. The role of the Treasury Solicitor should be expanded and put on to a formal basis as Head of the Legal Service; the management committee should continue to function; consideration should be given to including a representative of the legal service in the staff of the Civil Service Department (paragraph 19).	12	161–168
149. Departments should have normal control over their legal branches; but the central management of the legal service should have a general concern for all questions of staff, and should be responsible for thinking constructively about improvements in organisation and methods of work (paragraph 20).	12	161–168
150. Certain kinds of legal work, such as conveyancing and litigation, should be centralised; legal branches in other departments should consist largely of lawyers engaged in giving legal advice on the policy of the department (paragraph 21).	12	161–168
151. Scotland should have a separate legal service organised on similar lines (paragraph 22).		
152. Civil servants with the right aptitudes and interests should be given the opportunity to acquire professional qualifications in order to join the legal service (paragraph 24).	12	161–168
153. Legal executive work should be recognised as a specialism, and administrative staff encouraged to take it up (paragraph 25).	12	161–168
154. Lawyers should play their full part in the consideration and formulation of policy. Senior lawyers, as members of the Senior Policy and Management Group, should be regarded as being concerned with the affairs of the department at large (paragraph 26).	12	161–168

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	Section	*Paragraphs*
155. Lawyers with the desire and aptitude should be considered sidered for jobs of a more general administrative or managerial character (paragraph 27).	12	161–168
Research officers		
156. The Service should continue to recruit staff for doing research work (paragraph 33).	12	170–172
157. Research Officers should normally be employed within departments, and especially in Planning Units. We should also expect them to be employed by the Civil Service College. They should take part in the process of considering what research should be done and its translation into policy (paragraph 34).	12	170–172
158. Departments should pay careful attention to the early identification of those Research Officers capable of filling administrative posts (paragraph 35).	12	170–172

October 1975.

Examination of witnesses

Sir DOUGLAS ALLEN, GCB, Head of the Home Civil Service and Permanent Secretary, Mr J M MOORE, Deputy Secretary, and Mr B M THIMONT, Principal Establishment Officer and Principal Finance Officer, of the Civil Service Department, called in and examined.

Chairman

1. Good afternoon, Sir Douglas. We are grateful to you for your attendance this afternoon and also for the document that you sent us as a sort of check-list on the Fulton Report and which I think we have agreed should be regarded as published from this point onwards. The object of this particular session is a fairly general one. I think that we would wish to offer you the opportunity of coming back again towards the end of the inquiry, which may well be in some months' time, but on this occasion we thought it appropriate to start off by asking you and your colleagues some fairly general questions. I wonder whether you could actually define for us the jurisdiction of the Civil Service Department? ——The task of the Department, I think, has not changed at all since my predecessor gave evidence to the Sub-Committee three years ago. Jurisdiction, in terms of powers, would vary a little from subject to subject. As the Committee will be aware, basically the Civil Service is organised on the concept of the individual Department being the employer of the staff of the Department under the guidance of the Minister. Our ability in many areas of Civil Service policy is in fact to persuade, instruct, but not to command. We take part in a co-operative exercise in management. There are one or two areas where our powers are greater—our jurisdiction is greater. I shall instance some of those, and my colleagues can add to the list if it is not exhaustive. Starting at the point when a civil servant first comes into the Service, we have a high degree of control of the whole process of recruitment through the Civil Service Commission, which, as the Sub-Committee will also be aware, is a part of my Department but with a special status, in that the independence of the Commission as regards the decisions it takes in individual appointments is absolute. Moving from the point at which the civil servant comes in to the remaining parts of his career, the greater part of a civil servant's training which is an increasingly important aspect of Civil Service work, is undertaken by Departments. The Civil Service Department gives guidance about the character of training and takes the lead in joint operations with the staff side about various aspects of the training programme. We also provide centralised training in a part of our Department—the Civil Service College. In the fields of pay and pensions, which are very important to the individual civil servant, we have the deciding voice, under Ministers, in that we negotiate the greater part of the pay negotiations on behalf of the Government with the staff side and we prescribe, where individual

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questions of pay come up, what can be done and what cannot be done. We are also the central authority for pensions, and arrange the payment of most of the pensions. In terms of the efficiency of Departments, we have a system, which was brought out in our Memorandum, a double system, of ensuring their efficiency. We operate staff inspection. We have about 50 staff inspectors in the Department who mainly operate on the basis of checking up on the performance of the staff inspectors employed by the individual Departments, but we undertake directly staff inspection of the smaller Departments. We have a quite important management services side, which advise Departments on various aspects of management efficiency and, again, can provide direct services but rely in the main on ensuring that up-to-date information is available about techniques in Departments, relying on the teams which Departments themselves have built up. We have two other areas where we have an important function which I shall mention particularly. There is a central computer agency which is responsible for the purchase of computers used in Government Departments and for processing their introduction, seeing that the necessary software is obtained and advising Departments on their use. We also manage a catering service which provides direct services in a considerable number of Departments and also gives advice to other Departments on how to operate their own committee-run canteens. (Mr *Thimont*) We also exercise a control over numbers. In conjunction with the Treasury we have a responsibility in relation to the annual estimates where provision is made for salaries and related administrative expenditure, and we, with the Treasury, are responsible for examining and approving these estimates. I think that that is the main area additional to those which Sir Douglas has outlined. (Mr *Moore*) Pay and pensions also includes allowances and the whole run of general conditions, of course—leave and so on.

2. But not all allowances? Your jurisdiction is not even over the whole of the Home and Foreign Civil Service, is it?—— (Sir *Douglas Allen*) We have a jurisdiction over the allowance system in both the Home and Foreign Civil Service, yes.

3. Including foreign allowances?—— Including foreign allowances.

4. So where does your jurisdiction vary in relation to, say, a home Department and the FCS?——We have no jurisdiction over the management of the personnel of the Foreign Service. By and large, we are negotiating their pay as part of a common pay structure, but we have no career powers over the members of the Foreign Service.

Mr *Ridley*

5. Can you define what other limitations there are to the people for whom you are responsible? What about the Royal Dockyards or the Health Service? Are there any other areas where your writ does not run, so to speak?——The Royal Dockyards are part of the industrial Civil Service, but the Health Service is an entirely separate service.

6. What are your powers in relation to those two?——Virtually we have very limited powers indeed in relation to the Health Service. There are certain powers in relation to the pay and allowances of the bodies that administer the Health Service, but the Health Service itself is operated quite independently and mainly managed by the Expenditure Vote and not by a Staff Vote. In the dockyards, we do in fact negotiate the pay of industrial civil servants as well as non-industrial. The actual management is part of the function of the appropriate Department.

Chairman

7. Is it not a little anomalous? The Health Service is not a nationalised industry with a separate board, although some people in the public at large have suggested that it should be. It is controlled by a Minister and yet not controlled in personnel terms by your Department?——I think it is because the staff do not have the status of civil servants. It is an entirely different service, and always has been since 1948.

Mr *Lawson*

8. May I follow on from Mr Ridley's question and what your colleague Mr Thimont was saying earlier? Would you say that the control of numbers is tighter, closer, better in that section of the public service for which you have a responsibility than it is in that section of the public service, like, for example, the Health Service, where you do not have responsibility?——I am afraid that we can only speak with any confidence about the area in

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which we have direct responsibility, where the control of numbers is as tight as we can make it. I happen to know a little about the Health Service as I served in the Ministry of Health for two years, but rather a long time ago. What has happened in that service is that they have introduced their own methods, in some cases modelled on ours and in some cases modelled on other examples, to try to keep their complements tight. In a complex service like the Health Service I think you will find that it is not nearly as easy to control things the way we control them; they tend to be controlled by the tightness of their budgets.

Chairman

9. Yet the complexity in the Health Service, one would have thought, was at the medical level, whereas in recent times it seems that administrators have risen rather more rapidly in numbers than executives in the sense of medical and nursing personnel?——I think that I should be speaking rather outside the field in which I have direct statistical knowledge if I were to comment either "yea" or "nay" about the growth in numbers. I have seen so many contrary pieces of evidence, some suggesting that, having regard to all the bodies that were taken in, there has not been much of a growth in numbers. So I am afraid that I am not sufficiently informed to comment further on the question.

Mr *Garrett*

10. May I ask a question on one specific point? You said earlier that your Department was responsible for staff inspection, which is about numbers of staff and their grades, and that it was also responsible for management services, which is about the operating efficiency of systems in Departments. The Fulton Committee was very critical of that arrangement, that studies of efficiency and effectiveness should be divided between two activities, and it recommended that they should be combined. They have not been combined, I gather. Why not?——They have not been combined. The decision was taken in the past—I am reporting by hearsay rather than by a direct decision that I took part in. 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. In the discussion which took place in the two or three years after the Fulton Committee reported—I think that the reasons are fully given in documents already published—the reasons why, on balance, the service felt that it was best to leave things as they were as regards the management of these two operations, but none the less encouraged the maximum cross-reading of information, were set out. I am going to call on Mr Moore to enlarge on this point because it is very much in his field. (Mr *Moore*). We have been doing a certain amount of work recently over the whole field of what can be done to keep an eye on the personnel management of Departments at large. It is not an area where it is possible to be very specific and to apply numerate techniques, I think, but we are building up a general regime under which the CSD will be able to monitor the service as a whole, see in what areas it now looks as if it is time we took further initiative, see in what areas things are going satisfactorily and, equally, by Departments, to discern where things are not going as well as we would like and then to explore why this is so and see what we can do about it. It is not a process in which it seems wise to try to make haste other than circumspectly. There is a good deal of ground to cover, a good many techniques to cover, and we shall be doing it, of course, in the months and perhaps even years, that lie ahead under the difficult constraints which will follow from current needs to economise manpower resources. But within that field we are doing a good deal of work.

11. But to return to the question, the fact is that the study of the numbers employed and their grading is mandatory and is imposed by you on Departments, but the study of efficiency in the way that Departments are run is optional and you provide that service only when a Department asks for it. Is that true?——(Sir *Douglas Allen.*) Yes, that is true.

12. Is it not also true that the least efficient Departments are the least likely to ask advice in the matter?——I do not think that that is quite true because we keep a pretty good eye on where we think things are going wrong and suggest our services in small Departments. In the big ones it is really part of my job to see that the top people are efficient and encourage them to get on with it, and I do what I can in that field. But to try to run a service as large as

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ours, with everything tightly controlled centrally, would, I think, be rather a mistake. After all, we are dealing with a service of three-quarters of a million people.

13. Would you agree that in other organisations the work of staff inspection and the work of what you call management services—efficiency studies—is combined? ——In some, but not all. Very few other organisations are on this scale, of course.

Chairman

14. May I ask you a question about the whole Government organisation in this respect, which I think is of vital importance? We have got your Management Services Division coming as witnesses next week. I do not know—no doubt there are some cases—but it is not the general practice in industry to combine, say, the personnel function with the management services function, because there is, of course, an innate contradiction between them. From a sense of pure counting up in terms of cost efficiency a management services division might say that *x* should take place, whereas from a personnel point of view one has human feelings, a regard for one's employees, and would not necessarily just, for example, abolish a Department or a factory or what have you. There is, therefore, a conflict which, in the Government's case, is reconciled entirely within your Department and not by two separate Departments in discussions with each other. Therefore, the question which I think we should address to you, as distinct from your Division next week, is, do you think that, in fact, the Government might be more efficient if the Management Services Division alone were transferred back to, say, the Treasury?——My personal opinion is that it would not. I think that the kind of conflict of Government by tension does not usually produce the best results, espccially when the main problem is to get decisions. The point that occurs very frequently when you are changing organisations is that you tend to move people about who know each other, so that they very often co-operate closely together, and you overcome, at least for a time, some of the difficulties of having things in different bodies. I cannot say categorically that I do not think that it would work—I can see ways of making it work—but equally, I do not think that within our Department we have any acute difficulties arising from the combination of the two functions within the same Department.

Mr *Loveridge*

15. We have a paper here which shows an increase of something like 26,000 over the four years 1971 to 1975 in the Civil Service non-industrial manpower. Within that, the Ministry of Defence seems to stick out suddenly because its increase shows as 18,000. How is that 18,000 increase in the Ministry of Defence numbers monitored in comparison with an overall increase, after all adjustments, of 26,000? How have they done so well? Why did they deserve to? How do you manage to control the requests of one Department for more staff? It seems strange that the Ministry of Defence should grow so much in civilians at a time when our Armed Services seem to be being cut down?——I have not come armed with a detailed answer to that particular question, I am afraid. All I can talk about is the general approach. Our general approach is to watch very carefully the bids which are made by Departments for staff, to examine critically the reasons why the bid for additional staff is made, to press them very hard on whether they can absorb it by cutting something out; and quite often it is at the point when bids for extra staff are made that we can use to the full our abilities on staff expenditure. In general, when there is a process going on which adds a task, all we can do is examine whether the task added requires the additional staff sought. I feel slightly disadvantaged because I have not got the actual reasons why Defence went up by that figure.

Chairman

16. May I give you a more general side of the question? If you take the cash limits, because of your control and the Treasury's in almost all Departments there are two separate heads: pay and administration, for which your Department has the oversight; and everything else, for which the Treasury does—excepting Defence, almost the largest, where the two are amalgamated together under the joint control of yourselves and the Treasury. I do not know why the difference arises. That is the sort of principle which I think is at the back of Mr Loveridge's question—the difference in control.——I have not read from that a lack of control on our part because Defence, of all Departments, has grown rather rapidly in that period.

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Mr *Loveridge*

17. It was not necessarily implied in the question though it seemed the common sense of the reading of the figures that there might be a criticism. I did not want so much to make a criticism as to try to know how you went about it and not only how you went about checking them when they asked for more staff for Departments, but also how you went into the Departments when the need for staff became obsolete and told them, "You do not need this staff any more; they should be changed or re-trained". How does that happen?——(Mr *Thimont.*) The way in which we are organised in the Civil Service Department is that we have a number of manpower divisions, and within these manpower divisions there are branches that have responsibility for individual Departments and groups of Departments. In the case of the Ministry of Defence, being a very large Department, there is one branch that is devoted almost exclusively to the work of the Ministry of Defence. Therefore, the job of that branch is to keep in such close touch with the Ministry of Defence that they are able to identify, in collaboration with the Ministry, areas of potential saving, areas where for one reason or another staff reductions would appear to us to be called for, and to ask the Ministry of Defence for explanations, and also to respond to requests from the Ministry of Defence when they come forward asking for additional staff or for variations in complements. That branch also calls upon a significant element of our staff inspectorate, to which Sir Douglas has referred, and this staff inspectorate collaborates very closely with the quite extensive staff inspectorate which the Ministry of Defence itself possesses. So there is a relationship between ourselves and the Ministry of Defence as a very large user of public service manpower and there is this collaboration which means that we have detailed knowledge of their operations and, jointly, are able to exercise the kind of control which is our responsibility in relation to the Department.

Chairman

18. But that would mean the opposite. That would mean that you would split it down, as you have with every other Department; and yet, in fact, on control of its cash, for example, it is almost the only Department—not quite the only Department but the only big one—where you do not split it down and have joint control with the Treasury?——(Sir *Douglas Allen.*) We do as far as the Civil Service staff are concerned, but we do not do it, of course, as far as the military staff are concerned.

19. No, we are not discussing that?——(Mr *Thimont.*) We have certain responsibilities for senior military posts, but not for the generality of the Armed Services, which is a control exercised by the Treasury.

Mr *Loveridge*

20. When all the technical discussions have gone through and everybody has been satisfied at the end that they have got their facts approximately right—it is obviously a difficult matter to discuss such large Departments—how far is the Civil Service Department able to say "No" when the Minister and his team feel that they need extra staff? What authority have you to intervene?——(Sir *Douglas Allen.*) It is about the same as the ability of the Treasury to say "No". When you get a disagreement and want to disallow it and say "No", it will normally be appealed to Ministers, and the ultimate decisions will be taken by Ministers collectively.

21. It would go to a Cabinet Committee? ——Unless the Ministers concerned can settle it bilaterally it will go to a Cabinet Committee.

Mr *Ridley*

22. May I ask about the staff inspectors checking up on staff inspectors in Departments? It sounds as if one staff inspector jumps over the next inspector's back. Do you find that it is resented by the Departments that you should be checking up on them, or do you find that, without this sort of checking up, they would simply exercise no control at all? What is the relationship between yourselves and other Departments as a result of your overseeing of manpower numbers?——Mr Thimont and I have both run staff inspectors. I think that he would like first go, and then I will add. (Mr *Thimont.*) I should like first go because for four years—ending about three years ago—I ran staff inspection in the CSD, from the time at which it was set up. It is very much a collaborative effort. I should not like the impression to be gained that we are going in simply to check up on the staff inspectors in Departments. As

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Sir Douglas says, we have about 50 staff inspectors in the CSD, and almost without exception these are people who come from other Departments. They bring knowledge and expertise from their own individual Departments, and when they return to those Departments, very often in the field of staff inspection—almost invariably so—after serving with us and receiving training with us, they carry that knowledge and expertise which they have gained with us into their own Departments. So when our people go into the individual Departments it is very much on the basis of bringing some kind of expert knowledge which the staff inspectors of the Departments do not possess, and it is in the nature of a collaborative effort. Having said that, I may say that it is quite true that in the last analysis, as Sir Douglas has explained, 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.

23. Do you find that Departments are very staff conscious or, should I say, efficiency conscious? Of course, there is nothing wrong with having a lot of staff if you have got a lot of work, but do you find that there is an inbuilt responsibility about it, or do you find that they rely very largely on the CSD for being their conscience, as it were, in the matter of staffing levels?—— In small Departments they rely, naturally, more than large Departments on the expertise which we bring in the field of staff inspection, but in the large Departments—to come back to Mr Loveridge's point about the Ministry of Defence, in such Departments as that—they have very large teams of inspectors, and they do not rely on the CSD to any material extent, except perhaps in those cases where they may not possess a particular expertise required for an individual inspection. (Sir *Douglas Allen.*) In my experience a large Department is very jealous of its efficiency. It does not like it to be thought that it is not exercising its duty in that respect.

24. Have there been examples where it has come to fairly serious disagreement? Has the CSD said, " You ought to have ten people less employed in this ", and the Department has disagreed with that? Have there been cases that have had to be settled by a sort of *force majeure?*—— (Mr *Thimont.*) There have been a number of cases where we have reached disagreement, but the margin between us is almost always pretty small. There are individual cases where we might have serious disagreement, and then it would go up to the top of the Department and, one hopes would be resolved at the Permanent Secretary level.

Mr *Sedgemore*

25. I wonder whether you could tell me who the staff inspectors are? Are they administrators or chief executive officers changing jobs, and are they the sort of untrained, unqualified, amateurish people that the Fulton Report spoke about?—— (Sir *Douglas Allen.*) They are always given training. (Mr *Thimont.*) They are mostly principals and SEO's. The preponderance now, I think, is principals because they are assisting and advising the staff inspectorate teams in Departments, and therefore it is felt better to do this at the more senior level. As regards being amateurs untrained, it is not so, because these people come to us almost always with a considerable experience of staff inspection in their own Department. They are trained by us—we have formal courses for training these people—and then they do a number of staff inspections under guidance, and before they operate on their own we would say they are both experienced and trained.

26. When you say that they have a great deal of experience in their own Departments, is that simply another way of saying that they have worked in the Establishment Division of their Department?——No; what we are saying is that they have worked in staff inspectorates in their own Departments. When we want a staff inspector for the CSD, we advertise across the Service. The competition for these posts is pretty keen, and so we have a fairly large field of selection. We select those whom we judge have been the most successful in their own Departments in the field.

27. How long do they stay as staff inspectors? Do they move on to other administrative jobs or do they stay permanently?——In the CSD we expect them to stay with us for about four to five years, not more, because, as I said earlier on in reply to another question, we hope that they will go back and, once again, do staff

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inspection, perhaps at a more senior and responsible level, in their own Departments, after receiving the experience with us.

Mr *Garrett*

28. You must be aware of the criticisms of staff inspection made by the Fulton Committee's Management Consultancy Group, which ought to have known what it was talking about when it was looking at staff inspectors. May I remind you that it said that staff inspection operates only at lower levels in Departments; that the training is inadequate; that the use of generalist executive staff operates against the development of expertise; that work measurement is never applied; that staff inspectors are guided primarily by their personal experience of the types of work allocated to different grades; that they have no experience of the work of specialists whom they are attempting to grade and measure the work of, and that this lack of expertise inevitably leads to superficiality? Has it changed that much since the Fulton Report?——I do not know what it was like many years ago, but I can say what it has been in the last few years and what it currently is. First, staff inspections go up to quite senior levels. We from the Civil Service Department would inspect Under Secretary posts. Where we were looking at specialist posts or specialist situations we would have guidance from specialists and assessors from specialist areas. We should expect to use the most reputable job evaluation techniques in looking at areas of inspection. Indeed, we would try to employ and hope that we were employing in this field as much professionalism as was generally available.

Chairman

29. May I ask a question that relates to one of your answers? Sir Douglas, you say that the Departmental conflict decisions are, you hope, reconciled at Permanent Secretary level. Would it be possible to analyse how many of these decisions are really made at the lower level within your Department by agreement with an appropriate section in another, how many of them are reconciled at your own level with the relevant Permanent Secretary, how many of them have to go to a Committee of yourself and the Permanent Secretaries as a whole, and how many of them actually go above that to Ministerial level?——(Sir *Douglas Allen.*) I cannot recall any coming to my level in the last two years. I can recall a number that have been settled between principal establishment officers. I cannot recall any that have gone to any committee of Permanent Secretaries and I cannot recall any direct staff inspection ones that have gone to Ministers. Sometimes in the argument there are points that are made as it proceeds up the chain that enable the thing to be settled. It is usually some argument about the extent to which a particular change in methods is acceptable and that will save staff. But it is very rare for these arguments to come up to Permanent Secretary level these days. I can remember far more about 15 years ago when I was looking after staff inspection.

Mr *Radice*

30. Fulton criticised the Civil Service of the 1960's in these terms. The Report said: " The ideal administrator is too often seen as the gifted layman who, moving frequently from job to job within the Service, can take a practical view of any problem irrespective of its subject matter ". Sir Douglas, what is your ideal administrator today, eight years after Fulton?——I think that we have responded quite a long way in the direction in which Fulton was pointing. We have become, I think, a good deal more specialised in regard to the experience which senior administrators have. We would not regard it as all that easy a matter to switch somebody from one area of work in one Department to an utterly different area of work. We have been trying to keep them rather longer in jobs. That was a criticism not so much from the point of view of their training but of the effect that the movement had on the outside world. We have been trying to move them rather more in what I will call defined areas of interest. You would find that it is much less likely for somebody to be moved from a social area to something like Defence, or *vice versa,* unless there is some special reason for doing so. We have also been trying to improve their practical training and understanding by courses, and contacts with outside interests. The idea, or concept, that there is a type of mind which is relatively untutored and which can adapt to everything is no longer, if it ever was, held. On the other hand I would make one point. There is a particular kind of experience that an administrator normally has, which is dealing with Ministers in the role of Ministers and the policy-making aspects

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which one needs wherever one goes. What we have been trying to do, again in response to a Fulton criticism, in opening the way for people from specialisms to the top, is in various ways to give them the chance of acquiring that experience at an appropriate stage in their careers. You will also find, although the scale is not all that large at the moment, that rather more specialists are becoming heads of their own shows, either in managerial positions or even in Permanent Secretary positions. So, summing up, what we are really doing is to try to take to heart the criticism in so far as it is valid, and provide the means of putting it right.

Chairman

31. At some time, though not, I think, just yet, we might ask you for some statistics on this question, possibly after we have heard one or two other pieces of evidence?——Certainly; I will do that.*

Mr *Radice*

32. I should like to follow that up because Mr Garrett has pointed out to me that answers to questions that he has made to the Civil Service Minister have revealed that the average length of service of Under Secretaries and Assistant Secretaries is under 2½ years in the DOE, 2½ years and two years in the DOI and 1¼ years and 1¾ years in the Treasury. Surely this would indicate that there is still quite a lot of quick switching around in the Civil Service? ——In fairly common areas. When problems arise or the thing expands, you may find that you suddenly have to deploy people or promote them, in which case the ideal, which in my view is about four years at least for an Under Secretary in a job, cannot be adhered to. I remember in my days as Permanent Secretary to the Treasury when I picked out some young men and put them into Under Secretary posts on the basis that I could see my way to keeping them for four or five years. In fact, they all got promoted too quickly. But they moved in areas which had a large common element. In other words, they were not switching to a completely different kind of job. Various financial jobs in the Treasury have a lot in common. I cannot speak for the details of the movements in the Department of the Environment, but you will find that sort of thing happening. Of course, if there is suddenly a new demand, a new unit is created, you will find that most of your planning gets upset and that people are absorbed into the new unit. Take, for instance, the Constitution Unit, which was created to deal with the devolution programme: that pulled in some very good people and upset all the planning of Departments which had not had that particular demand in mind; and the same thing will go on all the time.

Mr *Lawson*

33. Could you summarise very briefly for us what you see as the main advantages and disadvantages of the split or hive-off which led to the creation of the Civil Service Department separate from the Treasury? ——The original recommendation, as I recall it, was to deal with a number of points. One was to get adequate concentration at the top of the Department on management affairs and not have them always swamped and attention always absorbed by day-to-day consideration of crisis measures. Another one, which I think we would put less emphasis on now, was to remove what I call the Treasury meanness from the management of Civil Service affairs. I am misquoting, but the thought is there. Another one was to enable an expansion of certain aspects of Civil Service management which would have made the total Department far too large. I think that these various things were done with that in mind and that we have benefited from that. The Civil Service Department itself is now quite a large Department by comparison with the old Treasury. The actual area which was common to the Treasury has not grown quite as fast. There were about a thousand people covering the jobs in the Treasury who are still doing similar jobs in the CSD, and that number has grown to about 1500.

34. How about the disadvantages, the other side of the ledger?——The disadvantages, I suppose, to some extent depend on taste. One disadvantage is clearly that the roles of the two Departments are fairly easily defined. The old mystery of the Treasury, where it was hitting you, has gone. If you quarrelled with the Treasury you knew that the Treasury could generally get its way through one of its various powers. Now the thing is much more open, and therefore, as I say, the mystery has gone. There can be a problem of the dual control in matters of expenditure. It has not created any serious difficulty in the eight years since the division occurred, for a number of reasons. One

* See p. 227.

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is that before the split occurred the working relations between the two were very closely worked out. Another is that there was a considerable degree of independence before the split, in that the Treasury was really a double-headed organisation. The third is that the people dealing with these questions still know each other very well and naturally co-operate. The only point which I have not mentioned concerns the Ministerial responsibility. It was probably implicit in what I said that there was a feeling that concentrating all the responsibilities on the Chancellor meant that not enough attention at Cabinet level was able to be given to the affairs of the Civil Service. Since the split the Civil Service Department has had its own Cabinet Minister, and there is no doubt that that Cabinet Minister has been able to give more attention to Civil Service affairs and deal with deputations and the staff side, and all the rest, than would at all have been possible if the Chancellor of the Exchequer, with all the other burdens he has to carry, was still carrying this.

35. May I follow what you were saying a little earlier about the loss of mystery—it is a nice word but perhaps a slight euphemism, because some people would say that it was a loss of power that the Treasury suffered. Perhaps we can compromise on " a loss of authority ". Anyhow, the loss of authority of the Treasury, some people might suggest, has lessened the Treasury's ability to control public expenditure; they might suggest that there is a connection between this change and the economic phenomenon which many of us are concerned about. What would you say to that?——For most of the period I was Permanent Secretary to the Treasury and not Permanent Secretary to the CSD, and I do not think that that change is the reason why public expenditure has grown rather rapidly. The staff element in it has not been the main driving force. There are various reasons why expenditure has grown, but I do not think that any significant amount of the growth of public expenditure is due to the split between the two Departments.

36. Mr Thimont mentioned the difference in procedures between the large Departments and the small Departments. Bearing in mind that there have in recent years been created these jumbo-sized Departments, I think it is important to know what is the optimum size of a Department for the sort of control that you were talking about. Can you make some comment on the relationship of the size of a Department to efficiency and control and lack of waste of manpower?——There was a time when people liked to speculate on the ideal size for a Department, but we no longer do that. I think that the answer must depend to a large extent on the character of the Department. There are large Departments in terms of staff numbers which do not create much problem in control, either for management or for us, and the simplest very large Department in its structure, of course, is the Inland Revenue. The jumbo Departments, to use your phrase, are in many cases Departments with a multiplicity of functions, with very complicated problems for the senior management and for the Ministers. If you wanted an accurate answer to your question—in a sense we must all be guessing—I think that you would have to stipulate the kind of Department. Some of the Departments got far too large, at least for Ministerial control. The obvious one was the old Department of Trade and Industry at its maximum size, with all the problems that that had. When you get that happening, it is very difficult, I think, for those who are properly exercising a managerial function over staffing, training, and the rest of it, to keep their minds on that, because there are so many other problems going on around. Whether Mr Moore or Mr Thimont, from their experience, would like to give a more precise answer to your question———.

37. As a rider, when they do, could they say whether there are any Departments today which, in their opinion, are too large, as the Department of Trade and Industry was when it was in existence?——No, I do not think so. There are some Departments which have a range of problems. There are two outstanding large Departments, leaving aside Defence, which were created a few years ago and have remained. One is the Department of Health and Social Security, which initially did have some problems, on which they are spending a lot of effort to overcome, and I think that they are overcoming them. The other large Department that one might mention is the Department of the Environment, which does have also quite a multiplicity of functions. That has had first-class establishment work throughout, and I would say that there are no

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particular problems there arising from its size.

Chairman

38. When the old DTI was the Board of Trade it had about 11 per cent of what we now call the First Division of the Civil Service, but it was not actually an enormously large Department in other respects. So you are really saying that complexity is based on numbers of administrators, not actual numbers of people. The second point is, is it not true that at the moment Trade and Industry are a sort of Siamese twins, because their common services are provided by both of them for each other? ——On your first point, what I said was that I think that the complexity arises from a number of functions rather than a number of people, because they are different functions, different kinds of staff, different specialisms in many ways, and that does complicate the management problem. On your second point, the twinning, we have gone back, of course, to roughly where we were some time before. Again, you can see disadvantage from that and possibly advantage from that. The advantages, I think, come from the fact that the burden on the Ministers is more easily contained. The disadvantages arise from more than one Department having to be involved in individual issues. It depends on your taste, I think, whether you like constructive tension or complete consolidation. What I would say, and say very firmly, is that the worst result of all is obtained by keeping on mucking about with the boundaries of Departments. It has greatly disturbing effects on staff, it upsets that continuity of knowledge about people which is the basis of successful staff and personnel management, and it also means that most of the effort which ought to be dealing with policies has to be directed to keeping the Department together or splitting it up. So may I put a plea for stability?

Mr *Sedgemore*

39. It has been suggested that the Civil Service generally tends to recruit people in its own image, particularly at the higher levels, and that there are too many Christ-like figures from Oxbridge in it and too few Caesar-like figures from the real world. Perhaps I could declare an interest in asking that question. Is that fair criticism? What is the proportion of Oxbridge people in the administrative class, and is it desirable from political and social grounds, and does it lead to efficiency?——Nobody is more concerned than I to avoid the accusation, or at least to make certain that it is without foundation, that the Service always creates people in the image of those who were the previous generation. I think that it is a worry of any selection process and the worry of any established system. Oxbridge, in its role in the educational system, has, of course, changed since before the war, when I joined the Service, and it now plays such a role in our educational system that if we want to get the best people we are going to take a fairly substantial proportion from Oxbridge We now take, I think, in the latest figures of the AT scheme, 50 per cent or a bit more. The last figure I saw unfortunately showed an increase. I say "unfortunately" because I am not Oxbridge. If I may make a comment which I hope you will not think is in bad taste, there are six members of this Committee who are Oxbridge. The management of my Permanent Secretary management group consists of seven people. There are two from Oxbridge and two without degrees at all. So far as the path to the top is concerned, there is no question of the domination of Oxbridge. My number two is grammar school and no university; I am grammar school and London.

40. You say that 50 per cent are from Oxbridge. Is that not still an extraordinarily high figure for a country that is supposed to be widening the base of its administrative class? Have you any class breakdown of that figure, as between, say, public and grammar schools?——We could produce it. I do not think we have it. You will find that the predominant figure is grammar school.

Chairman: I am sure that the Committee will want to know this sort of statistic. Probably it is better if we discuss the actual facts that we want and let you have a note, so that you can fill in the details. I am sure that the Committee will want to know this sort of figure.

Mr *Sedgemore*

41. You said that Oxbridge filled this function in the British educational system. Again I am quite serious in this question—there seemed to be some implied insult to most of the other universities in this country?——I was not saying that. What I was saying is that it seems to me, from

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observation, that a lot of the effort of the schools is to get what they regard as their brightest pupils to Oxbridge, and quite a lot of them get there.

42. Leading on from that, " their brightest pupils ": that is one of the criticisms of the Civil Service selection, that, obviously, if you are talking about their brightest pupils there could be a tendency to be talking about their most academic pupils, which may not be the thing that makes industry or the British Isles function or tick. Is there not some criticism there, and does it not link to the fact that if you have a generalised recruiting system then you do not properly recruit people into spheres of influence; you have to stuff people from a generalised background with a broad set of qualities throughout your Civil Service?——I cannot say that you are wrong because there obviously is a case to be made. But when we recruit for the administrative trainee scheme we insist on a degree of not less than a certain standard, so that we do not accept as a qualification a degree which is very low. We do not then submit them to academic tests but to interviews and other tests which are designed to look for other qualities than pure academic qualities. We believe that our system of selection gives a lot of emphasis to things which are not purely academic qualities.

43. What are they?——What we are looking for are signs that people have thought about current affairs—there is a discussion on that—and indications of personal initiative and strength of character. We have psychologists present to see if there are any particular characteristics that they can spot, and all the rest of it. What qualities we are looking for in our managers, other than efficiency and a willingness to develop, I would say is a certain amount of brightness.

44. Would you say that they are broadly the same qualities that industry is looking for, or are they different?——Not exactly the same. Remember that industry probably wants rather more people than we do who like to have a completely free run and not be controlled in any sense. There is a certain style, which is running your own show and which you cannot fit into the Civil Service because we do not run our own show; we run a service to the Government and are controlled. The man who wants to be on his own or make some money quickly is a different sort of animal, but he may be exactly the animal that industry wants.

Chairman

45. I am a little concerned that we do not keep this to graduates. There are certain types of profession that because of their peculiar qualification structure are, in effect, the equivalent of graduates and well represented in industry. To name but two, I know many good engineers and good accountants, some of whom subsequently become good administrators, and this quite commonly happens in industry. It seems to happen less often in the Civil Service. Going apart from Oxbridge, is it not the case that the Civil Service Commission, at the higher levels, seems to tend to concentrate on what you might call a literate graduate and perhaps ignore to some extent other types of graduate and professionally qualified person, although presumably the number of able administrators amongst all of them is about the same, because administrative characteristics do not go with original professional qualifications?——I felt at the time that the Fulton Committee reported that this particular criticism was one that we had not got an easy answer to. We have been examining ourselves very much on it, as have the Civil Service Commission. On the accountant point, it is quite peculiar—if I may use that word—that there are not more accountants in senior jobs in the Civil Service. We have, quite recently, with some difficulty because of pay problems, managed to recruit a senior accountant at Second Permanent Secretary level, who is concentrating very much on the use and deployment of accountants, and I am sure will have ideas in this particular field. As regards engineers, of course there is a problem in our society about whether adequate use is made of engineers. What I can say is that there are one or two senior appointments in Government Departments which have gone to engineers, or engineers turned scientists, and I believe that in the long run we shall see far more of people with a professional background of that kind in managerial posts. I should perhaps have mentioned, when I was talking about the qualities that we were looking for in prospective civil servants, the importance of trying to detect an ability to manage, which means an ability to get on with people and accept responsibility for people.

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Mr *Garrett*

46. You must know that the Fulton Committee was very critical of the general principle that is observed in the management of Departments, and that was that decisions on policy and financial matters were taken by lay administrators, whom it called amateurs, a very large proportion of whom were Oxbridge classicists and historians, with professionally qualified officials in a subordinate and advisory role. The Fulton Committee's most important recommendation, in its own words, was that there should be a unified or classless Civil Service so as to reduce the dominance of Oxbridge arts graduates in top jobs and let able professionally qualified people compete with them. The Prime Minister of the day accepted that recommendation, your own Department says that a unified structure is technically feasible, and yet it has never been implemented. May I ask why?——I do not know that I can do any better than refer you to the document that you have just received from the staff side on that point.

47. One of the staff sides?——One of the staff sides.

Chairman

48. We shall be seeing them in due course?——The problem of complete unification is very much tied up with the problems of pay, recruitment, and so on, because it so happens that different professions in our society are paid in different ways. But we have worked hard to reduce the number of different classes by the mergers in the groups, and I think that we can affirm, though I do not know whether I can prove it, that there is nothing in the structure that we have at the moment that blocks the way to the top of anybody who is properly qualified in any particular area if he wants to get to the top of the administration. I rather resent your comment that decisions are taken by completely untrained people. I was a professional economist and statistician myself, and I always attached a good deal of importance to the role of economics and statistics in the Treasury. As you know, I have the feeling that it is desirable that people should have an adequate backing if they can, but so long as the choice of career and the choice of subjects for study is handled in our society in the way that it is and people do not think about their careers until they have completed their studies, it is very difficult to concentrate our recruitment entirely on people with a narrow range of faculties.

49. But you will agree that it is much more difficult for a professionally qualified civil servant to reach a general management, administrative job in the Civil Service than it is for an arts graduate?——I would not agree that it is much more difficult now. I think that there have been a number of reasons why they have not got to those jobs so much in the past, and we have responded to the Fulton Committee by putting right some of those barriers. We no longer go for structures in which you have a kind of professional adviser on the side and a generalist administrator—to use your term—standing parallel with him. The running of most of our research areas is now fully controlled by scientists who are in managerial positions. Many scientists and other professional people, having acquired professional expertise, are reluctant to move from areas where they use it to areas where they do not. We have been trying to encourage them to come in for administrative training at a reasonable point in their career in a way in which they will not lose their expertise, but there is a certain amount of reluctance, I think, and there are quite a number of professional people who still like to exercise their profession. It is perfectly true to say that one's experience in our service depends quite a bit on one's profession, I do not think that the legal profession has any grounds for complaint, and I do not think that in future many of the scientific profession will have so much ground for complaint. But I should not wish to challenge your point that in the past the generalist administrator probably did rather better than the scientist, and we are trying to put that right.

50. Is that not likely to be true in the future? I see, if you take the administration trainee scheme, which gives a fast stream of accelerated promotion to certain young graduates, that those that are ultimately chosen for fast streaming tend to be the same kind of people whom the Fulton Committee criticised when it discussed the old assistant principal scheme, that is to say, they are still primarily Oxbridge, public school, arts graduates. Are you not building up the same cadre of top management for the future?——We get quite a proportion of scientists coming in for those schemes. That is roughly the

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point when people, having taken a degree in science, decide whether they want to keep as a scientist for quite a long time or to use their degree as a basis for coming into a scheme like ours, or possibly an industrial firm's trainee scheme, which will mean that they become managers, policy makers, or what you will, but not scientists. I think that it is partly because of the fascination of the subject that many people do not want to make the choice at that point, and that is probably why we do not get a proportion out of intake which exactly parallels the proportion coming out of the universities in science. It is not of our seeking. We subject the people who apply for our posts to a selection technique, which is as neutral and as balanced as we can make it, and we take what are judged by the selection committee—and, I repeat, I have no control over whom it selects—to be the best people for the job. I think that you may find it helpful at some point to examine the Commission on what they do because they only can explain exactly what they do.

Chairman

51. We are talking in words about this, whereas it is, I think, more susceptible to statistical analysis of the type that Lord Franks did in relation to Oxford itself when he was in charge of that inquiry. I think that this Committee can, collectively, produce a definition of the nature of the statistical analysis it requires, and then I am sure, Sir Douglas, that you and the Commission would produce the necessary figures to put into it which will prove or disprove all these points, rather than just our talking about them in the abstract?——Certainly.

Mr *Loveridge*

52. I think there is a sense in which many of us feel a great sympathy with the point that Mr Garrett was trying to make about getting advice to Ministers from what I might describe as real specialists in engineering and science who actually have proved technical capacity at a very high level, and of course it must be difficult to promote these from people who came into the Service and made the choice that you are speaking of very early in life, because they get almost as generalist in their outlook, often, as the generalists themselves. So you do not have people with specific success in science to recommend to Ministers unless you are prepared to bring in occasionally people from the outside world who are already proven figures in these fields and put them in places to advise Ministers at the highest level. How far would this be damaging to their career structure, offensive to the Civil Service Department, how far is it done and how far could it be done at top levels—only in a proportion of cases, of course?——It can be done and is done quite regularly. Whether it is damaging to the career of the other people depends very much, I think, on the scale and whether it is a one-way flow. The recruitment of people for top professional posts has always tended to be somewhat open. For instance, in the case of economists, which I know quite a lot about, we have normally brought somebody in from outside to be the head of that profession. We brought somebody in from outside to be the head of the statistical profession. In the case of lawyers, in general we train up our own because the work is rather specialised. In accountancy, as I explained, we brought somebody in. In science, there is a good deal of movement in both directions. I think that what many of us would like to see is a degree of movement in both directions, because one problem, if you rely entirely on the house-developed professional, is that unless he is very active in maintaining his contacts outside he may be rather narrow in his applications. But we do encourage, and I am glad to say that it happens, most of our scientist professional people to be active in professional associations and to do their best in keeping abreast of developments.

Mr *Radice*

53. You tended to blame the predominance, if you like, of the general administrator in the Civil Service on the nature of the educational system, in that you said that people did not choose what career they were going to take up until after they had finished their education; but you have got a Civil Service College which has been going, as you point out in your paper, for six years, and I should have thought that it was designed to do precisely that: to create a more professional Civil Service. Do you feel that it is now training administrators effectively enough in the skills that are needed in running a modern society?——We have put the administration trainees through courses in the College designed to improve their adaptation to the needs of the Service and make good any defects in their background in such subjects as economics and Government statistics, and all the rest of it. Of

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course, it is a fairly short time, and I do not think that we have yet come to the end of the development of our training scheme by a long way. What I would always like to see myself, and I think that the Fulton Committee in discussing the College envisaged this, is some wider, longer training at a point when people have been in the Service for quite a number of years. But there are two points that one has to make in the present circumstances. One is that the training itself is quite costly, if it is adequate, and, secondly, since the College was set up there has been a deal of pressure on Departments that has made them very unwilling to release people for any lengthy period of time. So that at the moment the training that we are giving senior people is rather too short.

54. In a sense you accept a certain amount of criticism of the Civil Service College, not necessarily because of its own fault but because of the way that things operate?——Dealing with that point, I think I would accept a certain amount of criticism of that which is not its own fault, but in the area of dealing with training requirements of people other than administrators I think the Civil Service College is doing very well. Perhaps the most successful area of its training is in ADP training, which is very popular and very well received and where the training we give, I think, compares favourably with what is given outside. There are one or two other areas of training for executive staff which I think are very commendable indeed. But ideally one would give a lot of training to people and the basic problem is the cost of that and the number of extra staff that would be required to provide that training margin. To my regret, quite a part of the training margin that we thought we were developing has been absorbed by other needs of the Service.

Chairman

55. Are you really saying that the Civil Service College is a sort of jack-of-all-trades college? For example, in the Armed Services you have staff colleges, you have initial entrance courses, commissioned officers' and specialised courses for various trades, and so forth. In the French Civil Service, I think, the Ecole Nationale is more restricted in its scope to training administrators. Are you really saying that the Civil Service College is trying to do too many things?——I think that the Civil Service College is trying to do what it was asked to do in the original prescription. You will remember that the original prescription was that it should not be a staff college for senior staff. It is trying to do rather a lot of things. What it is not trying to do is act as a staff college for senior staff. That was ruled out by the original recommendations. There is a case for staff colleges for senior staff, there is a case for more prolonged training of the French type before people are taken in. What the Civil Service College tries to do is to make the best it can of the remit that it was given and the resources at its disposal, and I do not think that it is doing too badly.

56. I hope you will realise, Sir Douglas, not necessarily at this session but at a later one, that this Committee is not bound by the recommendations of the Fulton Report or anything that has happened since in making our own recommendations. We shall certainly take them into account, but in the course of that we shall be only too willing to hear from you and indeed you can take it as a general question at this stage if you like—any respects in which you think that Fulton was advantageous or disadvantageous?——Thank you. I do not think that I want to take advantage of the invitation in the time at our disposal now. It does provide a peg for me to say, however, that although we have given you a Memorandum which is very much on the response to the Fulton Report, there are quite a number of things which the Department has been doing that are not in that rubric, as it were, and I hope during the course of your inquiry that we shall be able to develop more some of the other things that we have done.

Mr *Lawson*

57. On that point of the other things you have done, I have just been looking through the booklet, *Civil Service Statistics 1975*, which shows, *inter alia,* the increase or decrease in the staff in different Departments between 1973 and 1975. Some Departments have increased more than others, and some have reduced. The biggest increase of all, I see, one of 60 per cent between 1973 and 1975, is in the Civil Service Department. Can you explain why that is, and perhaps answer the question *quis custodiet ipsos custodes*?——(Mr *Thimont*) I can answer that one very briefly by saying that we have taken on

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responsibility for catering, and the size of CISCO is something of the order of 2,000 people.

Mr *Lawson.* It is a pity that there is not a footnote to that effect, since there are no fewer than 34 footnotes explaining the other figures.

Chairman. I sympathise with Sir Douglas in trying to control both cooks and management.

Mr *Sedgemore*

58. I wonder whether we may come back to the College, as one who has actually been to it as a civil servant. Is there not a real danger that, for example, the teaching of economics you give people in a three-month course is cocktail jargon economics? Could you confirm that—I am not a Marxist economist myself—no Marxist economics is taught there, and that all that is taught is the conventional forms of economics and there is no attempt to teach socialist economics?——(Sir *Douglas Allen.*) I do not think that any Marxist economics is taught there. I do not know whether you were identifying socialist economics with Marxist economics. My late friend Evan Durbin would not have done so.

59. May I develop that? Moving on from that, there is in the Labour Party a criticism to which I partly subscribe that the whole training, background and ethos of the Civil Service is such as to develop people who are conservative and who feel that their main responsibility is to make the existing institutions function with as little fuss as possible; and that therefore, in the result, at a very high level the Civil Service is always frustrating radicals—this Labour Government, in fact. Would you say that that was a fair criticism or unfair?——I do not think that that is a fair criticism. As regards training, we try within the limits of the time available to let people hear about a wide range of ideas, and certainly we try to get speakers, when we have sessions with speakers, from a wide range of different experiences and different political views. There is certainly no desire to try to limit the outlook of people, but in fact every desire to make certain that they are not so limited and that, so far as possible, they are attuned to what I call the future rather than the past.

60. Do you get any feedback of frustration from Ministers as a result of the advice that they are getting from their senior civil servants?——I suppose the fair answer to that is that there are times when there is feedback of frustration from Ministers and there are times when there is a feeling, " Why did you not stand up for your own point of view more, because what we did we did not want to do? ". But you will not expect me to enlarge on advice that we give to Ministers, will you?

61. What I was trying to find out was, is there more frustration on the part of Ministers in Labour Governments than in Conservative Governments?——I am not the best person to tell you that. If it is only a deduction from personal experience, I would say that there is always a certain amount of impatience in the first year of a change in Administration and that rapidly the Ministers and the Service attune themselves to each other's requirements, and the impatience disappears.

Mr *Garrett*

62. Fulton thought that there was insufficient analysis and planning and research in Departments. It thought that the kind of people who held the top jobs—the Oxbridge classicists and historians—could only really correspond with each other by means of essays and were incapable of carrying out the kind of numerate analysis that one might expect in a large Government Department of today. So Fulton recommended that there should be senior policy advisers in Departments, and that they should head planning units staffed by young specialists and people with professional qualifications. In your response to Fulton you say that such an arrangement would lessen the accountability of Permanent Secretaries. Do you not see in the Civil Service, as there is in other organisations, a separate role for policy planners and analysts, separate from the role of chief executives in charge of the day-to-day running of Departments? Why do you think that a planning element in a Department would lessen the accountability of the senior civil servant in a Department? ——The point that we made was that to have somebody responsible for all the advice on policy would lessen the present role of a Permanent Secretary. We have been experimenting in various ways with developing planning elements in a large number of Departments. We have certainly been increasing the extent to which statistics and quantitative analysis are used

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I am not always certain that Ministers appreciate it when it is done, but it is done. We have of course since Fulton had a number of major developments, which I might instance affecting the whole way in which pol·· is conducted. You have had the Central Policy Review Staff in the Cabinet Office, you have had a considerable development of special advisers, and you have had, also, a considerable expansion in most Departments of the staff involved in improving and up-dating information, with a great growth of statistical analysis and all the rest of it. So we are responding to that comment. But the idea of having a single policy adviser covering the whole range of a Department's work was not something that was accepted, and one reason why it was not accepted, in addition to the thought that it might diminish the role of the Permanent Secretary, is I think quite an interesting one. The tendency in recent years, and a progressively increasing tendency, has been for the Minister in charge of a Department to want to have put before him a number of different views, and not a single view consolidated by the Permanent Secretary. On many areas of policy the Permanent Secretary will not even be there. He is usually there when there is something very important, but he is never there alone unless it is something very secret indeed; he is always accompanied by a group of other people, which often includes specialist advisers. They need not be specialist advisers in a technical sense, but may well be advisers brought in on a particular subject by the Minister because he wants a particular kind of advice. What the Minister tends to hear rather than a single essay is a debate on the issues, and I think that when that happens you find that you are providing most of the things that were perhaps underlying the idea of policy advisers but in a way which is more effective, because a single policy adviser in a large Department would be completely swamped by the different number of subjects he had to cover.

63. You say " a single policy adviser ". In your evidence to us you say that a single policy adviser—by which I understood Fulton to mean a head of a planning and research unit carrying out studies of policy —cannot be reconciled with organisational effectiveness. I should have thought that some kind of planning operation was a prerequisite for organisational effectiveness. Springing from that, may I ask what happens to recommendations? How are recommendations from Fulton handled? I understood that that recommendation for a senior policy adviser was accepted, and yet it has not been implemented. The recommendation—going back to an earlier point—for a unified grading structure in the Civil Service was not only accepted by the Government of the day but it was endorsed by the Prime Minister—but it does not happen.——The answer to your question, to a large extent, was set out in four documents that were published, the last one, I think, in about 1973. May I deal in more detail with the planning units for policy advisers, because it is an idea which I have always strongly supported? In fact, in the Treasury I introduced several different concepts of planning unit in order to provide the kind of service and concentration which I thought was the underlying idea. There are a considerable number of planning units extant in the Departments— I can give the Committee a list if it wished. The Ministry of Agriculture, Fisheries and Food has got a planning unit headed by an Assistant Secretary; my Department has a planning and organisation division headed by an Assistant Secretary; Customs and Excise have a departmental planning unit; the Ministry of Defence has a programme and budgeting unit headed by an Under Secretary; the Department of Education and Science has a planning unit headed by an Under Secretary; the Department of the Environment has a research and planning division headed by an Under Secretary. Throughout, in fact, there are a number of planning units. Some Departments have more than one planning unit because of the multiplicity of their roles, and when policies are discussed the man who is the head of this particular body will normally play a very active part in the discussion. So, in a sense, it is probably a matter of terminology whether or not we have accepted and endorsed and applied this particular recommendation. I can assure you that the concept of planning units as such is very strongly supported and followed.

Chairman

64. Some Departments give the impression that they have more than one planning unit. May I go back to your earlier answer to Mr Garrett? I think I am right in saying, in round figures, that at the time of Fulton there were about a hundred people in the Civil Service of the rank of

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Deputy Secretary and above. Now, again in round figures, I think approximately the figure is 200. It has doubled in a relatively short space of time. I can see how at much lower levels thousands of people may be added by a single piece of legislation, or by some administrative change, but one would have thought that the Civil Service would not double in a short space of time at the highest level advising Ministers. Can you attribute a cause to that? Is it because there are more Ministers? I think there slightly are in that period. Is it because there are more committees that such advisers sit on? Can you outline to us, for example, without going into individuals, just how many committees there are at that sort of level? How much time does the average top civil servant spend in these shadow committees that seem to be rather like the shadows in Plato's cave, that shadow the Cabinet Sub-Committees? What is the explanation for that 100 per cent increase? ——There are two main sources of explanation—two main causes. One is that the merging of quite a number of the classes, and creating the open structure at the top of the Service has meant that quite a number of posts which were previously not graded as Deputy Secretary have been graded Deputy Secretary. I have not got the figures handy but we could easily provide them. The same goes for Second Permanent Secretary posts. The heads of a number of professions have now been graded as Permanent Secretaries or Second Permanent Secretaries that were not before. That is responsible for a proportion of the increase in numbers. Then there has been an increase matching in some Departments the actual increase in numbers in the Department where the functions have grown. Changes in the Departmental boundaries and the ways in which Departments are organised, plus the tendency to use the Deputy Secretary grading for classes where it was not used before, are responsible for most of the rest. There is, I fear, a bit of a tendency, as always in organisations, for the heads, whether it is a Ministerial head or sometimes the Permanent head, to like structures, to insist that if you have a job which is regarded as important you must put a man of a certain rank into it. I do not think that there has been very much of that, except when new Departments have been created. I can certainly give plenty of instances of new Departments created which caused additional Permanent Secretary posts. But it is that kind of operation, and I think it would be most helpful to you if we tried to give you an analysis—we have one; I have used it to explain to Ministers —of how these posts have grown in the period you indicate. You asked another question about committee time.

65. What you are really saying is that except at the level of head there has been a sort of creeping upgrading——There has been a bit of grade drift.

66. Which may, of course, be justified in order, for example, to retain people in the Civil Service who might otherwise skip out into industry or something of that character?——I do not think there are many cases where that has been done. It has been based on the way the work has grown or has been handled or by the particular requirements of Ministers. If you upgrade a particular post which has a special relation to the Minister you have got an extra post.

67. The pay comparability in the Civil Service seems to apply at lower levels rather than higher levels. Would you not say that that is the case? In industry, for example, somebody in charge of, say, 100,000 people might well be paid more than in the Civil Service. Is that true?—— I think so. I do not see all the figures for industrial pay. As you know, advice on the pay of higher members of the Civil Service is left to the Boyle Committee, who do not produce to us their data. Certainly, industry has quite a number of advantages in pay, one advantage being that pay is generally secret.

68. On the other hand, you get the opposite side of the penny. To take the famous current criticism, in 1971, when the Pensions Act was passed that made pensions not comparable with most industrial pensions, was pay adjusted downwards proportionately to the value of those pensions?——Probably we ought to give you a note on pay research and pensions, and all the rest of it, because it is a very complicated subject.

69. That would be very helpful.——The pay area falls into two areas. There is the area for the Under Secretary and above which is dealt with by Boyle, who have all the information, but what adjustments they make we do not know because they do not reveal it. Then there is the area below, where allowances are made on an actuarial

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basis for differences in the character of the pension, the fact of its being inflation-proof, whether it is contributory or not—all these allowances are made, and we can give you a note on what it does.

Mr *Lawson*

70. It would be most helpful if in that note you can say how much weight is given to job security and how this is quantified? ——I do not know that we can give very much information on that. The trouble is that job security is something which is of variable importance. We shall do our best to indicate what is done in that field.

Mr *Loveridge*

71. Following on the question of job security, Sir Douglas spoke at the very beginning of the Civil Service aim being to persuade, instruct but not to command. I assume that that meant not obstruct either, in spite of what he described later as the impatience of the first year of a new Government. But there must be some times when the Minister feels that he cannot get done what he thinks needs to be done and what is Government policy generally. In those circumstances ought a very senior Minister to be able to send his Permanent Secretary off on leave, say, to the Mediterranean for a year?——If a senior Minister really had a complete loss of confidence in his Permanent Secretary so that it became necessary to move him, I expect that both the Prime Minister and I would be involved and would do what we could to meet his problem.

72. That was precisely the point I was trying to establish.——There is an area where we have rather more command, which is in fact at the top post of the lot, because the Prime Minister takes a direct control over those.

73. That is exactly what I was trying to get at. Should not this power that the Prime Minister has in relation to the top post also be applicable to the most senior Ministers of all?——You mean that he could sack them—I thought he could?

74. Not the most senior Ministers, no. ——Do you mean that they should have it?

75. They should have it. And used they not to do so fifty years ago? It was not only the chiefs of staff who had this special protection in the old days. Somewhere a change has taken place, so I am told, but I am not sure that that is right. Is it?—— That I should have to get checked for you. I cannot say that I know precisely what happened fifty years ago. I think that even then my predecessors back down the line had quite a say in what happened in providing other avenues for people to go to. At the moment I think it is a most satisfactory arrangement that it should rest with the Prime Minister, as it does. Let me say that one reason why was implicit in a remark I perhaps should not have made, and that is that when differences occur between a Minister and his Permanent Secretary—it may be the fault of one or the other—only the Prime Minister knows which of those he wants to move.

Mr *Lawson*

76. At the present time there is a policy of retrenchment in public expenditure at the same time, as it seems, that there is a lack of control of public expenditure. This is being met partly by the introduction by the Treasury of cash limit control. Are you, for your part, tightening up or introducing any improved method of manpower control?——Improved method of manpower control—I am not quite certain what you mean by that. A new method, or inspecting it frequently, or being more severe in examining the manpower budgets?

77. Yes, any more stringent control of manpower in the Civil Service?——Yes. At the moment we are conducting an operation, which has been publicised, to cut the Service in order to achieve a saving on 1978–79 expenditure of £140 million.

78. What progress have you made so far?——We have, since the programme was announced, obtained from Departments various options which would be involved in trying to reduce the average expenditure—average size is more or less treated equivalently in this field—of the Departments subject to this by about nine per cent. In other words, we asked Departments what would be involved in various levels of reduction and what functions they would have to give up. Ministers have still to consider what they want to do about it, so I cannot tell you what the outcome will be. We have done a lot of work on it in the last five or six weeks with Departments.

79. And functions are going to have to be cut in order to meet this commitment of

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reducing staff costs of £140 million by 1978, which overrides, as it were, the existing commitments to these particular functions? They are going to have to go?——Broadly speaking the saving of £140 million is about 35,000 staff; that is, 35,000 staff less than there otherwise would be. You cannot secure that degree of saving on staff without some change in functions—quite a major change in functions.

80. And you could go further if the Government of the day were to decide that it was necessary?——If the Government of the day decides that it can cut various functions, it can be done, but of course the Government of the day would have considerable regard to what was involved for its policies in cutting those functions. It is, I think, a substantial limitation on the extent to which you can reduce the size of the Service that there are one or two very large Departments who have a high proportion of the staff of the Service, especially the non-industrial staff, and it is quite difficult to cut the staff in those Departments without either causing a good deal of hardship to the public or losing a lot of money in the process. One of the Departments which has been growing in recent years is the Inland Revenue, and if you cut the number of staff there, unless you have some very peculiar changes, you will reduce the revenue. This is the sort of problem.

81. How about overmanning, without necessarily cutting functions? I am not saying that functions should not be cut, but I did notice that in answer to an earlier question you said that one of the purposes of setting up the Civil Service Department was to remove Treasury meanness from Civil Service affairs. It might be about time to restore Treasury meanness or its equivalent, enforced by you, in Civil Service affairs. What scope do you think there is for that?——I think that we shall be accused—in fact, we are already being accused—of restoring Treasury meanness in seeking these cuts that I talked about, but whether the accusation will prove right after the Ministers have taken their decisions I cannot speculate on. As regards areas of waste that do not involve functions or overmanning, I think that whenever we inspect we find a margin which we can save. It would be very rare if we did not. Now and again we might find a Department undermanned, but we normally find a margin. But it is small in relation to these numbers; it is of the order of abouf one or two per cent., not of the order ot nine per cent. You cannot get nine per cent. out without cutting functions.

82. My last point is, by what date have Ministers to reach these decisions that you were talking about in order for it to be operationally possible for you to get the £140 million cuts by the due date?——I do not think that there is any precise date. Obviously, the earlier the decision is made the less disruption or the less wastage involved in bringing it into effect by the operative year, 1978–79. There is not any firm date by which you say, " If you do not do it you cannot get it ". The pain and the disruption caused by late decisions, however, is such that I am sure that Ministers will take the decision as fast as they can.

83. But you have not given them a deadline?——No.

Mr *Garrett*

84. Fulton observed the serious underuse of the abilities of staff at clerical levels in the very large clerical bureaucracies of the Civil Service. It commented on the drudgery of the work that was given to "O" and "A" level school leavers, and of course many of the jobs that were done then by " A " level school leavers are now done by graduates. We also read from the Staff Association evidence of a high level of turnover among clerical and junior executive staff, even at a time of high unemployment. As somebody who is responsible for the personnel management of the Civil Service, what have you done to make the best use of the abilities of school leavers?——I am going to get Mr Moore to add to what I say in a minute because we have done a number of things. Since Fulton reported the average stay in a particular grade has shortened. We have tried to increase the rate at which people who are worth it can be promoted. We have also been spending quite a proportion of resources on trying to improve what we call job satisfaction. We have also been trying to organise the work in such a way that it does not under-utilise the innate abilities of the individual. I think it better if Mr Moore gives you some concrete examples of that because he has been more closely concerned with it than I have.——(Mr *Moore*) I think, in the main, that the first point I should like to make is that the turnover which has been a feature which

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has given us some cause for concern seems to be something which is part of this day and age, and careful comparisons we have made with the experience of other employers offering comparable employment show that they too suffer from a turnover of about the rate that we do. It is significant that it seems to be a turnover which is very high in the early years, inside the first five years, and highest of all inside the first two, and it begins to look as if part of the process of career selection nowadays among the young is increasingly to try a series of jobs and to move out of them when they feel they understand what that job is about and go and see what another job is like. Whether they pursue this so systematically that they finally go back to the best of the jobs that they have experienced in that period I sometimes wonder, and it may be that the birth of their first child is more decisive as a factor as to where they finally fetch up. But there is fairly clear evidence, I think, that school leavers now are rather less clear in their intentions and in their minds when they leave school and choose their first job that that is where, God willing, they will stay; and I think that this explains a good deal of the turnover. There was also, in addition for us, in 1974, the problem that we got out of phase with the pay rounds and, in consequence, our wastage rates for a while went up to something like double the rate that we normally expect—or that we have expected, shall I say, in recent years. As to what we are doing about greater utilisation of our talents, first of all this lies, I think, at the heart of good personnel management. If you are going to use talent you have to know what talent you have got, and we have been doing a good deal of work to unify and tidy up our reporting system. It was not a bad reporting system by comparison with many large organisations when we started, but it was not insusceptible of improvement, and we have improved it. So we start by trying to make sure that our inventory of our talents is there. We are making a special effort with Departments to identify from among the something like a quarter of a million people that we have to look after at these levels those who are brighter than others and who seem to be showing more managerial promise in some cases, more literate promise in others, but we are not confined just to the one specific kind of talent. When we can identify them, we have a now considerable—some would say not considerable enough, but none the less pretty expensive—exercise in training over the Service as a whole, which in a year costs us about £80 million, so we are in quite big business in that field in developing our talent. We have a promotion system which we hope operates as near as we can get it on merit. It is not easy to do that in a very large organisation and in an organisation in which you try to treat everybody alike; but, alas! in a human world not everybody is alike, and that applies to reporting officers as well as to the people who are actually being reported on. The problems of securing a reasonable uniformity while at the same time trying to bring real knowledge of people to bear is a considerable one and I would not claim that we had cracked it, and I do not suppose that we ever shall. Having selected people, therefore, and developed them as best we can, one asks is that enough? I think the answer is " No, it is not ". It is fairly clear that a number of our large clerical jobs in particular, whether they are large because they are very repetitive or whether they are large because they are spread all over the country, are fairly disagreeable. The customers are sometimes hostile from the outset, perhaps understandably because they are usually people in very painful personal circumstances, or they can be. Some of these jobs, in consequence, are not agreeable, either by reason of the job that has to be done which is tedious, or because people are disagreeable about it. Here we have been doing work on a fairly extensive scale, though very carefully and so far entirely under guidance, in—it used to be called job enrichment—job satisfaction, putting in experts who do, we think, know a certain amount of what they are doing in this field, trying totally to re-structure jobs, in, for instance, a DHSS local office, trying to involve the staff right at the lowest levels and to get them to totally re-design the whole approach to the job. When we start on one of these experiments we regard nothing as barred, and we are prepared to have the whole of the arrangements questioned and turned inside out. We have gone far enough down this road now to think that there certainly does seem to be something by way of advantage in this though there may still be massive problems to be tackled. We are not sure whether we can propagate it yet. So far, all our experiments have been in the field where we have had a real expert to hand ready to correct and guide and interpret, and he has had to do all those things. We are not sure how quickly

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we can develop the second and third generations, and how quickly we can do that will determine how fast we can spread the ideas further. We have discovered that there are problems with middle management, who begin to find that they are not at all sure that they have a role, or if they have a role they are not sure what it is, and it certainly is not the role they are used to. Some of them respond to that challenge as some human beings respond to challenges, and some of them respond in the other way, and that is like human beings, too. This will present us with a problem which we may be able to overcome in one way or another. However, at the end of the day it is a road that we are still determined to keep on going; it is a road, we are determined equally, is a bumpy one and, potentially, a slightly dangerous one, in which if we get things massively wrong we shall have a great deal of trouble. So we are making progress very carefully and putting one foot forward only when we are sure that the other one is well secured.

Chairman

85. Just to tidy up a few odd points, Sir Douglas, you mentioned earlier in answer to one of Mr. Lawson's questions a figure of nine per cent. What did that relate to? ——(Sir *Douglas Allen*) that is the figure for the average saving of the Departments which are covered by the £140 million cut. The point is that Defence is being dealt with quite separately, and so, with that and one or two other special qualifications that have to come where if you reduce the number of staff you reduce the number of fees, which would not improve your net saving—and we are talking about net saving—it means that for the bulk of the civil Departments the average cut will have to be equivalent to nine per cent. on their staff expenditures to produce the saving of £140 million.

86. When you gave your answer about Permanent Secretaries, I think there was a report done a few years ago—normally known by the name of " Serpell " I think—on the appointment to Permanent Secretary positions. If you anonymise, as the Ombudsman does with his reports on his cases, any references to individuals, do you think that you can produce that report, up-dated, as it were?——The " Serpell " Report that I remember was about the number of posts in the open structure which would have to be filled in the coming decade. (Mr. *Moore*) It was a manpower planning exercise, essentially, about the supply of material at the lowest levels and how that would translate into the needs. (Sir *Douglas Allen*) We could certainly supply that.

Mr *Lawson*

87. On the nine per cent point, this is roughly nine per cent. of staff in numbers as well, is it?——It is being done in terms of the staff expenditure. It is roughly the same in numbers, but we are rather getting away from head counts. That is the reason why we are looking at it in this way.

88. I wondered whether this has been agreed with the unions concerned?——I think the only fair answer to that is that the unions have been told about it but do not like it, and in various ways have been rather inclined to protest about it. Certainly that is the position in most of the memoranda I have seen that they have submitted. (Mr. *Thimont*) It is very much an options exercise. Sir Douglas is saying that it is an average of nine per cent. of salaries and related administrative expenditure, but when Ministers come to take their ultimate decisions it may well be that in one Department they will decide that something less than nine per cent. is appropriate and in another Department something more. It is just put forward at the moment as a pattern of options and, as it were, the norm—if everybody was going to be treated the same —would be nine per cent. But nothing is decided. One cannot say that one particular Department is going to be cut by nine per cent.

Chairman] We did not want to go back on it; we just wanted to extract what it related to.

Mr *Lawson*] Perhaps we may come back to it when Sir Douglas very kindly comes to visit us again.

Chairman] May I thank you, Sir Douglas and your colleagues for your very helpful answers. It may interest you to know, in the light of your early remarks about your educational career, that I went to the university one of whose professors coined the word " Redbrick " in a publication that was at the time anonymous. I am sure you will agree, sitting there as you are, and sitting here as I am, it is very useful to have these Oxbridge graduates helping us.

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MONDAY 10 MAY 1976

Members present:

Mr Michael English, in the Chair

Mr John Garrett
Mr Nigel Lawson
Mr John Loveridge
Mr John MacGregor
Mr Giles Radice
Mr Nicholas Ridley

THE WORK OF THE CSD's MANAGEMENT SERVICES DIVISIONS

Note by the Civil Service Department

GENERAL

This note is confined to the Management Services (MS) Divisions of the CSD. It does not describe the MS units which all the major Departments, consistently with their own management responsibilities, now have and which have been developed considerably since the Fulton Committee reported.

2. The functions of CSD MS are to

(*a*) provide a comprehensive MS service for the 28 small Departments which have no MS unit of their own;

(*b*) provide a range of specialist MS skills which are available to all Departments;

(*c*) carry out, in collaboration with other Departments, major reviews of management and organisation;

(*d*) develop and promote appropriate approaches and techniques for tackling management problems, disseminate information and experience, and co-ordinate the discussion of MS questions between Departments;

(*e*) maintain close liaison with the Civil Service College over MS training;

(*f*) advise Departments on the selection and engagement of management consultants for MS-type assignments.

RESOURCES

3. There are 4 MS Divisions. In total they contain 100 staff, headed by an Under Secretary. Their total cost (all figures are for 1976–77) is £783,000 including £125,000 for assistance from consultants. The Divisions are as follows: —

Special Assignments Division

13 staff, including 3 Assistant Secretaries, 3 Senior Principals and 3 Principals at a cost (including consultancy fees) of £149,000. This small Division, staffed at a relatively high level, conducts large-scale reviews and assignments in major Departments and, from time to time, when resources permit, in other public bodies. Its main job, at present absorbing the whole of its resources, is the management review programme which began in 1972.

Accountancy Division

15 staff, including 1 Assistant Secretary, 1 Senior Principal and 8 Principals, at a cost of £110,000. Again a relatively small Division, predominantly staffed by qualified accountants, it conducts management accounting assignments in Departments of all sizes, and provides advice on accountancy matters, internal audit and financial checking.

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Operational Research (OR) Division

33 staff, including 1 Chief Scientific Officer, 1 Deputy Chief Scientific Officer, 3 Senior Principal Scientific Officers, 1 Senior Principal and 5 Principal Scientific Officers, at a cost (including consultancy fees) of £291,000. The Division's main task is to develop and apply the use of OR in the administrative business of Government, especially to aid decision-making in the allocation of resources. The DCSO and 6 supporting staff are outposted in the Treasury as a joint Treasury/CSD unit. The Division's activities are operational research in the Treasury and CSD; providing OR assistance to other Departments (some have their own OR units); and co-ordinating and fostering the growth of OR in Government generally.

General Division

39 staff, including 1 Assistant Secretary, 2 Senior Principals and 5 Principals, at a cost of £216,000 (the Division provides registry and support services for the 4 Divisions as a whole). This Division has a wider range of functions: —

(*a*) general O and M assignments;

(*b*) assignments and advice to Departments on matters calling for specialist skills in such areas as registries and record systems, typing, libraries, micro-copying, transport economy;

(*c*) co-ordinating and guiding the development of management systems (building on earlier work on Management by Objectives);

(*d*) advice on the use of management consultants;

(*e*) liaison with other MS units and with the Civil Service College; publication of handbooks and "Management Services in Government"; staff suggestion schemes.

4. Assignment teams are frequently put together by calling on staff from more than one of the Divisions. Thus OR staff and accountants are collaborating with the Treasury in their current project on financial information systems, and accountants and O and M staff in an interdepartmental study of civilian cars. Management review teams include members from the other MS Divisions and also staff inspectors from the Manpower Divisions and members from the Personnel Management Divisions of CSD.

RECENT MAJOR ASSIGNMENTS

5. The following are selected in order to illustrate the range of recent work; we will expand on them in oral evidence or provide information on other assignments if the Sub-Committee wish.

Major reviews

6. The management review programme so far has comprised the Scottish Office, Home Office, Inland Revenue, Customs & Excise, Treasury and Welsh Office. The two Departments in this year's programme are the Ministry of Defence and the CSD itself. Other recent reviews have included the External Services of the BBC and the National Council for Social Service. It is a deliberate feature of management reviews that they are conducted as a collaborative exercise by the Department under review and the CSD. The Permanent Secretary of the former chairs the Steering Committee, on which the CSD is represented; and the report is made to the Department's Minister, with a copy to the Lord Privy Seal. There is extensive consultation with the Staff Side of the Department over each review.

Management accounting

7. Recent examples include

(*a*) Land Registry: the design and implementation of an integrated management accounting system;

(*b*) Property Services Agency (Supplies Division): help with the design and installation of a management accounting system, in co-operation with

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outside consultants and Supplies Division staff, in preparation for the establishment of a Trading Fund;

(*c*) Department of Trade and Industry: membership of a team including departmental staff and led by management consultants to examine the provision and analysis of financial information and continuous comparison of expenditure against budget;

(*d*) Training Services Agency: various assignments to rationalise procurement and location of stores, plant and equipment; to provide a management accounting and information system; and to set up procedures for expenditure authorisation and control (both capital and current);

(*e*) House of Commons Refreshment Department: assignment to report and make recommendations on the system of financial control.

Operational Research

8. The Sub-Committee may like to discuss with the Treasury the work of the joint OR unit referred to in paragraph 3 above. Other types of assignment have been: —

(*a*) Work for other Departments has included the development of a highways management information system for DOE; a resource allocation model for Customs & Excise; financial modelling of the school building programme for DES;

(*b*) Work for the CSD has included a major contribution to the Hardman Review of dispersal and work for the Manpower Divisions to cover checks on supply estimates, supplementaries, PESC bids and cash limits;

(*c*) Participation in management reviews has included specific OR studies in the Scottish Office, Home Office, Welsh Office, Inland Revenue and Ministry of Defence.

Much the greater part of the Division's work is concerned with the allocation of resources (whether financial or human) to meet policy demands. The main aim of OR models in this field is to show quickly at any time how various possible changes in the allocation of resources to a particular programme would affect output and timing.

O and M work

9. The continuous flow of work in the General Division includes a large number of small-scale projects, and a small selection of major ones cannot provide a truly representative picture of it. A recent series of large projects designed to seek administrative economies across the Civil Service as a whole should however be mentioned. They include: —

(*a*) A study of civilian passenger transport concerns vehicle standards, possible reductions in the Government Car Service, maintenance procedures and the organisation of the fleets. The study, which is not yet completed, will be followed by further studies of commercial vehicles and vehicle procurement;

(*b*) A study of outstationed typing pools, aimed at maximising the savings to be got from exporting typing work from London;

(*c*) A study of communications to identify economies in the use of postal and telecommunications services;

(*d*) A study of store-holding practices.

Work on management systems

10. This has included supporting some 40 experimental Management by Objectives projects in 10 Departments by training and seminar activities, membership of Steering Committees and, occasionally, membership of teams; the production of a "Management Advisers Handbook", and, more recently, a review of the first 5 years experience. That has been followed by discussions with the

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National Staff Side on the future of this kind of development and the issue of an agreed statement on "Improving Management Systems".

EVALUATION AND ASSESSMENT

11. Some MS assignments can be evaluated by comparing their cost with the direct potential savings they have identified. The MS Divisions cost all the work they do, and assess the direct savings wherever that is possible. All 4 Divisions have achieved savings; they have arisen most frequently in normal O and M work (c.f. paragraph 9 above), in certain kinds of accountancy work and in the reduction of unnecessary financial checking.

12. The greater number of CSD MS assignments however are concerned with the improvement of methods and systems—for planning, resource allocation, management information, manpower and financial control. This work rarely yields direct savings; its aim is to make savings or the more effective use of resources (or both) easier to achieve. Some improvements, for example the filling of a major gap in a system of control, justify themselves. For others, evaluation is more a matter of judgment, for example the belief that it must be better to be able to examine a wider range of options and to assess more exactly the practical consequences of each; or that management will be able to allocate its manpower resources more rationally if it has accurate information about the amount of work that has to be, and has been, done, and the resources it has consumed. Among the criteria that have seemed relevant to the MS Divisions are

(*a*) the extent to which particular activities make a direct contribution to the improvement of control, especially in the use of money and manpower; and to other policies of the Treasury and the CSD;

(*b*) the extent of the demand for particular services and types of skill;

(*c*) the reputation of our work outside the Civil Service, eg the reception of what we publish and such feed-back as we can get from the consultants who work with us.

13. It is not at all easy to assess the degree of success the MS Divisions have achieved. Progress in some areas has been slower than one would have wished. This is partly a matter of the total resources available, and in the present climate of stringency resources are bound to be constricted in MS work as elsewhere. It also has to do with the way the available resources are used; we are convinced from experience that if new systems are to take root and flourish they must be carefully devised for the particular needs of the work and the staff in each area (if they are regarded as cosmetic rituals they wither away), and this entails putting a lot of time and effort into a series of discrete operations.

14. That said, progress has been encouraging. The most useful developments, as we see them, have probably been: —

(*a*) the development of management review, both as a means of making a systematic review from time to time of the organisation and management of a Government Department as a whole, and as a foundation for drawing generalised lessons about common features of Civil Service management, e.g. systems for the allocation and control of resources.

(*b*) the designing and installing of management information and management accounting systems in particular areas, and the development of the Accountancy Division as a centre of knowledge and experience on management accounting and internal audit;

(*c*) the substantial growth in the application of OR techniques and general understanding of what OR can contribute.

In drawing attention, however, to these newer developments, it is necessary also to emphasise the continuing importance of general O and M: there is no substitute for the never-ending job of making sure that procedures and methods at the basic operating level are sensible, effective and economical.

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Examination of Witnesses

Mr R W L WILDING, Under-Secretary, Mr S D WALKER, Assistant Secretary, Mr E WALKER, of the CSD Management Services Division, called in and examined.

Chairman

89. Mr Wilding, you are, I think, the Under Secretary in charge of the Management Services Division of the Civil Service Department?——I have been until very very recently—so recently that it was thought that I should come along this afternoon.

90. I wonder whether you would like to introduce your colleagues to us?——(Mr *Wilding*) Yes. On my left is Mr S D Walker who is the Head of our Special Assignments Division. On my right is Mr Edwin Walker who is in charge of our Accountancy Division.

91. I wonder if we might be somewhat unusual on this occasion and start with yourself. I think you were Secretary to the Fulton Committee in your past career, were you not?——Yes, I was.

92. Would you like to tell us what other experience akin to management services you had before you obtained the post of Head of the Management Services Division?——I had no experience which was very directly related to that, but the Fulton Committee itself gave me a wide view in the course of the taking of evidence and the writing of the report of the kind of thing that management services, among other parts of the then pay and management side of the Treasury were trying to do. During that period I also had some association with the management consultants who were involved whose teams went round on behalf of the Fulton Committee. Thereafter I was responsible for two or three years for a small unit whose job was to plan and co-ordinate the follow-up to the Fulton Report. That was followed by a period in the Department of Health and Social Security where I was involved in the policy side of the supplementary benefits scheme but had a good deal of opportunity, in the course of that, to look at the way in which the very large social security network was organised and the way in which it had to be run. From there I was appointed to the management services job.

93. Within the meaning of the Fulton Report, would it be fair to say that you are more of a generalist than a specialist in management services?——Yes, certainly.

94. I think it would be useful, Mr Wilding, if we followed more or less, just as a guide at this stage, the Memorandum which you have very kindly submitted to us. Before we begin questioning you upon it, I do not know whether there is anything that you might wish to add to it?——I do not think so. I should be happy to take the points in it which are of interest to the Sub-Committee.

95. Starting with the first page then, you say that at present the whole of the Special Assignments Division's resources are absorbed by the management review programme which began in 1972?——Yes.

96. Later on you mention that so far of major reviews there have been the Scottish Office, the Home Office, the Inland Revenue, the Customs and Excise, the Treasury and the Welsh Office. One of these at least, possibly two—the Revenue Departments, the Inland Revenue in particular—has a measurable productivity in a purely monetary sense. It costs so much in cash to collect so much in cash. That has declined over the last few years by something of the order of 50 per cent, if my memory serves me correctly. Yet is it not the case that in the review of the structure of the department it restricts itself purely to the structure and never even discusses that fact?——The review was, as you say, very largely indeed about the structure of the department, the organisation of the department and the control of the department's activities. We did not on that occasion study the indices of performance of the Inland Revenue in the

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collection of tax; that is true. Mr Walker on my left was intimately associated with that. May I ask him if he would like to add to that reply? (Mr *S D Walker*) In general terms that is true. We were more concerned on this occasion with the organisational structure. We felt that the proposals we made, and the department agreed with us and were party to them, would in the long term help the efficiency of the department, but we did not actually measure change in efficiency as a result of those proposals.

97. If the Special Assignments Division is just going round in rota, as it were, doing a management review of each department, when does it ever have a special assignment?——(Mr *Wilding*) Those are special assignments in the sense that they are laid on with very special arrangements, and they are special in the sense that they are more far-reaching, more wide ranging and go up to higher levels than anything the Management Services Division have attempted to do before. We originally called the division the Special Assignments Division in that sense. One of the problems which we have to consider in discussing in collaboration with each department what the subject matter of the review shall be is where we can best make a contribution from the central point of view. Up until now it is fair to say that we have mainly seen that in terms of a department's systems for control and the major organisational problems which confront a department at that time. 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.

Mr *Garrett*

98. I should like to ask one or two questions about management reviews but before I do so perhaps you could comment on Sir Douglas Allen's evidence to us last week where he said that really there were two forms of efficiency study of management of departments: staff inspection, which was mandatory, and management services assignments such as the ones that you do, which are optional. You will know that the Fulton Committee commented very critically on there being two such ways of looking at efficiency in departments and I should like you to comment on that and whether you find it is wrong that there should still be staff inspection and management services assignments. The second question is, if management services assignments are by invitation of a client department, is it not true that the least well managed departments are also least likely to ask for your advice and therefore the least efficient departments are never looked at at all?——On the first of your questions, the one about staff inspection and management services, may I start by making one thing clear? If behind it lies a worry that where staff inspection and management services are organised separately it is not possible to bring them together into joint assignments, then the worry is not, for that reason, well founded. It is quite possible to do that. Departments have very differing practices in how they organise this side of their work. Some of them brigade staff inspection and management services together. Others of them have varying combinations of those two things, of ADP, of complementing and one or two other functions. There is no doubt in my mind that there are some staff inspection assignments which are and should be separate from management services, and here I am referring to the quick inspection which is specifically to check on staffing levels and grading standards. At the other end I am equally in no doubt that there are some management services assignments which should be done on their own and without staff inspectors. Some of the work which is being done by our operational research divisions on modelling, for example, is of that kind. Then there is an area in the middle, and I suspect that your question is mainly devoted to that, where the question arises whether one should attempt to look at the methods and procedures for a piece of work and its grading and numbers all in one piece. On this I have a very open mind. We have over the last two or three years not attempted to bring this about within the CSD's operations, partly because during that time a great effort has been

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made to raise the standards of staff inspection *per se* across the Service. A big drive has been launched on that and we were all anxious not to do anything which muddied that particular approach at that time. The drive has been pretty well completed, and how far and in what ways we could bring staff inspection and management services in CSD closer together is something we are now quite actively considering. One or two experimental projects are going to be launched quite shortly. In the light of how they go we shall think about this again.

99. What about the second question? ——The second question was whether where we operate on an advisory basis it is only the most lively departments who are likely to come to us. When one looks across the range of the departments which come to us and ask for our help I do not think we have had any reason to draw that conclusion. Most Government departments, after all, are very well alive to their management responsibilities and their management problems. We make sure that they know what we have to offer. It is probably true to say that one successful assignment leads to another and where we have done a good job we are probably more likely to be asked back in again. But I think that is about as far as I can go.

100. May I follow that one up by saying that the Fulton Committee said that there should be major studies of the management and organisation of whole departments, and you responded to that by producing the system called management review. As I understand it, a management review team consists of members of your department and members of the client department working together. The team is led by a member of the client department and it reports to a steering committee of senior officials of the client department. If such a study is so dominated by members of the departmental staff, how can they be party to a report which may be critical of the department where they expect to make their future careers?——We have found little difficulty about this, in a sense surprisingly little. I entirely understand why you ask the question. The reviews are commissioned by the department's Minister and the final report is submitted to him, with a copy to the Lord Privy Seal. There is a member of the Civil Service Department on the steering committee of each. As you say, the Permanent Secretary of the department chairs the steering committee. There is a fifty-fifty team, more or less, from CSD and from the department and there is a member of the department in the lead. 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 it is committed to itself. In order to bring that about we quite deliberately, as it were, put the reviewed department into the lead. We have found from experience that this has not prevented us from making sure, and in fairness to the reviewed departments I must say we have had no trouble at all in making sure, that the subjects to be looked at include the ones which we, as the Civil Service Department, would think essential parts of any management review, in particular the top structure, the arrangements for dealing with priorities and planning at the top of the department and the control systems. Some of the reports which have gone up to steering committees and have been endorsed by them have been very critical indeed of particular features where the review team thought something was wrong.

Mr *Ridley*

101. May I go back to the Inland Revenue booklet, which I have not had time to study but I have looked at? You are saying that you in no sense are looking to see what it costs to collect taxes. Is that right?——We did not in that review. Parts of our other work have been concerned with helping departments to do that specific thing. It was not part of the review of the Revenue.

Chairman

102. You are saying that you are only helping them to do it for themselves. You do not regard it as a function of any of your divisions, in itself, to take a department and do a major review, not of the sort that you are now doing but of the sort that simply says, "Is this

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department as efficient as it could be?" ——That is right. We have not taken particular operations and examined their efficiency from the point of view of a central department, the CSD or the Centre together, the CSD and Treasury, their interest in the efficiency of operations. Perhaps I could follow by saying a further word about why that is so, if that follows Mr Ridley's point, because it is perhaps a point of some importance here. One of the reasons for this, I think perhaps the main one, is that if one is considering the efficiency with which tax is collected, one can look at it as it were at two levels. You can look at it at the level of the plain efficiency of the procedures which have been adopted to do specifically laid down tasks, going through this process or that process in the assessment business or the collection business or visits to traders or whatever it may be. That is something which is, of course, well within the province of organisation and methods staff. It is something which the staff of departments will normally do for themselves where they have their own management services unit. The second level is that at which what determines the efficiency of the process is a series of policy decisions, in the sense that the department is deciding that it must observe certain standards or certain levels of control, that in the interests of equity, or whatever it may be, it ought to visit the trader every so often, it ought to get through such and such a piece of work within so much time and so on. Those are standards which the central department, as we have seen this so far, is not in itself competent to challenge. It is the department's business to determine what the essential limits and conditions and constraints are within which it has to do business. So we have seen this in general very much as a departmental responsibility to look at this sort of thing for themselves. We try to help them to some degree with the techniques for doing this and not simply with the systems of control within which it is done. We have had assignments within departments in which some of our specialist staff—and this is part of the invitation side of our work that Mr Garrett was referring to—go in to look at ways in which one could test the amount of input in terms of money or human resources that go into a particular kind of job against the outputs in terms of the amount of work got through, the standards in one way or another. We are starting, and it is quite a long road, to try to develop means of comparing these two and of seeing what the effect would be of varying either the policy, the effect on the resources you use, or, the other way round, varying the resources and seeing what difference that might make to your standards here or your standards there. This is work which we have started to develop, which we hope to develop further, but which we have not yet seen in terms of the management review exercise whose content I described a little earlier.

Mr *Ridley*

103. Do you have figures showing what it costs to collect each tax which the Revenue collects now, five years ago or ten years ago, what it costs to collect similar taxes in other countries and other comparable data about output? ——I think that this is mainly a question which should be directed to the Inland Revenue.

104. With respect, it is not. It is a question of management. I am asking you, who purport to have done an assignment in the Inland Revenue, whether you believe that our taxes are collected cheaply or expensively. You may say that they are collected expensively because they are expensive and complicated taxes to collect, but I ask you the question, do you know that? ——Not in that case. We have done some work helping the other Revenue Department, the Customs, on the resources which have gone into the collection of some of their taxes. I should like to ask Mr S D Walker to make a comment on that.

105. Before Mr Walker answers I should like to press this point. When you do an assignment into the Inland Revenue, although you consider policy matters such as evasion and avoidance, you do not actually consider whether the structure of the taxes is such that they are cheap to collect, nor apparently do you consider whether we collect taxes cheaply or expensively by comparison with the past or with other countries?

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——In the case of the Revenue we certainly have not considered the first of these and we would not, as we have interpreted our remit so far, think that it was for us to do that.

106. Then who is to do it?——I think that it is a matter for the Inland Revenue and for the Treasury, because the policy on what sort of tax you have is of course closely involved with relative comparative methods of assessment and collection.

Chairman] How do you know whether they have done it? And do not just stick to the Inland Revenue in this case. If it were not the Inland Revenue and did not come under the Treasury would you say that the Treasury still had a responsibility then? Take the National Health Service, for the sake of argument.

Mr *Ridley*] Or anything else.

Chairman

107. Or anything else, yes. In other words you are really saying that this job of assessing efficiency is not done by you, and are you saying that it is better done by the Treasury?——I do not think I am quite saying that, no. I am saying that we may very well be brought in by one department or another to try to elucidate questions on this and to help if we have specialist methods and techniques which could be brought to bear on it.

108. You just said that this division has no spare time or resources available; it is taken up entirely by this sort of major review that we have been talking about.—It would not be this division. It would be one of our specialist divisions, which this is not, except in so far as they specialise in these major organisational reviews. But it could well be that the skills of our operational research people or our accounting people might be brought to bear on this, and we might be asked to go in and help with a look at it. The request might very well come to us from the department as the result of discussions they had had with the Treasury about the matter. We would go in and do the best we could to help. The only point that I have been making is that in relation to the work of the Special Assignments Division we have not yet—and we see some difficulties in method in trying to do so—attempted to assess the efficiency with which particular parts of their work is done.

Mr *Ridley*

109. May I put it to you this way? The cost of the Inland Revenue has doubled in the last two and a half years, or nearly so. I know a lot of that is inflation but it cannot all be inflation—a inflation in the cost of Revenue officers. Has anybody gone to the Revenue and said, "why have your costs gone up so much?" Do you feel it is part of your responsibility to ask that question and to get an answer which satisfies you?—— It is not a part of the responsibility of the Management Services Division, no.

110. Of whom should I then ask that question?——There are three sets of people, I think, who would be interested in this. The first is the Treasury, as we have mentioned; second is the Inland Revenue, as we have mentioned; thirdly the Civil Service Department—

Chairman

111. But we are talking of an objective survey of departments. We want you to leave the departments out for the moment. One cannot be objective about oneself.—If I may comment on that point, I am not sure that you cannot. There is a great deal of fact finding in a matter of this kind: the amount of resources that go into something compared with the resources that go into something else. It is the responsibility of the management of departments to bring about the best possible deployment of the resources that are available to them. I think that they can be asked to, and that they do, take a systematic and cool look at the way in which their resources are deployed. It is part of their responsibility to do so.

Mr *Ridley*] Do you know whether they do?

Chairman

112. You are still missing the point. What we are saying is, is there anybody responsible for looking at the departments to see that they are doing just that? Some are better than others, presumably, but who is looking at them

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objectively to find out?——It is certainly one of the joint responsibilities of the Treasury and the Civil Service Department to look at this across the board. I have mentioned the Treasury's responsibility in terms of their control of the money. The Civil Service Department's manpower divisions have also got responsibilities in this field in relation to the control of manpower. They set manpower ceilings for departments years by year and are in a position to see how the department's usage of manpower varies over time and so forth. I think that it would be a joint responsibility, other than that on the Inland Revenue itself, for those divisions of the Civil Service Department and the Treasury jointly.

Mr *Loveridge*

113. Mr Wilding has spoken to us in general terms which we appreciate. He also mentioned about "where we have done a good job." I wonder whether he could be more specific in giving us a precise example of where a good job has been done. What were the practical results that flowed from it in real terms? ——A number of assignments have identified, and later produced, actual savings of money or savings of manpower.

114. Would you quote one example? ——Yes, certainly. There is a recent and topical one which we have conducted. There was a team within the Civil Service Department, including people from my own area, who have been looking at the possibility of making savings in administrative expenses. They have been conducting a review of communications within Government, on the not very recondite questions of the use of first and second class mail and the use of the telephone. They have produced recommendations about control of these things which we believe may succeed in saving up to £6 million a year.

115. If we look at the non-industrial civil servants' wages and salaries we find that they have more than doubled over a period of four years. If we just take the years 1972-73, they were £944 million and by 1975-76 they had risen to £1,870 million. That seems a very big increase. Has your department materially contributed to holding back what appears to be an immense watershed of increasing costs of which wages and salaries only form presumably about two-thirds?——The wages and salaries reflect partly, of course, pay increases, partly increases in numbers. There have been increases in numbers over the last few years. Their causes have been brought out in answers to Parliamentary questions and in other ways. They have very largely arisen from new tasks which have been put on the Civil Service. We think that we have made some contribution to holding this figure back. Much the greater part of that contribution has not really been in the exercises with direct savings that I gave an example of a few minutes ago. The greater part of it has lain in the improvement of the systems which departments have for controlling money and controlling manpower. Again reverting to what I said to the Chairman a little time ago, we have been helping them to do their job in that respect.

116. On the question of manpower, we now, I see, have 130,000 staff in posts in the non-industrial Civil Service at the Ministry of Defence alone. I think that is almost as many civil servants as were required for the whole of the Civil Service at a time when we had a great Empire to run. How is it that one department alone requires as many civil servants as the whole Civil Service did in those days?——I find it extremely difficult to answer that question in any short way. There is no doubt that together with the contraction in our world position has gone a very great increase in what Parliament and public Ministers have wanted the Civil Service to do.

117. In the Ministry of Defence?—— I think so. What has been brought into here, after all, is the whole of the material supply function and the R & D on new weaponry and its procurement. This has become out of measure more complicated and more expensive to do.

Chairman

118. Did you have any share in the recent consideration by the Department of Defence on how to reduce the number of ordnance depots and so forth?—— The Defence review which took place at the end of 1974 into the beginning of this year was something which the

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Ministry of Defence did, I think, almost entirely for themselves, in collaboration with the Treasury on the policy side. There is at present a management review in progress of the Ministry of Defence, and one of its remits in its terms of reference are to contribute further to a saving of staff on the headquarters side of the department.

Mr *Lawson*

119. Mr Wilding, among the major reviews that you have done so far we have got this little booklet on the Inland Revenue and another one on the Customs and Excise, but you have also had a go at the Treasury?——Yes, we have.

120. Can you tell me the results of that and whether there is a little booklet that we could have about it?——There is not a booklet of the same kind that has been issued publicly. The reports of these reviews, following the way in which they are organised, are primarily, as it were, the property of the department under review. May I suggest your raising that with the Treasury, because it would not be for me to produce their report.

121. Without any breach of copyright can you not tell us in some terms what emerged from your major review of the Treasury?——Yes, in general terms I think I could do that. There emerged a fairly large-scale reorganisation which brought together into one command under a new Second Permanent Secretary post the main parts of the department which deal with its policy towards and interest in industry and the domestic economy. This, I think, was the biggest single feature of the new arrangements that were made. Another feature was the institution of a new central unit to act as the support service for the top policy-making committee in the department.

Chairman] We mentioned these two things in one of our previous reports, I think.

Mr *Lawson*

122. These were made public at the time. I thought there might have been some things that you had done which had produced some other kinds of savings or improvements which you would wish to tell us about?——Other improvements were made in some of the departmental systems, again their systems for the control of their resources. There was a study of the use made of Treasury junior staff and some improvements were proposed there. There was a study of the economic modelling side and some changes were introduced there. I think that you would get a much better view of this from the Treasury if you were to put the question to them.

123. On another line—I take your point about asking the Treasury about this—£125,000 of your budget is what you paid outside consultants, presumably private sector consultants, not other Government ones, to assist you in your work, which is getting on for a fifth of the total cost?——Yes.

124. How did you decide, and by what principles, on the proportion of your work that should be done by outside consultants?——This £125,000 relates to one particular way of using consultants, which is where we have brought them in on loan or secondment from their companies to work as members of our own staff for a period. As such they come into the department and work together with our own people as members of the same teams, and we have used them broadly across the whole range of our activities. There are always a fair number on the operational research side. We have used them to help Mr Walker in his accountancy division. We have used them on such matters as management by objectives and we have used them as members of the review teams of management reviews to bring an outside view to bear on those. It is governed by two things. One is the cost of bringing them in, which is fairly high, and the other is by our view, from time to time, that in this particular area or that it would be very useful to get somebody who is up-to-date with what is going on in the private sector to come in and help us, so that we may learn from him and he from us.

125. Are you saying, then, that there are, as I would imagine from the outline of the sort of work you do, a great many things you do that could be done by outside consultants from the private

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sector? It is the sort of thing they do, but in fact you do not use them in all these cases by any means because you can do the job more cheaply?——We also, and this is true of Government departments as a whole, use firms from outside on assignments which we let to them in the ordinary way on contract; there is quite a lot of that activity. This is a separate thing one which we also do. We do this, getting the people in to join our own staffs, for a variety of reasons. One is to help educate and train our own people and ourselves on the techniques which as a modern management services outfit we ought to know about and to use. Another is to bring them into our, as it were, backroom thinking, our research and development, if I may put it that way, our own examination of where we ought to be going forward in doing this or that, as opposed to particular assignments. Thirdly we use them on particular assignments in departments where, for one reason or another, it seems that this would be the best way of bringing an outside influence to bear. May I take the case of management review to illustrate this? It would not at all be the same thing to invite a team of management consultants to come and take the part which the Civil Service Department now plays in the review of a major department, because the CSD as a central department has got a positive interest in the systems and other things which I was mentioning earlier. We therefore want to make our own direct input into that in the course of the review. We have taken the view that the best way of doing this is to get a consultant in when appropriate—we have done so, I think, in the case of every review so far—and field him as a member of our own team.

126. That is very interesting. I am not sure that you have wholly got what I was driving at. Let me approach it from a slightly different angle, if I may. Is it not the case that somebody in the Management Services Division of the CSD is not going to remain there for ever?——Yes, that is broadly true.

127. He will go into one of the departments; indeed, into a department which may have been or may be in future the subject of a review?——Yes.

128. Would it not therefore be better to use outside consultants a great deal more, so that there is a genuine objectivity in "arms length" relationships? ——It is possible to exaggerate the rate of turnover. The Chairman asked me at the beginning of this session whether I would count myself a generalist and I said "Yes". I have been four years in the job and my predecessor was seven. There are quite a number of people on the staff of the Management Services Division—

Chairman

129. I was really meaning, and perhaps you might answer it for this Division, the Special Assignments Division that does these reviews, how many of them are really trained management services people?——Certainly. May I ask Mr Walker to reply on that as Head of the Division? He is himself somebody with very long experience in this field indeed. (Mr *S D Walker*) I have been in management services for about fifteen years, and before that was in the pay research unit. I assisted on the Fulton inquiries and have worked closely with mangement consultants as well as employing them in the division. Of the other two Assistant Secretaries, one is, by your definition, a generalist but has been with us for some time and is learning management review work; the other, like myself, has had a considerable period of experience in management services. From memory, the remaining three senior principals and three principals have all had well in excess of three years, in some cases reaching up to ten years, in various types of management services experience, and in one case experience in operational research before coming into the Division. So we are, I think, in those terms, an experienced group of management services staff.

Mr *Lawson*

130. Could Mr Wilding now answer my question about the case for a proportionately greater use of outside consultants because they are permanently in the job, they are totally objective and there is a totally "arms length" relationship?——(Mr *Wilding*) My own judgment of this, and it is a personal one based on experience of doing this over the past few years, is that what we should

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be looking for here is the injection of outside knowledge and the outside point of view into a process which is fundamentally properly done by civil servants, and the main reason why I say this is that reviews are very constrained for time and for resources. It is necessary, in order to get round at anything like a tolerable speed, with a small unit, to have the shortest possible learning time, and there is no doubt in my mind that by having people both from the department who know the department very well and from the Civil Service Department who have built up over the past few years very considerable experience of doing this type of review, we do get objectivity and we get a degree of familiarity with how Civil Service departments work which is what enables us to do this job with reasonable speed and effectiveness.

131. You said that this was properly a job for the Civil Service for reasons you have spelled out. I am most grateful to you. Can you conceive in the course of any review of a department ever coming across a particular element of that department's work which you would consider to be better done if it were, say, hived off into the private sector? Can you conceive of that possibility?——Yes, I can conceive of it. In the course of the seven management reviews we have conducted so far we have not come across a case but that does not at all mean that we might not do so one day and that we would not report in those terms if we thought so.

Mr *Radice*

132. I think you have made a strong case for the civil servant's role in management services, but from what you have already said it seems to me there are two weaknesses in the CSD position. The first is that, as Mr Garrett has pointed out, you are only invited in when you are asked. I can see the argument for that, but there is a danger that you will not be invited in by the most inefficient. The second point is that because perhaps the CSD is not the strongest department in Whitehall there is also a danger that whatever you say will in fact be ignored by other more powerful departments.——I think I ought to correct a bit the impression that we only go in when we are asked. The management review programme in particular is a programme which it has been agreed shall be carried out and is being carried out. Clearly we negotiate with departments about when and how, but they know they are on the list and the Civil Service Department comes in. In relation to other areas 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 come 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.

133. Can you answer the second point? Is there not a danger, because of the status of the Civil Service Department in Whitehall, that whatever you may say, whatever you may propose, will be ignored?——I do not know the answer to that question. 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 get in and 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.

Mr *Ridley*

134. In the assessment of efficiency in a department, do you find it a difficulty that the Property Services Agency is hived off and that computers and their use are hived off from each department, in the sense that in order to save manpower one clearly has to assess the capital that can be used to that purpose, both in terms of buildings and office machinery and computers? Do you

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think that this is a good arrangement or would you prefer that the managers of each department should be once more in control of the capital equipment that they are using, and of course it should be costed into their operation?——I should like my colleagues to come in on this, but may I make a preliminary comment? I do not think that fundamentally this is a problem of organisation in terms of an agency or even of where the final cost lies so much as a problem of getting the information together and getting it in a form and in a consistent manner which enables one to make choices between one thing and another. May I ask Mr Edwin Walker to comment further on that? (Mr *E Walker*) I think,, on the point of getting the information for costing purposes, the problem is not a very real one. We can get the information from these various agencies, and we can and do, when we are seeking the total cost of an activity, so get it and put it into the cost.

135. Presumably there will be the occasion when it might cost £1 million to buy a computer but you are going to save £200,000 in clerical staff by so doing. That decision must be arrived at on economic grounds, or is it not?——Indeed. The computer agency and the department do consider the financial merits of one or the other case. Yes, this is done all right; an assessment is done before they decide which road they will go down.

136. You would not do that?——I cannot think of a case for some few years where we would. We had a case four or five years ago where we assisted with one. We could do that if we were asked.

137. Is it not essential to the proper control of costing and efficiency that you should consider whether machinery can or cannot do the job of mankind cheaper and better?——Indeed, yes. I would entirely agree there. It is a question of whether we should do it. In the departments they have facilities for management services including professional accountants. I am trying to answer your question as to who should do it. Certainly it should be done. (Mr *Wilding*) Departments do it. They are required to make a very full case. The case is subjected to scrutiny and it will be subjected to scrutiny by the Central Computer Agency, by the manpower people. We might get called in to help elucidate something that was not clear, or if the department either showed itself not to be able to put the figures together right, which I think would be very improbable nowadays, or asked us to help, we would come in and help. But the management services divisions do not themselves act as the controlling and approving authorities.

Mr *MacGregor*

138. Could I move on to the accountancy division? I am surprised at the small size of the accountancy division and particularly in view of the importance of presumably some of the projects it carries out on management accountancy matters in departments. If I may make a reference to one particular one, in paragraph 4 of your evidence you talk about a project which you are doing on financial information systems. I do not know whether this has got anything to do with the new systems required for cash limits, but whether it has or has not, obviously major work will have to be done in improving the whole process to bring it into line with cash limit systems. Could you say something therefore about the scale of demand for this particular division? Why are the numbers so small, and to what extent do you use outsiders? For example, in cash limits procedures I should have thought that management consultants who have been involved in major projects for international companies would be extremely helpful.——Yes. The Division is a relatively new one. It was formed at the beginning of 1973 and up until now we have been, fairly gradually, building up a skilled and qualified staff. This is a division in which we very much rely on experts and virtually all the members of this division are professionally qualified accountants. Getting hold of accountants who can do this work well has not been a very quick business and this has affected the speed of build-up. We do, to quite a considerable extent, work together with firms of professional accountants who are called in to do particular assignments in departments. A very common method of proceeding is for the department to take our advice

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about the contracting with an accountancy consulting firm to come in and help them build a management information system or management accounting system and for us to attach a member of Mr Walker's division to the staff so that the central interests and the department's interests in this matter are brought together to bear with the outside consultant's expertise in producing the end result. This has been done in several places. The Supplies Division of the Property Services Agency has been one. The Training Services Agency, lately hived off from the Department of Employment has been another, and there have been several such. So this force, small force certainly, of Mr Walker's division does not represent anything like the total of the accounting expertise that is brought to bear.

Chairman

139. Let us take the Treasury case because we happen to know about it in another context. On this financial information systems project, who comes from your division and who does not, and how many of those are accountants, operational research people, or people of other qualifications?——In the first stages of this work there were two accountants from Mr Walker's division on it full time and I should say at least three or four members of the operational research division who belonged to the joint OR unit of the Treasury which is referred to in the paper. At the same time there was a firm of external accountants used on that project, hired by the Treasury, and they are still continuing. We still have two members of Mr Walker's division full time on this project. The number of operational researchers has now dropped because the amount of pure operational research involved in this exercise has now diminished. The accountancy input is now, I think, from our point of view, the more important.

Mr *MacGregor*

140. You referred to the difficulty of attracting accountants to do this kind of work. I do not know how many of the staff of 15 are accountants, but could you say whether they have been predominantly recruited from within the Civil Service or from outside, because there are very large numbers of accountants outside who have been accustomed to doing this kind of work? Is it difficulties of recruitment concerned with matters of pay, or whatever, that has made it very difficult for you to build it up?——We have drawn from both sources—it is fair to say predominantly from inside the Civil Service. I have two Chartered Accountants, six Cost and Management, one Certified, two Institute of Public Finance and Accountancy. A goodly number of them have come from the Ministry of Defence who were among the early openers-up of the management accounting field and have taken systems a long way in their department. They come also from the Revenue, from the Exchequer and Audit where we can draw people from that background, and from the old Ministry of Food which did a lot of accounting work, the Treasury, the Department of Environment and the District Audit. Some of these staff have had experience outside. The present number two to Mr Walker is a man whom we recruited a little over a year ago, who joined us from a merchant bank. We have had outside secondments of consultants also with us. Certainly recruitment from outside has not been easy, for pay reasons and others. Equally it has not always been easy within the Civil Service because these people are worth their weight in gold if they are any good and it is not always easy for us to make sure that we can get them. My view on the whole is that while it may well be right for us to do a bit of redeployment of our resources in future, to put a bit more effort into that side, and it would have to be in present circumstances at the cost of a bit less somewhere else, I am anxious not to expand the unit faster than we can make sure of the quality of the work it does. This is a possible danger if one goes very fast.

141. Would you not agree that with the switchover to cash limits this type of work is going to become very much more important than it has been in the past, and indeed there should now be a high priority attached to it within the Civil Service as a whole?——I think this may well turn out to be true.

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Mr *Garrett*

142. You have described this centre of management accounting expertise you now have in your department. We on this Committee have seen the proliferation of a multiplicity of costing and accounting systems in Government—I refer to the supply procedure which has been going on for 100 years now; the payback arrangements that some departments have like the Central Computer Agency; some departments now have trading accounts, at least two have programme budgeting in some form or other and have published their programme budget. Now we have cash controls; so that is five or six different systems of accounting running simultaneously. As far as I can see, no department still has what Mr Walker would call a management accounting system in that you could tell what value for money you were getting for a particular division or what its results were or what was the cost per case it was handling. First of all, has your new unit been consulted on this growth of different forms of accounting in departments, and secondly, does it have any plan actually to produce a management accounting system for departments?——The primary responsibility here for the forms of accounting throughout the Civil Service is the Treasury's. Our job has been to come in and help in particular cases of particular sorts of development.

143. You are not consulted on management accounting policy, so to speak?——Yes, we make an input to management accounting policy based on our experience in the field. The responsibility for formulating it is the Treasury's. We have done quite a lot of work which has been involved with the production of management accounting for whole units. Mr Walker may like to give you one or two examples of cases where that has been so. (Mr *E Walker*) These are in the main the quasi-commercial type of areas like the Mint, the Ordnance Survey and the Land Registry. Very often it has been a joint assignment between the Treasury and ourselves, as it was in the Mint or the Land Registry, and we can set up an integrated complete accounting system. The accounting double entry will, if we are still operating votes, include the vote accounting. If it goes to a trading fund with separate funding we can move towards a whole preparation of commercial-type accounts. I must come back to the point that Mr Wilding made. This small division which was set up three and a half years ago until eighteen months ago was not fully staffed at all. Until that time, until the position for recruitment of accountants began to change, to a large extent we were being used where we had to be used. Some of these cases were generated by the legislation which was coming through on things like trading funds where clearly we had to provide for accounts, and in other areas we were not short at all of clients asking us to produce some sort of accounting to help meet their objectives in things like the Manpower Services Commission and that type of area.

144. Are you a member of the Accountants class?——No.

145. You are not? You are a member of the Administration category?——Yes. Assistant Secretary.

Chairman

146. To save our going through all this every time we come to anything, could you send us a note of which are the departments that have MS units of their own? Since your staff is fairly small, leaving out the typists and so forth, the support services, and just taking the professional levels if you like, but in the broadest sense of the word—they might happen to be graded in some other way than grades in the FDA—could we have the qualifications and experience of all at that level? You give sums of money including consultantcy fees; could you split those sums? Could you split the £149,000 into staff and consultancy fees for example, and the same with other divisions?——Yes. That is already so in the paper we have given you, but we can for ease of reference put it again.

147. Here it says "at a cost, including consultancy fees, of £149,000".——I see what you mean.

148. And there is, under operational research, "at a cost, including consultancy fees, of £291,000".——Yes. We can break that down.

Chairman] You have given an inclusive figure. I want it split.

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Mr *Loveridge*

149. Mr Wilding has said that people who can really do costing in the Civil Service are worth their weight in gold and I am sure any of us who have had to look at costs from time to time know this is absolutely true because it requires a certain gift as well as training to be able to sort out what the costs really mean and present them in meaningful fashion. Is there not, because of the difficulty in finding the people, and presumably this applies throughout the Civil Service otherwise there would be plenty available for the CSD, some specific training or school of training which would ensure a supply of these people for the future? It is very difficult for me to understand how you can go in and look at departments at all intelligently without having some sort of costing information of a very highly skilled and understanding nature; and unless you have trained personnel and a source of these I do not understand how you can do your work effectively?——This is a very important point. Mr Walker knows a lot about the training arrangements. Would you like to talk about that? (Mr *E Walker*) May I just revert for one moment to the question of supply, to make it quite clear that, for obvious reasons, the position has eased in the past twelve or eighteen months in regard to recruitment from outside of men of the quality we are looking for. Up to about eighteen months ago we could get plenty of applications but not necessarily the quality of chap we sought.

Chairman] If the country prospers we are likely not to be able to get them again; is that right?

Mr *Loveridge*

150. Is this also partly due to the fact that there is something within the class structure within the Civil Service that does not allow professional accountants to compete for the highest category of jobs in the administrative grades?—— I think there are a whole lot of reasons. I do not think it is for me to comment on them. As you know, we are looking at the prospect of getting accountants.

151. I am anxious to have your opinion on this question. Do you think there is something within the Civil Service grading itself that discourages professionally qualified accountants from entering the Service because they cannot get into the top management jobs? ——My opinion is that it is not so much a question of grading. Had you said there is an image problem, perhaps there is and we are seeking to improve it.

152. Have any professionally qualified accountants ever got to Under Secretary level and beyond?——We have recently recruited one at Second Permanent Secretary level and we have one or two at Under Secretary level. Certainly I think from the profession as a whole the picture is beginning to change. We can now get the applications we want. May I try to answer your point about the training? Yes, we have a training establishment in the Ministry of Defence which has an extremely good record for training cost and management accountants; indeed, I would say perhaps the best record for training these in the country. A few months ago we collected seven first prizes and four places and the pass rate is in the range of 93 per cent against the average over the whole country of something like 35 per cent or 37 per cent, for cost and management accountants. So for academic training we have a first-rate training establishment and we are now putting through there civilians from various departments. We are offering these bursaries across the Service and putting them through this residential training. We are also offering bursaries for chartered accountants to go with one or two selected firms in the City who are co-operating with us.

Chairman

153. I wonder if we could press on a bit. We have covered paragraphs 1 to 4 of your memorandum except that you might tell us which departments have their own OR units instead of just saying some of them have.——(Mr *Wilding*) Yes, certainly.

154. In paragraph 6, going back to this point about major reviews, may I ask you to go through that paragraph and ask you a few questions about it? Ultimately a report under a management review is made to the department's Minister?——Yes.

155. What is the point? It is only fiddling around with chunks of management. It is not going into the efficiency

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of the department. So why bother him with that? I can see there would be great point in saying to the Chancellor of the Exchequer, "If you simplified this piece of taxation you would eliminate 100 jobs in the Inland Revenue by this small change". That is something that could only be done at Ministerial level. But if you are not doing that, if you are not making recommendations like that, why bother the Minister?——With respect I do not take the premise of your question at all. I do not believe that the questions of how a department is organised and how it carries out various systems for doing its various tasks has nothing to do with its efficiency. It has to get those right if it is to stand a chance of being efficient, in my opinion.

156. I did not say it had nothing to do with its efficiency. It is clear in the case of the Revenue, for example, that management needed a shake-up in the sense that its productivity has been declining. It is fairly clear that it probably did need some change. But that is an unquantifiable bit of its efficiency whereas there are even more readily quantifiable bits of efficiency; for example, taking the Revenue example we have been using, a suggestion that one simplified a particular piece of tax law, which could only be done by the Treasury in this instance, in order to save staff?—— Could I ask Mr Walker to comment, because he played a strong part in that very review? (Mr *S D Walker*) I think we may quite inadvertently have given you an incomplete answer earlier on when you asked us a very precise question about whether we looked at the cost of collecting the revenue in the Inland Revenue and took that as an indicator, and whether it played a major part in the review. We gave you a straight answer, "No". Could I just say a little more about that, because a question was asked by Mr Ridley later as to whether it was our business to be concerned with the tax structure and relative cost effectiveness of different structures and then with the efficiency within which a particular structure is applied. On the first of those two issues, the part that management review plays is not, as Mr Wilding said, directly to challenge the policy, which is a matter for the department and the Ministers. What we are concerned with is whether the department has machinery for ensuring that those matters are reviewed and that the costs are taken note of and whether the matters are brought forward regularly for attention by the department; and in virtually every management review that we have done seeing that machinery of that character was either present or was improved or was brought into being has been a major concern. Secondly, on the question of efficiency, both Revenue and Customs do cost the collection of the revenue. In the case of Customs, though I am certain the department which is coming before you will be pleased to enlarge on this, they have in fact got quite a sophisticated system by which their costs are allocated as between their revenue and non-revenue work, and under the revenue heading it is allocated out to each item of duty. Again, our interest is to see whether those systems are present, whether we think they are suitable for the department's needs or whether they need improvement, and in many cases a management review has been followed by operational research work and/or management accounting work to design or improve systems. But in the case of the Revenue, for example, we were certainly concerned with efficiency. To take two examples that spring to mind, we carried out test checks of their staff inspection arrangements to see whether we thought their grading standards and their approach to work measurement were satisfactory against the wider canvass of the Civil Service arrangements. That in fact is a normal feature of all management reviews: to check the department's system for staff inspection and for control of its manpower. Again, in the Revenue we were very much concerned with the size of local offices and whether the size interacted with efficiency. There were certain beliefs in the department that there were such things as optimum size of the local office and it was important for us to see if this was true or whether this was not a factor. We carried out quite an important OR study to see to what extent there was a correlation between the efficiency and productivity of the office and its size. In giving you a precise answer on whether we went in and said, "What has it cost to collect the revenue? Can we get it down a little", we said "No", but in saying that I should hate to leave you

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with the idea that we did not examine efficiency. Indeed, we considered very much to what extent the simple indicator of cost of revenue was a worthwhile indicator of efficiency. I think you yourself will appreciate it is a fairly crude measure, given the changes in tax, the complexity of taxes, the different requirements that arise with different types of taxes and so forth. Obviously the first thing we asked was, "Do you"—and we looked at the annual report to see if they did produce evidence about the cost of tax collection.

157. Perhaps I might explain myself. In times past we have discovered that the Treasury has actually stated in evidence to this Committee that it leaves research into taxation to the Inland Revenue, and in the same inquiry the Inland Revenue said it only did research into taxation when it was asked by the Treasury. The result of that was that we made a recommendation which has been accepted by departments and there is an inter-departmental committee set up. I do not know, by the way, if you are associated with it. The point we are getting at is that you may well, of course, and nobody is disputing this, be considering certain aspects of efficiency, but are you considering all aspects of efficiency that you should be considering? Take the structure—it is difficult to go from the Revenue one, because in that the names and jobs of the steering committee are not mentioned, but in the Customs and Excise one, which is a rather better printed document anyway, they are and there one sees that the whole CSD has only Mr Wilding on the steering committee. Everybody else is Customs and Excise except the former Permanent Secretary of the Department of Trade. Ministers are only getting to see presumably what a steering committee of that character wants them to see in relation to efficiency. Is that a block? Is somebody in fact saying ,"You could well be more efficient if you considered one or other of these possible proposals in legislative change or policy change"? That is obviously not objective in this case.——(Mr *Wilding*) There are two issues, are there not? One is what is the scope of the review and the second is whether the review is sufficiently objective.

158. I think they are connected, if the review is conducted by a steering committee all but one or two members of which come from the body which is supposed to be being reviewed. It is likely, it is just conceivable, that it might not wish to expand the scope of the review into directions that it did not wish to be reviewed?——Certainly in looking at the aspects which Mr Walker has just been referring to we have not had difficulty about that. I think that when it comes to the question whether in Customs and Excise policy or Revenue policy there should be a change in the tax system in the interests of a more efficient or a more economical collection of tax, we have not so far felt that we were competent or that a management review was perhaps the right vehicle for trying to make judgments of that kind. We have been, as Mr Walker was saying, involved in trying to make sure—and this is something in which the departmental Ministers have shown considerable interest in the reports which have been submitted to them—that the machinery and the systems for doing it are there.

Mr *Lawson*

159. Is it any part of your job in the course of a major review to unearth corruption, in the unlikely event of there being any?——In looking at the financial control system of a department we could in principle come across gaps in control which would raise the question whether there was a loophole here which somebody might be getting through. It would not normally go further than that.

160. You would then make a recommendation, would you, that that should be investigated to see whether anything or anybody was getting through that loophole?——Certainly we would make recommendations about closing it.

161. I see under management and management accounting in paragraph 7 of your memorandum that one of your assignments is to make recommendations on the system of financial control of the House of Commons Refreshment Department. This is obviously very important. I wonder, however, whether you have been given an assignment or were likely to be given an assignment or

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would wish to be given an assignment to look into something which some people might feel was even more important: that is the system of financial control of local authority expenditure? ——We act sometimes on invitation for the House authorities as on the occasion of this particular study in the House of Commons Refreshment Department. We have from time to time done similar O & M type work as well here. The local authorities are independent in this matter, have got their own management services set up and do of course employ consultants themselves to quite a considerable extent. To the extent that we ever get involved in questions of local government finance, and we have occasionally done a little work here, it is very much on the Government end of it, that is to say, what are the Government's requirements, how are they best expressed, how can they be most sensibly brought together without causing intolerable burdens for local authorities and that kind of thing.

Mr *Lawson*] Let us follow it up, because when you say "the Government" you are talking about the Department of the Environment. Have you looked at whether the system used by the Department of the Environment to control local authority expenditure is satisfactory or as satisfactory as it might be?

Chairman

162. Before you answer that, to refer you to a previous report of ours, we discovered that nobody seemed to be concerned about introducing any degree of unity into the central Government's control of local government finance. Let me give you an example from the past. At one time you had to get the Secretary of State's consent to sell a police house. You could have sold half a million ordinary corporation houses without any Secretary of State's consent. It seems slightly illogical. Who is responsible for giving you a central assignment like that to look across all the departments concerned about the same subject?——I think that if such an assignment were to come to us it would come to us as a result of joint discussion between the Department of the Environment and the Treasury and indeed other departments which have some control over local authority expenditure, because not only DoE is concerned in this.

Mr *Lawson*

163. So are you saying, then—and this follows on from Mr Garrett's point right at the begining that the departments that would invite you in are those that do not need you so badly—that you at no time have been asked by the Departmentment of the Environment to look at their system of controlling local government expenditure?——No invitations from local authorities. As far as the Department of the Environment is concerned, we have from time to time taken a part in a look at their information systems. We have not, so far as I can recall, and I hope my colleagues will correct me if I am wrong about this, been asked at any time to look at the adequacy of the control system or whether it might be changed.

Chairman] So the answer to Mr Lawson's question is "No"?

Mr *Lawson*

164. Are you aware that under the existing system of financial control it is not infrequently the case that a local authority will spend money that it is allocated before the end of the financial year, even though it does not really need to spend that money, because it cannot carry it over and indeed the amount of rate support grant that it might get in future would be adversely affected if it were not to spend it; so this money is spent in the clearest sense wastefully. Are you aware of this phenomenon?—— Not from my work in management services.

165. Would this be the sort of thing which you might look at, to see whether there was perhaps a better system of financial control which avoided this?—— We could have a look at that certainly, if we were asked to do it. Whether we should have a great deal to offer on it I should not like to reply to you across the table this afternoon, but we could go in and see whether there was some help we could give if we were invited to do so.

Chairman] It might even be known to have happened in central Government

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departments and not merely local authorities.

Mr *Garrett*

166. I seem to remember that one of your earlier management reviews, perhaps the earliest one, was in the Prison Department of the Home Office and I recall, if only from reading *Management Services in Government*, that you proposed a whole series of changes in the way that department was run, its planning and the way it managed its construction and all sorts of other things. This was all published. That was a long time ago now. Have you been back to see whether those changes were implemented and is a report on an implementation also put to the department's Minister as well as the original report?——Could I ask Mr Johnnie Walker to talk about that as he was involved in that exercise? (Mr *S D Walker*) I think there are two aspects: one, in that specific case, whether there is an arrangement for a review, and the second that it may be that Mr Garrett was also asking whether for management reviews generally in the new programme there is any arrangement for follow-up. May I disentagle them, because the Prison Department was not part of the present management review programme which has a different set of rules. Therefore, so far as the Prison Department was concerned the follow-up has been informal that is to say, the department on one or two occasions has given presentations at which both Treasury and CSD people have been present and I myself went along, to explain for example what they were doing in prison industries in going ahead with their five-year plan for profit for prison industries and so on. The follow-up there has been informal and nothing is laid on definitely. With management reviews generally in the new programme, however, there are now formal arrangements. The department at the end of the review is invited, if I may use that expression, to agree that there will be value in a joint follow-up between themselves and the CSD as to implementation of the various proposals. This is now formalised and with the management reviews that have been carried out in the programme there has been such follow-up action with the CSD and the department concerned.

Mr *Loveridge*

167. The only question I want to ask is a general one whether there is anything that the witnesses feel that our Committee ought to know that has not been touched on and that they would like to tell us about because they think we ought to hear of it?——(Mr *Wilding*) I think perhaps there is just a little more to be said about the scope of management review. I do not know whether any of the other questions that Members of the Sub-Committee want to ask bear on that? If not, perhaps I could invite Mr Walker just briefly to amplify. (Mr *S D Walker.*) I think that one or two Members of the Committee expressed some concern about whether we were able to ensure that the management review opened up all the matters for consideration and whether it was objective. It is a fact that so far every preliminary survey report suggesting to the steering committee what should be covered in the main part of the review has been accepted without amendment, so to that extent review teams have been successful in gaining the confidence of steering committees as to the matters that should be looked at. The second point is that as you will see from Annex C to the Customs report, for example, there is a wide measure of consultation at the preliminary survey stage which covers not only the management of the department under review but also representatives of its staff associations, members of the staff themselves. There is consultation with other departments that have dealings with the department under review and there is some attempt to get an opinion from the "public" or those people with whom the department deals. In the case of Customs that was mainly with those trade associations with which the department dealt. In the case with the Ministry of Defence, for example, there has been wide consultation with those industries and firms with whom Ministry of Defence has dealings. This is a feature of all reviews; that at the early stage we endeavour to get as much opinion as we can from as many sources that have an informal view of the department. All this is reflected in the preliminary survey and in the report we put to the steering committee as to the matters we think should be investigated.

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Chairman

168. The latter would certainly appear to be normal MS practice and of course, in a strange way, we as a Select Committee try to do the same in relation to the Civil Service, in that we too have asked all the trade unions for opinions if they wish to give them. Do you not think it rather unusual, comparing it with organisations outside Government, for management services to be under the same department that really is the personnel department of Government any way? Is there not an innate conflict? There are two separate things really. There is the sort of efficiency which is purely in figures which you might sit down and think before you consult any trade union, as it were, and there is another sort of efficiency which is the sort of efficiency which realises that you cannot run an organisation consisting of human beings unless you get their consent and agreement to certain things. It is customary, I think, to consider those two things in succession and not as a sort of joint process at so early a stage? ——(Mr *Wilding*) Our experience of this has been that there is quite a lot to put on the other side of the account to the one you have mentioned. One wants one's personnel management task to be fully informed in the sense of shortage of resources and the need to do things economically, and one certainly wants one's management services task to have the influence of those who can give you advice on how change is going to affect the people who have to work it and live with it right from the beginning. We have found it extremely useful to brigade with us people with a psychology or behavioural research background in management services assignments themselves, so that when one is developing one's recommendations they take a form which takes the best account one can of the human factor.

Mr *Radice*

169. When you are considering control systems in various departments, is it normal practice to look at the training done in those departments or the training done for those departments?——It is one subject that can certainly come up in any management review. It has come up in two or three I think. It came up in the case of the Inland Revenue. It also came up in the Customs. The general answer is, "Yes", this is something that may well be looked at. Whether it is looked at or not depends on the relative priority of all the candidates there are to be accommodated within the review.

170. Do you think there is a case for having a larger training unit within the Civil Service Department itself?——You are referring to the Civil Service College?

171. No, I was not actually.——We use the Civil Service College for this purpose, and particularly in the management services field it has a very successful specialist training wing which deals with the training of management services staff.

Mr *Garrett*

172. Could I ask a question of Mr S D Walker? Mr Walker, you were co-author in 1969 with me, as a matter of fact, of a booklet which suggested that the procedure called management by objectives would, if applied to the Civil Service, lead to very great improvements in management effectiveness. I see from your report here that your department has carried out forty management by objective projects in ten departments which must be the biggest single trial this system has been given anywhere. What has the result been?——Since Mr Walker was not involved in the reporting back on that and the assessment of it, do you mind if I take the question? The result was a mixed one though I think the encouraging part of it outweighed the discouraging parts. Of the 45 installations of management by objective, if I may call them that, only 5 had completely run into the ground and been stopped. The other 40 had gone on. They had produced a fair number of benefits which people could actually point to in tangible terms: that is to say, some ten cases of savings, reduced costs, improvement against performance indicators, improved profitability. They had, beyond that, and I think departments probably put more emphasis on this, produced a strong feeling among those concerned that they produced more effective planning; there had been some important changes in organisation, improvements in communications and morale. Some of

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the reports were disappointing in precisely those respects. It varied apparently with how the thing had been launched, how it had been put in, and what had happened to it in the course of the installation so far. I think departments generally came to the view that while they had got a lot out of M by O, in a number of cases they had a general feeling that first of all this was extremely costly in terms of resources that had to be put into each case——

Chairman

173. To create it or to run it?——To create it mainly. Secondly that it had produced in some cases again a considerable over-elaboration of paper and procedures. Thirdly, they were a bit unhappy about some of the participative end of management by objectives and the extent to which that had really been successful at the basic operating level. Problems of this sort have also come up to us quite forcibly from the national staff side, who have felt that while what they describe as the macro aspects of management by objectives, the general information system, the setting of objectives at the top of the unit and so on, have been in their view valuable, they have been bothered by the effect on the workers at the "coal face", in terms of some cases at least, where they think it has produced pressure—pressure to do more work without getting more pay, that kind of thing. So we have taken a look at this matter with them and produced some guidelines for what we hope will be management by objectives Mark II, in which we can pull out the best of this approach and go ahead, trying to avoid some of the pitfalls that some of the assignments showed.

Mr *Garrett*

174. You were Secretary to the Fulton Committee and Mr Walker worked for its management consulting group. Do you think the Civil Service Department in this specific field of management services has become the power for better mangement and improved efficiency and effectiveness that Fulton had in mind, or do you think that the autonomy of departments, protected as they are by Cabinet Ministers and Permanent Secretaries, is so great that a department like yours cannot make an impact on them? ——I do not believe your last point. I do think that, admittedly with slower progress than one would have liked to see, we have moved a long way in the direction that Fulton wanted.

Mr *Lawson*

175. May I go on to my last question? Your final section is evaluation and assessment. You state, and I am delighted to see it, that all four divisions have achieved savings. Can you tell us what those savings have amounted to, both in terms of money and in terms of manpower?——Not in total this afternoon, but if you would like us to let the Committee have a note about savings achieved over a period we will do so.

Chairman] It would be a good idea if you let us have these various things we have asked you for.

Mr *Lawson*

176. I am grateful to you for your offer. It would be most interesting because since you claim these savings we should like to see what they are. Could you, in addition to doing the totals, do a bit of a breakdown, so that we could see where the savings really have come? You suggest, for example, that it is mainly in the normal O and M work, but which O and M projects and so on? Lastly, could we have the total breakdown? If we have some kind of a breakdown it would be helpful.——An indication of the areas in which the majority or the greater proportion took place.

Mr *Lawson*] I saw it in a different way: which of your projects have been, as it were, the big savers? Could you isolate them and give us an indication in addition to the total savings both in money and in manpower.

Chairman

177. Behind this I see that you mention that there was an OR study, and orally you said that there were various O and M studies.——A series of reports was made to the steering committee in the course of the project. That document is the steering committee's end product.

178. I said behind it.——Yes.

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179. I wonder whether you could produce them for us?——I could not, because as I said earlier, it would have to be the Revenue. May I suggest that you ask them?

180. It might be useful if you just came back for a short time next week. We are having a deliberative session of our own but if you could come back for say just half an hour or so we could finish off, if that does not inconvenience you unduly?——We will certainly try to make sure it does not.

Chairman] Thank you very much.

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MONDAY 17 MAY 1976

Members Present:

Mr. Michael English in the Chair

Mr James Boyden	Mr John Loveridge
Mr John Garrett	Mr John MacGregor
Mr Nigel Lawson	Mr Giles Radice

Examination of witnesses

Mr R W L WILDING, Under Secretary, Mr S D WALKER and Mr E WALKER, Assistant Secretaries, CSD Management Services Division of the Civil Service Department, called in and further examined.

Chairman

181. Good afternoon, Mr Wilding. As you know, this is a continuation of our proceedings last time and I hope we shall not detain you long on this occasion. I am grateful, not only to you personally but to your Department, the Civil Service Department, for the statistics you have supplied us with in the last week and I hope you will convey that to your colleagues in so far as they were not your own division's responsibility—some of them were of course.——(Mr *Wilding.*) Thank you, I shall be glad to do that to those who did the work, and I am grateful.

182. I think on the last occasion we were broadly inquiring into how far your assignments really dealt with the efficiency of departments as distinct from simply the management review type of assignment, and I wondered if to start with you had anything to add to the evidence you gave us last week?——I think that it might be perhaps helpful to the Sub-Committee if I pulled together one or two of the strands that we went through last week and put them into perspective. We spent a good deal of time on the management review programme, which is only a part of the things which we do. Our relationships with the other departments fall into three or four main kinds. The first is the provision of services at request, first to those departments who do not have their own management services units on any large scale and secondly to those who do to help supplement their own. Those services can very well include an assignment to have a look with them at the efficiency of one or other of their operations, if they think we can contribute to doing that. Secondly, as we discussed last week, there is the agreed programme of management reviews on a collaborative basis. Thirdly, there is the function of giving general guidance, collecting and disseminating experience, which we do through a variety of means; seminars, publication of handbooks and a committee which I chair and which the heads of the other departmental management services units attend. Fourthly, as the Committee will have seen from the paper we have let you have this week, we may take the lead in agreed projects across departments, for which the initiative may quite possibly come, and in the case of the particular ones to which we drew your attention did come, from the Civil Service Department. Here this may well involve a team's going out and making inquiries in departments on the ground, and if we spot an area of general concern, like transport or typing or libraries, as in the examples we quoted for you, it is a recognised function for the Civil Service Department to take the lead and to invite the other departments to join with us in taking a good look at them. That function may extend also to taking part in agreed inter-departmental projects where the sponsor department is the Treasury, and that applied in the case of the financial information system project which you have also heard about. Those relationships reflect the present division of responsibilities between other departments and the Civil Service Department. There has been offered to the Sub-Committee and I think is going to be on its way shortly a paper which describes those responsibilities across the whole field, and on that the Sub-Committee may very likely wish to await the paper. In the particular management services field I think those relationships do reflect the fact that Ministers are responsible for the efficiency of their own

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departments, and the top officials on their behalf need therefore to have their own management services units to help them discharge that. And with limited central resources we have seen the responsibility of the centre to do two things: one to offer services which are more specialised than departments can economically provide for themselves and take the lead in encouraging new techniques, and secondly, and this is where the management review programme has been a new departure, to satisfy ourselves and the central departments—we collaborate with the Treasury over this—that their machinery and their systems are as good as they can be for discharging their own responsibilities for the efficiency of their operations.

183. Would you say that the cost of a management services section, or whatever one may call it, in a department approximated to a standard percentage throughout departments in the Civil Service, or not?——I do not know. This is not something which we have examined. Very broadly, I should think that the resources which the major departments put into this are similar, with this reservation: that it is not so much a matter of the number of heads employed by each department.

184. I did not say that. I said the cost? ——You mean the total expenditure in voted money which may go outside the department, as well as in manpower?

185. Cost includes payroll, outside consultants, other expenditure, anything that actually costs money to the taxpayer?—— In that case, no, because there are a number of departments whose expenditure is primarily outside altogether in grants to local authorities and so forth, and where the greater part of the department's "spend" is outside the Civil Service altogether and is in the hands of local authorities, I should not expect to find a correspondence.

186. Distinguishing by your point and mine, should we ask you for that percentage or should we ask the Treasury?—— If it would be interesting to the Sub-Committee, certainly we could undertake to co-ordinate the collection of figures for the Sub-Committee on this.

Chairman.] And you could include the distinction you made?

Mr *Garrett*

187. It is widely held, and has been for a long time, that the top management of Civil Service departments, the people in top management, are not interested in the management of their departments at all; are not interested in the way the department is managed or its efficiency and so on, since they focus primarily on questions of Ministerial responsibility on political questions. Your own Fulton Committee went into this question at length, saying that top administrators looked up to the Minister all the time rather than paid any attention to the way their departments were managed. To what extent would you say that this attitude by top management in the Civil Service hinders the spread of good management practice in departments?—— I do not believe that this is, at any rate in 1976, an accurate statement. All the major departments are large enterprises which take a great deal of managing, and their top officials are, and have been for some time, under very great pressure to use resources as well as they can. My belief is that this is a constant matter of concern and attention for the top officials in those departments.

188. But it is also true that most top officials have relatively little experience of managing large groups of staff, since the people who end up in the top jobs usually come in on an accelerated promotion scheme which takes them into policy divisions from the very beginning?——Here you are going a little outside my brief. Again, if the Sub-Committee would like to have a note on the past experience of top officials in departments I am sure that could be produced.

Chairman

189. I think this is a fair point, Mr Wilding. You are, after all, in charge of the management services divisions of the CSD. Whilst I think Mr Garrett's question is a valid one, it might not be appropriate to address it to you.——I think that is correct.

Mr *Lawson*

190. May I ask you one or two questions about the savings which you have listed on page 108? I am most grateful to you because I think it was I who asked for this information, and it is indeed helpful. In the first place, what is being done to make sure that, for example, the £4 million saving

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in reduced consumption of paper in Whitehall is maintained?——This reduction is showing signs of being eroded. In 1975/76 it started to creep up again. We are at the moment, as the paper says, holding discussions with departments to see how we can best help them to maintain a continuing tight control on this by a system of budgetary allocations. Those discussions are going on at the moment. In part the saving came from one or two accidental factors. Part of it, for instance, was due to the fact that in the year it arose there were two general elections and the amount of Parliamentary paper fell. But a fair part of it was due to what one might call crash economy measures. There was at that time a fear that paper might literally have to be rationed, that supplies of raw material coming in would not be enough. A good deal of normal work, especially on the printing and publication side, was held up. When more normal conditions came a fair amount of that of course was taken up again, and we still have, I would say, a continuing problem of making sure that proper economy goes on in this area.

191. Do you think your task would be greatly assisted—because I can see from what you are saying that there is a real risk that some of this £4 million saving is rather evanescent—by the strict imposition of cash limits, so that departments would be looking perhaps harder than they do at the present time to see how they can make savings in order to keep within the cash limits?——At present the Stationery Office's goods and services are supplied on what is known as an allied service basis. There is one Vote for the Stationery Office covering the whole of what they produce. The proposal is being very actively examined at the moment to carry through the provision in the Government Trading Funds Act and to go over to a system of repayment where these payments finally come to rest on the Votes of the consuming departments. They will then be subject to the cash limits applied to those departments and, yes, I think that cash limits will be a useful tool for making sure that administrative expenditure generally is kept at economical levels.

Chairman

192. May I ask you a general question just to follow that one up? I think it may be to your management accounting section. Some departments' cash limits are divided into pay and administration for which the CSD has the oversight, and everything else for which the Treasury has. Defence, which is one of the largest, is not divided. In none of them, to my recollection, is a distinction made as such between capital and current expenditure, but obviously the pay and administration head could be described as current expenditure, whereas the "everything else" would tend to be more capital expenditure, though not wholly. Since both systems apply, for reasons which are not wholly clear to us as yet, is it not likely that there will be some influence, according to the system, over whether a department tries to save on pay and administration or tries to save on capital expenditure?——I am sorry, Chairman, but I feel quite incompetent to answer that.

193. I was hoping that Mr Walker might have some views?——It is not, I think, an area that we have been in; but would Mr Walker like to reply? (Mr *Walker.*) I will attempt to do so, certainly. I am not sure I can answer it in entirety. I do not think it is quite true to say that in the cash system of Votes that we have there is no differentiation between current and capital expenditure. We have separate headings, but certainly it is on a yearly basis and it is not on a continuous accrual accounting basis. In the areas where we think that there are problems of management of assets, management of stocks and that sort of thing, where the on-going position is of signifinance of course we have a large number of additional accounts which we put in. On some we try to have a totally integrated system, as I said last week, in the trading fund areas, but apart from that, where there are fees and charges and that sort of thing, memorandum accounts are built up. But certainly where we think there are problems of managing capital and problems of managing assets we do try to supplement Vote accounting by an income and expenditure type of accounting.

194. But neither your four divisions as a whole, Mr Wilding, nor Mr Walker's in particular, advised on this division of cash limits which varies from department to department?——(Mr *Wilding.*) No, we did not. That is a matter which the Treasury set up. We did not come into it.

195. I understood it was the Treasury and the CSD jointly?——Certainly in relation to manpower expenses, but we did not come into the way in which capital expenditure should be treated.

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Mr *Lawson*

196. You have, in addition to finding savings and cutting out use of paper, made savings on communications, you say, of £6 million, to some extent by using second-class mail instead of first-class mail. I hope that means that letters get written a day earlier. Do you feel, from the experience you have already had, that there is scope for a substantial further savings of this kind as you root around Whitehall?——It is hard to know whether there is a very great deal to come here. What we have done is to fasten on certain areas which we thought were well worth investigating because they were common; communications, transport and so forth. From our experience in those areas, I would not expect savings of a quite different order of magnitude from the ones which we have shown in this paper to be achievable by the methods and the approach we have used here, which one might sum up as trying to get some tighter housekeeping. We might find new areas similar to these in which we could do further exercises and they might produce savings which were of about the same size or somewhat greater—not, I should expect, many times greater.

197. The really big item of expenditure, of course, is wages and salaries. Yet can you explain, first of all, why it is that your savings on this score are so conspicuously small compared, say, with the savings even of going to second-class mail? In particular, is it not a little alarming that the only significant saving in this field in staff costs is through a reduction in financial checking?——These figures relate solely to management services assignments and do not relate to the work of our staff inspectors who come under the manpower divisions of the Civil Service Department and have a regular programme of going round and looking at staffing levels and grading levels in the Civil Service. They do this in collaboration with the staff inspection units of other departments. When it comes to the savings on posts, again from what I might call this good housekeeping approach, making sure that there is not fat in the levels of staffing, it is in their area that one would look to see savings of this kind. We make savings in posts when we find that a method or a procedure which we have been looking at can be more simply done. It is this that gives rise to the savings over the years in the reduction of excessive checking. We have found, when we have looked into these areas, places where things get checked twice at one point in a fairly long system of the processing of a piece of business. It has not in the past, at any rate, been unusual to find that a figure gets checked at one point along the line and then it gets checked again at another. We have put quite a lot of effort over the last few years into rationalising systems of checking which involve cutting out that kind of duplication and also involve the substitution of a sample check where it is sensible to make one in place of a 100 per cent check.

Chairman

198. This is simple O & M work. This is not really the sort of thing that large sections of your department—one section of it perhaps but not the other three—should be bothered about.——It links with something which goes more into Mr Walker's field, which is the system of internal audit, because there is a connection between having a logical and effective system of internal audit and the amount of routine financial checking that you have to do. May I ask Mr Walker to enlarge on that? (Mr *Walker.*) Soon after Fulton there was a lot of activity on this question of looking for unnecessary financial checking. Quite a lot of work was done then. At the same time we have tried to persuade departments, convince departments if you wish, to introduce better types of internal audits, systems audits rather than the old-fashioned pure checking audit. Mr Lawson raised the question of whether we watch the continuance of this. Yes, quite recently we have talked to a good many departments and have asked them to nominate particular officers in this area for the checking. We have asked them to let us have information on what is done from time to time for particular periods on the checking, so that we can try to bring it to a particular person in these very large departments. We then have some idea whom we can approach for putting best practices across the Service. Very often we find something where there can be substantial savings in one area and we think there may be savings to be had on similar work in other areas. So having one person responsible has helped. But in the main, as Mr Wilding has said, we do bracket the two together. We are not just looking for reducing checking. We are trying to set up systems to improve systems and to get better types of systems audit

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so that instead of the old-fashioned type, of employment of the lowly-graded staff as it was, we are probably employing fewer but better quality auditors.

199. I understand that Mr Walker. You have a very well-qualified division and you are yourself highly qualified. On page 71 of your memorandum you mention various examples of your recent work, one of them, the Property Services Agency, I think will particularly interest us in the future. I do not know what it covers, but it might be helpful to this Committee if you could let us have the odd copy of your report on Item 7b on that page. When you did that survey on the Property Services Agency did you merely set up a system whereby good administrators could, if they wished, obtain adequate management accounting information, or did you actually make suggestions to them as to how they could from a purely financial point of view manage their organisation better, if organised better it could be? I am not making any prejudgment about whether it is or not?——I think there is a timing problem here, in answer to your question. The system covers a very large area doing a lot of varied things, It has a very large number of vehicles, for example, which it operates right across the country. I cannot remember just how many sections.

200. I am thinking more in terms of its building and the argument, for example, about building, buying and renting buildings?——This is not the area of 7b. The Property Services Agency Supplies Division, if I may just touch on what it does, supplies the furniture and fittings, transport and supplies of things like fuel, heating fuel; that sort of thing. It is nevertheless a very large and varied area and, to seek to answer your question, the system has taken a lot of building up. It has only just gone live—on 1 April of this year for the trading fund. But certainly your point about having set up the system and trying to advise how best it can be used, which will also involve a certain amount of education and so on, will follow undoubtedly as soon as the system is run in.

Chairman.] That is not the one we should be interested in.

Mr *Loveridge*

201. I have the impression that when your people go into a department—I do not know whether the impression is right or wrong—you see what is being done and as far as you can you try to help them do it better, but you would not regard it as part of your function to offer suggestions as to how the whole policy could be changed if you saw that by a change of policy you could save hundreds or even thousands of jobs? Am I right in thinking that you would regard it as your function only to help them in so far as what they were already doing was concerned?——(Mr *Wilding.*) If when we went into a department we noticed that there was some particular constraint, whether it was the requirements of a particular piece of the legislation or some particular procedure which seemed to us quite crucial in the determination of what that whole business cost and that this was something which should undoubtedly be looked at, I am sure we would have no inhibition about putting that view forward. That is not quite the same as the responsibility for keeping an eye on all the things that departments do and challenging those ones which seem dubious from this point of view. In answering first your question whether we would feel quite able to raise those points if they occurred to us, I have to disclaim the second of those functions. That is not to say that no challenge takes place, but it would primarily come either from the Treasury in respect of one of the things that they provide money for, or from our manpower divisions in the case of some very highly manpower—intensive operations where they felt that this was a question that should be raised.

Chairman

202. It did not in the case of your management review of the Inland Revenue, where you made no suggestions whatsoever for any changes that might make it more efficient?——That is true. We did not in the course of that review examine particular parts of the tax assessing or collecting operation to see whether there were parts of the policy which should be changed in order to make tax assessment or collection more economical. As I explained to the Committee last week, the object of that review was twofold: to do what both we and the Revenue were convinced needed to be done——

Chairman.] Yes, we heard the answer last week, Mr Wilding. All I was trying to say was that your answer to Mr Loveridge was perhaps broader than was compatible with your answer last week.

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Mr *Loveridge*

203. Perhaps that does not always happen. If, say in a case where it did happen, you felt that you should take up the cudgels on a broader question of policy in order to save staff and the more authoritative aspect of this came through the Treasury, presumably that would come about because your department had told the Treasury and therefore the Treasury would be taking up the cudgels to ensure action. How does the machinery work for you to inform the Treasury without your appearing just to be a spy in the camp? How does it work so as not to cause ill feeling, and how does the Treasury apply the information to make it effective?—— May I first of all just go back to the Chairman's comment, because I would not want to leave any cause for misunderstanding? The object of the management review of the Revenue was to look at the Revenue's organisation and the Revenue's systems. If in the course of that we had come across something which seemed to us to be something which plainly ought to be questioned, I am sure that we would have raised it. But we were not specifically looking for that and we did not come across it on that occasion. If when we go into a department we find this kind of thing, which could be in the course of a management review but could be in the course of some other assignment altogether, I am sure that the first thing we should do would be to raise the point with the department itself. Having done so, we might well mention either to our own manpower divisions or to the Treasury, if the case arose, that we had.

204. You would not feel inhibited by considerations of courtesy from doing so if you felt it was needed?——No. Courtesy would certainly oblige us to tell the department we had been in what we were up to.

Chairman

205. What is worrying me is your objective. You said earlier that it is to review the department's management and its systems. You would not say then that your objective was to review its efficiency as a whole, which would include its management systems but is rather broader, I think?——No, Chairman. I think I would not say that it was our objective to review their efficiency. On that I would say that departments are responsible for that; that if we attempted to review the efficiency of all the departments this would involve us in employing a very large number of people to try to do it in a position in which they were systematically not well placed to do it; that it would be an unprofitable use of resources and that it would not really be consistent with the relationships between Government departments as they exist at the moment and the relationships between their Ministers. May I put this in a little bit of historical perspective, very briefly? Ten or fifteen years ago I do not think that central management services, which were then in the Treasury, ever got anywhere near the big departments. Since then we have moved forward.

Chairman

206. That was criticised in the Fulton Report?——That was criticised in the Fulton Report. They were at that time developing and have since further developed their own management services u~ its. Over the period since the Fulton Committee we have got a good deal closer to what they are doing, and naturally I think, following the various things which were put foward by the Fulton Committee, the Civil Service Department has interested itself in a whole series of departmental functions; what they are doing about their training, what they are doing about their personnel management, what they are doing about their manpower control and so forth. The advent of the management review programme has taken that process one step further. We have now for the first time attempted to devise a useful method of taking a look at the whole of the management of another Government department——

207. Except in terms of its efficiency?—— But we have not attempted to become the auditors or the checkers of the efficiency with which it does its operations.

208. Is not your conception, that you say it would be impossible for a central department, not necessarily yours, to look into the efficiency of departments as it would interfere with the relationship between departments and Ministers, rather an eighteenth-century one? In the eighteenth-century Ministers were responsible for departments separately and there was no collective Cabinet responsibility. Now surely we regard ourselves as having a single Government, controlled ultimately by the Cabinet although Ministers are

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subordinately responsible for departments under the Cabinet?——Yes. This is an area where clearly a civil servant can only give his view of what goes on from his level and what he observes of his own operation.

209. A former head of the Civil Service came to this Committee on a previous occasion and said that he regarded departments as very variable in terms of whether they were good, bad or indifferent?——May I just complete this? It is still the position that each Minister within the collective responsibility of the Cabinet is responsible to Parliament for his department, responsible for its efficiency, and the Permanent Secretary below him is accountable to him for that. Clearly the central departments have got a responsibility at the end of the day for the efficiency and effectiveness with which the whole of the Government's resources are used. They have to devise ways—and here I must speak particularly in relation to my own area—in which they can carry forward a partnership with the spending departments within the existing constitutional relationships which preserves the departments' responsibility for using the resources that they have in the best possible way, while at the same time trying to make sure that they are fully equipped to do so in the best possible way. That is one aspect of it. Another aspect of it is of course the competition which inevitably arises for the allocation of the total, whether it is in money or in manpower. But that part of it is outside my management services remit.

Mr *Garrett*

210. To clarify one matter we touched on last week and you repeated just now, when you say " we " in the course of a management review look at whatever is going on in the department, you really mean a few of your staff out-numbered by departmental staff and reporting to a departmental committee. There is in fact no outside look at any department which is not dominated by the staff of that department, is there?——The steering committee is an inter-departmental committee in the sense that there is a representative of the Civil Service Department on it. There may also be the occasional outside member who is there in a personal capacity, but that does not affect the particular drift of your question. My experience of the management review programme so far is that the balance, which is certainly weighted towards the reviewed department in the numbers it has on steering committee and in the leadership the of the team though the membership of the team may be very much a fifty-fifty affair, first does not inhibit a critical look at the issues and systems the review examines, and secondly is best designed to make sure that the department is really committed to the changes that come up at the day and feels that they are changes that they want to see and are going to set about making. It is that point which seems to me in many ways to be the most important in this business.

211. In the journal *Management Services in Government* of May 1975, you wrote that Civil Service management is a distinct subject in its own right and that is is not enough to take managerial and organisation theories that have been developed in the private sector in studying the work of departments. What distinctive thing has emerged from your approach to the study of departments; what distinct operational principles or guidelines have emerged from your study of departments? If you do not feel like answering that now, perhaps you could write us a paper on it? ——There is a good deal to be said here in relation to the differences which I think I see between the context in which management has to manage in Government and outside. There is a good deal that could be said about the kinds of systems for, for example, manpower control which seem to work best in Government departments. I am not sure which of those two things you mean, but I should be very willing to try to put something together.

212. Take another example of the unique constraint in the Civil Service. To what extent do you think inefficiencies still spring from the unique career class system in departments?——By " unique career class " you mean?

213. The separation of technical and scientific and professional staff in career systems from the administrative and executive staff, about which Fulton said a great deal, most of which led to its criticisms of the efficiency of the running of the Service. It said that such arrangements were quite different from those in private industry and inefficient?——I think one has got to draw a distinction between the ways in which staff are categorised for the purposes of their pay and their career management and the ways in which they are

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organised on the job. There is no necessary connection between those two. There may be. There are of course in existence across the Service places in which lawyers or vets, or whoever it may be, are organised together in a compartment which is entirely composed of people of their own experience and qualifications. There are other parts of the Service where this is not so and they are organised together in what the Fulton Committee called integrated hierarchies. I think that inefficiency here would arise if there were places where people were organised according to their classification for pay and career management purposes and those cut across the best way of organising the job. Now this was something which Fulton commented upon and it is something which departments have thought about a great deal later, and there have been changes in bringing together some of the hierarchies which were previously separated into ones which were organised together. One can have differing opinions clearly about whether any given job is better organised in this way or that. In general terms my answer to your question would be that that is what one has to look at here. It is not the personnel system in itself which is the cause of inefficiency.

Mr *Lawson*

214. In answer to the Chairman a moment ago you said that you are not responsible for reviewing the efficiency of departments. Do we conclude—I think this did emerge from Mr Garrett's questioning but I want to be absolutely clear—that you are saying that it is the departments who are responsible for reviewing their own efficiency and no one outside them is?——The prime responsibility I am quite sure, yes, does lie with the departments.

Chairman

215. With non-central departments? I think we should have this quite clear?——With departments who are spending the resources. There is a central responsibility to make sure that in the allocation of resources to departments, departments are in good shape to use those resources properly, and there is on the part of the Treasury and of the manpower supply part of CSD a function of asking questions about particular aspects of this if they are worried about it. This must be true. It is an accompaniment of the supply function, of the function of approving the estimates for expenditure on whatever it may be. Where I have been trying to clarify the work that we have been doing is in saying—

216. Do not think we are criticising your divisions, Mr Wilding?——No, I understand.

217. We are asking more genera questions?——Where I think there will be scope for development as things go on is in improving the ways in which the centre can follow up their side of what I have called a partnership in the most constructive way, and this will sometimes be, I think, in challenging whether this or that policy is the best way of using the resources involved. This happens in a variety of ways at the moment. It is part of, for example, the PAR programme to try to do this kind of thing.

Mr *Lawson*

218. I should just like to follow that up with one general point which might make clearer what I was getting at and then go on to a particular point. I am very glad to hear you say that there is scope, in your opinion, for further development which will improve the review of the efficiency of departments. Indeed, if you have a note you could send us on the way you think that these further developments might go—I am not quite sure what you had in mind—then this would be very helpful. In the meantime, may I ask you whether you are satisfied, bearing in mind that you have disclaimed responsibility on behalf of the Civil Service Department for reviewing the efficiency of departments, that under the present system the least efficient department in Whitehall, for example, is likely to be made efficient sufficiently quickly?——In the way you have asked the question, the answer could not be anything but " No ", because sufficiently quickly should not be later than tomorrow. I believe that the ways in which we have started to develop in this matter—and here I do not only mean the management review programme; I mean other techniques and methods which we have been developing and which we mentioned to you briefly in some of these papers, for example on the operational research side—are heading in the right direction in developing ways and means of helping the other departments to do this better.

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219. May I now go on to a narrower point? In the Inland Revenue management review, or rather at the end of it, and you were a member of that Committee, Mr Wilding, you produced proposals which have been made public. Paragraph 40 contains the sentence, the offices—it is headed " Capital Tax Offices "—will deal with wealth tax, the capital transfer tax and probably provide a stamp duty service. May I ask your views on the propriety of that sentence, bearing in mind the fact that there is no wealth tax, that no legislative proposals for a wealth tax have been put before Parliament, and Parliament has not passed any views on a wealth tax except in the form of a Select Committee which was unable to reach any agreement on a wealth tax? Yet here you are telling us what the offices are going to be.—May I, without appearing to be dodging, ask you to put that question to the Inland Revenue?

Chairman.] I think that is fair enough because we shall be seeing them shortly.

Mr *Lawson*

220. I shall be happy, Mr Wilding, to put that question to the Inland Revenue. Nevertheless, I am sure you would not want to dodge the responsibility for a report which you yourself have signed?—— Certainly not; but I should be guided by the Inland Revenue as to how that sort of matter should be phrased. My responsibility is here more for the parts of the report which bear on what my divisions contributed to it. This is I think, a point of drafting.

——I think it is more than a point of drafting. If I may just conclude—

Chairman.] If I may interrupt. I think Mr Lawson himself would agree that we can hardly argue on the one hand that you are only one member of the Committee on Customs and Excise and I presume on Inland Revenue, although the latter did not name who everybody belonged to, and at the same time claim that you are wholly responsible for the report.

Mr *Lawson*

221. I am glad the Chairman has made that point because I certainly did not intend to suggest that you were wholly responsible for this report, Mr Wilding. Nevertheless, I should not like you to think that this is purely a matter of drafting; it is a little bit more important. It concerns the relations between the Executive and the Legislature, between Government and Parliament. It really is of some significance as to whether Parliament has approved a policy or not or even had proposals put before it. I hope that you would not treat Parliament so lightly as to suggest, on reflection, that this was merely a matter of drafting?——You will know, I am sure, that this was a report primarily addressed to the questions of how the department should be organised to cope with the tasks which the department saw or thought it saw coming. I take the point you have made. I think it should be seen in that context.

Chairman

222. May I go back to your original paper? We have not so far mentioned your operational research division, and that is possibly because most Members of this Committee would shudder slightly at its mathematics. If you have a relatively non-mathematical version of the resource allocation model for Customs and Excise I think we might be interested in that, since Customs and Excise is one of our selected departments that we are looking at later, though whether that can be made relatively non-mathematical I do not know? ——Certainly, Chairman, we will consult the Customs and Excise, if we may, and seek to produce with them something for the Sub-Committee.

223. Another point is that I seem to remember some 15 years ago in one of the professional journals, I think it was that of the British Computer Society, there was a rather theoretical model on possible methods of determining the appropriate numbers of educational places in further education. I should have difficulty in tracing the reference now; but has that section of your department ever been drawn into that particular problem? Clearly of late there has been a situation where all forecasting in terms of teacher-training has gone wildly wrong in relation to requirements. Yet one would have thought, since numbers of pupils are known many years ahead, since they relate after all to people who are alive and not yet being taught, that it should have been a relatively easy forecasting problem. Has that section of your department ever been drawn into problems like that?——No. We have done quite a lot of work on trying to improve methods of forecasting in particular areas, but in that particular area the work of——

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224. I mean that particular area. Has the DES, to be precise, ever asked for the assistance of your operation and research section?——They have called us in to help more on resource allocation models which seek to balance various distributions of resources against the effects they would have on standards of provision: for example, numbers of school places built and that kind of thing. I do not think that they have been directly involved in the forecasts on which those models depend, but I should like to check on that, and if I am wrong in the answer I have given you I will put a note in.

Chairman.] Or perhaps you could just let the Clerk of the Committee or Mr Hubback know whether that is so.

Mr *Garrett*

225. Why is there a machinery of Government division, which I guess is concerned with the number and size of departments, separate from the management services division within the Civil Service Department which is concerned with the organisation of departments?——That is a matter which is probably better explored with the Head of my Department and the establishment side.

226. It is not one of your divisions?——It is not one of my divisions.

227. Have you ever done any studies of the effect of size on the management of departments, the efficiency and the effect on staff of being in a very large rather than a medium or small department?——We have not done that ourselves. Some work, I know, has been done on this, and the conclusion it came to, broadly speaking, was that the relationship was not directly that of size to what one might call ease or difficulty of managing a department, but more that of complexity. That is to say, you can have very large numbers in a department where there is a sizeable homogeneous task like the Revenue or the social security side of the DHSS, which does not in itself create an extremely difficult and complicated management problem. It may indeed be a difficult management problem, but the size of it is not there so critical as it is in a department where you have a very wide variety of different but, in parts, inter-linking functions, as in the old Department of Trade and Industry.

228. May I rephrase my first question? Do you think that the work of management services is less effective than it might be because of the existence of a separate machinery of Government division?——No, I do not think so, in the sense that, rather on the lines of the article I wrote and which you quoted a few minutes ago, the operations of a management services team are most effective when they are applied to problems of one kind or another within a department, and this is where we have done a lot and have a great deal more to do. It is harder to see how a team on the ground, going out doing the kinds of assignments that we do, could make a great contribution towards wider questions of the machinery of Government, such as would it be right to put this department together with that? I am not saying that one could not do it, but it is less immediately apparent that this is the way to tackle that kind of problem.

Chairman.] We are perhaps straying beyond questions which you can be expected to answer. We are, after all, having the Head of your Department back at a later stage. Unless my colleagues have any questions within your responsibilities, Mr Wilding we thank you very much for your attendance. We are grateful to you and all your divisions for your assistance, and if we want any more information from you we shall be getting in touch with you.

APPENDIX A

DEPARTMENTAL MANAGEMENT SERVICES AND OPERATIONAL RESEARCH UNITS

Note by the Civil Service Department

MANAGEMENT SERVICES UNIT;

1. In the Management Services (MS) field a distinction is drawn between the major Home Civil Service departments, which have substantial MS units of their own, and the smaller departments which are known as " Parish Departments ".

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The Parish Departments

2. The definition which distinguishes these two groups is that the parish departments are:

"Those Government departments which do not have Management Services units headed full-time by an officer at Assistant Secretary level or above and for which Civil Service Department provides on request some or all normal management services support.".

There are 28 of these departments and a list of them is given at Annex A.

3. A number of them have a domestic MS capacity varying in size from a Methods Officer to small units headed at about Principal level some of which also deal with staff inspection. CSD, domestically, has such a unit.

The Major Departments

4. Thirteen departments are, for MS purposes, regarded as major departments. Most of these have substantial MS units headed either at Under Secretary or Assistant Secretary level. They combine other functions with MS. The other functions vary but frequently include complementing, staff inspection, staff training and office services.

5. The details by Department are:

(*a*) *Agriculture, Fisheries and Food* The Under Secretary (MS) has three divisions each headed by an Assistant Secretary. One division deals with O & M, manpower control and pay. The other two divisions are mainly concerned with complementing and staff inspection.

(*b*) *Customs and Excise* The Director of Organisation (Under Secretary) has four Assistant Secretary divisions, one covering O & M and operational research. Others cover (*a*) complementing and staff inspection, (*b*) computer operations, and (*c*) computer development.

(*c*) *Defence* In one Under Secretary command, the Assistant Secretary MS (Organisation) is brigaded with four staff inspection divisions, and one which deals with conditions of service. In another Under Secretary command, the Assistant Secretary responsible for Management Techniques and Information Systems is brigaded with computer plans and projects divisions, office services and training.

Defence (*Procurement Executive*) The Under Secretary (MS) heads four divisions. One Assistant Secretary is responsible for O & M, ADP, Work Study and management information systems. Others cover (*a*) complementing and staff inspection, (*b*) training and (*c*) accommodation.

(*d*) *Education and Science* An Assistant Secretary is responsible for O & M, staff inspection, and complementing within the Establishment and Organisation Branch.

(*e*) *Employment* An Assistant Secretary within the Director of Establishment's command deals with complementing, staff inspection and staff training as well as MS.

A second Assistant Secretary in the Employment Services Agency, who is primarily responsible for planning, also deals with MS.

(*f*) *Environment* The Under Secretary, Management Services, has five divisions. Two divisions, headed by Assistant Secretaries deal with O & M and work study and with ADP. A third, under a Senior Principal Scientific Officer is responsible for operational research. The other two are concerned with (*a*) library services and (*b*) defence planning and emergencies.

(*g*) *Health and Social Security* One Assistant Secretary in the command of the Director of Establishment and Personnel is responsible for MS in the Department (including social security local and regional offices) and for the co-ordination and development of MS in the National Health Service. Other divisions deal with (*a*) complementing, (*b*) staff inspection and (*c*) computers.

(*h*) *Home Office* In the command of the Under Secretary, Organisation and Management Services, one Assistant Secretary heads a division which includes responsibility for the O & M/Work Study Branch, training and libraries. Associated divisions cover (*a*) complementing and staff inspection and (*b*) office services.

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(*j*) *Industry, Trade, Prices and Consumer Protection* The Under Secretary in charge of the joint Establishment, Management Services and Manpower Division heads four branches. One Assistant Secretary deals with MS, operational research and management information systems; one with complementing and staff inspection; and a third (covering two branches) with ADP and public appointments.
(*k*) *Inland Revenue* The Director of Organisation (an Under Secretary) has within his command MS (General) and MS(ADP), and divisions covering office services and accommodation.
(*l*) *National Savings* An Assistant Secretary heads the Mechanisation and Development Division which includes O & M and ADP.
(*m*) *Scottish Office* The Under Secretary (MS) heads three divisions. One Assistant Secretary is responsible for manpower control and organisation in addition to MS. Other divisions cover computers and office services.
(*n*) *Stationery Office* The Management Services unit is within the command of the Establishment Officer.

OPERATIONAL RESEARCH UNITS

6. Six departments, in addition to CSD, have Operational Research (OR) units. In Customs and Excise and Department of Industry these form part of the MS units. In the Department of the Environment there is a separate OR unit concerned with forecasts and projections of resources of raw materials, population increases and supplies of food and water etc, as well as an MS(OR) unit. In the other departments the OR units are organised separately from MS.

7. These OR units, with the grade of the Head, are:

(*a*) *Customs and Excise:* Senior Principal Scientific Officer.
(*b*) *Defence Operational Analysis Establishment:* Under Secretary.
(*c*) *Environment:*
(i) *MS(OR):* Senior Principal Scientific Officer,
(ii) *Systems Analysis Research Unit:* Deputy Chief Scientific Officer.
(*d*) *Heath and Social Security:* Chief Scientific Officer.
(*e*) *Home Office:* Deputy Chief Scientific Officer.
(*f*) *Industry:* Principal Scientific Officer.

In addition there is an OR unit in the Manpower Services Commission.

27 *May* 1976

ANNEX A

"PARISH" DEPARTMENTS—MAY 1976— TOTAL STAFF OF SOME 51,000

Subordinate organisations, for whose Votes the prime department is also responsible are indented.

1. HM Treasury
(*a*) Exchequer Office, Scotland
(*b*) Paymaster General
(*c*) National Economic Development Council
(*d*) Rates on Government Property

2. Civil Service Department
(*a*) Ancient Monuments (Scotland) Commission
(*b*) Ancient Monuments (Wales and Monmouthshire) Commission
(*c*) Civil Service Pay Research Unit
(*d*) Commission on Environmental Pollution
(*e*) Royal Commission on Civil Liability
(*f*) Historical Manuscripts Commission
(*g*) Historical Monuments (England) Commission
(*h*) Royal Fine Art Commission (England)
(*i*) Royal Fine Art Commission (Scotland)
(*j*) Museum and Galleries Standing Commission

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3. Cabinet Office
4. Privy Council
5. Exchequer and Audit Department
6. Office of Parliamentary Commissioner and Health Service Commissioner
7. Foreign and Commonwealth Office*
8. Ministry of Overseas Development
   (*a*) Directorate of Overseas Surveys
   (*b*) Land Resources Division
   (*c*) Centre for Overseas Pest Research
   (*d*) Tropical Products Institute
   (*e*) Population Bureau
9. Lord Chancellor's Office (including Supreme Court of Judicature, Judge Advocate General etc)
10. Treasury Solicitor (includes Law Officer's Department, Department of HM Procurator General and Director of Public Prosecutions)
11. Export Credits Guarantee Department
12. HM Land Registry
13. Welsh Office
14. National Debt Office
15. Charity Commission
16. Crown Estate Office
17. Registry of Friendly Societies
18. Royal Mint
19. Public Works Loan Board
20. Public Trustee
21. Office of Fair Trading
22. Ordnance Survey
23. Public Record Office
24. Office of Population Censuses and Surveys
25. Central Office of Information
26. Government Actuary
27. Department of Energy
28. Northern Ireland Office

APPENDIX B

THE STAFF OF THE CSD'S MANAGEMENT SERVICES DIVISIONS

Note by the Civil Service Department

GENERAL

1. This note concerns the assignment staffs of the four Management Services (MS) Divisions of the Civil Service Department (CSD), their cost (showing separately the extent and cost of the engagement of management consultants), their qualifications and experience.

2. The information on the costs of the staff differs from that given in the paper entitled " The Work of the CSD's Management Services Divisions " in a number of ways:

   (*a*) all support staff, including the central support services in the General Division and personal secretaries have been omitted;

* The FCO is in a special position.

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(*b*) in view of the Sub-Committee's interest in the employment of consultants, we have gone back to the last complete financial year in order to provide a breakdown of actual as opposed to estimated figures; all figures therefore are for the financial year 1975–76;

(*c*) the costs are based as far as possible on the actual salaries paid;

(*d*) where this has not been available (ie for the final quarter of the year), the average CSD salary figure for the grade has been included.

ASSIGNMENT STAFF COSTS

3. On this basis, the cost of the assignment staffs and their managers in 1975–76 was:

Division	Number of Staff	Salaries
		£
Special Assignments	9	89,000
Accountancy	14	91,000
Operational Research	27	188,000
General	24	146,000
	74	£514,000

EMPLOYMENT OF MANAGEMENT CONSULTANTS

4. Management consultants were engaged by each of the four Divisions in 1975–76, whether by way of secondment or by contract for a specific project or assignment. The time spent by individual consultants varied widely. In total, it amounted to 1,850 man-days. This is the equivalent of nearly 8 full-time staff, but represents a wide range of discipline, experience and age.

5. The extent of engagement by each Division was:

Division	*Cost* £
Special Assignments	43,000
Accountancy	10,000
Operational Research	85,000
General	24,000
	162,000

In the case of the Operational Research Division, special arrangements existed with the Institute of Operational Research in the form of a running contract whereby CSD MS could, up to an approved financial limit, draw on staff to meet peak demands or a need for special skills.

QUALIFICATIONS AND EXPERIENCE

6. For qualifications, we have included university degrees and those other qualifications, including diplomas and membership of professional bodies, which can be regarded as of direct relevance to MS work. Experience has been taken as covering significant time spent in MS work or closely-related work such as systems analysis and staff inspection. We have not included time spent in jobs with a strong managerial content, though such experience is an important ingredient in MS.

7. The position by Division is:

(*a*) *Special Assignments*

Of the 9 assignment staff:

— 5 are graduates in Natural Sciences, History, Social Science or Economics;

— 1 is a Fellow of the Institute of Practitioners in Work Study, Organisation and Methods and a member of the British Institute of Management (BIM);

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— 1 is a member of the BIM and of the Institute of Administrative Management;

In direct MS or related experience:
— 4 have between 10 and 15 years service and 3 between 5 and 10 years;
— 1 has had less than 4 years.

(*b*) *Accountancy*

Of the 14 assignment staff, 12 are professionally qualified accountants, as follows:
— Institute of Cost and Management Accountants
2 Fellows and 5 Associate Members
(The Head of Division is a Member of the Council of the Institute)
— Institute of Chartered Accountants
1 Fellow and 1 Associate Member
— Institute of Certified Accountants
1 Associate Member
— Institute of Public Finance and Accountancy
2 Associate Members.

In addition, another member of the Division who is not an accountant is a Chartered Engineer and Member of the Institutes of Civil Engineers and of Highway Engineers.

In accountancy or service in MS:
— 2 have over 20 years
— 4 between 15 and 20
— 5 from 10 to 15 years
— 2 between 5 and 10 years.

One has less than 5 years; his experience includes one year on secondment to a major firm of management consultants.

(*c*) *Operational Research*

All the assignment staff are graduates, 26 of them in sciences or mathematics. 20 have post-graduate qualifications in the form of Masters, or Doctorates.

In experience of OR work:
— 2 have more than 20 years
— 3 between 15 and 20 years
— 3 from 10 to 15 years
— 9 between 5 and 10 years.

(*d*) *General Division*

The formal qualifications of the 24 assignment staff in General Division are:
— 1 is a graduate in Business Studies
— 2 have Diplomas in Government Administration or Administrative Management
— 3 are Members of the Institute of Practitioners in Work Study, Organisation and Methods
— 1 is a Member of the British Institute of Management and of the Institute of Administrative Management

The experience of those assignment officers in MS or related work is as follows:
— 2 have 15 to 20 years
— 9 have 10 to 15 years
— 8 have 5 to 10 years

Only one has less than 3 years experience.

APPENDIX C

SAVINGS FROM MS ASSIGNMENT WORK

Note by the Civil Service Department

GENERAL

1. We were asked to indicate the extent to which savings in costs and manpower have been achieved by the MS Divisions.

2. The Special Assignments Division conducts large-scale reviews in major departments and the whole of its resources are absorbed in the management review programme. Much of the Accountancy Division's effort in recent years has been devoted to assisting depart-

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ments to introduce cost and management information systems. The Operational Research Division's main task has been to aid decision-making in the allocation of resources. 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.

3. Such savings have however regularly been made and Annex A gives examples to illustrate the fields in which they have been found. It is not possible to provide a total figure for the contribution of CSD MS to overall savings, since our staff so often work in joint teams helping other departments to achieve their own savings. In the course of 1974–75, however, savings recommended in the course of normal assignments by CSD staff working mainly on their own amounted to £450,000, including 21 posts, and in 1975–76 to £400,000, including 84 posts (not all these savings have yet been achieved, eg because of delays in the delivery of machines). In addition, however, it was decided about 18 months ago, in view of the need for even greater economy in the use of resources, to mount a number of special interdepartmental studies aimed at achieving savings across the Service in the costs of administration. These covered civilian cars, outstationed typing pools, libraries in Whitehall, the use of telephones and postal services, store-keeping (other than in the major procurement departments) and a war on paper inspired by the paper and power crisis.

4. Recommendations arising from all these studies have been agreed by departments and implementation is proceeding. Briefly the studies identified potential savings in the following areas:—

(*a*) *Civilian cars*
£0.6 million from smaller cars, improved maintenance procedures and a reduction in the size and composition of the Government Car Service. A further study is in progress;

(*b*) *Outstationed typing pools*
Over £1.0 million from moving more typing work from central London to the periphery and the provinces;

(*c*) *Libraries in Whitehall*
£0·5 million in accommodation costs from weeding stocks;

(*d*) *Communications*
Of the order of £6 million from greater use of second class mail and bulk postal services; and concentration of telephone calls in off-peak periods.

(*e*) *Stores*
Various improvements in store-keeping practices which should produce savings have been recommended to departments who are now considering the scope for implementation. We shall be discussing savings with them later in the year;

(*f*) *War on Paper*
At the time of the paper and power crisis CSD MS and HM Stationery Office assisted departments to reduce paper consumption by £4 million. A monitoring scheme involving budgets for departments is being introduced.

The cost to CSD MS of these six studies across the board has been £152,500 including £50,000 for management consultants.

ANNEX A

Examples of benefits introduced by normal assignment work

1. At a cost to CSD MS of £600, arrangements were made for refurbished ex-MOD vehicles to be used by Overseas Disaster Units in place of new at a saving, in one case alone, of £50,000.

2. By rationalising the transport arrangements for the delivery of invalid cars CSD MS saved £150,000 per annum at a cost of £500 staff time.

3. Improvements in procedures and organisation have meant that the revision of "Statutes in Force" which would have taken over 15 years will now be complete in 5 years. The assignment cost CSD MS £5,400 and the addition of 1 clerk was recommended.

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4. The continuing involvement of our microcopying specialists in major departmental schemes has resulted in the last three years in potential savings in capital costs of some £6¼ million and over 100 posts. The cost to CSD MS has been £53,200.

5. Work on the reduction of unnecessary financial checking has produced a saving of over 450 posts (£1.4 million) over about 6 years.

6. An OR study, including a public survey, reduced the planned production of decimal coinage by one half. Savings of £105,000 were achieved at a cost of £10,000.

7. Savings of some £70,000 per annum were made from rationalisation of the Overseas Courier Service between Foreign and Commonwealth Office and Ministry of Defence at a cost to CSD of £1,240.

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MONDAY 24 MAY 1976

Members present:

Mr Michael English, in the Chair

Mr John Garrett
Mr Nigel Lawson
Mr John Loveridge
Mr John MacGregor
Mr Nicholas Ridley

Memorandum submitted by Inland Revenue

Cost of Collection

1. Figures showing the cost of collection of each of the separate taxes are not available because much of the work is carried out for the purpose of more than one tax. The table below shows the percentage cost for all Inland Revenue duties and then divides this between:

(i) taxes on incomes, profits and capital gains,

(ii) death duties and capital transfer tax, and

(iii) stamp duties.

2. It also gives for recent years estimates of the marginal costs of capital gains tax and surtax ie the additional cost incurred in assessing and collecting each tax. In these estimates of marginal cost, nothing has been included for the cost of work which has to be done for other taxes nor for the cost of central management of the Department. Accommodation costs are included in the surtax figures because most of the work was centralised, but not in those for capital gains tax which is dealt with in local offices along with the taxes on income and profits.

3. The costs as a percentage of net receipts are as follows:

Year	All Inland Revenue duties	Taxes on incomes profits and capital gains	Death duties and capital transfer tax	Stamp duties	*Marginal costs*	
					CGT	Surtax
1962–63 ...	1·55	1·61	0·89	1·25		
1963–64 ...	1·63	1·72	0·72	1·54		
1964–65 ...	1·56	1·62	0·86	1·81		
1965–66 ...	1·55	1·58	0·95	2·09		
1966–67 ...	1·56	1·58	0·98	2·14		
1967–68 ...	1·48	1·51	1·02	1·70		
1968–69 ...	1·45	1·48	0·91	1·48		
1969–70 ...	1·39	1·41	0·92	1·52	2·69	1·75
1970–71 ...	1·45	1·47	0·98	1·57	2·58	1·89
1971–72 ...	1·59	1·64	0·86	1·12	2·24	1·51
1972–73 ...	1·71	1·78	0·87	0·79	2·32	1·56
1973–74 ...	1·71	1·75	1·04	1·03	1·48	—
1974–75 ...	1·75	1·74	2·37	1·64	1·68	—

4. The figures for 1973–74 *et seq* are not strictly comparable with those for the preceding years. From 1973–74, the superannuation element has been costed on an accural basis instead of on the basis of cash expenditure. This increased the cost by 0·10 per cent in 1973–74.

5. For 1974–75, the cost of services provided by the Property Service Agency has been assessed on the basis of " market value " instead of "historic cost". This increased the cost by 0·09 per cent in 1974–75 and the superannuation element was also 0·09 per cent, so the " comparable " figure for 1974–75 is 1·57 per cent.

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Costs in other countries

6. We were also asked to give what figures were available about costs of collection in other countries. No detailed comparisons can be made because of differences in:

(i) the structure of the tax system and the extent to which direct, indirect and local taxes are administered by the one authority,

(ii) the levels of taxation,

(iii) the extent to which taxpayers are required to compute and remit the tax due under self-assessment systems, and,

(iv) the extent to which compliance is monitored and enforced.

Other things being equal, a self assessment system in which only a small proportion of returns is examined would be relatively cheap to administer but less equitable insofar as it tolerated evasion.

7. With these reservations, the following crude figures may be given:

USA	0·49%
Canada	0·80%
Australia	1·00%
Sweden	1·00%
Republic of Ireland	1·94%
West Germany (1966)	2·90%

17 *May* 1976

Memorandum submitted by H.M. Customs and Excise

Costs in other countries

It is not possible to make valid comparisons, or in many instances to obtain information, on the costs of collection of taxes in other countries because for example

(i) of differences in governmental organisation, eg in Western Germany indirect and direct taxes are collected at local, regional and central government levels.

(ii) of differences in the administrative organisation, eg in France the Customs administration is responsible for Customs duties, VAT on imports, and the revenue duties on hydrocarbon oils; in Denmark the Customs administration is responsible for VAT; in Western Germany there are separate administrations for VAT, Customs and Revenue Duties.

(iii) of differences in structure of taxes, eg no other EEC Member Country has substantial zero rating of VAT which in the UK covers just under half of consumer expenditure.

(iv) of differences in rates of taxes, eg the UK has a lower standard rate of VAT than any other EEC Member Country.

(v) of differences in the elements entering into the costs figures of different countries.

Examples of published information are as follows:—

1. Revenue accounted for by the French Customs administration in 1972 totalled Fr. 44,517m. at a collection cost of Fr. 651m. (=cost 1½ per cent).

2. Net customs and excise revenues in Australia in 1974–75 was expected to total $2,482·5 at an operational cost of $49·8m. (=cost 2 per cent).

3. The cost of collecting US customs revenue in "fiscal 1972" was 4·71 per cent.

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NET C & E REVENUE AND COST OF SERVICES

£ million

	Net Revenue Collected					Cost of Services				
	Gross Receipts	Deductions (1)	Additions (2)	Import Deposits (3)	Net Revenue Collected	Salaries and Allowances	Add Services by OPD	Deduct Services to OPD (4)	Total Cost of collecting C & E Duties	Percentage of cost to Net C & E Revenue
1965–66 ...	3,934·3	546·1	11·8	–	3,400·0	26·9	2·7	0·3	29·4	0·86
1966–67 ...	4,149·7	627·4	17·4	–	3,539·7	29·8	3·2	0·3	32·7	0·93
1967–68 ...	4,337·1	635·1	14·7	–	3,716·9	31·8	3·6	0·3	35·1	0·95
1968–69 ...	5,254·9	650·9	7·3	−347·8	4,263·3	34·7	4·3	0·3	38·7	0·91
1969–70 ...	6,556·9	1,606·1	1·9	−188·2	4,764·4	37·1	4·4	0·4	41·2	0·86
1970–71 ...	6,407·5	1,697·8	1·2	+423·9	5,134·7	40·8	4·7	0·4	45·1	0·88
1971–72 ...	6,184·2	857·7	1·0	+112·1	5,439·6	48·6	6·1	0·4	54·3	1·00
1972–73 ...	6,413·4	673·3	0·8	–	5,740·9	55·0	13·6	0·4	68·1	1·19
1973–74 ...	7,938·8	1,699·4	1·0	–	6,240·4	68·8	16·2	0·5	84·5	1·35
1974–74 ...	9,730·9	2,315·3	0·9	–	7,416·3	90·8	33·0	0·5	123·3	1·66*

*The figure for 1974–75 is not strictly comparable with those for preceding years. In 1974–75 the superannuation element was costed on an accrual basis instead of on the basis of cash expenditure. This increased the cost by ·09 per cent. Also, the cost of services provided by the Property Service Agency was assessed on the basis of "market value" instead of "historic cost". This increased the cost by a further 0·10 per cent. The "comparable" figure for 1974–75 is therefore 1·47 per cent.

(1) VAT Repayments, Drawbacks, Rebates, Shipbuilders' Relief and payments to the Isle of Man.

(2) Vehicle Excise Duty recoverable from DOE.

(3) Deposits under the Customs (Imports Deposits) Act 1968 and 1969 normally repayable 180 days from the date of payment but repayable earlier if goods were exported. These Deposits ceased to be chargeable on goods imported after 4 December 1970.

(4) Includes subscription to CCC and the cost of Isle of Man Collection.

Note
In the table where figures have been rounded to the nearest final digit, there may be an apparent slight discrepancy between a total and the sum of its constituents.

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Estimates of Provisional Net Revenue and Total Departmental Costs for 1975 by function.

Function	*Revenue* £*m*	*Cost* £*m*	*Percentage of cost to Revenue*
VAT, Car Tax and residual Purchase Tax	3,636	70·0	1·93
Revenue Duties	5,063	25·5	0·50
Import Duties and Associated Work ...	553	44·5	8·05
Preventive and Fraud Work	—	34·5	—
Total	9,252	174·5	1·89*

Notes

1. VAT and Car Tax: includes import controls for the purposes of these taxes.
2. Revenue Duties: includes import controls for these duties, Revenue Duties are the duties on Spirits, Beer, Wines, Tobacco, Hydrocarbon Oils, Matches, Mechanical Lighters, Betting and Gaming.
3. Import Duties and Associated Work: includes import controls other than those included under 1 and 2 above. The heading also covers control of Queen's Warehouses and certain non-Revenue work, eg Trade Statistics and work performed for other Departments.
4. Preventive and Fraud Work: includes control of passengers' and crews' effects, ship and aircraft stores and the general preventive control of goods prior to Customs entry and of transit and transhipment goods. The heading also covers the cost of investigation of all Customs and Excise revenue evasion within the UK and the importation of dangerous drugs and other prohibited items.
5. The cost of domestic administration, which includes accounting and personnel work and the provision of training, has been spread back over the above four functions on the basis of the estimated staff effort employed on each.
6. The revenue realised from preventive and fraud work is accounted for under the VAT and Car Tax, Revenue Duties and Import Duties functions as appropriate.

*7. The changed accounting bases for superannuation and the services provided by the Property Service Agency are estimated to have increased the percentage of cost to Net Revenue for the Department by 0·20 per cent in 1975–6. The comparable figure to those given for the years 1965–6 to 1973–4 is accordingly 1·69 per cent for 1975–76.

19 *May* 1976

Examination of witnesses

Mr F JONES, CBE, Deputy Secretary, Mr P COUSINS, Under Secretary, and Mr J. ANSON, Under Secretary, HM Treasury, called in and examined.

Sir NORMAN PRICE, Chairman, and Mr F H BROOMAN, Under Secretary, Inland Revenue, called in and examined.

Sir RONALD RADFORD, KCB, MBE, Chairman, and Mr B H KNOX, Under Secretary, HM Customs & Excise called in, and examined.

Chairman

229. Good afternoon, gentlemen. The most general questions today are likely to be addressed to the Treasury representatives because in this particular inquiry we are interested in subjects beyond our normal discussion of public expenditure and beyond the responsibility of the Revenue Departments alone, but before coming on to the most general topics perhaps we might address some questions to the two Revenue Departments. This Committee has two reasons for summoning the Revenue Departments in the context of this inquiry. First, they control very large numbers of staff in the Civil Service: with some three Departments of State perhaps they control three-quarters of the Civil Service. Secondly, they have measurable productivity in the sense it costs a certain amount of cash to collect a certain amount of tax. To begin with, perhaps I might ask both Revenue Departments whether they can explain the fluctuations in that direct measure of productivity over the last few years?—— (Sir *Norman Price*) Can we first establish which years we are talking about and which figures you have in mind? I am looking at a statement which we sent to you showing that the cost as a percentage of net receipts in respect of all Inland Revenue duties was 1·75 in 1974-75.

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230. There is a chart in the Commissioners' last report giving the same statistic?——Yes. Perhaps I might first clear up what might be a misunderstanding. The figure for 1974–75 and to some extent for 1973–74, which appears in the table we gave you and the chart in the report, has to be amended slightly. These figures were calculated on a different basis from the figure for 1972–73. One is not comparing like with like. The basis was altered because we had an edict from the Civil Service Department to charge superannuation on an accrual basis instead of on a cash expenditure basis. There is also a change in the basis of charging for property occupied. Whichever way is the proper way of measuring these things, the point is that they are different. If one calculated the 1974–75 percentage as one calculated the 1973–74 percentage the cost of collection would go down and not up as shown in the table.

231. You would not dispute that between 1969–70 and 1974–75 it went up substantially?——1969–70 was certainly the bottom. It had gone down fairly steadily from 1962–63 to 1969–70. Since then it has been rising up to 1974–75.

232. Have you any explanation?—— Yes. The cost of collection depends not so much upon what we spend as upon what we collect. The reason why the 1969–70 figure was low was that in that year there were additional imposts which brought in something like an extra £400m. Therefore, looking at cost compared with take, if the take goes up the percentage cost goes down.

233. I see your point, but if in business one's sales go down one might have to reduce one's costs in order to avoid bankruptcy?——That is so, although we are far from being bankrupt. We have to carry out the duties Parliament imposes on us, and as far as our costs are concerned it does not make the slightest difference whether the basic rate of income tax is 35 per cent or 30 per cent; we have to do precisely the same amount of work. So if by any chance the basic rate of income tax were reduced by, say, 5 per cent, you would find that our costs as a percentage of the take would go up quite appreciably. although in terms of the expenditure of staff time on the job it would not alter at all.

234. I am not going into the argument about mortgage relief; I am sure you understand the point, but for the benefit of everybody else I am trying to understand one point made in the Layfield Report. There it is said that if every mortgagee in the country paid his mortgage repayments net of interest relief and the appropriate amount was given as a grant to the building societies the taxation, social effects and so on would all remain the same, but in other cases, such as personal allowance changes and insurance premium relief changes, your organisation could save 4,500 staff at a cost of £1·8m. Presumably, Layfield got this statistic from you?——Indeed, yes.

235. When did anybody first think of this? Presumably, there are 4,500 people working in the Department who, without social and taxation changes, except in the technical sense, could have been saved in terms of public expenditure? —— Yes, but, if I may say so, with respect, that is not our business. Parliament has said that certain personal allowances must be given, Parliament has said that mortgage interest has to be dealt with in a certain way and Parliament has said, until this year, that life assurance relief has to be given in a certain way. All we do is to follow what the law is. We draw attention to possible savings from time to time. The first time the possibility of these particular savings were notified to the public was in the Green Paper on the tax-credit scheme because part of the tax-credit arrangement was to get rid of all these allowances. What we said to the Layfield Committee, as you will see when the many volumes of evidence are published in the autumn, was that there was a possibility of saving staff within the Inland Revenue if these measures were carried out. One of them is the question of life assurance premiums which, as you know, is included in the Finance Bill this year and is something to be brought about in three years' time. That would save 1,500, which is about one-third of the 4,500 to which you have referred. Another 1,000 would be saved by the adjustment you mentioned in terms of mortgage interest

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where the same sort of technique would be applied as is being applied to life assurance. Another 1,500 arises from getting rid of the child tax allowance. As you know, an Act was passed last year whereby child tax allowance will in due course disappear and be replaced by child benefit, so 1,500 will be saved there. The final 600 arises from getting rid of what we call secondary personal allowances—allowances for dependent relatives, housekeepers and other small allowances of that kind.

Mr *Ridley*

236. Over the period covered in the paper the number of staff employed by the Revenue has gone up from 56,500 in 1965 to 73,500 in 1975 according to the booklet " Civil Service Statistics ". There has been a pretty steady climb, although there was a slight dip in 1973-74. That is not connected with the level of taxation. Can you tell us why in your view another 20,000, or just under, have had to be employed?——This is largely because of the growth in the number of Schedule E (PAYE) taxpayers and partly due to the growth in the number of trading accounts which we now have to examine. I have not got the precise figures and years you are referring to.*

237. Mr MacGregor has given me some figures contained in a Parliamentary answer dated 18th May. I do not know whether they are better figures, but they relate to the period 1945–76? ——I accept the figures you have given. What I was going to give you was a brief analysis of why the staff in tax offices rose from 30,000 in 1967 to 38,000 last year. I have got an analysis of those figures which indicates the way in which staff numbers rise, even though I cannot give you the particular years you seek. We start off with 30,800 in April, 1967. That is the total number of clerical staff, not just staff concerned with PAYE but with Schedule D work, postwar credits and other things which go on in tax offices. From that we knock off 2,400 because certain jobs which they were doing have now disappeared. There was still some work on Schedule A although that disappeared in 1963 but left a residue. That leaves a net total of 28,400. That rose in about nine years to 38,000. The reason was a substantial growth in the number of taxpayers—a substantial increase in trading profit cases and an increase of something like 2m. in PAYE taxpayers. There was a staff increase of 4,500 to meet that. Then there were 2,500 employed in tax offices on the change from surtax to the higher rate system. This work is now done in tax offices. There was a growth in capital gains tax which accounted for another 600 and various other small jobs accounted for another 500. There were 1,400 for ancillary services like typing, management and so on. That illustrates the way in which our staff relentlessly, rather to the chagrin of the Department, goes up and up.

238. How do you know whether it goes up too much or too little?—— There is a constant check exercised by staffing inspection. There are returns sent in by tax offices setting out how many taxpayers there are under various headings—Schedule D taxpayers, employees and companies—and we apply to each of those functions a factor of cost which has been derived from what has happened in the past.

239. The cost of collecting it?——Yes. We say that a Schedule E assessment would take, say, .1 tax officer over the whole year. I do not know whether that is the right sort of figure, but whatever it is, it is constantly revised by looking at tax offices and seeing what the experience is over the years. We have control experiments in selected districts which constantly revise this factor and each year we ask the Civil Service Department for staff which is based upon that sort of assessment.*

240. How much help has the CSD been in controlling the staff numbers and in devising your system of ratios to control the numbers?——We have had people in from the Management Services Division of the CSD to look at these figures from time to time, but in the main this is something we do ourselves.

241. They did not seem to feel it was their job to check the cost of collection for each tax or in any way to criticise your staffing levels or your

*See Appendix 21.

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collection costs. The joint report prepared by the Revenue and the CSD seems to be concerned with the organisation itself, job satisfaction and lots of matters like that, not with hard efficiency facts. Would you agree they have left efficiency to the Revenue?——First of all, I would challenge the idea that altering the structure has nothing to do with efficiency. I think that the organisation of any institution has a good deal to do with its efficiency, so the report did have a lot to do with efficiency. Secondly, a management review such as that particular review to which you have referred takes place only once every 5–10 years, and I would have thought it entirely wrong that on such questions like how many people one ought to have to do so many PAYE assessments one ought to be looking at it every 5–10 years and not all the time. There are very few weeks when across my desk does not pass a file which bears on that matter. We tried to alter the organisation so that it provided a framework within which we could increase our efficiency.

Chairman

242. But we discovered that the management review was not conducted by the CSD but by the Commissioners themselves, or by a team set up by them, including yourself. I imagine that an objective review by an outside body might take place once every 10 years, but are you saying that you never review your management structure within that period?——I am not saying that at all; I think that is a wholly wrong conclusion to draw from what I have said.

243. What is a logical conclusion to draw is that it was more difficult to tell on your case who conducted the management review than in the case of HM Customs & Excise. HM Customs & Excise listed every member of the team by their jobs, whereas in your case they were only listed by name. In each case there was one member of the CSD on the team, the overwhelming majority of members coming from the body being reviewed?——I am sorry we did not have a job description. I was in the chair as Chairman of the Board of Inland Revenue. As well as my two deputy chairmen, there was a former permanent secretary of another Government Department, a Deputy Secretary in the Department of Industry who had some past connection with the Inland Revenue, and Mr Wilding of the CSD. It was about fifty-fifty.

244. One member from the CSD, but fifty-fifty from the other Departments? ——Fifty-fifty Revenue and non-Revenue.

245. Your memorandum starts off by saying that, "Figures showing the cost of collection of each of the separate taxes are not available because much of the work is carried out for the purpose of more than one tax". I understand the conclusion, but I can think of one company in industry where one specific factory has 100,000 products and many people are involved in the costs of those products. One of the problems capable of solution by accountants is to allocate costs amongst respective products, so your first sentence, bearing in mind the relatively limited number of taxes to be collected, does not conform to what is fairly common in industry—the allocation of costs to specific products?——I am not sure how they do the allocation in the particular case you have in mind, but perhaps I can say why it is difficult for us to do that. The reason it is difficult is that an income tax return is sent in and it lands on the desk of the tax officer who is responsible for that individual taxpayer. That return will contain information about his income tax, his capital gains tax, his Schedule D tax—if for example, he has bank interest,—and it may involve some information about dividends. That tax officer works the whole thing out. He will calculate the capital gains tax and the income tax under Schedule E if he is an employee or under Schedule D if he has a business. He will also calculate the tax on the interest under Case III of Schedule D. All of that work will be done by one person. He will make the assessments and somebody else will type out notices of assessment which emerge from them. If you are asking us to split that tax officer's time into those different functions I think you will waste far more time than you will benefit at the end of the day.

246. Unless you pay him in a particular way in relation to that work there

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is no reason why he should give you anything other than a perfectly accurate self-assessment of the time he spends on the work?——But what benefit is it at the end? Having done that, then what?

247. This is where we return to the question of how far we can make savings in the collection of taxes. If you do not know how much it costs you do not know where to look for savings?——I do not think that is the first consideration in the minds of Ministers.

Mr *Ridley*.] But it is in our minds.

Mr *MacGregor*

248. The figures given in the Civil Service Statistics which Mr Ridley quoted for 1975 show the Inland Revenue staff at 73,470. In a Parliamentary question last week the figures for the same year showed the Inland Revenue staff as 80,432. I appreciate there is a three-month difference in dates which may have something to do with it, but can we get clear what the difference is? ——We will send you a note on that. Our present staff is something like 82,000.

249. 82,926 is the figure for this year? ——Yes. I am not sure precisely how it has grown, but I am surprised it has grown in that short period.

250. That was a growth of 5,500 in three months as it appears from these statistics. There must be some explanation for that. There is also a growth of another 3,000 this year, so there has been a growth of something like 8,000 in 15 months which represents a 10 per cent increase?——I will send you a note. I readily concede that last year staff went up very steeply, but I am not sure why at this stage.

251. It seems a big increase over a comparatively short period and it would be helpful to know why it has occurred. I would like to follow up a question Mr English asked on the question of mortgage interest relief or life assurance relief. Taking life assurance, you said Parliament had decreed this was the way it should be done, but Parliament is about to decide how it should be done? ——I did not mean to say that: there is a Bill now before Parliament on the point.

252. In a series of interviews held recently you drew a distinction between technical representations which the Inland Revenue made to the Treasury and matters of policy, and, in view of the way in which the Inland Revenue press release put across life assurance, it seems that this is regarded as a technical question. I agree that matters of policy enter into it, but it was put forward as a technical reason for saving staff. In addition, in the press release it says that the saving of staff will be 1,000 but you said a moment or two ago that it was 1,500. Which figure is correct, and what is the total saving in staff costs as a result of this change?——The 1,500 was the figure that was included in the 4,500 which we gave to Layfield as our assessment. It is possible that since speaking to Layfield further examination has pared the figures down. One goes into more detail if one makes a suggestion to Parliament than the rough figures one gives to a committee. You asked about "technical" as opposed to matters of economic policy. We would interpret "technical" as going rather wider than is usually meant by the term. What we say is that the Treasury and ourselves would discuss jointly major matters such as the necessary action to stimulate or diminish demand, which is usually done through personal allowances, the rates of tax and things of that kind. The Treasury, ourselves and Customs work together in submitting to Ministers various suggestions in this field. I think we would say that we had responsibility under the technical head for everything outside that. Obviously, the Treasury would have opinions on most of the things we put up, as in the case of life assurance, but we would regard ourselves as taking the lead on all these other questions.

253. As to life assurance, you would regard that as coming into the category of "technical"?——Yes.

254. Can you give the rough savings in cost to the Revenue, which was the main reason given in the press release and the Chancellor's budget statement for introducing this?——If you multiply

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the staff savings by £4,500 that gives you a rough idea.

255. Was any account taken of the fact that the new change would cost the Revenue £90m. a year?——Yes, although the £90m. has to be dissected in different ways. Over half represents relief which people are entitled to and are not claiming.

256. But a large part must also be due to the fact that there are reliefs which people are not entitled to?——£5m. of that cost is accounted for by the giving of automatic relief to people who are not now liable for tax, but the largest part of the £90m. arises because people are not now claiming relief or getting it automatically.

Chairman

257. The last time you were before us we said that on a separate occasion the Treasury had said that they left research into taxation to you and you said you did whatever the Treasury asked you to do. We commented on this in a subsequent report and as a result it was agreed to set up an inter-departmental committee to look at the whole question and research into taxation. I do not know how far that departmental committee has got, but your present answer does not seem to be quite the same as your last one in that respect. Let us leave out the policy on life assurance premium relief and mortgage relief. Let us take the possible saving of 4,500 people or £18m. mentioned in Layfield. You mentioned when that was made public, but when was it first identified by you?—— In effect they have been identified ever since 1842.

258. In that case, with the greatest respect, would you like to prepare us a paper setting out just when the Revenue first pointed this out and what has happened in the meantime? It may well be that your respective political masters over that long period of time have always refused to look at efficiency in this sense for other reasons, but it would be helpful if we could have the history of how far the Revenue has pointed out that such savings could be made over that period?——Is it possible that not all of these things would be pointed out individually.*

259. I am not asking you to give me an answer off the cuff?——I will give you an example of what has happened. In 1955 the Radcliffe Royal Commission on Taxation said that the housekeeper allowance no longer had any justification, but it is still there. We have pointed out that this is what the Royal Commission has said, but it is still there after 20 years.

260. I cannot see any political difference between somebody paying a given amount of tax and getting it back through tax allowances and not paying it in the first place. The only difference is that you pay it out as a direct grant to building societies in one respect and save a lot of money by doing it in that way. When was that specific idea, which has no social or taxation implications whatever, first pointed out by the Revenue to the people who had the power to change it?——I imagine that that particular matter first arose in relation to tax-credits. I would like to take the opportunity of clearing up what I am quite sure is a misconception arising from my last appearance here. As far as the question of research is concerned, I seem to have left the wrong impression, although I have read through the script three or four times to see how I could have left the impression that we did research only if the Treasury said so. We do an enormous amount of research and perhaps the misconception arises because Mr Lawson asked me about a piece of research which I agreed we had not then undertaken but it was something we had discussed with the Treasury. It seems to me that the point became generalised from that particular incident. We do a lot of research over a wide field whether or not the Treasury says so.

Mr *Lawson*

261. Are you now carrying out research into indexation?——Yes, but we were not doing it when you asked that question.

Mr *Garrett*

262. What rewards are given to a good manager of a local tax office and what

*See Appendices 22 and 23.

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sanctions do you have against a bad one? How do you measure the competence of management in that situation? Does somebody who has particular management skills have the freedom to change the way an office operates in order to be more efficient if he can find a way of doing it?——The reward would be promotion up the ladder; the penalty would be the removal of the individual to a job where his particular defects revealed in mismanagement would not matter. But I would like to emphasise that there is only a limited way in which the managers of local tax offices can exercise their own discretion. An inspector is encouraged to exercise his local discretion when looking at trading accounts; we do not want him worrying about a lot of fiddling details. But when an office is dealing possibly with 30,000 or 40,000 PAYE returns, that sort of operation has to be done in accordance with a general national policy simply because employees move about from place to place. If we found Mr Bloggs first employed by A Limited was being dealt with in a different way when he moved to another district as he was now employed by B Limited, because the two districts were not operating a common policy we would be in a mess, so we have to prescribe from head office certain fairly detailed rules in that respect. Therefore, there would not be an opportunity for a manager to exercise too much discretion in looking at PAYE returns.

263. When you say that promotion is the reward for skill, it is the fact that an individual in the Civil Service has to wait a certain number of years before entering the promotion field and to that extent you cannot reward outstanding merit, and is it also true that promotion boards in the Civil Service take rather less notice of the history of the man in the job than they do of his actual performance before the promotion boards? ——No. When you asked about local offices I was thinking about the majority of our offices which are run by inspectors of taxes. We do not have promotion boards for inspectors of taxes; they are promoted on the basis of their history founded on a series of reports. These would be accompanied by special inspections when inspectors would go out and see the individuals concerned for a week at their desks.

Mr *Ridley*

264. How do you know which tax offices are efficiently manned and run and which are not? Do you get a figure for the cost of tax collection in respect of each tax office?——No. We have a monthly report from each office showing their progress under a large number of heads. We ask them for the number of assessments which have been made at different times under Schedule E, for example, the number of trading accounts which have been received, examined and settled and the amount of correspondence on hand.

Chairman

265. To save time, could you let us have a list of the questions you ask?—— We will send you a copy of the form.

Mr *Ridley*

266. Following that up, you do not keep a record of the cost of collection on the basis you put forward in your memorandum for each tax office so that you can monitor the relative efficiency of each office?——We do not keep a record of each one, but we judge their efficiency and how they are performing by the amount of arrears they have got and their progress compared with the national average.

267. Would it not be useful to know which tax offices collected cheaper than others?——No, because some tax offices collect very large sums of money. In the West End of London, for example, one employs a few people to collect a great deal of money, so any test of efficiency on the basis of the amount of money collected compared with the cost of collecting it would be meaningless.

268. But is not a system based on the amount of cases pending and the number of assessments made equally meaningless, because you can collect millions from one or two taxpayers in some areas and you need a million taxpayers to collect £1m. in other areas?——But what you are looking at is how far the annual cycle of work is cleared. We are not terribly worried about whether a com-

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pany is paying £1m or whether it has no liability to tax because of stock relief or capital allowances.

Mr *Lawson*

269. You reminded us that during your last appearance you were asked whether you were conducting research into indexation of the UK tax system. On that occasion you said you were not, but I am glad to hear that you have now undertaken that research. You also said that you put technical proposals up yourself?——Yes.

270. Was it your proposal that the wealth tax, if there should be one, should be by means of self-assessment?——That was our suggestion.

271. In that case, what are your views on the possibility of using self-assessment for income tax purposes, as is done in the United States?——I think the system has to be made easier by perhaps the sort of suggestion we made to the Layfield Committee before we can hope to introduce self-assessment. For my part, I would like to see those changes made in the structure and I would like to go on from there and have a self-assessment system. With the system we have presently I do not think self-assessment is a possibility.

272. If we did go along your road and adopt stage one, simplification, and stage two, self-assessment, what order of savings would you envisage?——I cannot go beyond saying at the moment that the savings would be substantial.

273. This point goes beyond the Revenue because the Public Expenditure White Paper does not differentiate between Inland Revenue and Customs and Excise, but if you look at the item concerning tax collection costs you will find that for the current financial year it is expected to be 30 per cent more in real terms than three years ago. What is the explanation for that very substantial increase?——I would like to see the figures first.

274. I can quote them?——I would like to examine them, but I think the answer is clearly fiscal drag. Are you speaking about the cost of collection?

275. Yes?——I am sorry; I thought you were speaking about the amount collected.

276. It is true to say that the cost of collection in real terms has gone up 30 per cent?——It is true that our own costs because of increased salaries right across the Civil Service have gone up by something like 25 per cent.*

Mr *Lawson.*] But not in real terms.

Chairman

277. When we spoke to the CSD we asked how these management reviews were conducted and they mentioned various papers submitted to the review teams. They said that you were the Department we should ask for them. Can we see the papers in some modified or simplified form submitted to those reviews by the CSD?——Can I give the Revenue position first? I have no objection to anything at all being revealed on which the reviews have been based. I thought that in Management Services terms there were certain difficulties about presenting papers prepared in this way to outside groups. This I thought was the accepted position in Management Service terms.

278. The CSD had no objection; they said that with your consent they would not mind. I can find you the exact answer in the transcript where they say we should ask you, which is what we are doing?——We have nothing to hide; we have no objection at all.

279. Does the same thing apply to Sir Ronald?——(*Sir Ronald Radford.*) Yes. We regard these reports as internal documents of a confidential nature and therefore not to be disclosed, but if the CSD sees no objection I do not.

280. If there is anything in the papers of a personal nature this Committee would not want to publish it, but we are interested in the comparison between the CSD advice and the management reviews' ultimate document?——If the CSD is content I raise no objection.

Mr *Lawson*

281. I asked a question of Mr Wilding when he was before us last week and

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he told me I should ask you about it. It relates to paragraph 40 of the Inland Revenue management review where there is a section headed "Capital tax offices". It is stated in the conclusion that the offices would deal with wealth tax, capital transfer tax and stamp duty. I asked whether it was proper to start preparing for the wealth tax and organising capital tax offices when Parliament had not approved any wealth tax?—— (Sir *Norman Price*). I think this is a prudent thing to do. We did take the same steps in respect of the tax-credit scheme which reached the same stage. Buildings take so long to build and equip and staff take so long to recruit and train that it would be irresponsible, if the Government, whatever its political complexion might be, wanted to introduce a certain tax on a certain day, if we did not take preliminary steps. At the same time one does not incur costs other than those required by ordinary prudence.

282. Finally, on the management review again, in item (j) of your proposals at the beginning you say: "The Committee share the views expressed to them by many within the Department that the task of countering avoidance and evasion is being tackled with less intensity than all would wish. The Committee agree that the main reason is the shortage of fully trained inspectors". I note you do not say you need more powers, but what I am concerned about is the lumping together of avoidance and evasion. I can understand your wanting more people for evasion, but why do you need more for avoidance? I would have thought the latter was a matter of changing the law?——People are very, very clever in evolving avoidance schemes which are on the margin of the law, one does not know whether they pass the test and come within the law or not. One requires very highly trained and efficient staff to adjudicate on that; one probably wants more and better trained inspectors to deal with avoidance than with evasion. This is a very difficult area indeed because one is looking at documents prepared by counsel or submitted to counsel at different stages, and one has to have highly trained staff to analyse those documents.

Chairman

283. Sir Norman, we do not want to give the impression we are ignoring Sir Ronald. Basically, Sir Ronald, you are in charge of a tax which is even more unpopular than income tax, but your organisation's declining productivity in the sense in which I used that term earlier is relatively lower than the Inland Revenue's over the last few years?—— (Sir *Ronald Radford*.) It depends on what you mean by "productivity".

284. I used the term "productivity" in the sense that it cost a certain amount of cash to collect a certain amount of tax, taking one as a percentage of the other?——What has to be borne in mind is that we do not simply collect tax. We do preventive work—for example, the prevention of the importation of prohibited drugs. It costs money to produce no revenue.

285. You did divide your figures up in certain ways. Is your management accounting system capable of producing a greater degree of allocation of costs to appropriate functions than, say, the Inland Revenue's system? Have you got a management accounting system which can tell you the relative costs of your different functions?——It is not easy to separate it out, because, whilst in some areas only one tax is dealt with—for example, VAT—and nothing else, in other places we will be carrying out more than one function. If you are to estimate the cost of a particular function you have to split them all up and it can be quite a complicated exercise.

286. But you agree that your costs of collection have risen as a percentage of the amount collected over the last few years; it has almost doubled?—— Yes.

287. To what do you attribute the reasons for that?——The responsibility for that is partly VAT which is an expensive tax to collect. It is almost 2p in the pound—more than income tax—and it is more expensive than purchase tax which it replaced. The reason is that a lot of the traders we are dealing with and spending staff time on are people who are reclaiming tax from us, so as far as they are concerned there is no

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tax payment, but we have to pay all the expenses of collecting it and returning it.

288. This is true throughout the EEC since this is basically an EEC tax?——Yes, except that we have zero rating. Most of the continental countries do not have zero rating.

289. This lowers their costs?——It must, and the proportion of cost to yield of tax in their case would be less. At the request of another committee I have asked my colleagues in the EEC countries whether they would give me information about their costs of collection and other relevant figures. I am awaiting replies from them. If it would be helpful I would be happy to send you a copy of the note I have promised to send to the other committee.

Chairman.] That would be helpful.

Mr *Garrett*

290. I would like to ask you about the management review of HM Customs & Excise. There is one paragraph in the report by the Steering Group about central planning tasks and the organisation of central planning, and there it talks about management information system requirements and other planning in the Department. I was interested to see you proposed bringing together the PESC, vote and manpower estimating procedures and integrating them with forecasts of the objectives of headquarters directorates. Does your Department have a plan for the objectives of its headquarters divisions and how are those objectives expressed?——What we do depends very much on what Parliament decrees usually each year in the Finance Bill. A change in the Finance Bill can affect our objectives and what we have to do. To that extent we are not our own masters. Given the Finance Bill we go on from there. What we aim to do is to do what we have to do in the most economic way and that involves getting information on what has to be done and how it can be done in local offices economically.

291. But the review talks of reviews of management resources and new forms and new systems of organisation for central planning. That implies that the Department is concerned to plan for a long time ahead and I want to know the basis of such a plan?——This is a reference to reviews we carried out into the different aspects of our work. As an example, a review was carried out recently into our preventive work in terms of how it was done and what changes might be made. We started reviewing different aspects of the work of the Department to see whether or not what we were doing was all right or needed changing and we evolved a pattern of reviewing different aspects of the work of the Department, but we are catching up on arrears because for various reasons there has not been much done. Therefore, as I say, by this process of reviewing different aspects of the work of the Department from time to time we are keeping abreast of developments in terms of whether things need changing.

292. In paragraph 8.2, third line, it says, " . . . forecasts of the objectives of Headquarters Directorates". How would you express the "forecasts of the objectives of Headquarters Directorates"?——I think it would be more useful if I let you have a note on that.

293. You seem to be bringing together the PESC, vote and manpower estimating procedures, and you refer to current work in functional costing. What is functional costing in your Department?——This is concerned with resource allocation and the basic features are that we analyse staff time and other costs to provide a functional breakdown of the annual vote estimate, staffing data and our estimate of manpower employment.

294. What is the function?——The collection of a particular tax.

295. You can attribute cost to a particular activity?——Yes.

296. Can we have an example of your functional costing breakdown?——I will send it in.

297. I have one other question on the management review. What in your Department's view have been the merits of unifying the grading structure which you did in 1971?——It was done in 1971, and before that we had a series of more or less watertight departments, one

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doing preventive work, one doing outdoor work and so on. The great difficulty was in promoting people and allowing them to cross these barriers and gain experience and take advantage of that experience. We find now that, whereas some people prefer to stay in a particular line, others move across into other fields and discover new areas of interest where they can deploy their talents in a way they never dreamt of before, so it has given us greater flexibility and wider breadth of knowledge. For example, at headquarters we have many people who started their careers in the outfield and worked in local offices. Conversely, we have people now working in local offices who started their careers at headquarters. In the past that sort of movement would have been impossible. Now that it is possible it can only be advantageous.

298. Your experience bears out the Fulton recommendation in respect of an integrated class structure?——Yes, except that we did it before Fulton.

Mr *Ridley*

299. I have not got the 1976 figure, but, according to my figures, the 1975 figure is about 28,000 staff?——It is about 29,000.

300. It has nearly doubled in 10 years?——Yes.

301. I do not want to ask the same questions that I asked Sir Norman, but this increase in staff is very substantial indeed. We who represent the public have no means of knowing whether you are 10 per cent too heavy or about right. How can you reassure people you are not carrying too many staff? Ought you not to give very much more information in your report about the cost of collecting tax and the comparable figures for overseas countries? It is astonishing you do not have the figures for the other EEC countries and do not publish them. How would you seek to reassure the public you are right because the public has no means of knowing other than through this Committee?——First, I have some hesitation about publishing the figures for other countries unless the countries concerned actually publish them. There is a certain amount of exchange of information betwen revenue officials of different countries on a technical basis. I would hesitate to publish a figure I had obtained from my colleague in one of the continental countries unless he agreed to it. Secondly, in looking at the cost of collection in different countries you have to take account of the different circumstances obtaining in the different countries. The taxes are not identical and there are different local circumstances which mean that a straight comparison of the figures would be highly misleading. Therefore, one would need a lot of verbiage as well as the figures for the information to be acceptable and sensible. I do not think the reports of my Department which are reports to Parliament on the activities of Customs & Excise would be the proper place to include information about other countries. In any event, it might be possible to find some way of publishing some sort of comparison if that were meaningful, but I emphasise there would have to be a lot of other information to make sure that what was published was understood. For example, there is no zero rating in some countries and account would have to be taken of that.

Chairman

302. But there is a vast difference between your organisation and Sir Norman Price's organisation. There is no proposal in the Treaty of Rome for the unification of direct taxation systems, but there is for the unification of some taxes, including customs duties. There was a suggestion at one time that the EEC should have a single unified customs service. We are in the EEC now and we have had a referendum on it. How far has integration progressed since then?——On customs service, very little.

303. As to the proposed change in tobacco duty, will it increase your costs?——Tobacco is not one of our more expensive duties.

304. It is one of the four biggest duties which collectively provide 80 per cent of your revenue?——It is a big revenue producer, but like spirits, it is comparatively cheap to operate.

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Mr *Lawson*

305. When I asked Sir Norman to explain the 30 per cent. increase in the total cost of tax collection as revealed by the third line in Table 2.13 of the Public Expenditure White Paper from 1973–74 to 1976–77 he could not do so off the cuff. Can I have a note on that? ——(Sir *Norman Price*) Yes.*

Mr *Ridley*

306. Sir Ronald has not answered my question, although I think he was trying to. How would you seek to reassure the public through this Committee that you do not carry too many tax collectors? It is very difficult for you to reassure them, but how would you set about it? ——(Sir *Ronald Radford.*) I did not completely answer the point. We have a system of staff inspections. We send out inspectors trained in this work to inspect the way work is done and the staff who do it in our various offices, both headquarters and throughout the country. This ensures that a reasonably common standard is applied, which is an important point, and that fat does not grow unnecessarily in particular areas. This is our own way of checking that our work is reasonably efficient.

307. Do you think that would convince the man in the street who thinks there are too many civil servants and too many tax collectors?——The man in the street will never be convinced that the number of tax collectors is right.

308. You try to convince him?——To try to convince him would involve a very big exercise of persuading him that it is right he should pay the tax he does pay.

Mr *MacGregor*

309. Can I turn to what I regard as the crucial question in terms of the saving of cost as far as the Inland Revenue is concerned, and that is the whole process of simplifying the tax structure? I was delighted to see that in a recent interview you were quite firm in believing you could go a good way towards simplifying it, and you also agreed that this ramshackle building, as you graphically described the present system, should be pulled down. I have not had an opportunity of studying the whole of the Layfield Report, but can you give us some guidance on what you regard as the first stage before reaching self-assessment which you mentioned in evidence?——(Sir *Norman Price.*) As we told Layfield, what you have to do is to start with the personal side as distinct from the company side. On the personal side one looks to the area where the allowances cause the most work. As I said before: life assurance relief, mortgage interest relief and the small allowances, such as dependent relatives' relief, the housekeeper allowance and child benefit.

Chairman.] If it helps you we can get your evidence to Layfield. It is only intended to be a quick question.

Mr *MacGregor*

310. It was a supplementary question? ——If you get rid of those allowances you are left only with the allowances for the single person and the married person and the age allowance corresponding to those. Once you get to that situation you can properly put assessment into the hands of the taxpayer, but at the moment you cannot.

311. How much work have you done on the question of self-assessment?—— What we have done is to look at the possibility of asking people to assess themselves in terms of the present system. We discovered that something over 60 per cent got the answer wrong.

Mr *Ridley*

312. Which way?——We asked 1,000 or 2,000 people to do it and the percentage of error was in our view much too high to justify going on with it. We discarded the idea that in terms of the present structure we could do anything at all about self-assessment, so the thing to do is to simplify the structure. We have not done any detailed work yet since the possibility of doing anything at all really began to emerge with the tax-credit system and subsequently with what has been put in the Bill this year about life assurance.

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Mr *MacGregor*

313. Tax-credits have triggered off some interest in self-assessment?—— Yes.

314. Parliament being willing to meet all these requirements, can you give us any idea of the timescale involved before introducing a system of self-assessment? ——We told Layfield it might be five years.

315. Finally, you say that the cost of collection in crude figures in the United States is 0·49 per cent for every £100 collected which is a good way short of our 1·75 per cent. Do you think the main factor in that respect is self-assessment and could we get somewhere near that figure?——If I may add something to my previous answer, I said it would take five years to get to this stage. This is not only because of the Inland Revenue's slowness. It would take building societies and life assurance companies about that time to reorganise their own affairs. Going back to the United States system, I think we can begin to get near to the American figure, but this also implies that we shift the costs from the Government Department to the taxpayer. As you know, a very high percentage of Americans (a much higher percentage than in the UK) employ tax accountants, and if that is a consideration that has to be added in when comparing our figure with the American figure I would have thought we could go a lot nearer the ·49 per cent. Whether we get there I do not know.

Chairman

316. Sir Norman and Sir Ronald, I think we must now pass to Mr Jones and his colleagues. I do not think I got an answer from Sir Norman about the question of the setting up of the inter-departmental committee on taxation research. What has happened to it since it was mentioned last time? Has it met? ——(Mr *Jones.*) It has met; it consists of representatives from both Revenue Departments and the Treasury and there is a representative from the Social Sciences Research Council. It may be worth recalling briefly the circumstances in which we responded to your recommendation. We had within the Treasury in consultation with the Revenue Departments been looking at taxation research done inside Whitehall, particularly inside the Treasury and the Revenue Departments, relating to the economic and social impact of taxation, and we had looked for possible gaps. You may recall I told this Committee that we had circulated a note to the universities in the hope this would interest some of them. Your recommendation that we should set up a committee to consider taxation research came, if I may say so, at the right moment because it enabled us to spend time (this is nothing to do with my present responsibility) in establishing what was being done in the universities in the realm of taxation research and what was being done by other departments not primarily concerned with taxation but nevertheless having an interest in the subject. At the moment we are assembling all this information and it will clearly provide a valuable guide to ensure that where there are gaps we have a good chance of closing them.

317. As far as the Treasury is concerned I think the main question is this: has the Treasury got a view on the relative division of responsibility for the efficiency of the whole Civil Service as between itself and the CSD?——I think the responsibility for efficiency is one that is shared. The Treasury is responsible for finance and the CSD is responsible for manpower. Between us our job is to ensure that resources are used efficiently by the Departments.

318. For example, would you say it might be easier if the Management Services Divisions of the Civil Service were under the control of the Treasury in the sense there is obviously a conflict between efficiency purely in the financial sense, paying no regard to human beings, and efficiency in the human sense where you do not think you can suddenly get rid of people and so on? At the moment they are reconciled inside the CSD. Would it not be better if they were dealt with between the two Departments rather than by one?——I do not think so. The decision to set up or take over from the Treasury, when the separation of Departments took place, the division providing management services was a

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decision reflecting what the Fulton Committee had recommended about the importance of efficient management and the importance of setting up a department which would concentrate on manpower management and enable greater opportunity to be given for the development of this side of the Civil Service in a way which might not have been possible if the separation had not been made. As you know, the Treasury has a great many tasks to fulfil and the Chancellor has a great many pressures upon him and responsibilities for managing the economy. The idea of setting up the CSD as a separate Department responsible for management guidance, efficiency and the control of manpower was a major recommendation of the Fulton Committee. You are asking whether it would be better to go back to the situation where the Management Services Divisions were within the Treasury. We do not see it like that; we would not consider it helpful at all if what was an integral part of the CSD were brought back into the Treasury.

Mr *Ridley*

319. Whose view are you expressing when you say that? Is that your personal view?——The view of the Treasury.

320. But if you had a different view you would not feel about to give it?——On these occasions, as I know you appreciate, we give our views as officials and those views will reflect the policy of the Department as laid down by our Minister.

321. So it is a political view you would not be in a position to criticise?——I do not think my personal views would be of very great interest to this Committee.

Mr *Lawson*

322. If you were to be a little bit relaxed and you looked back over the past seven years since the hiving off of the CSD and purely looked at the experience you have had during that period, how would you balance the advantages and disadvantages which have flowed from that hiving off?——I do not think it is an easy judgment to make as to how successful the division of Departments has been. But the views which the Civil Service Department, through Sir Douglas Allen, gave to this Committee would be views with which we would agree, that is to say, the Treasury would regard the setting up of the CSD as a very desirable and necessary step and one which experience has shown, on the whole, to be justified.

323. You say you agree with him, but when he gave evidence to us he said that one of the results was that the old mystery of the Treasury—where it was hitting you—had gone. I take it you agree with that?——My own experience in the Treasury is fairly short by comparison with many of my colleagues. I do not think it necessarily follows from what Sir Douglas Allen said that there has been a reduction in Treasury control, which is the point of Mr Lawson's remark, that is, that if the mystery had not gone the Treasury would not have lost some control. We would not agree that as a result of the setting up of the CSD and the division of responsibility for manpower and for finance there is less control over public expenditure.

Chairman

324. We are dealing here with alternative possibilities: leaving things as they are on the one hand or transferring the CSD responsibility back to the Treasury on the other, whereas my question was slightly different. If you have the CSD as a personnel department of state, as it were, it is very unusual in other organisations to attempt to combine management services with personnel since inevitably there are bound to be different viewpoints. What I am asking is this: has anybody considered transferring the Management Services Divisions of the CSD back to the Treasury?——I do not know whether my colleagues would like to comment on that, but certainly within the Treasury there does not seem to be any feeling that we miss the Management Services Divisions in relation to what the Treasury can or cannot do.

325. It became apparent to us when interviewing the CSD on various occasions and at various levels that there was nobody objectively responsible for efficiency from their point of view because that was not their job as far as

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they were concerned, although they considered themselves responsible for advising departments about setting up systems for improving efficiency, management review teams and so on. Who is responsible in Government for objectively, not subjectively, determining whether a particular department is efficient and whether its efficiency can be improved?——(Sir *Norman Price*) It may be there is a sense in which you have the wrong departments here, because I would not have thought there was any doubt that the Inland Revenue and I think Customs & Excise are the responsible Departments. The Income Tax Act says that the Board of Inland Revenue has the responsibility for the care and management of the tax. That is clearly written into the statute and we would interpret that as meaning we are responsible for efficiency. This may not be so with, shall we say, the Department of Industry.

Mr *Ridley*

326. But how do we know you are properly manned and efficient? I am not saying you are not, but the Treasury used to be responsible for every department. Now nobody is because the Treasury provides the money and the CSD provides an efficiency check, but to whom do we turn for responsibility in the matter? That is really the crux of the matter. You say we turn to the Department?——Yes.

Mr *Ridley*.] How can you reassure the Treasury that tax collection could not be done for, say, £10m less?

Chairman

327. You might be the most efficient tax collection department on the face of the earth, but you cannot prove it if nobody objectively assesses your efficiency?——I do not think we have ever been hostile to any inquiry anybody wants to make. Whenever we conduct a review of our own internal doings we always get somebody from a management consultancy firm to help. We would not object in the least if a management consultancy firm came in.

328. But they are paid consultants and may or may not give you the advice he thinks you want to receive. What we are talking about is this: what Department of State is responsible for determining the efficiency of other Departments of State?——(Mr *Jones*.) Each department has the prime responsibility for ensuring it is efficient. It is only if departments themselves take efficiency seriously that it will be secured. There is a good deal that the central departments, the Treasury and the CSD, can do to help. When individual departments make their forecasts of expenditure within the public expenditure survey those forecasts are submitted to the Treasury and, in their manpower aspects, to the Civil Service Department. In the discussions which the Treasury and the Civil Service Department have with individual departments both on the figures they return in response to the public expenditure survey and the annual Estimates which they provide the issues raised are whether the plans are accurately costed, whether the policy objective of the expenditure could be achieved more cheaply and whether any special public expenditure constraints which have been imposed are being observed; in this way both the Treasury and the CSD make sure the policies of the departments are being costed properly and are effective. The Treasury accepts the CSD's views about the scale of staff for a particular proposal, but it will exercise the function of challenging the proposal or the expenditure if it seems appropriate to do so on the ground that the aggregate cost is too high. In this way between us we look very stringently and closely at the expenditure of the departments concerned and any proposals they have to increase expenditure or any additional suggestions they want to make.

Mr *Garrett*

329. In dealing with departments in the course of a year does the Treasury ever identify a department, or a part of a department, which appears not to be well managed, and if so, what does it do about it?——I think you have to appreciate that there is a great deal of co-operation and co-ordination at working level between the Civil Service Department and the Treasury. If I may say so, the decision to set up two separate departments did not affect the

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problem of co-ordination in kind but only in degree, that is to say, within one department there would still be a problem of co-ordination and a need to ensure adequate co-ordination between the various parts. When you have separate departments the problem of co-ordination is more difficult in the sense that more effort is required if the same degree of co-ordination is to be achieved. But there are close working relationships between the two which enable each to express a view about a particular department or some area of a particular department which may be costing a lot of money, or a view about a particular increase in expenditure or staff. Those matters will be matters which either the Treasury or the CSD can very well raise with the other for the purpose of exchange of views.

330. You said that your Department and the CSD were responsible for looking after the efficiency of departments. From the financial point of view, do you get indicators as to the performance of functions and the cost of functions so as to identify where they may be becoming inefficient?——We do not compare departments in that way. The departments are complicated organisations. Some may have very large blocks of work within which there may be considerable homogeneity, but many departments have a large number of functions and responsibilities and the idea of having simple yardsticks to measure the efficiency of departments against each other is not one which is very easy to determine as a practical matter.

Chairman

331. Mr Jones, there does not seem to be any consistency in his. Take cash limits. Defence, for example, is the joint responsibility of yourself and the CSD. The other departments are separated into pay, administration, CSD and everything else which is the Treasury's responsibility. The inconsistency in this is that if you are saying defence is the responsibility of the CSD and Treasury it does not seem as though they exercise their roles in the same way. To take the health service, it seems that the CSD's reponsibility there is so limited as to be almost non-existent. Is anybody but the Treasury in reality responsible for the ultimate efficiency of the whole machinery of the state?——As I say, we regard our responsibility with the CSD as a joint one. But you mentioned arrangements for cash limits and I think it is worth reminding you that the decision to separate blocks containing pay and administrative expenses from non-pay and expenditure blocks was a decision taken on the ground of administrative convenience. As to defence, I explained the position to the Committee when I gave evidence on another occasion. Over a long period they had developed control mechanisms within the defence budget which would have been seriously inconvenienced if we had tried to separate pay and administrative expenses from the remainder and so in the defence case we decided to keep it as one cash block. If we had tried to separate out the administrative costs from the rest there would have had to be a new system of control within the MOD which would not have been a very sensible idea.

332. Are you suggesting their system of control is any better or worse than those of other departments?——I am saying it would have upset their system of control in a way which would not have helped to ensure that the cash limits were observed.

333. But the Department has no particular view on the system, whether it be the defence system, which is unique compared with other departments, or alternative systems, or the lack of system in other departments, in relation to split control?——In the case of most departments it was clear when we discussed this with the CSD and the departments concerned that the administratively convenient and more efficient arrangement would be to separate out the cash blocks in this way. However, in a few instances the cash block was so small that to have separated it out would have produced a rather trivial result—for example, Customs & Excise.

Mr *Loveridge*

334. You mentioned that the CSD and Treasury shared efficiency control. To most people the sharing of control

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implies that there might be measures to follow up matters if disagreements should continue. What troubles some of us is that at a time when there may have to be substantial cuts in spending in order to protect the pound would there not be greater control over departments to which it applied if there was one central control over efficiency? Would it not help to speed up the savings required?——We are concerned with the control of public expenditure and we are anxious that the department's resources should be used efficiently. The CSD are responsible for pay and manpower and also for management guidance. We see this as creating a need for adequate co-ordination arrangements. We believe we do have adequate co-ordination, so, with respect, I do not think that to go back to having one department covering both manpower and expenditure areas could be regarded as a significant step towards better control.

335. So you think that a system of shared responsibility for efficiency is better than a single controlling department?——We do have separate functions. When the two Departments were set up it was believed that those functions could be dealt with more effectively by having two Departments. If you wanted to put the clock back you would have to consider a whole variety of issues and not just these specific ones.

336. A moment or two ago you said that the views you expressed were those of the Treasury and your own views did not matter. Does that mean you do not always personally agree with the evidence you are giving?——I do not think that question arises. I am here as an official representing the Treasury and doing my best to answer your questions and discharge that duty to the best of my ability.

337. We recognise that, but does it meant that if you are giving the Treasury view rather than your own view your answer is pre-planned?——On the contrary, one of my perennial problems when I come before you is to decide beforehand which of the possible 5,000 questions you may put to me.

Mr *Lawson*

338. Mr Jones, although it has nothing to do with this inquiry, it would be churlish if we did not thank you for your prompt reply to the Fourth Report on the Public Expenditure White Paper. I hope you will always be as prompt in your reply, but to turn to cash limits, they are obviously introduced in order to have better control over public expenditure and that is a wider question than the efficiency of the public service which we are talking about here. Do you yourself see the cash limits as a means of getting greater efficiency within the Civil Service?——We have only just started off on the journey of establishing this extensive cash limit system which we will be watching as closely as this Committee to see how effective it is. We believe it will be effective in controlling expenditure. When the Treasury's expenditure divisions and the CSD are considering what is happening to their cash blocks the question of whether the cash limits are being maintained will arise, and if for any reason we think there is a possibility of cash limits being exceeded, or a department itself 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.

339. You think it might be an aid to greater efficiency?——Yes, it could be.

340. Have you read the evidence given to this inquiry jointly by the Society of Civil Servants and the Civil & Public Services Association?——I have looked through it quickly, although I hesitate to say I have read it.

341. You may have noticed that Part I is headed "Public expenditure and Civil Service manpower" and that is devoted to a slashing attack on the Treasury proposals for cash limits in respect of public expenditure. I would be grateful if perhaps in a note, since you have only looked at it cursorily, we

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could have your comments on the main points raised in this evidence. If I may quote one passage which appears in paragraph 26, they say: "Historically, the concentration on head counts has given rise to pressures on departments and directly encourages the use of manpower alternatives in an attempt to conceal the number of civil servants regardless of relative costs of efficiency". That is a serious charge, is it not?——It is really for the Civil Service Department to comment on the views of the Staff Associations. I cannot say their views are not well thought out, but they are not views with which we would agree. In terms of comment I think it is for the CSD rather than for the Treasury to take up this matter.

Mr *Lawson*] But, Mr Jones, Section A is entitled "Public expenditure cuts". I understand that the Treasury is primarily concerned with public expenditure cuts. Section C is entitled "Cash limits". Again, I understand that the Treasury is chiefly concerned with those. I am sure that if we asked the CSD for their comments they would say it was for you to deal with.

Chairman] We will be having trade union evidence before us and there will then be plenty of opportunity for Mr Lawson and everybody else to cross-question the witnesses.

Mr *Lawson*] I think it would be helpful if we had the Treasury's views, just as it would be helpful to have the trade union views, on what the Treasury is doing.

Chairman] Mr Lawson, we have had an answer to that, namely, it is the CSD who is responsible for the manpower/personnel part of the function of Government.

Mr *Lawson*

342. If the CSD take a different view, can I take it you will answer?——You can take it that the reply will cover the aspects Mr Lawson has mentioned, but I think it is for the CSD to respond to the evidence from the Staff Associations.

343. Regardless of where the allegation emanates from, are you aware of this practice being prevalent in the Civil Service?——(Mr *Anson*) The point about head counts?

344. Yes?——I think the Civil Service Department feel that the cash limits will be a help in looking at costs as a whole, because they bring pay and administrative costs together. I think the emphasis in the control has moved away from the "head count" concept to the total financial cost of the administration of the departments concerned.

Mr *Ridley*

345. If you buy a computer for £1m. it means you can do without a civil servant; that is what Mr Lawson's question means. Although that is rather an exaggerated example, is that not the case?——A less exaggerated example is where you employ a consultant rather than doing work in-house. It is looked at together.

346. But is this not the weakness of having two bodies, one for manpower and one for cash?——(Mr *Cousins*) I think the assumption implicit in the question is that the cost of the computer will be regarded as the Treasury's responsibility as compared with the cost of staff.

347. That is the allegation?——They are both within the CSD field of responsibility. They look after staff and staff related expenditure, including computers.

Mr *Garrett*

348. We have discussed with the Treasury from time to time, and I believe with you, the proliferation of different accounting systems. We have heard how Customs & Excise are attempting to integrate the Vote, PESC and functional costing, and that must be going on in a number of departments. There is also the integration of the cash limit system. What is your view on the simplication of the classification of accounts and what is your view on experimental functional costing and what form of accounts would best serve Parliamentary scrutiny?——(Mr *Jones*) Clearly, it is important to consider what Mr Garrett has called "the proliferation of different 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. It

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is important to recognise, as I know this Committee does, that the constant price system underpinning the public expenditure survey is there to ensure planning by volume, just as the price system underpinning the estimates is there to facilitate Parliamentary control. The cash limit system has been introduced to supplement the public expenditure volume control by focusing on the first year and producing cash figures which should ensure that the volumes agreed in the White Paper are maintained. Those are the three systems which underpin the present system of planning and control of public expenditure.

Mr *Garrett*] But what is the usefulness of the Vote system as it is now? Surely, it would be more informative for Parliament if annual appropriation was on a functional basis as it is in some other countries.

Chairman] Mr Garrett is trying to say what we have all said before. When in two or three years' time you have the cash limits working properly it may well be appropriate to consider whether we should avoid unnecessary duplication in providing information which Parliament might have wanted in the days of Gladstone but which is not now required.

Mr *Garrett*

349. With respect, I did not mean that. Would it not be more informative to have the Votes on a functional basis purely from the point of view of Parliament seeing where changes had occurred?——So far Parliament has not considered, nor has this Committee considered, that a functional classification for the purposes of accountability would provide Parliament with the sort of safeguards it thinks are necessary.

350. But what is the Vote classification for if it is not to satisfy the requirements of Parliament?——Subject to any comments my colleagues may wish to make, the system of voting money which is in existence and which has been accepted and agreed by Parliament is one we would not want to change without careful consideration being given to what we would gain or lose by it.

351. You agree it has not been changed basically since 1866 when Government was in many respects different from what it is now?——It has not changed in important respects, although the form of the accounts has been changed to meet the requirements of Parliament.

352. To what extent have accountants and economists been transferred to senior administrative posts in the Treasury in recent years?——I was asked earlier whether I had a personal view and I made it clear that my personal view was not important. However, I am one of the specialists who now sit in generalists' seats. I entered the service as a senior economic adviser and I am now occupying a Deputy Secretary's seat. The Under-Secretary in charge of the General Expenditure Analysis Group, Miss Brown, who has given evidence before this Committee, is an economist. You can take it that increasingly the Treasury will ensure that both specialists and generalists are considered for posts for which they are best suited.

353. Has the Treasury any professionally qualified accountants in top administrative jobs?——Not yet. There has just been appointed a second permanent secretary accountant, not in the Treasury, but in the Civil Service. We do employ accountants within the Treasury and we have a division composed of accountants. One member of that division was seconded from a firm of City accountants. Again, this shows that the Treasury are developing and making use of professional accountants.

354. You agree that having a division of accountants is contrary to what Fulton said: Fulton said that economists and accountants should occupy top management jobs in departments like the Treasury?——Over a period of time one cannot rule out the possibility that if there are accountants in the service with our open structure there will be accountants in senior administrative positions. But it is important that the people who get those posts should not only be accountants but should also have administrative experience.

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355. Putting accountants and economists into a division on their own merely means the Civil Service tradition of putting such people into advisory roles rather than management roles is being followed?——At the moment I can think of accountants appearing in different parts of the Treasury which would not reflect any decision to keep them, as it were, away from the rest of the Treasury machinery. On the contrary, they are not only being used for advisory purposes but are being used to ensure that the Treasury's business is conducted more efficiently.

Mr *MacGregor.*] We heard from the Inland Revenue witnesses earlier about tax simplification. What effort is being devoted by the Treasury to tax simplification, particularly in view of the importance it has from the point of view of efficiency and cost-saving, and what priority is given by the Treasury to this general drive?

Chairman

356. Perhaps I could supplement that by asking this: what is being done to look at the position of women in relation to taxation in the light of the general policy of Parliament on this subject? ——You are asking me questions which raise policy considerations and which I certainly would not feel able to answer.

357. We are asking about the work being done, not about the outcome?——Sir Norman indicated the evidence given to Layfield on taxation, part of which related to the simplification of taxation. When you ask me what the Treasury is doing about it you are asking me a question which has policy implications.

Mr *MacGregor*

358. Putting it another way, do we take it that most of the work on tax simplification is done by the Inland Revenue and the representations were made direct by the Chancellor?——That is the case.

359. Does this explain the rather extraordinary situation this year when I would have thought from the Treasury's point of view of all years you would not want to give up revenue which you did not need to give up, because we have a proposal in the Finance Bill which makes a saving of £4½m–£5m at a cost to the Treasury of £90m? It seems an extraordinary proposal to put forward entirely on the basis of saving of staff?——Budgets have to be looked at as a whole; the proposals in the Finance Bill have to be looked at *in toto* to discover the overall impact on the economy and on revenue. (Sir *Norman Price.*) Might I add that you are not going to get any simplification at all within the Inland Revenue if you do not give up tax. Certain tolerances have been introduced; for example, we do not make an assessment under Schedule E if we discover that under PAYE there is an under-payment of up to £10; we refrain from making an assessment and thereby save staff. On the other hand, this means we give up a lot of revenue. We could save a lot of staff, but you cannot do that unless you are prepared to give up large sums of revenue.

Mr *Lawson*

360. You did suggest that the savings as a result of the two-stage reduction, first simplification and then self-assessment, would be very considerable in your view?——Yes.

361. But whenever we hear this the number of civil servants never seems to go down. Do you think you will achieve this reduction?——Yes, if you only allow us to. When I say "you" I mean the House of Commons. 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.

Chairman

362. How does it happen that during part of that period you mention your productivity improved? Your chart in your own annual report proves that? If Parliament is to be blamed for one it can surely be blamed for the other?—— If you double the rate of tax or halve it it does not make the slightest difference to us. I do not believe that criterion is a very good one in comparing our costs with the amount of tax collected. We

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gave that figure purely because it was asked for, but I do not think it means a thing.

363. With the greatest respect, all you are suggesting is that if we suddenly as a legislature raised the level of tax your staff would be quite capable of collecting it, but if we reduced it there would be no consideration given to whether there should be a consequent staff saving?——It takes exactly as many staff to collect tax whether the basic rate is 25 per cent, 35 per cent, or 45 per cent.

364. But changes in mortgage interest relief and so on would save you 4,500 staff?——I agree, and we are all for this.

365. You are saying that the reverse may be true, that is, that what successive Governments have done in introducing particular reliefs has increased your staff?——I can tell you precisely what we would like to do if we are looking only at our own costs, but I agree there are lots of other considerations.

Mr *MacGregor*

366. I have some sympathy with what Sir Norman had said, but I think it unfair to blame the whole of the House of Commons for it, as many of us have fought pretty hard against some of the recent things that have been put before the House. Can he put across to us what he would like to see done in order to achieve these savings and simplification in a note, because I think he will find he has some allies?——Perhaps I can be permitted to draw attention to the fact that I am retiring on Monday.

Chairman.] Thank you very much gentlemen.

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MONDAY 14 JUNE 1976

Members present:

Mr Michael English, in the Chair

Mr John Garrett	Mr John MacGregor
Mr Nigel Lawson	Mr Giles Radice
Mr John Loveridge	Mr Nicholas Ridley

Memorandum submitted by the Staff Side of the Civil Service National Whitley Council

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[1] Not printed.

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I. INTRODUCTION

1. The Staff Side of the Civil Service National Whitley Council, in common with the separate Unions which are constituents of the Staff Side, have been invited to submit evidence to the General Sub-Committee of the Expenditure Committee of the House of Commons in relation to their enquiry into Developments in the Civil Service since the Fulton Report. The Staff Side have considered the guidelines for the enquiry prepared by the Chairman of the Sub-Committee and have concluded that their evidence could most usefully be directed to those areas of the enquiry referred to in paragraph 5 of the Note on the scope of the enquiry dated 2nd February 1976.

II. THE WHITLEY COUNCIL SYSTEM

2. The Sub-Committee will be aware of the fact that the Whitley Council machinery for the Civil Service was established as long ago as 1919 following the Report of the Parliamentary Committee on Relations between Employers and Employed presided over by the Rt. Honourable J. H. Whitley, MP, later Speaker of the House of Commons. Even in the early days of the Whitley Council it was possible for a commentator to write in 1922: "In the Civil Service, the Whitley system has taken root and has developed an extraordinarily complex organisation in the short space of a couple of years. It is no exaggeration to say that no more elaborate system has been devised in the history of conciliation." (J. H. Macrae-Gibson: "The Whitley System in the Civil Service ".)

3. More than 50 years have passed since those words were written, and in the period between the Wars and in the whole of the 30 year period since the end of the Second World War the Civil Service Whitley Council machinery has continually developed to match any developments which have taken place in the whole field of industrial relations. The National Whitley Council, the separate and autonomous Departmental Whitley Councils, the Regional or Local Whitley Committees, all provide the channels through which it is possible for all aspects of conditions of service, all aspects of work processes, all aspects of efficiency, all aspects of staff welfare services, to be the subject of negotiation and consultation as may be appropriate.

4. The scope of National Whitley Council activity is best indicated by listing the Standing Committees which have been established by the Staff Side to facilitate the conduct of its affairs. In addition to the main Policy Committee of the Staff Side, the membership of which consists of the General Secretaries of the major Unions and which includes within its sphere of responsibility the central industrial issues relating to Pay, Hours of Work and Annual Leave, the Committees include the following:—

Policy Committee B—Secondary conditions of service and Travelling Subsistence and Removals.

Sub-Committees:

(*a*) Permanent Transfer.
(*b*) Detached Duty.
(*c*) Mileage Allowances.
(*d*) Foreign Service.
(*e*) Night Duty and Shift Disturbance.

Personnel Management—Recruitment, Career Development, Promotion, Retirement, including Premature Retirement.

Management Services—All aspects of Efficiency including Management Services, Staff Inspection and Computers.

Welfare and Accommodation—(including Catering).

Training—Central Training at the Civil Service College, Departmental Training and Further Education facilities.

Superannuation—Principal Civil Service Pension Scheme and Pensions Increase arrangements.

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5. Since the Whitley Council system was established at the end of the First World War, the Trade Union organisation has been steadily improved and the number of separate Unions reduced. Although in 1931 the Registrar-General recorded as many as 275 separate staff associations within the Civil Service, a continuous process of rationalisation and amalgamation has taken place ever since. Following the departure of the Post Office Unions in 1969 when the Post Office became a separate Public Corporation outside the Civil Service, the number of separate Unions affiliated to the National Staff Side had been reduced to 13, and further amalgamations in the post-Fulton period have reduced the number to the following nine:—

Organisation	*Civil Service Membership*	*Main Grades Represented*
Civil and Public Services Association	178,739	Clerical, Typing and Machine Operator grades.
Society of Civil Servants	89,432	Middle and Higher Administration grades
Institution of Professional Civil Servants	86,541	Professional and Technology, Scientific and most other specialist grades.
Inland Revenue Staff Federation	61,000	Departmental grades in the Inland Revenue-including Inspectors of Taxes.
Civil Service Union	44,704	Messengerial and Cleaning grades, Instructional Officers, etc.
Prison Officers' Association	17,625	Prison grades.
Association of Government Supervisors and Radio Officers	9,335	Supervisory and Managerial grades in charge of skilled, semi-skilled and unskilled industrial grades. Telecommunication grades in both technical and operating areas.
Association of First Division Civil Servants	6,200	Middle and Higher Administration grades, Economists, Statisticians, Lawyers, Inspectors of Schools, etc.
Association of Her Majesty's Inspectors of Taxes	2,492	Fully-trained Tax Inspectorate grades in Inland Revenue.

6. These unions not only comprise the Staff Side of the Civil Service National Whitley Council. They also provide the memberships of the Staff Sides of Departmental Whitley Councils, and of the Regional or Local Whitley Committees which exist within Departments. Each Union has the right of direct representation to the Official Side on matters which affect only its own membership. This relates particularly to the pay of the various hierarchies within the Civil Service.

7. Negotiations on all matters affecting the Civil Service as a whole are conducted by National Staff Side representatives on the one hand and officials of the Civil Service Department, who may be assisted by officials of other Departments, on the other. Although the development of the negotiating machinery over so many years has resulted in the adoption of a high degree of informality in negotiation, with the issues under discussion being dealt with by small groups on either Side who report back as necessary for further instructions, there are also Standing Joint Committees which meet at regular intervals for more formal exchanges over a wide range of negotiated issues.

Pay Research Unit Steering Committee.

Joint Committee on Training.

Joint Committee on Superannuation.

Joint Committee on Personnel Management.

Joint Committee on Dispersal.

Joint Committee on Welfare.

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Joint Committee on Accommodation.
Joint Committee on Management Services.
Joint Committee on Computers.

8. Because the authority of Civil Service Department officials is derived from Ministers, the Staff Side have always attached the greatest importance to free access to Ministers by themselves, in order that they may represent the views of the staff directly to those who have the final authority. Thus, for example, in the current consideration of Civil Service manpower economies, the National Staff Side have already had two meetings with the Lord Privy Seal, and will no doubt have many more on this same issue; and many Departmental Staff Sides are similarly holding discussions of this problem with their own Departmental Ministers. In the ultimate, the National Staff Side has the right of access to the Prime Minister in his capacity as Minister for the Civil Service, and on two separate occasions during the latter part of 1974 the Prime Minister saw Staff Side representatives to discuss a number of issues which were causing concern, including the central issue of the principles and procedures for determining Civil Service pay.

9. The Staff Side have felt it right to summarise the existing Whitley Council negotiating arrangements at the beginning of our evidence to the General Sub-Committee because we believe that the continued efficiency of the Civil Service depends to a very considerable extent upon the maintenance of the machinery which has been developed over almost 60 years. We shall be continuing to develop this machinery and indeed we shall soon be participating in discussions on the scope for applying the concept of industrial democracy within the Civil Service in accordance with the programme laid down for these discussions by Ministers. We are confident that the Sub-Committee will wish to endorse a system of industrial relations which can challenge comparison with any other in this country or elsewhere.

III. RECRUITMENT AND ESTABLISHMENT

10. The Staff Side endorse the changes in the organisation and procedures of the Civil Service Commission arising from the Fulton Report's recommendations. The Commission in its role of a recruiting, rather than as examining, agency, is now operating on a more satisfactory basis. Agreements were reached in 1972 revising the recruitment arrangements to harmonise with the virtual abolition of unestablished status also achieved that year. The delegation of a great deal of basic grade recruitment to departments, who can operate this on a local basis, has enabled the Commission to concentrate upon recruitment at middle levels and upon those specialist posts which have been most difficult to fill. Regular contracts are maintained between the Commission and the Staff Side and recruitment and prohibition standards are the subject of National Whitley Council agreements.

11. In general, the Staff Side are satisfied that the Civil Service Commission are operating in the traditions of the Northcote Trevelyan in ensuring that the best recruits for a career Civil Service are appointed to the Service. In the Staff Side's view, the importance of maintaining a career Civil Service cannot be overemphasised, since it is this which provides the continuity of knowledge and experience which is a prerequisite for efficient administration

IV. PERSONNEL MANAGEMENT AND MANAGEMENT SERVICES

12. Perhaps the most important conclusion reached by the Fulton Committee was that the Civil Service did not devote sufficient resources to its own internal management. In a labour-intensive industry like the Service, this means to a large extent the general range of activities under the titles "personnel management" and "management services". The Staff Side fully endorsed this conclusion, and have cooperated consistently in the post-Fulton drive to improve personnel management and management services in the Civil Service. We believe that the additional resources devoted to the internal management of the Civil Service since the Fulton Report have remedied to a large extent the previous deficiencies in this respect. The Civil Service is

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now a more efficient organisation, and the well-being of its staff has been enhanced consequentially—two vital ingredients in the creation of a Civil Service that effectively serves the increasing demands of the modern state.

Personnel Management

13. The creation of the Civil Service Department in November 1968 gave a great fillip to the Service's personnel management capability. The CSD at the centre has attempted to lead departments into a geater awareness of the need for a more creative approach to their personnel management responsibilities, particularly so far as staff appraisal and career management are concerned. The Staff Side have fully supported the CSD in this, and our agreement has been given to the new annual confidential staff report forms now generally in use, to the Job Appraisal Review technique and to the career development schemes being introduced. Our main criticism lies in the slow progress being made in the introduction of these staff appraisal/career management provisions in most departments and in the specialist and supporting grades of the Service.

14. The Staff Side also support the general policy of encouraging line management to be fully involved in the personnel management process. We do believe, however, that there is a need for more openness in the appraisal system, and we are continuing to press for open reporting in the Service. A recent report by the CSD's Behavioural Science Research Division on this subject shows that the Civil Service is falling behind current outside practice by seeking to maintain a completely confidential reporting system.

15. The Staff Side also feel that experience of the past seven years of the CSD's operation shows a fundamental defect in its relationship with departments, particularly in the personnel management field. We have submitted a paper on this for consideration in the CSD management review and this paper is reproduced as Appendix I to this evidence. The Staff Side are convinced that personnel management in the Civil Service will not develop satisfactorily until the CSD's role in relation to departments is strengthened in the way we have indicated,

16. The Staff Side adhere firmly to the concept of a career Civil Service and this leads on to the need for satisfactory promotion machinery to cater for the legitimate aspirations of those who will spend all, or most, of their working life in the Service. With this objective in mind, discussions have continued with the CSD on the pooling of departmental promotion opportunities, and experiments in regional inter-departmental promotions are in prospect. These developments relate primarily to the Administration Group, for whom a specific agreement (Promotion in the Administration Group) was reached in 1973. Progress resulting from this agreement is currently under joint review. Also under joint review are the arrangements for trawling vacancies throughout the Service, a procedure which is used largely for specialist staff with limited prospects of immediate advancement.

17. The National Whitley Council has set up a Joint Committee on Personnel Management, and this provides a forum for joint consultation on the full range of personnel management questions. At present, our major concern is to maintain the Service's personnel management capability against the background of manpower economies, for we feel that any cut-back in this area would be a particularly retrograde step and would pose the danger of negating all the good work done in this area since Fulton.

18. At this stage, it is appropriate to draw attention to the "Wider Issues Review" which was undertaken in the Civil Service following the industrial action taken by several of our constituent unions in 1973. The terms of reference of the review team, which began work in July 1973, were as follows:—

> "—to identify the factors which increasingly affect the attitudes to work and the sense of satisfaction derived from it of the staff, particularly in the middle and lower grades of the Civil Service;

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—where improvements are found to be necessary, to consider remedies in conjunction with departments and the National Staff Side, and

—to report its findings."

The final report of the review team was produced in February 1975 under the title "Civil Servants and Change" and a copy is attached as Appendix II[1] to this evidence. The Staff Side fully endorse the various recommendations which it made. Progress on the implementation of the report is being monitored through the aegis of the National Whitley Council's Joint Committee on Personnel Management as the vast majority of the recommendations are in the personnel management field.

Management Services

19. Here also, the creation of the CSD in 1968 has given an impetus to management services as a recognised, separate function. The Staff Side have given support to this development, and NWC Joint Committees have been established on Management Services and on Computers.

20. The series of departmental management reviews have been proceeding since 1972 and, in general, these have enabled departmental managements and staff sides to examine the functions and organisation of their department from a completely new (and, if necessary, radical) viewpoint. An agreement has been reached on the staff consultation arrangements for management reviews, and the future programme of these reviews will doubtless provide a continuing audit of departmental efficiency. Agreement has also been reached on procedures for "Improving Management Systems" and this agreement provides for a close and continuing consultation with staff interests which is, in the Staff Side's view, an example of advanced joint consultation techniques. The two agreements referred to in this paragraph are reproduced as Appendices III and IV to this evidence.

21. These developments, and their continuance into the future, will be of great benefit to the overall efficiency of the Civil Service. It is a popular canard that the Service is an over-inflated, inefficient bureaucracy, and the Staff Side welcome this opportunity of stating their view that the reverse is true. A particular example of the Service's efficiency is the highly developed use of staff inspection techniques. The effectiveness of regular staff inspection is demonstrated by the acceptance by Ministers, in the current exercise to effect manpower economies, that a reduction in the *workload* of the Service is the only realistic way of cutting staff costs. The Staff Side will continue to co-operate in finding ways and means of improving efficiency, since we believe that, in the long term, public confidence in the Service will only be retained if it is fully efficient and capable of discharging its tasks with the minimum of administrative overheads.

V. CIVIL SERVICE TRAINING

22. Training in the Civil Service has had a chequered history. Before the Second World War, what little training existed was mainly undertaken at the initiative of the individual, and the early history of the Civil Service College for Further Education records the efforts of civil servants to improve themselves. Such training as was given in departments mainly consisted of training on the job.

23. The publication in 1944 of the Report of the Chancellor of the Exchequer's Committee on the Training of Civil Servants (the Assheton Committee) was followed by the introduction for the first time of a comprehensive training programme, both centrally and in Departments, which went beyond the concept of training on the job. But in 1951, because of the general economic situation, the Treasury imposed savage cuts in the training effort, and training programmes were severely curtailed for some years thereafter. It was an uphill struggle to redevelop

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training facilities within the Assheton framework when restrictions were lifted in 1955–6.

24. In 1964, a Joint Whitley Committee appointed to review developments in training since Assheton made the following observations on the 1950's policy of retrenchment:

> ". . . although (the retrenchment policy) had the desired short term effect in staff saving, (it) had a much more serious long term effect than anyone expected at the time. It spread a view that if quick economies had to be made, training was the most obvious victim. We consider this is fundamentally unsound. The result has been that training has tended in some quarters to be regarded as an optional extra, not carrying the same weight in management as, for instance, O and M. Training is indeed one of the most useful tools of management, and should be seen to be so, by the place which it takes in departmental organisation . . ."

These remarks appear particularly apposite at the present time when once again the general economic situation has led to calls for economies in public expenditure.

25. The Fulton Committee's recommendations gave a tremendous impetus to training in the Service. That Committee recognised the value of training and anticipated the thinking which led the Chairman of the Joint Whitley Committee on Training to say recently "an untrained man is no man". Primarily, the Fulton Committee recommendations dealt with the central training effort. The Committee recommended the setting up of a Civil Service College which should be a large scale and broad based institution offering a widely assorted range of courses for all levels of staff. They gave the College three main functions:

(*a*) the provision of major training courses in administration and management;
(*b*) a wider range of shorter training courses, in both general management and vocational subjects, designed for all levels of staff and particularly the more junior; and
(*c*) research into problems of administration and those of machinery of Government with a view to the College becoming a focus for discussion of many of the most important problems facing the Civil Service as a whole.

26. Where the College gives training in particular operational skills, such as training in computers and management services, it does so at a standard which is probably unsurpassed by any other training establishment. However, the Staff Side have not been fully satisfied with the training given by the College in the related subjects of management and administration. The Staff Side therefore welcomed the setting up by the Official Side of a two-man Committee to review the whole scope of Civil Service training, including departmental training as well as the conducted at the College. This Committee, comprising Neville Heaton, a recently retired Deputy Secretary from the Department of the Environment and Sir Leslie Williams, the recently retired Secretary General of the National Staff Side, conducted their review during 1974–5 and their Report is reproduced as Appendix V[1] to this evidence.

27. As a result of the Heaton/Williams review, a new initiative has been given to training, and in particular the College has been given clearer terms of reference. A Liaison Committee has been established with senior representatives of departments, the College, the Civil Service Department and the National Staff Side to enable a frank and free exchange of views to take place between the various interests on the future role of the College. The setting up of this Liaison Committee should help to develop the College further along the right lines.

28. It must again be emphasised, however, that over much of its field of work the College has been consistently doing a first class job, particularly in ADP, management services and other operational skills. In the wide range of departmental training arrangements, the last fifteen to twenty years have seen a continuous advance which suggests that the lessons of the cut-back in training in the

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1950s have been fully learned. It would be a very serious blow to the efficiency of the Civil Service as a whole if the current demand for cuts in public expenditure were to lead to a reduction in the training programme whether at the College—which represents only a small percentage of the whole training effort—or in departmental training arrangements.

VI. Premature Retirement

29. The impression is widely held that once anyone has been appointed to a permanent post in the Civil Service, it is virtually impossible for him to be dismissed. This has never been true and it is certainly not the case today. Detailed procedures for dealing with disciplinary cases which might lead to dismissal were agreed very many years ago between the two Sides of the National Whitley. Although the high standards of recruitment to the Civil Service and the strict operation of the system of probation at the commencement of an officer's service combine to reduce the incidence of inefficiency to a minimum, there have equally been provisions for dismissal on grounds of inefficiency which Departments have not hesitated to operate when they considered it was justified.

30. Following the publication of the Report of the Fulton Committee in 1968 the two Sides of the National Whitley Council carried out a comprehensive review of the circumstances, other than ill-health, in which civil servants might be retired before the minimum retiring age of 60. This review encompassed not only premature retirement on grounds of discipline or inefficiency but also the concept of retirement in the public interest which included redundancy and the newly introduced categories of "structural reasons" and "limited efficiency". The Whitley Council Agreement reached in 1971 on all aspects of premature retirement from the Civil Service, incorporating a revised definition of the mobility obligation of civil servants and dealing also with the establishment of the Civil Service Appeal Board, appears as Appendix VI to this evidence.

31. The revised definition of mobility coupled with fears about the possibility of more general redundancy within the Civil Service led the National Staff Side to initiate discussions designed to produce a comprehensive procedure for dealing with redundancy whenever and wherever it might arise. These discussions were detailed and prolonged, and it was not until 1975 that they finally resulted in the production of a Model Redundancy Agreement which is reproduced as Appendix VII to this evidence.

32. The Sub-Committee will be aware of the fact that the White Paper on Public Expenditure to 1979-80 (Cmnd 6393) made specific provision for reductions in Civil Service manpower. Paragraph 32 of the White Paper announced the Government's intention to save an additional £140 million in 1978–79 by reductions in planned expenditure on staff and related administrative costs. Detailed examination of the way in which these economies might be achieved is currently taking place throughout the Civil Service and the Government have given assurances of full consultation with Staff Sides at both National and Departmental levels. It is already apparent that the achievement of the Government's aim, taken in conjunction with the reductions in Ministry of Defence staff resulting from the Defence Review, will involve a reduction in the projected Civil Service complement for 1978–79 of not less than 60,000. Although it may be possible to absorb much of this total by non-replacement of natural wastage, it is inevitable in the view of the Staff Side that the Model Redundancy Agreement will need to be invoked before the exercise is completed in order to ensure that compulsory redundancy may be avoided.

VII. SUPERANNUATION

33. Towards the end of 1968 the Civil Service Joint Superannuation Review Committee was established, including representatives of both industrial and non-industrial staff together with members of the Official Side, to review the

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provisions of the Superannuation Acts and associated legislation. The Joint Committee completed their task in 1972 and made recommendations for changes in the Civil Service pension scheme to bring it up to present-day standards and requirements.

34. The Joint Committee was set up following constant pressure from the Staff Side for a review of the Superannuation Acts. Over the years conferences of constituent organisations had repeatedly passed resolutions calling attention to the many defects in the pension scheme. The statutory nature of the pension scheme, the very strong indications in the late 1950s and earlier 1960s that a future Labour Government would make substantial changes in the State provisions for old age, invalidity and widows, and the Treasury's reluctance to make piecemeal changes in the Civil Service arrangements had all combined to make it impossible to act on the conference resolutions individually.

35. In 1969 the Labour Government published their proposals for a radical reform of the National Insurance scheme, and it became clear that a substantial change would be necessary in the relationship between the provision made by the State for old age, and that made by occupational pension schemes. The Staff Side were convinced at a very early stage that an agreeable and satisfactory new relationship could be established, and they welcomed the fact that the Official Side were prepared to enter upon a joint review in the light of the new situation.

36. If it had not been for the change of Government in 1970, and consequently a new approach to the relationship between State and occupational pension schemes, the Joint Committee would have completed their task earlier than events subsequently proved possible. The new Conservative Government had made it clear however that their approach to national insurance provisions differed considerably from that of their predecessors. Their proposals inevitably had a different impact on occupational pension schemes, and it was against the background of the Conservative Government approach to pension arrangements that the Principal Civil Service Pension Scheme was laid before Parliament in June 1972.

37. All the other five public services (police, fire, teachers, local government and national health service) reviewed their schemes at the same time and, apart from the police scheme which is better, introduced new schemes of largely equal value. However, it is only the Civil Service scheme which has come under fire recently from criticisms which appear to suggest that it is more generous than any other occupational scheme.

38. This is simply not the case. Not only is it no better than the other public service schemes listed above and no better than many in the rest of the public sector; it is not as good as some private occupational schemes, nor even that for Members of Parliament. The Joint Superannuation Review Committee set out to restore the Civil Service to a position amongst the leaders in pension provisioning. It did not set out to lead the field nor did it do so. The only way in which the Civil Service led the field was in completing its review first. As a result, others were able to build on what the Service achieved, and the Staff Side will consequently want to make further changes in the scheme when the counter-inflation policy allows if only to bring the Service back again amongst the leaders.

Unestablished Service

39. There is one major problem outstanding in relation to Civil Service pensions which was not settled as a part of the review and remains a major injustice. This relates to the reckoning of unestablished service before 1949 for pension.

40. Before 1887 unestablished service did not count for pension purposes in any circumstances. Under the Superannuation Act of that year unestablished service might be allowed to reckon if in the opinion of the Treasury any special circumstances of the case warranted such treatment. The Royal Commission of 1929–31 on the Civil Service found these arrangements unsatisfactory. They recommended that, in future, people who became established after a period of unestablished

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service immediately proceding establishment should be allowed to reckon any such unestablished service after age 18, as one-half. The recommendation was given effect under the Superannuation Act 1935.

41. The situation remained unchanged until 1946 when some post-First World War entrants not covered by the 1935 Act were retrospectively allowed to count their unestablished service as one-half. The next development came in 1949 when Parliament was debating the Superannuation Act 1949. During the debate on the Bill the Conservative opposition successfully moved an amendment at Committee stage which would have had the effect of allowing unestablished service subsequent to 1 January 1919 to reckon in full. The Labour Government succeeded in deleting that amendment at the report stage but themselves moved an amendment which allowed unestablished service to count in full from the commencement of the Act (14 July 1949), while previous unestablished service continued to reckon as to one-half.

42. In the debate Mr Thorneycroft moving the amendment on behalf of the Opposition said:

> "I do not think anyone in private life with a servant who had served him faithfully for 20 years would turn round and tell him that he will get less pension because part of his service was on an unestablished basis. It would be regarded as a monstrous argument, and it would not be tolerated by Members opposite in their private affairs . . . But every doing of justice of this character must cost money. I do not believe we are justified in saving money by doing less than justice to the servants of the Crown."

When the Conservative Party returned to power in 1951, however, they were not prepared to consider amending legislation on this subject.

43. The Report of the Royal Commission on the Civil Service 1953–55 (The Priestley Commission), gave further backing to the Staff Side's claim when it said:

> "It seems to us that there is no question of merit or principle outstanding. It is in fact now common ground that it is right that unestablished service should reckon in full; the 1946 decision certainly affords a precedent for retrospection of the kind claimed and supports the argument that if a certain treatment is right at one point in time it is also right at others. It is our view that the sole consideration is that of cost."

44. During the 20 year period since the Royal Commission reported the Staff Side has taken part in a series of campaigns seeking the reckoning in full of all unestablished service. We have taken deputations to most of the Chancellors of the Exchequer who have held office in this period. When Douglas Houghton (now Lord Houghton) tabled a motion in the House of Commons in 1961, urging the Government to enter into negotiations with the Staff Side on this issue, the Parliamentary campaign waged by the Staff Side helped to ensure that the motion was signed by nearly 400 Members of Parliament. More recently, in 1974–75, the Staff Side re-opened the subject with the Head of the Civil Service, Sir Douglas Allen, seeking his support for our claim and indicating our readiness to negotiate a system of gradual implementation of the principle over a 10 year period. All these representations have failed to secure the Staff Side's objective, but we shall continue the fight for the reckoning in full of unestablished service which both major political parties have supported when in opposition but ignored when in office.

Pensions Increase

45. The main criticism of Civil Service pensions is directed against the pensions increase legislation which is designed to protect all Official pensions, not only Civil Service pensions, from the worst effects of inflation. It was a Labour Government which first gave a pledge to maintain the purchasing power of official pensions, but when they lost office in 1970, the pledge was taken up by the incoming Conservative Government which introduced the Pensions (Increase) Act to give effect to it. The Act provides for pensions to be linked to the annual movement of the

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Index of Retail Prices and there is no doubt that this Index was chosen in the firm conviction that it would result in a smaller increase than either the Wages or the Earnings Index. Even the 1975 increase of 26·1 per cent was significantly smaller than the generality of wage and salary increases during 1974–75.

46. The Minister who introduced the Bill in the House of Commons described it as "a far-reaching and overdue reform". Far-reaching it certainly is. Of the people covered by occupational pension schemes in this country, 50 per cent are either directly affected by the Act or they enjoy by analogy arrangements. Yet from the publicity one might be forgiven for believing that only retired Permanent Secretaries in the Civil Service benefitted from the Act. More than 1 million public service pensioners of whom only 250,000 are former civil servants benefit from the Act, to say nothing of the other official pensioners like former judges and Members of Parliament. And even after the last increase the average Civil Service pensioner only received £17·50 a week, a far cry from the vast wealth conjured up by some critics. The Act represents the only protection for former public servants who, at a time of rapid inflation, would otherwise live out their lives in uncertainty and fear.

Current Uncertainties

47. A further change in Government in 1974 has brought yet another approach to pension provisioning and changes will have to be made in the Principal Civil Service Pension Scheme if it is to be contracted-out of part of the new state scheme. But, as Lord Houghton wrote recently in "Retirement Choice", the question-mark hanging over the continuation of the pensions increase legislation bodes ill for the Government's plan to increase the additional component under the new State scheme. Will the Government be able to take over, as many occupational schemes are hoping, responsibility for increasing the guaranteed minimum pension or will they try to place the responsibility on those occupational schemes which have contracted out? It is not surprising, with doubts such as these created in the minds of pension managers by the current attack on the Pensions (Increase) Acts, that private schemes are not rushing to contract out. If the Government can change the Pensions (Increase) Acts because the burden is too bothersome, how will they be able to shoulder the much bigger burden they have created for themselves under the Social Security Pensions Act 1975? There is a growing realisation that the attack on public service pensions increase is calling into question the Government's whole strategy on pensions quite apart from the suffering it will create for many hundreds of thousands of pensioners.

48. If the operation of the Acts is interfered with, private occupational schemes will see the writing on the wall and only the most foolhardy will contract out. It will certainly compel the Staff Side to oppose contracting out the PCSPS, because there will be no certainty that the guaranteed minimum pension will carry the guarantee that the State, whether as Government or employer, will pensions increase it.

VIII. CIVIL SERVICE PAY PRINCIPLES

49. For more than 60 years the pay of civil servants has been determined on the basis of principles which have been laid down by a succession of Royal Commissions, Parliamentary Committees or Industrial Court Awards. Thus, the MacDonnell Commission 1912–1915 stated that it was "an accepted principle with all parties that the Government should be a 'model employer'". The Anderson Committee on the Pay of State Servants (1923) stated that there was only one principle, "the employer should pay what is necessary to recruit and retain an efficient staff". The Industrial Court Award No. 1325 dealing in 1927 with the remuneration of manipulative grades in the Post Office stated that the basic principle was "the maintenance of fair relativity as between the wages of Post Office servants and those in outside industries as a whole". The Tomlin Commission on the

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Civil Service 1929–31 laid down a principle which operated for more than 20 years in the following terms:—

> "Broad general comparisons between Classes in the Civil Service and outside occupations are possible and should be made. In effecting such comparisons, the State should take a long view. Civil Service remuneration should reflect what may be described as the long term trend, both in wage levels and in the economic condition of the country."

50. Whatever may have been the merits of the Tomlin Commission recommendation at the time of its formulation, experience had demonstrated by the early 1950s that it had failed to stand the test of time. The "long term trend" could no longer be defined and the short term problems of the determination of Civil Service pay in the post-war years had clearly indicated the need for new principles to be determined. The Priestley Royal Commission on the Civil Service was therefore appointed by the Government in 1953 to re-examine the whole question of the principles within which Civil Service pay should be determined, as well as considering particular problems of Civil Service hours and leave arrangements and Civil Service superannuation. From the long term point of view it is the Priestley Royal Commission recommendations on pay principles which have been more significant and far-reaching than those of any previous body.

The Priestley Principles

51. The Report of the Royal Commission, published in November 1955, recommended:—

(*a*) that the primary principle for determining the pay of civil servants should be fair comparison with the current remuneration of outside staffs employed on broadly comparable work, taking account of other conditions of service;

(*b*) that internal relativities should be used as a supplement to the principle of fair comparison—and may have to be the first consideration when outside comparisons cannot be made;

(*c*) that comparison should be with current rates rather than with trends in remuneration.

The principles recommended by the Royal Commission were accepted by the Government of the day, and successive Governments of both political parties have consistently reaffirmed their acceptance of the principle of "fair comparison" throughout the 20 year period since the Report of the Royal Commission was published.

52. In arguing the case for their recommendations on Civil Service pay principles the Priestley Royal Commission declared that the State was under a categorical obligation to remunerate its employees fairly, and that the doctrine of "recruit and retain" did not go far enough. "Fair remuneration", in the view of the Royal Commission, meant balancing the interests of the community on the one hand with those of individual civil servants on the other. The community must expect to have an efficient Civil Service without having to pay an excessive rate, but at the same time the individual was entitled to feel that his remuneration was not unreasonable. The Royal Commission argued that their principle of "fair comparison" was fair to the community because the taxpayer was not being exploited if the Government paid what other responsible employers paid for comparable work. Equally, the taxpayer could not expect to obtain an efficient service by paying less. "Fair comparison" should ensure that the Civil Service would continue to recruit its fair share of those of high ability. At the same time, "fair comparison" was fair to the individual civil servant because it should guarantee that his just deserts would not be sacrificed to political expediency or to uninformed press or public criticism.

53. Within a few months of the publication of the Report of the Royal Commission and its acceptance in principle by the Government of the day, an agreement had been reached on the National Whitley Council covering the application of the "fair comparison" principle within the Civil Service and the establishment of a

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Pay Research Unit. The Royal Commission itself had stated: "We recommend, first, that fact-finding should be assigned to a branch of the Civil Service not directly connected with those divisions of the Treasury responsible for questions of pay and conditions of service. A case could be made for separating the unit entirely from the Treasury. It might, for example, function as part of the statistical branch of the Ministry of Labour and National Service." In the event it was agreed that the Pay Research Unit should be a completely independent entity under a Director appointed by the Prime Minister and with staff carefully selected to serve for periods of three to five years within the Unit, drawn from the Civil Service as a whole. The basic function of the Unit was to establish the facts about outside comparable pay and conditions of service which would provide the material for future Civil Service pay negotiations. A copy of the 1956 Whitley Council agreement appears as Appendix VIII to this evidence.

The Principles Put into Practice

54. Although the principle of "fair comparison" has remained the basis for Civil Service pay determination throughout the 20 years since this Agreement was recorded, the detailed application of the principle has varied with changing circumstances. During the early years of the Pay Research Unit's existence, when the Unit was establishing its position both within and outside the Civil Service, the programme of Pay Research Surveys covering all the main grading structures of the Civil Service, including the Post Office, had to be spread over a period of four to five years. Grades which were not the subject of Pay Research Surveys in any year were covered by Central Pay Settlements negotiated by the National Staff Side with the Treasury. With increased experience and expertise it proved possible successively to reduce the span of Pay Research cycles, and after the departure of the Post Office from the Civil Service it was possible to contemplate a system of annual Pay Research, in which all the main grades of the Civil Service would be the subject of Pay Research Surveys each year.

55. The operation of the Pay Research system was reviewed by the National Whitley Council in 1964 and in 1967 and in the latter review the Government of the day imposed a restriction of 6 months on the retrospective application of any Pay Research settlement. Prior to this limitation it had been the practice for the operative date of the settlement to be related to the median operative date of the outside pay settlements recorded in the Pay Research Survey Reports, thus preserving the basic "fair comparison" principle of relating the Civil Service rate to the *current* rate of pay for comparable work outside the Civil Service. The restriction on retrospection and the introduction of an operative date for the Civil Service rate unrelated to the operative dates of the outside pay settlements meant that Civil Service rates not only always lagged behind the current rates for outside work but never caught up with them. This led to considerable criticism of the Pay Research arrangements within the Civil Service. This criticism was exacerbated by Incomes Policy restrictions introduced by successive Governments whereby the partial "catching up" exercises for the Civil Service were deferred, staged or phased on different occasions at the civil servants' expense. The matter came to a head in 1973 when for the first time ever substantial numbers of non-industrial civil servants became involved in industrial action of one kind or another. Lagging some 20 per cent behind their outside counterparts, they reacted spontaneously against the pay system which permitted such unfair treatment. This unique position of the Civil Service was recognised by the Pay Board established by the Government in 1973, which specifically identified the Civil Service as being relevant for anomaly treatment from 7 November 1973, during the second stage of the Government's Incomes Policy.

56. Dissatisfaction with the outcome of earlier Pay Research negotiations had led the Staff Side to initiate a comprehensive review of pay procedures during 1972 and the storm of protest and militant action during the early part of 1973 gave a new sense of urgency to negotiations which had been opened in the autumn of the previous year. These negotiations between the Staff and Official Sides of

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the National Whitley Council were re-opened in the autumn of 1973 and continued throughout 1974 with the object of reaching a comprehensive agreement on Pay Negotiating Procedures which would subsume all previous agreements and which would take account of the unsatisfactory aspects of existing arrangements as well as of the necessity to formalise the new timetable arrangements which had been worked out. In these negotiations the Official Side maintained continuous contact with Government Ministers, and final agreement was reached after discussions which had directly involved both the Lord Privy Seal and the Prime Minister in meetings with the National Staff Side. The Agreement reached in December 1974 is reproduced as Appendix IX[1] to this evidence.

57. One of the important provisions of the new Agreement was the up-rating of the True Money Rates for the external analogues of Civil Service grades, to take account of the gap between the date on which the outside rates were introduced and the operative date of the Civil Service settlement. This was designed to overcome the problem created by the restrictions on retrospection, and was associated with the complete elimination of back-dating pay settlements. However, the Government insisted at the end of 1974 that the 1975 pay settlements for those Civil Service grades with current salary maxima in excess of £3,000 per annum should not be based upon the full application of the agreed up-rating arrangements. For these grades, the degree of up-rating which was permitted in the 1975 settlements was restricted to a fraction expressed by a formula which involved using the current salary maximum of the grade concerned as a divisor of 3,000. The Government gave a firm undertaking that the full up-rating principle would be applied at all grade levels during the 1976 Pay Research reviews, but this commitment was overtaken by the White Paper "The Attack on Inflation", in which the Government announced the unilateral suspension of the operation of pay research in the Civil Service for the period of the policy set out in that document. The effect of the Government decision in relation to the 1975 up-rating was to impose restrictions on the pay increases which would have been payable with effect from 1 January 1975 and 1 April 1975 under the provisions of the new Pay Agreement for all grades with salary maxima above that of the Executive Officer grade and for those restrictions to apply with successively greater severity to the more senior grades in the various hierarchies.

Higher Civil Service Pay

58. The Pay Research system only operates in relation to the various grading structures up to and including the Assistant Secretary level. For the higher grades of Under Secretary and above (now all incorporated within a single Open Structure at the top of the Civil Service under the post-Fulton reorganisation arrangements), separate procedures have operated throughout the twenty year period since the Priestley Report was published. During the first fifteen years of this period, the pay of the Higher Civil Service was reviewed at irregular intervals by the Standing Advisory Committee on the Pay of the Higher Civil Service which presented its Reports directly to the Prime Minister. In theory the sphere of responsibility of the Standing Advisory Committee included the pay of all grades above the Principal in the Administrative Class, this grade being the most senior coming within the permitted ambit of the Civil Service Arbitration Tribunal arrangements. In practice, the Committee was normally activated at the time of a Pay Research settlement for the Executive and Administrative Classes when they endorsed the agreement which had been provisionally reached in respect of the Senior Principal and Assistant Secretary grades and went on to conduct a review of the pay of the Higher Grades and to make recommendations to the Prime Minister.

59. In virtually every one of the Reports of the Standing Advisory Committee they prefaced their recommendations by stating that these represented the minimum increases which they could justify. Despite these assurances it was common practice for the Reports of the Standing Advisory Committee to be held up for some months before the decision to implement the recommendations was taken. The

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delay was a frequent cause of embarrassment because of the problems at the interface between the grades covered by Pay Research reviews and those within the Higher Civil Service. This difficulty is one which has remained unresolved until the present day. The gap between the Assistant Secretary maximum and the Under Secretary salary is currently no more than £1,000 despite the limitation of up-rating at the Assistant Secretary level.

60. The recommendations of the Standing Advisory Committee also ran into difficulties because of general Incomes Policy considerations. Thus in 1969, when once again recommending what they presented as the minimum increases justifiable without following the full implications of the outside comparisons for work at these levels of responsibility, the Committee also felt compelled to add that the Government might find it necessary to introduce the increases by stages. The 1969 pay increases for the Higher Civil Service were eventually introduced in the following manner:

	Current rate	*1st Stage* 1 *July* 1969	*2nd Stage* 1 *July* 1970	*3rd Stage* 1 *July* 1971
Under Secretary	£5,500	6,000	6,375	6,750
Deputy Secretary	6,300	7,100	8,050	9,000
Permanent Secretary	8,600	9,800	11,900	14,000
Head of Civil Service	9,200	10,400	12,700	15,000

61. Following the 1970 election, the new Government reviewed the arrangements by which the pay of the Higher Civil Service was revised and in due course decided to re-allocate the functions of the Standing Advisory Committee to the newly created Top Salaries Review Body under the Chairmanship of Lord Boyle of Handsworth, located within the Office of Manpower Economics. Between the establishment of the new Body in 1971 and the end of 1974, the TSRB produced a series of interim Reports on the pay of the Higher Civil Service, but it was not until December 1974 that they presented to the Prime Minister their first full and substantive Report on Top Salaries in the Civil Service and elsewhere in the Public Sector (Report No. 6: Cmnd 5846).

62. This Report, like all its predecessors, presented difficult problems for the Government, and it was eventually decided that, with the exception of the recommendation relating to the pay of the Under Secretary grade, it would again be necessary to implement the TSRB recommendations by stages. The pay increases for the Higher Civil Service were therefore promulgated in the following manner:—

	Current rate	1 *January* 1975	1 *January* 1976
Under Secretary	£9,000	12,000	
Deputy Secretary	11,100	14,000	15,000
2nd Permanent Secretary ..	15,350	17,175	19,000
Permanent Secretary	16,350	18,675	21,000
Head of Civil Service	17,350	20,175	23,000

The second stage of this pay settlement for the Higher Civil Service has, of course, been caught up by the current phase of counter-inflation policy and the increase due to be paid out with effect from 1st January 1976 have been indefinitely suspended.

The Present Situation

63. At the present time the situation which faces the Civil Service is that the operation of the Pay Research system has been suspended, with the result that the National Whitley Council Agreement on Civil Service pay principles and procedures itself suspended. At the same time, the Government assurances relating to the full implementation of the up-rating procedures set out in the Pay Agreement and of the Higher Civil Service pay increases recommended by the TSRB have equally been set aside.

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64. The Staff Side consider it essential that the Sub-Committee should understand and appreciate the overriding importance which the Staff Side attaches to the preservation of the principle of fair comparison established by the Priestley Royal Commission and endorsed by successive Governments during the past 20 years. It is equally important that the Sub-Committee should recognise that industrial goodwill throughout the Civil Service is in substantial measure dependent upon the re-introduction of the National Pay Agreement freely negotiated through the Whitley Council machinery in 1974 and endorsed by the Government prior to its final ratification.

65. Before the Royal Commission Report and the National Whitley Council Agreements flowing from that Report, the Civil Service pay negotiation system had fallen into total disrepute. In 1953, the year in which the Royal Commission was appointed to review Civil Service pay principles, the pay of virtually every main grade in the Civil Service had been forced to arbitration because of the absolute inability of the negotiating parties to reach agreement within the framework of principle then existing, as laid down by the Tomlin Royal Commission more than 20 years earlier. This inability to reach agreement derived directly from the fact that there was no common basis of agreed evidence about outside pay rates from which negotiations could be conducted. The significance of the Priestley Royal Commission principles of pay determination is that they have been able to command the continued support not only of successive Governments of both political parties but also of both Staff and Official Sides of the National Whitley Council. If industrial relations within the Civil Service are not to deteriorate rapidly and seriously, it is essential that the fair comparison principle as embodied in the National Pay Agreement should be re-introduced at the earliest practicable moment. If this does not happen, it is inevitable that Civil Service industrial relations will move inexorably towards confrontation and towards the development of militant attitudes far more extreme than those demonstrated during the early months of 1973.

IX. CONCLUSION

66. The evidence which the Staff Side here presents to the General Sub-Committee does not pretend to be a comprehensive picture of the Civil Service in the mid-1970s. It does no more than summarise the position on those major issues specifically referred to in paragraph 5 of the guidelines prepared by the Chairman of the Sub-Committee. The Staff Side will be very ready to supplement this evidence orally, and to submit additional or amplifying papers if that would be helpful.

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APPENDIX I

Paper submitted by National Staff Side in connection with CSD Management Review

CSD ROLE IN PERSONNEL MANAGEMENT

The National Staff Side feel that there is a need to review the current role of the Civil Service Department in the development of personnel management. In particular it is felt that there is a need to strengthen the Department's authority *vis-à-vis* other departments.

Personnel Management Before Fulton

Before Fulton, and the creation of the CSD in November 1968, the overall personnel management of the Service was vested in the Pay and Management Divisions of the Treasury. In the terms of the current CSD organisation, the tasks performed by PM2, PM3 and PM5 divisions were inter-related with responsibility for pay and grading matters. (It is probably not too unfair to say that the tasks of PM1 and PM4 divisions did not, at that time, exist.) To the extent that HM Treasury were also responsible for the control of supply questions, it could be said that, given the *primus inter pares* position of the Treasury, personnel management matters were supported by a greater degree of central authority than is currently the case in the CSD. In this area, therefore, it can be argued that CSD are not carrying out the general intention of the Fulton Committee in establishing an " expanded and unified central management of the Service " (paragraph 251) which would occupy " a position of central control " (paragraph 264).

Fulton's Recommendations

The Fulton Committee's recommendations about the role of the CSD (paragraphs 244 to 268) are somewhat ambiguous on the actual position that the Department should occupy. On the one hand there are several references to the need for a central authority, but, on the other, there are references (eg paragraphs 252 and 263) which warn against a take-over of departmental responsibilities. Given this degree of ambiguity, it is not surprising that the CSD role in personnel management is less positive than, in the view of the Staff Side, is necessary.

The terms of paragraph 267 make it clear (in (*a*) and (*b*)) that the CSD should have a strong central authority so far as pay and staff numbers are concerned. In these fields, the Staff Side are able to conduct negotiations with the Department in the secure knowledge that agreements reached will be speedily and fully implemented. This has now, however, been our experience in the personnel management field, where the CSD interpretation of their role in relation to departments is to proceed mainly by persuasion. This seems to accept that departments have an ultimate and overriding responsibility as employers, a concept to which the Staff Side do not subscribe. Neither do we feel that the Fulton Committee subscribed to this view, for they were concerned to foster the idea of a career service. As a career service necessarily involves central management, the Staff Side would hold that an appropriate interpretation of the Fulton Committee's real intention would be a shift of the CSD's role further than has transpired so far in the direction of the central control over departments on personnel management questions.

The Civil Service as a Career Service

It is appreciated that the question of who actually " employs " a civil servant is a delicate constitutional matter. There may well be a case for clearer guidance on the constitutional and, inter alia, the contractual position of a civil servant. Notwithstanding this, the Staff Side view is that people join " The Civil Service " and expect an even career progression that will not be subject to the vagaries of a departmental posting. In other words, our view is that civil servants are employed *in* departments but not *by* them. The present system, which provides for central control of recruitment and initial posting, but then discharges subsequent career progression to departmental authority, does not afford sufficient protection for the concept of a

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career service. The CSD should, in the Staff Side's view, take a more positive part in the subsequent management of careers, even though this may pose a clash with the concept of departmental authority.

Difficulties Experienced So Far

The Staff Side are reluctant to specify particular difficulties because we have no wish to be unfair to those officers in the PM divisions whose efforts have, in our view, often been baulked by a defect in their organisational relationship with departments.

The following examples of the areas where difficulty has arisen are, therefore, put forward to show the deficiency in the current relationship with departments and are not intended to be complaints in their own right.

(*a*) *Promotion Pooling*—there is a long-standing difficulty in persuading importing departments to fill their quotas and to accept exporting departments' assessments of promotability.

(*b*) *Interdepartmental Transfers*—again, importing departments are far too selective in accepting and placing applicants from elsewhere.

(*c*) *Release of Trawl Applicants*—departments show an increasing reluctance to release trawl applicants, thus frustrating the legitimate aspirations of people wishing to move elsewhere on promotion or level transfer.

(*d*) *Use of New Report Forms/Introduction of JARs*—the Staff Side have criticised the slow rate of progress in introducing the new appraisal procedures, particularly so far as certain departments are concerned. The reaction of some departments has been so unenthusiastic as to cast serious doubts on their realisation of the importance of good personnel management.

(*e*) *Career Interviews*—in this field also there has been an unacceptably slow rate of progress in a larger number of departments than in (*d*) above.

(*f*) *Uniform Reporting Standards*—the difficulties in securing uniform reporting standards will continue so long as each department retains primary responsibility for promotion. Not only is there an absence of opportunity to compare standards, but each department is bound to reflect its own domestic needs and concepts in setting standards of promotability.

Further Difficulties Envisaged

With the Staff Side's developing interest in personnel management matters, further difficulties can be foreseen if the CSD cannot implement agreements with due speed and comprehensiveness. In the dispersal context, for example, there will be a need for a stronger CSD position in relation to the trawls for volunteers and in the placing of unsettled immobile grades. Another area of potential discord lies in the field of inter-departmental promotion. The Staff Side are anxious to make progress in this direction, but how can this be achieved if departments insist on retaining their autonomy in promotion matters?

Yet another area of potential difficulty arises from the continuous series of changes in departments and their functions. Without the continuity that an overall central management of careers could bring, individuals will be subject increasingly to haphazard developments capriciously affecting their career prospects.

What Role Should CSD Have?

The Staff Side accept the general views of the Fulton Committee about the need for full departmental involvement in the central management process. We also accept that departments necessarily must retain a reasonable degree of day-to-day control over the staff allocated to them. Nevertheless, we feel that there is scope, and a pressing need, for a stronger CSD role than that currently adopted. The desired shift is, however, largely one of emphasis.

We feel that there is no basic conflict between a stronger central control by CSD on the one hand, and the full involvement of departments and their line

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managers on the other. The essence of an improved working relationship lies in an acceptance by departments that the CSD have the authority to lay down central rules and guidance to provide a mandatory framework within which departments and line managers would work. A great deal would depend, of course, on the degree of flexibility and the amount of delegation given. But the basis of the relationship should be that of an appropriate delegation of central authority to departments, rather than the present system of attempting to proceed on the basis of securing a consensus amongst a confederation of largely autonomous and sometimes self-willed organisations.

The sort of relationship we envisage is that already operated so far as the management of the open structure at the top of the Service is concerned. The scale of the operation would, of course, require a great deal of delegation of central authority, but this basic relationship is, in the view of the Staff Side, the right one if CSD are to achieve the further development of personnel management in the Service.

APPENDIX III

N.W.C. Joint Committee on Management Services

Management Reviews: Consultation with Staff Sides

There have recently been discussions and correspondence between the Staff Side of the Committee and the CSD about consultation between Departments and their Departmental Staff Sides over the major management reviews conducted jointly by Departments and the CSD.

The programme of reviews, which started with the review of the Scottish Office in 1972–73, has now provided enough experience for some general conclusions to be drawn. The National Staff Side have proposed that these conclusions should be embodied in a jointly agreed paper.

Each management review is conducted under the direction of the Permanent Secretary of the Department concerned. It will therefore be for him to consult with his Staff Side as to the precise form of joint consultative machinery appropriate to the circumstances of the review. The CSD, with its continuing experience of the review programme, can appropriately offer general advice about the matter, and in fact does so. The Appendix to this note summarises the advice, agreed with the National Staff Side, which the CSD proposes to give to each Department in advance of its review; it will of course be open to the National Staff Side, who are also informed of each impending review as soon as its timing is fixed, to communicate it to the Departmental Staff Side concerned.

Appendix

This note, which has been agreed by the Civil Service National Whitley Council Joint Committee on Management Services, provides guidelines for consultation between Departments and Departmental Staff Sides over major management reviews conducted jointly by Departments and the CSD, in the continuing programme initiated in 1972.

1. The Departmental Staff Side should be informed at the earliest possible date that the review is to take place and invited to put forward views about what subjects the review should cover. As much time as possible should be allowed for this, especially in the case of large Departments with geographically dispersed staff.

2. The Staff Side should also be informed as early as possible of the composition of the Steering Committee and of the Review Team, and of any draft terms of reference which may have been drawn up before the review begins. The Staff

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Side should be free to comment on the draft terms of reference and on the composition of the Steering Committee. A general notice should thereafter be issued to the staff of the Department.

3. The normal practice is for each review to begin with a preliminary survey in order to form detailed proposals on the subjects to be studied and the programme of work. Any Staff Side proposals for subjects to be studied should be put forward either beforehand or at an early stage of the preliminary survey so that account can be taken of them during this process. Opportunities should also be provided for the Staff Side, if they wish, to meet the review team or the Steering Committee or both (as may be mutually agreed) during the period of the preliminary survey.

4. At the end of the preliminary survey, the Steering Committee will decide the subjects to be studied and the programme of work. These should be communicated to the Staff Side, so that they can consider whether they wish to make representations or proposals about the particular subjects selected.

5. The Staff Side should be kept informed of the progress of the review while it is being carried out and should be given further opportunities to meet the Steering Committee or review team if they wish. The Steering Committee for their part may wish to consult the Staff Side in confidence about proposals which they are considering.

6. When, in the closing stages of the review, proposals are being formulated there should be the fullest possible consultation about the outcome with the Staff Side. Particular care should be taken to ensure that the Staff Side are consulted about issues they themselves have raised. The form which this consultation should take will depend upon such things as the nature of the subjects under review and the way in which the Department normally consults the Staff Side. The information provided to the Staff Side should cover not only the proposals themselves, but an account of the thinking behind them to enable the Staff Side to understand and comment upon the reasons for the conclusions. The Department, if asked to do so, should make available a written statement of what is proposed and the considerations that lie behind it.

APPENDIX IV

IMPROVING MANAGEMENT SYSTEMS

Joint Statement

1. This statement has been agreed jointly by the Officials and Staff Sides of the National Whitley Council Joint Committee on Management Services.

Definition and Origin

2. Over the past 10 years many departments have launched projects and programmes of varying size and scope in order to improve the systems and processes of management within specific parts of their organisations. Many of these projects have been called "Management by Objectives" (MbO) and have adhered more or less closely to the main features of the management system (more accurately, family of systems) that goes by that name. They have produced some useful results but both sides agree that the time has come to take stock and examine the drawbacks and the scope for improvement in this general area of systematic approaches to better management.

3. Departments report that MbO has in some respects proved over-elaborate and costly to install. Staff Sides have found in some cases over-zealous or insensitive settings of "targets" or ways of reviewing and recording performance which have in their view produced unfair pressure on individuals. Official and Staff Sides alike think that there have been some defects in the participative aspects of MbO

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primarily in respect of consultation with, and the involvement of, more junior staff. So it is now necessary, in the light of experience, to devise new guidelines which may be helpful to the development of improved management systems in future.

4. Improving management systems is a very general expression; indeed it is a continuous responsibility of management to keep systems under review. We use it in this statement to cover the more systematic and comprehensive approach whereby the management team of an organisational unit, normally with experienced help, sets out to improve its management by fostering a common understanding of the purposes the unit exists to serve, by clarifying responsibilities and by developing a system for the agreeing of objectives and monitoring progress.

Basic Principles

5. Some basic principles are:—

(i) Before new management arrangements within the scope of this statement are introduced, management should consult and seek the agreement, of the Staff Side. To aid the consultative process, the Staff Side should be supplied with any documentation prepared outlining the reasoning behind the introduction of the new arrangements.

(ii) Managers and staff should be involved as fully and freely as is practicable before decisions are taken which affect them and their work, with the aim of achieving a corporate sense of purpose and working as a team.

(iii) At all levels of an organisation there should be a clear idea of the aims and purposes which it exists to carry out, and the programme of work should be related to them.

(iv) Aims and purposes change over time, as do the best ways of fulfilling them, and organisations need to be run in a way which is open, adaptable and receptive to innovation and change. This is more relevant today than it has ever been before.

(v) Managers and staff should know what is expected of them and what they are responsible for achieving.

(vi) There should be appropriate and systematic procedures for planning and control which should reflect the nature of the task.

6. These principles are an accepted part of thinking about management in the Civil Service. They are an important ingredient in central and departmental management training and underlie a number of recent developments in personnel management. The problem is how to give effect to those principles by improving management systems in ways which are both effective in practice and acceptable to the staff involved.

7. In the view of the Official and Staff Sides, the emphasis should not be on the application of a formal "package" but on the development by management and staff working together of a system of management tailored to the particular needs of each organisation and of the people in it.

The Initiation of Improvements

8. It follows that there will be wide variations in method and approach. The nature of the job differs; so do departmental practice and processes of consultation. In seeking to improve the management practices which are the subject of this statement, we recommend the following guidelines:—

(i) It should be open to Official and Staff Sides alike, through normal Whitley or any other consultative machinery, to propose organisational units in which improvements would be feasible and worthwhile. At all stages the Staff Side should be provided with the appropriate documentation.

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(ii) The first step should be consultation between the two sides about the desirability of proceeding further. The second should be a preliminary survey on which departments should seek to proceed on a basis agreed by the relevant Departmental Whitley Committee. Experienced help and advice will usually be needed. It may be obtained from a departmental Management Services Unit, Management Services in the Civil Service Department or, subject to the terms of the CSD's Code of Practice, outside consultants. It should culminate in a draft plan. The plan should be compatible with related developments already in progress or planned for the future, and should include:—

(*a*) aims;

(*b*) an outline programme of developmental activities;

(*c*) a statement of additional resources needed and their sources;

(*d*) the means proposed for managing the programme (where desirable on a joint basis);

(*e*) the arrangements proposed for consultation with the Staff Side as the programme proceeds.

(iii) The agreement of the relevant Departmental Whitley Committee (DWC) should be sought before the plan is settled, and any modifications acceptable to both sides should be incorporated in it. The agreement of the two sides (which may be reached either by formal or by informal agreement as may be desired) and their joint support for the plan, should be made known to the staff on an agreed basis.

(iv) Every effort should be made to encourage the full and effective participation of staff at all levels at all stages.

(v) As the work proceeds, there should be regular joint reviews of progress (again formally or informally as may be desired). Both Official and Staff Sides should ensure that difficulties are identified and discussed as soon as they arise with the aim of reaching agreement on how they should be overcome.

Planning and Control Systems

9. Any ongoing system of planning and control which emerges should be consistent with the following principles:

(i) Any effective management system incorporates procedures for determining what it is hoped to achieve, by and with what resources. While every manager must of course satisfy himself that each member of his staff is making an effective contribution, improved management systems as such should not be designed or used for putting pressure on individual members of staff. Their object is to make sure that effort is directed in the best possible way.

(ii) Special efforts should be made to enable the managers and staff directly affected to contribute to the development of forward plans and of criteria against which results would be assessed.

(iii) A sound management information system is required to facilitate effective planning and control. It may be necessary to begin collecting data from members of the staff. But for most planning and control purposes it is more useful to aggregate the data so that attention is directed to the performance of groups of staff rather than of individuals. This will, of course, be more favourable to the growth of a team spirit and the effective involvement of junior staff. Agreement should be sought within the machinery of the local and/or DWC on what data is to be collected and in what manner.

(iv) Departments will need to collect data in different ways depending on the nature of their operations. Data should not however be used to draw up

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league tables implying merit or criticism regardless of special circumstances which might apply. Statistics alone can never give the whole story.

(v) Consultation on the lines described in paragraph 8(v) above should be a continuing feature of the system.

Recommendation

10. We recommend that the proposals in this joint statement should form the basis on which approaches to improving management arrangements should be developed in future. If full account is to be taken of the approach described in this statement, systems which have already been introduced under the name "Management by Objectives" must, on the initiative of either side of the DWC, be reviewed. The method of carrying out any review is a matter for discussion in the appropriate DWC in the light of the prevailing circumstances.

Future Developments

11. The Management Services (General) Division of CSD has undertaken a programme of study and experiment in the broader and more flexible approach described above. The application of this approach will be kept under review and discussed by the Joint Committee on Management Services. The results will be reported to Departments and Staff Sides as appropriate.

APPENDIX VI

Arrangements and compensation for premature retirement from the Home Civil Service and the Diplomatic Service

The Official Side and the Staff Side of the National Whitley Council have carried out a fundamental and wide-ranging review of the circumstances, other than ill-health, in which civil servants may be retired before the minimum retiring age and the compensation which should be paid to them in these circnmstances.

2. The arrangements and compensation terms outlined in general terms in the following paragraphs have now been agreed.

3. The compensation terms represent an improvement over existing terms both for the Home Civil Service and for the Diplomatic Service. Three features of the new arrangements are particularly noteworthy:

(*a*) A distinction is drawn broadly between staff in the Home Civil Service at and above Executive Officer level, together with staff of equivalent levels in other classes and groups (to be known as the mobile grades), and those below that level (the non-mobile grades); the new arrangements provide for compensation to be paid in future to staff in the non-mobile grades when no work is available within daily travelling distance of their homes.

(*b*) New arrangements will bc introduced for the Home Civil Service whereby staff in the mobile category may be retired prematurely, subject to certain safeguards outlined below, if their performance no longer adequately measures up to the requirements of their job or, in the Senior Principal grade and above, where, for example, there is a very bad age distribution in a particular grade leading to serious promotion blockage and consequent difficulties in the management of that part of the Service. These new arrangements will complement the present arrangements for retiring people on grounds of inefficiency. We would expect retirement on grounds of limited efficiency to be exceptional below Senior Principal level. Moreover, whenever retirement on structural grounds was contemplated there would be full consultation with National and Departmental Staff Sides and we should hope to be able to make any necessary reductions by retiring those who expressed a wish to go.

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(*c*) Provision is made for all civil servants who are prematurely retired to have their cases considerd by an independent Appeal Board if they so wish.

Background

4. The review of compensation terms follows recommendations in the reports of the Fulton Committee on the Home Civil Service and the Duncan Committee on the Diplomatic Service. It takes into account the Duncan Committee's recommendation that the Diplomatic Service should be streamlined and it also pays regard to the Fulton Committee's recommendation that premature retirement in the public interest (as provided for in respect of the Diplomatic Service in Section 45 of the Superannuation Act, 1965), should be extended to the Home Civil Service. It recognises the increasing difficulty of requiring staff at more junior levels to accept a countrywide mobility obligation and of basing redundancy compensation on this requirement. Separate discussions are also in progress on the most appropriate way of giving financial recognition in future to the particular problems faced by people serving in certain posts abroad. This is at present treated as a superannuation matter under Section 25 of the Superannuation Act, 1965.

Changes in the Mobility Obligation

5. In considering for which grades the mobility obligation should be relaxed we have taken into account the number of moves, involving a change of home, which take place at present. We have also taken into account the extent to which there is a management need for mobility beyond that which will in future be achieved by relying on those who are prepared to move willingly. It is agreed that members of the Executive grade and other grades with the same or a higher salary maximum as at 31st December 1970 should retain the mobility obligation. All staff on salary scales whose maximum was equal to or below the maximum of the Clerical Officer grade need no longer have a mobility obligation unless agreed to the contrary with the appropriate recognised staff association. Discussions are continuing with the appropriate recognised staff association in respect of grades whose salary maxima were below that of the Executive Officer grade but above that of the Clerical Officer grade where either side wished to propose that the mobility obligation should be retained. Staff promoted into a higher grade would be expected to accept all the conditions which apply to the new grade. Although we have used salary maxima at 31st December 1970 as the basis for identifying grades for the purpose of this exercise we propose that the mobility status of individual grades should in the future remain unchanged, regardless of changes in relative salary scales, except where a specific decision is taken, in consultation with the Staff Side, to make a change.

6. Staff who no longer have a mobility obligation will, however, be expected to move, and departments will be obliged in a redundancy situation to offer them a move, to any other suitable posts within reasonable daily travelling distance of their homes; for this purpose "reasonable daily travelling" will be interpreted as it is at present for deciding whether or not to reimburse an officer for moving his home (Estacode Td 6). They may also be sent, as now, to serve away from home on detached duty terms. While in future there can be no guarantee that a vacancy in another area can be found for staff who no longer have a mobility obligation, staff who are willing to accept another post involving a move of home may apply for a transfer on public interest terms and where a suitable vacancy exists this will be arranged. Departments will remain anxious in many cases to move suitable and willing staff for career purposes or to fill vacancies in other areas.

7. Staff who no longer retain a mobility obligation will, in the event of redundancy, be found suitable posts within reasonable travelling distance of their homes wherever practicable; if this is not possible they will be eligible for the scale of payments appropriate to immobile staff set out below.

Retirement in the Public Interest

8. The Fulton Committee recognised there are circumstances where, in the interests of the efficiency of the Service as a whole, individuals should be retired

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when they are no longer able to give a satisfactory performance even although it might be unjust to describe them as personally inefficient. Coupled with compensation and safeguards to protect the needs of the individual, arrangements will be introduced on lines broadly comparable to those applying to the Diplomatic Service under Section 45 of the Superannuation Act, 1965. In future, staff in the mobile category may be retired on grounds of limited efficiency, that is, when a person's performance no longer adequately measures up to the requirements of his job. As part of career management a person whose performance has not measured up to the requirements of his job should have received warnings of his inadequacy before any question of retirement on grounds of limited efficiency arises. The Official Side would expect retirement on grounds of limited efficiency to be exceptional below Senior Principal Level. Staff of or above Senior Principal level may also be retired on structural grounds, for example, where there is a very bad age distribution in a particular group of staff, leading to serious promotion blockage and consequent difficulty in the management of that part of the Service. The Official Side will in all cases have full prior consultation with the Staff Side and take all possible steps to achieve any necessary rundown by retiring those who express a wish to go. This broadly outlines the grounds on which retirements in the public interest will be made; the procedures for putting these arrangements into effect are set out in the ensuing paragraphs.

An Appeal Board for the Civil Service

9. An independent Board will be set up to which any non-industrial civil servant under notice of dismissal or premature retirement may appeal; a separate board will be set up for the Diplomatic Service and, if it is found to be appropriate, one for the industrial Civil Service. The Appeal Board will consist of three people: a permanent Chairman, who will be a senior retired civil servant of Permanent Secretary status (or similar person with a good deal of first-hand experience serving at a high level in the Civil Service); a nominee of the Staff Side, and a recently retired civil servant of about Under Secretary level. There will also be a deputy chairman who will alternate with the Chairman; and both the other members will be drawn from panels of people of mixed backgrounds. There will be consultations between the Official and National Staff Sides with a view to appointing as Chairman and Deputy Chairman persons who enjoy the confidence of both sides. The Chairman and Deputy Chairman will be appointed for a term of 3 years which will be renewable after consultations. There will be a small permanent secretariat. The Appeal Board will make its recommendations to the Head of the employing department who in public interest cases would normally be expected to accept a recommendation of reinstatement unless there were overriding reasons to the contrary; before rejecting such a recommendation he will consult the Civil Service Department about the possibility of reinstatement in another department. Any additional compensation recommended (or subsequently substituted for a recommendation of reinstatement which had been rejected by the Head of the Department) will be paid.

Procedure for the Appeal Board

10. The Appeal Board will operate without undue formality. Intimation of the intention to appeal must normally be given within 21 days (or 28 days in exceptional cases) of formal notice of dismissal or premature retirement, indicating the broad grounds on which the appeal is based, and the full case submitted within 42 days of formal notice. The employing department will be invited to comment on it and to provide any further evidence to explain the decision. The Appeal Board will then consider the case seeking further evidence either in writing or in person from either party; if the appellant so wishes he will be entitled to appear in person, whether or not specifically invited to do so, and he could be assisted in handling the case by a friend who may be a colleague or a representative of a staff association, and who will be able to submit evidence on behalf of the appellant. (If the "friend" were a solicitor he would appear as a friend rather than in his capacity as a legal representative.) If the appellant exercises his right to appear, the employing department will also be invited to be represented. All appellants

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will be entitled to a full statement of all the relevant facts made available by management to the Appeal Board in support of their case, and the Board will have power on application by the appellant to require management to give him access to other papers, subject to considerations of security, which it considers to be necessary for him to see for the adequate presentation of his case. Access to relevant papers would include annual reports, access to which would not be opposed in principle on the ground of security considerations.

11. The general purpose of the Appeal Board will be to advise whether a premature retirement or dismissal is fair. To do so the Board will apply two criteria. First, it must satisfy itself that management has acted fairly and in accordance with the procedures agreed between management and staff representatives. Thus, where the case involves some question of personal inadequacy on the part of the appellant, its function will be to ensure that the retirement board has fully and fairly examined the case, has taken into account all the evidence and has not allowed its judgment to be influenced by irrelevant factors. Where premature retirement is on account of redundancy or to ease structural problems it will need to be satisfied that such a situation exists, and that the appellant's selection was consistent with established procedures in these circumstances or with any special ad hoc agreement between management and staff representatives or, failing either of these, was a fair decision on its merits. Secondly, the Board must satisfy itself that premature retirement or dismissal is the right or most appropriate action to take. Where the Board considers that some other action is more appropriate it should recommend accordingly in specific terms.

Departmental Procedures

12. We have also reviewed departmental procedures for dismissal on disciplinary grounds and for retirement on grounds of redundancy or inefficiency; we propose new procedures for use in cases where retirement is for structural reasons or for limited efficiency, which we call "personal reasons". We have grouped together retirements on redundancy for structural reasons and for personal reasons under a general category of "in the public interest".

Dismissal on Disciplinary Grounds

13. The present procedure is not particularly complex and the steps outlined in (Estacode) Kb 7 will be retained up to the point where a decision to dismiss is taken and an appeal to the new Board substituted for the present appeal to the Head of the Department. The final decision, in the light of the recommendation of the Appeal Board, will then rest with the Head of the Department.

14. Departments will have discretion to decide by whom the decision to dismiss may be taken, although this will need to be clearly laid down for each department and should not normally be below Assistant Secretary level; the Head of the Department may prefer not to be associated with the decision (except in the case of a very senior officer where he will inevitably have to take the decision himself). He would then be able to consider the advice of the Appeal Board without having been involved earlier in the decision to dismiss.

Retirement on Grounds of Inefficiency

15. Departmental procedures differ in various respects and in future a procedure on the following lines will apply generally throughout the Service.

16. Prior informal warning of inadequacy will have been given in all normal circumstances and every effort will have been made to give the officer time, opportunity and assistance to improve his performance. In the case of sudden deterioration of performance the cause will be investigated before any decision to retire the officer prematurely is taken. Where it is thought that the drop in performance, whether sudden or gradual, might be due to health reasons, the advice of the Civil Service Medical Adviser will be sought. The formal procedure will, however, be initiated by an adverse report by the operational manager, that

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is, a marking for overall performance in the bottom box of the new annual report form; this may be submitted at any time and need not await the normal reporting date. The person will then be formally warned in writing that his performance is unacceptable and told the reasons; he will be put on trial for a period of at least six months, wherever possible in a different suitable job under another manager. If it seems possible, and the person concerned agrees, that the poor performance may be attributable to medical causes he should be told at this stage that the case is being put to the Civil Service Medical Adviser, but that if he does not recommend retirement on health grounds or the person contests it the procedure for retirement on grounds of inefficiency will be initiated if his performance does not improve. If at the end of the trial period the further report called for is also adverse the question of his retirement will be considered by a board constructed on a basis which should be the subject of Departmental Whitley Council discussion but which should not be below the level of the board which promoted into the grade. The Board should be chaired at least at Principal level for the non-mobile category and at Senior Principal or Assistant Secretary level for the mobile category, and the members of the board should be at least two grades above that of the candidate. If the retirement board, before which the person will be able to appear if he wishes, assisted by a friend who may be a staff representative, then recommends retirement, its findings will be confirmed as in the case of disciplinary dismissals and the person told. Thereafter the procedure would be the same as in disciplinary cases (including the right of appeal to the Appeal Board), except that suspension with or without pay would not normally be appropriate.

17. Once amending legislation is available, it will no longer be necessary for a formal minute to be laid before Parliament where the person concerned is under 50, nor for a Ministerial certificate to be provided in other cases. The personal approval of the Head of Department will no longer be mandatory, although some cases may, for management reasons, go to him and cases in which there had been an appeal would necessarily be considered by him.

Retirement in the Public Interest

18. This category will cover retirement on redundancy, retirement to ease a structural problem, or retirement on grounds of limited efficiency. The different circumstances underlying each of these reasons will lead to slightly different procedures and it is therefore convenient to examine them separately, but it seems desirable that the procedures should be as similar as possible.

19. As much informal notice as practicable will be given, and in the case of limited efficiency specific prior warnings that an improvement in performance is necessary. All established staff, and unestablished staff with five years' service or more, will always be given six months' formal notice if retired in the public interest. This will be extended to 12 months for staff over 60 with under 10 years' service and nine months for those with from 10 to 25 years' service, except that this extended notice will not run beyond the 65th birthday. Unestablished staff with two years' service, but less than five, will be given not less than three months' formal notice if retired in the public interest. Unestablished staff with less than two years' service retired in the public interest will be given at least the notice required by the Contracts of Employment legislation, and it will continue to be departmental practice to give the maximum amount of notice possible. If the department is unable to provide work for the whole of the minimum period of notice, the individual will be paid for the unexpired portion; this will not be done where he leaves voluntarily with the agreement of his department before the end of his period of notice.

Redundancy

20. The procedures which are set out below are not intended in any way to cut across the arrangements which have applied for many years under which, so far as established staff in general service grades are concerned, any redundancy which cannot reasonably be absorbed within the department where it has arisen, is

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resolved so far as practicable by the re-allocation of redundant staff to posts within the same class or occupational group in other Government departments.

21. Whenever redundancy occurs which cannot be absorbed by the methods referred to in the preceding paragraphs, it will be necessary for the department concerned to consider, in consultation with the departmental Staff Side, the criteria which should be used to decide how those to retire should be selected in the light of the particular circumstances of the department. There are to be further discussions at the national level in the immediate future with the intention of reaching agreement on general criteria which would assist departmental Official and Staff Sides in resolving any future redundancy problems.

22. In most cases where redundancy arises there will be a need to select a proportion of the strength of a grade in a large unit, perhaps a whole department, although once again every practicable effort would be made to ensure that this absolute redundancy was reduced to the smallest possible figure. At this stage an opportunity should be provided for individual officers in the agreed redundancy field to indicate that they would be content to retire on redundancy terms. To the fullest practicable extent the wishes expressed by individuals who are prepared to volunteer in this way should be met, although it will be necessary to pay proper regard to the efficiency of the Service and to the need to avoid the creation of any future problem of age structure. If sufficient people from the redundancy field are content to retire in this way, there will be no need to take any further action.

23. In the event of it being necessary to select individual officers for compulsory premature retirement on redundancy grounds, it may be found that the criteria referred to in paragraph 21 above will make it self-evident who should be retired. If this is not so, and some further process of selection is necessary, likely candidates identified by the Establishment Division in accordance with these criteria will need to be considered by a retirement board, constituted on a basis which should itself be the subject of Departmental Whitley Council discussion but which should not be below the level of the board which promoted into the grade. The board should be chaired at least at Principal level for the non-mobile category and the members of the board should be at least two grades above that of the candidates. Those selected for retirement by this board will be notified as soon as the choice has been made and they will at the same time be given a memorandum setting out the reasons for the redundancy and the criteria used in selecting the staff to be retired indicating the extent to which these criteria had been agreed with the Staff Side. The memorandum will also inform them of their entitlement to appeal to the Appeal Board.

24. If the selected officers are content to retire, even though they had not volunteered at an earlier stage, there will be no need for any further action. But in any case where the person concerned signifies his wish to appeal, the Appeal Board will be invited to consider the case before the recommendation of the departmental retirement board is confirmed, as an added safeguard against wrongful dismissal. The memorandum prepared by the retirement board will be passed to the Appeal Board for consideration, together with appropriate supporting evidence. All appellants will be entitled to a full statement of all the relevant facts in accordance with the procedure laid down in paragraph 10. The Appeal Board will then consider the case, calling for more evidence from either side as appropriate, and the person selected to be retired will have the right to present his case orally or in writing, assisted if he wishes by a representative of his staff association, who may submit evidence on his behalf. The Board will then recommend to the Head of the Department whether or not injustice would be done if the retirement board's recommendation were accepted. The Head of the Department could normally be expected to accept the Appeal Board's recommendation unless there were overriding reasons to the contrary, in which event there would be consultation with the CSD as laid down in paragraph 9. There will be no further avenue of appeal once retirement has been decided upon after the Appeal Board's consideration of the case. With the possible exception of short service

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unestablished staff not less than six months will elapse between the first formal warning to any individual and his actual date of retirement (see paragraph 19). It will be necessary to lay down time limits for each stage of the procedure to ensure that the process is completed within that period.

25. It is accepted that, so far as practicable, management will take into account any wishes expressed by individuals to be allowed to retire before compelling the premature retirement of others, including those over the minimum retiring age, who would not otherwise have been expected to retire during the rundown period. The extent to which compulsory retirement can be delayed, however, will depend on the probable availability of suitable willing victims within a sufficiently short period in relation to the total redundancy and the speed of the rundown required. The need to maintain the efficient operation of the undertaking during and after the rundown period must also be given full weight. Departments will be ready to discuss with their Staff Sides in each redundancy situation how far the acceptance of willing victims may make possible the retention of those over the minimum retiring age who would not otherwise have been expected to retire during the rundown period. In particular, those who have qualified for pension will be allowed to serve on to a maximum age of 65 to complete up to 20 years reckonable service in so far as this is compatible with the rundown programme and can be achieved without the compulsory retirement of staff below the minimum retiring age.

Structural Grounds

26. Retirement on structural grounds will in all cases be the subject of full prior consultation between the Official Side, and the National and departmental Staff Sides. The aim will be to achieve the necessary reductions so far as practicable by retiring those who are willing to be retired and to this end the reductions will be made over a reasonably long period of time and suitable willing victims will be accepted on a service-wide basis, where practicable.

Limited Efficiency or Personal Reasons

27. It is not possible to define the concept of limited efficiency more precisely than as a failure to carry out the full duties of the post satisfactorily. It has been made clear in paragraph 3(b) that retirement on grounds of limited efficiency will only take place exceptionally in the case of grades below the level of Senior Principal. It might give a clearer indication of the nature of the judgment to be exercised in such cases, however, to say that in the case of staff covered by the new staff report form (i.e. up to and including Assistant Secretary), an officer of limited efficiency might well have been given an overall assessment on his report forms over a period of time of " definite weaknesses make him not quite good enough to get by " (box 5). In the case of the more senior grades for whom the standard report form is not used (i.e. normally above Assistant Secretary) and from whom particularly high standards of sustained performance are necessarily expected different considerations might well apply. In every case, however, an officer who is being considered for retirement in these circumstances will have been given earlier informal warnings, indicating in what respects his performance has not come up to standard, and thus giving him the opportunity to improve it. Such informal warnings would normally be given in the course of day-to-day working relationships by more senior officers, but it would also be appropriate to include guidance of this kind in the course of an appraisal interview or career interview for those grades which are covered by these procedures. The important consideration is that any officer whose performance is falling below the standard which is required of his grade should be properly informed of his weakness and should be given time, opportunity and encouragement to put matters right.

28. If despite these warnings it should prove necessary to consider the possibility of retirement on grounds of limited efficiency, the procedure to be followed will so far as possible be similar to that outlined in paragaph 23 and 24. The provisional decision in such a case will need to be taken in the Establishment Division on the basis of reports from the officer's operational manager but the retirement board

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procedure will then operate along the lines set out in paragraph 23. The basic differences will be that the memorandum which is sent to the officer notifying him of the provisional decision of the board will need to outline his alleged shortcomings in some detail; and the board will be required to consider whether, if any action is in their opinion justified, reversion to a lower grade would be an appropriate alternative to premature retirement. At Under Secretary level and above the role of the retirement board will necessarily have to be taken by the Permanent Secretary concerned, and the Civil Service Department should be consulted as in the case of promotions to this level.

29. The memorandum notifying the officer of the retirement board's decision will also inform him of his right of appeal to the Appeal Board. It is likely that a proportion of officers will be prepared to accept reversion or to retire without questioning the provisional decision, but where the decision to retire is contested the case will be put to the Appeal Board before any final decision is taken. The supporting evidence submitted to the Appeal Board will need to include the recent annual reports on the person whose retirement is contemplated together with any other relevant documents, e.g. appraisal reports and the Board will have power, on application by the appellant, to require the department to provide him with copies of these. The Appeal Board and subsequent procedure will be the same as in paragraph 24. At least six months will elapse between the date on which an officer receives the memorandum outlining his shortcomings and containing the first formal warning of the retirement board's recommendation and the date of actual retirement. It is again emphasised, however, that no formal warning should be issued unless earlier informal warnings have been given and the officer has had time, opportunity, and encouragement to improve his performance.

Compensation Terms for Mobile Staff Retired in the Public Interest (i.e. Redundancy, Structural Grounds, Limited Efficiency)

30. These terms will be available at management discretion only to those who have a full mobility obligation and for whom no suitable alternative job is available:

(*a*) Mobile established staff aged 40 and over and with 10 or more years' service will receive an immediate annual payment, an associated lump sum, a further compensation payment and in some cases resettlement leave. The annual payment will be 1/80th of pensionable pay for each year of service enhanced by a maximum of 5/60ths of pensionable pay (equivalent to the maximum special increases under Section 45) for those retiring after their 45th birthday; the enhancement will build up progressively at the rate of 1/60th per year from 1/60th for retirements between the 41st and 42nd birthdays to a maximum of 5/60th from the 45th birthday and will be subject to an overall limit of the pension which could have been earned by reckonable service to the minimum pensionable age. The lump sum will be equivalent to 3/80th of pensionable pay for each completed year of service; it will be enhanced in the same proportion as the annual payment. The compensation payment will be a maximum of six months' pensionable pay, progressively reducing by one month for each half-year within the last three years by which the age of premature retirement approaches the minimum pensionable age. Resettlement leave on full pay of up to six months will be allowed to those who have spent more than two out of their last five years' service abroad, but will not be granted so as to carry service beyond 60. The annual payment will not be commutable, except that in cases where the lump sum plus the compensation payment, does not amount to two years' pensionable pay, sufficient of the annual payment due up to the minimum retiring age may be commuted to achieve this.

(*b*) Mobile established staff under 40 or with less than 10 years' service, regardless of age, will receive one month's pensionable pay for each year of service. For all service after the first five years, staff will receive a further month's pensionable pay for each year of service completed between the 31st and 36th birthdays, and a further two months' pensionable pay for each

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year of service completed after the 36th birthday. Service within the first five years will qualify for an extra month's pay for each year completed after the 36th birthday. The compensation will be reduced progressively within the last three years before the minimum retiring age. Compensation for those with more than two but less than 10 years' service will be enhanced by 3/80ths of pensionable pay for each completed reckonable year; those with 10 or more years' service will be able to preserve their pension benefits for payment at retiring age.

Compensation Terms for all Non-Mobile, and for Unestablished Staff with a Minimum of Two Years' Service, Retired on Redundancy

31. The terms will be payable at management discretion only when no suitable alternative job can be found within reasonable daily travelling distance. These staff will receive, subject to a maximum of two years' pay, two weeks' pensionable pay for each of the first five years' service, three weeks for each of the next five years and four weeks for each of any further completed year's service, plus a further two weeks' pensionable pay for each year of service completed after the 40th birthday. The compensation will be reduced progressively within the last three years before the minimum retiring age. Unestablished staff with a minimum of two years' service including part-time staff will receive payments calculated on this basis in place of their present gratuities if retired on redundancy. Unestablished staff will retain in full what they would have received by way of an unestablished gratuity had they retired voluntarily. Any compensation in excess of this sum will be tapered as above. Established staff with 10 or more years' service will be able to preserve their pension benefits for payment at retiring age; established staff who leave over the age of 55 may opt to have their pension brought into immediate payment in lieu of the redundancy payments above. Compensation for established staff with two years' or more service, but less than 10 will be enhanced by 3/80ths of pensionable pay for each completed reckonable year.

Compensation Terms for all Staff Retired for Inefficiency

32. For established staff, whether mobile or non-mobile, the terms will be the same as for non-mobile staff who are retired on redundancy. For unestablished staff the present gratuities will continue to be paid.

Implementation

33. Retrospective application of the new terms will be restricted to those who have actually left the Civil Service on redundancy. It would be quite impracticable to re-open past decisions: e.g. the established man who will in future be in the non-mobile category must stand by a decision already taken, however reluctantly, and acted upon to accept transfer to another part of the country when resignation was the only alternative open to him. Equally his colleague who resigned rather than accept a transfer can have no retrospective claim to compensation.

34. Retrospection will therefore be allowed where more favourable to established staff who have already been retired on "abolition of office" terms from the Home Civil Service or on redundancy, structural grounds or limited efficiency from the Diplomatic Service on or after 1st March 1969, for whom it has already been guaranteed. Retrospection for unestablished staff will apply to those who left on or after 1st September 1971 and were treated as qualifying for a special payment (which may, however, be subsumed, in whole or in part, in the temporary gratuity paid under the Superannuation Act) under the arrangements by analogy with the Redundancy Payments Act. The proposals for compensation in cases of retirement for structural reasons or on grounds of limited efficiency from the Home Civil Service will require legislation and retirement on these grounds will therefore be introduced at a later date, to be announced.

35. Established mobile staff under the age of 40 on leaving the Service on redundancy during the period between the operative date of this agreement and that of the new Civil Service superannuation scheme will be able to opt for the

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present abolition of office terms, including a right to commute. A non-mobile established member of staff due to leave in the same period may opt to be treated as if he had retained his present mobility obligation. If he does so he will, if possible, be transferred to a suitable post in another part of the country but if no suitable post can be found he will qualify for the present abolition-of-office terms, including a right to commute. Should he refuse a transfer he will be retired on the new non-mobile terms.

APPENDIX VII

MODEL REDUNDANCY AGREEMENT

1. These arrangements are intended to form the basis of any redundancy agreement or procedures operated by departments and covering their non-industrial staff. They also complement those already agreed in the national Whitley Council's "Agreement on Arrangements and Compensation for Premature Retirement", the compensation provisions of which will apply. It is recognised that different situations may require different methods, and that the size of the department concerned will be a relevant factor but the arrangements below should be followed wherever appropriate by departments in negotiating new departmental agreements and operating redundancy schemes in full consultation with the staff interests concerned. It is essential that consultation with staff interests should be commenced at the earliest possible stage and then be a continuing feature, for the resolution by agreement of a situation of staff surplus or redundancy. This area is recognised as being essentially a matter for the closest co-operation between Official and Staff Sides. The arrangements outlined in paragraph 2 below (which are not intended to denote any order or priority) should be fully explored before any redundancy situation is declared.

Action required before Redundancy is declared

2. When it is clear that there is likely to be a surplus of staff in any given area of work, a redundancy situation should not be declared until the following have been considered in full consultation with the appropriate staff interests:

(*a*) a review of the present and future work pattern of the department to ensure that a surplus of staff is unavoidable;

(*b*) transfer of staff within the department to other areas of work where there are suitable vacancies;

(*c*) transfers of staff to other Civil Service departments (or to fringe bodies) where work is available;

(*d*) if no vacancies, capable of being filled by surplus mobile staff, exist in the appropriate or similar grades in any other departments, suitable staff in similar grades from outside the redundancy fields who would be prepared to volunteer for retirement would be considered for premature retirement in place of those who would otherwise be redundant. This would arise firstly within the department itself but if insufficient volunteers were found there, volunteers from other departments should be sought. With the consent of the importing department concerned, the staff who would otherwise be redundant in the exporting department would fill the vacancies created by such volunteers. The latter would then be retired on public interest terms even though in such circumstances a state of redundancy had not then been established.

(*e*) staff remaining in their existing grade for a limited period but being overborne against a lower grade post in a situation where the availability of a post in the existing grade is foreseen.

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(*f*) recruitment and/or promotion reduced or suspended within the department and the remainder of the Civil Service where similar grades, disciplines or blocks of work exist unless it is agreed that this does not offer an effective way of reducing or resolving the redundancy situation.

(*g*) a review of the age of retirement practice within the department concerned in order to deal with the staff surplus problem. This would not be inconsistent with the provisions of paragraph 4 below.

(*h*) the re-training of staff as follows:

(i) re-training for other jobs within the Civil Service or fringe bodies within the locality of staff surplus (mainly for non-mobile staff, mobile staff being covered by (ii) below;

(ii) re-training for other jobs within the Civil Service or fringe bodies either within an existing specialisation or one close to that already held.

(*j*) subject to specific Staff Side agreement in the unit of redundancy concerned, consideration should be given to the temporary blocking of posts vacant in junior grades in the same class or occupational group (or in another group by agreement with the recognised Staff Association representing the junior grades) by senior staff.

Units of Redundancy

3. When after all the measures set out in paragraph 2 have been explored a redundancy is declared, units of redundancy should operate as follows:

(*a*) mobile staff—the unit of redundancy would cover all members of the grade concerned in the department affected. In some instances, where the grade itself is divided into different specialisms, the unit of redundancy might be less in the light of the demands of a particular situation. In the case of Under Secretary level redundancy, the unit would be Service-wide;

(*b*) non-mobile staff—the unit of redundancy would cover all the members of the grade concerned in the department affected, in the area within daily travelling distance of the particular establishment giving rise to redundancy. Opportunity should be made, however, for volunteers to transfer to vacancies in other departments in the same area or to other areas if they so desire.

Order of Discharge

4. In the event of discharge of surplus staff being unavoidable, the following order of discharge will apply:

(i) casual staff, and staff employed by Contractors or private employment agencies who are working for, or within the department;

(ii) unestablished staff over age 65, oldest first;

(iii) established staff over age 65, oldest first;

(iv) staff (both established and unestablished) who are prepared to volunteer for premature retirement (i.e. under paragraph 22 of the "Agreement on Arrangements and Compensation for Premature Retirement") within the redundancy field;

(v) staff aged between 60 and 65 with 40 years or more reckonable service for superannuation purposes, oldest first;

(vi) unestablished staff and those on period appointments on a "last in first out" basis;

(vii) staff aged between 60 and 65 with less than 40 years reckonable service for superannuation purposes, those with most pension entitlement first;

(viii) all other staff on a "last in, first out" basis subject to the right of management to retain staff on grounds of individual ability or specialist knowledge acquired as a result of special training at the cost of the department.

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Note: Individual posts—it is, of course, not necessarily the office holder who falls to be retired if he is one of the number of staff similarly qualified to fill the post which is being abolished.

5. In deciding on a relative position amongst staff over the minimum retirement age, regard should be given to the need to maximise the pension entitlement of individuals. With regard to categories (vi) and (viii) the "last in, first out" criterion should apply unless specific agreement to the contrary is reached with the appropriate Staff Side. Where departments wish to depart from this rule they should always first offer premature retirement terms to those who are prepared to volunteer on this basis. Reckonable service for the "last in, first out" criterion would cover all time spent in the non-industrial Civil Service. Except where there is no normal expectation of career progression, industrial service would also count for this purpose. Only unbroken service, ie service which is both continuous and immediately precedes redundancy, would be reckonable. In applying the above criteria, regard should be had to the protection of the existing quota (3 per cent) of registered disabled staff in the Civil Service and to persons who had transferred into the Service with their work in circumstances where the Service took over functions formerly carried out by other parts of the public service.

Assistance to Staff declared Redundant

6. *Spreading the Redundancy Programme.* The fullest notice should be given of all likely and actual redundancy programmes, and the existence of residual work in the winding-up period should be used to spread the programme over as long a period as possible compatible with the efficient management of the redundancy unit. This should maximise the extent to which normal wastage can be used to solve redundancy problems.

7. *Pay and Pension Treatment on Downgrading.* Redundant officers may request voluntary downgrading to fill a vacant post, or be offered downgrading to a vacant post as an alternative to redundancy compensation. Downgrading to a vacant post in these circumstances will, however, be on a mark-time basis. The pay treatment will be that generally available on reversion or downgrading. The person downgraded will, however, be given the choice at the point of final retirement of being pensioned for his whole service on the best year in his last three years' salary; or or for treating separately pensions for the two periods of service; the latter arrangement will, in some cases, be advantageous to the employee.

8. *Re-training.* Where vacancies exist in the Service or in fringe bodies for which redundant staff would be suitable subject only to a limited amount of re-training, appropriate training will be given provided the staff are in other ways suitable. Re-training of a more general nature would more appropriately be undertaken on the personal initiative of those concerned, but CSD would offer advice and guidance wherever possible (see paragraph 2(*h*) above).

9. *Resettlement.* When redundancies occur, departments should appoint a resettlement officer to advise and assist staff who are redundant in finding alternative posts either within or outside the Civil Service, and with re-training or other problems arising from the redundancy. If specialist staff are involved an officer with knowledge of their problems should be available to assist with resettlement. The Professional and Executive Register of the Department of Employment should also be consulted.

10. *Period of Notice.* During the period of notice (which would be at least that in the "Agreement on Arrangements and Compensation for Premature Retirement") time off on full pay should be allowed to attend interviews for other posts. The period of notice will be extended beyond that shown in the above agreement whenever possible, particularly when long-service staff are involved in the redundancy.

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APPENDIX VIII

Civil Service Pay and Fact Finding

1. The National Whitley Council have considered the findings and recommendations of the Royal Commission on the Civil Service (1953–1955) relating to the determination of Civil Service pay standards. The Council note the Commission's conclusion that " fair comparison " with current outside rates should be the primary principle. They agree that it is a valid and valuable principle in Civil Service pay negotiations although not the sole determinant.

2. Both sides agree that in some cases " fair comparison " would have to be supplemented by reference to internal relativities and in others internal relativities would be the governing factor as outside comparisons would not exist.

3. In the Staff Side's view there are other principles which must be taken into account and they cannot accept all that the Royal Commission says about the interpretation and application of its general principle in particular cases or circumstances.

4. Both sides agree that the principle of " fair comparison " is not to be interpreted in a rigid and inflexible manner but as a broad guide in negotiations. It is, of course, of first importance that the facts on which " fair comparisons " are to be made shall be obtained as widely as possible from both the public and the private sectors of employment and, within those sectors, from good employers.

5. The Council trust that the adoption and promulgation of new principles will not only satisfy public opinion about the fairness of the Civil Service system of pay regulation but also assist in the settlement of claims and reduce considerably the extent to which at present recourse is had to arbitration.

6. Both sides of the Council recognise that without a genuine desire to reach a reasonable settlement of pay issues by negotiation any principles of pay, however acceptable in theory, cannot achieve their aim.

7. Both sides agree that it is essential that the fact-finding machinery which is an indispensable adjunct to the principle of " fair comparison " should have the confidence of the negotiating parties.

8. The function of the fact-finding unit will be strictly limited to the ascertainment and objective presentation of the facts. When it has established the facts in any comparison, it will then be open to the negotiating parties to consider how far, if at all, it is right to take account of that particular comparison in settling the pay of the Civil Service grade in question.

9. It will be the aim of both sides to proceed by agreement on all matters relating to the system of fact-finding and, given that condition, the right spirit will be created for negotiations which take place with the help of this new machinery.

10. We have therefore agreed as follows to the setting-up of a fact-finding organisation under conditions which we believe will ensure the confidence of both sides in its method of operation.

11. (*a*) A fact-finding organisation to be called the Civil Service Pay Research Unit, shall be set up in accordance with the recommendations of the Royal Commission on the Civil Service (1953–55) (paragraphs 155–177).

(*b*) It shall be under the general control and direction of the Civil Service National Whitley Council. Control shall be exercised through a Committee composed of six members from each side.

(*c*) Day-to-day control of the unit shall be vested in a director, who shall be appointed by the Prime Minister. The director shall be responsible to the

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Committee for carrying out the programme of enquiry and observing the priorities laid down by it.

(*d*) The director will be assisted by a staff as defined in paragraph 14 below.

12. *Terms of Reference*

(*a*) Fact-finding as defined by the Royal Commission, involves two processes: —

(i) establishing job comparability, due allowance being made for differences in grading structure;

(ii) the discovery of the pay and conditions of service that attach to jobs regarded as comparable.

(*b*) The unit will undertake these two processes in relation to grades or classes referred to it by the Committee, and within the scope of the National Whitley Council. So far as part (i) is concerned, the unit will limit itself to the description and definition of the similarity or difference in the duties of the grades with which comparison is being made. The unit will not attempt to evaluate those differences.

So far as part (ii) is concerned, the term "conditions of service" will be interpreted widely so as to cover not only such matters as hours and leave but also such questions as superannuation, luncheon vouchers, assisted travel, house purchase facilities, car allowances and other additions to basic pay and conditions.

(*c*) Fields of relevant comparisons may be suggested only by either side of the Committee or by the director of the unit.

13. *Reports*

(*a*) The director shall submit regularly to the Committee such periodical reports (including an annual report on the work of the unit) as the Committee may direct.

(*b*) Additional reports shall also be provided at the request of either side of the Committee, either in relation to a particular grade or class, or in relation to pay movements generally.

(*c*) Departments and recognised Civil Service staff organisations may request the director to supply ascertained facts relating to the grades they cover.

(*d*) The object of the unit's report shall be to provide full information. Where, however, information is supplied to the unit subject to conditions as to disclosure such conditions will, of course, be observed, but the unit will include in its report the fullest details consistent with this requirement. In such cases explanation will be given as to the methods adopted in meeting the requirement.

14. *Staffing*

(*a*) The staff of the unit will be administered by the director, but the complementing, grading and appointment of the staff will be on lines approved by the Committee.

(*b*) The unit shall be staffed by civil servants of appropriate grades, who shall be posted to it for periods not normally shorter than three years. These officers will provide the central staff of the unit.

(*c*) The director shall have power, after consultation with the committee, to engage for particular projects additional officers from either within or without the Civil Service.

(*d*) The director shall have power, after consultation with the committee, to appoint assessors who would advise when necessary on the duties and responsibilities with which comparisons are being sought.

(*e*) The administrative costs of the unit will be borne by the Exchequer.

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Examination of Witnesses

Mr JOHN DRYDEN, Secretary General (up to 30 June), Mr WILLIAM KENDALL, Secretary General Designate, Mr JOHN VICKERS, Chairman, and Mr PETER JONES, Secretary, of the National Whitley Council: Staff Side, called in and examined.

Chairman

367. Good afternoon, Mr Dryden, we are grateful to you for your attendance. The Whitley Council was kind enough to submit a memorandum, with its attendant papers to us. Is there anything you would care to add to that before we start asking questions upon it?——(Mr *Dryden.*) Only briefly to introduce it, if I may, because the Staff Side considered that it was appropriate for us to give collective evidence on those matters which were referred to in paragraph 5 of your own note outlining the guidelines for the Sub-Committee's deliberations. These were matters of Civil Service conditions of service in which you were interested, although you did say you would endeavour to avoid detailed matters of current negotiation. We have given you evidence on all the items specifically listed in your note because it seemed to us that if these were the matters in which you were interested it was right that we should set out our views. In addition, we have outlined to you briefly the history of the Staff Side of the National Whitley Council. We have explained how we have developed our work as a Whitley Council and as a Staff Side. I have no hesitation in saying to this Committee, as I would say in any similar body anywhere in the world today, that the negotiating system that has been developed within the Civil Service in this country challenges comparison with any negotiating system that is to be found. It is immensely detailed. It is immensely painstaking. It is immensely thorough and it is totally honest. In addition, I would say in introducing the evidence that we have quite deliberately concentrated on the questions of pay and pension because these are questions which lie at the heart of trade union activity. These are aspects of Civil Service employment which have been the subject of very considerable criticism during the past twelve months, as Members of the Committee will well know, criticism which, in the view of the Staff Side, has been much of it ill-formed, much of it malicious and all of it unjustified. We have set out our views about pay and pensions and we have outlined the way in which we have negotiated over the years on these two central aspects of trade union affairs, because we think it vitally important that the Committee should understand where we stand and where the Whitley Council as a whole stands on matters of such central importance. The pay of the Civil Service derives from the Royal Commission Report, a Royal Commission Report which was accepted by the Government, and in the twenty years since that Royal Commission reported we have been repeatedly consulting with the Official Side and the Official Side have, in turn, been consulting with Ministers of more than one Government and of more than one political party about the way in which the Civil Service pay negotiating machinery should operate. The 1974 Agreement was reached after two years of continuous negotiations, most painstaking, thorough negotiations, in which account was taken of all aspects of change since the Royal Commission themselves reported in 1956. We attach immense importance to it. We think it right that we should emphasise that importance to the Committee. Having said that, we are ready to give oral evidence to the Committee on any aspect of our written evidence about which they now wish to question us.

368. Thank you. I think we would all agree with you that one of the central functions of the trade union movement is to deal with the subjects you mention in particular. May we ask you a simple question? You say in your evidence that you would like the pay research unit, the pay comparability system, restored as soon as possible, in effect. I am summarising, but that is roughly what you say in your evidence I think?——Yes.

369. Would you say that the 1971 Act introduced inflation-proof pensions which perhaps at the top level were

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comparable with some of those in industry, at lower levels were better than those in industry? Would you say that that implies that pay and pensions should be regarded as comparable together; that is, that if you have better pension rights you should have lower pay because that is then collectively comparable?——The fact is that pay and pensions are dealt with as a collective entity. Indeed pay and conditions of service as a whole are dealt with as a collective entity. In taking the fair comparison, in dealing with the evidence produced by the pay research unit, evidence which is set out in very detailed reports to both sides of the National Whitley Council or rather to the trade union and to the official side, account is taken of variations in conditions of service, whether they be hours, or leave, or provision of free cars, or bonuses, or superannuation arrangements, and in relation to superannuation arrangements not only whether the scheme is contributory or non-contributory but also the overall value of the benefits of the outside schemes in the survey by comparison with the Civil Service scheme. There are two deductions which are made from the outside rate, if they are appropriate. If the outside scheme is a contributory one the outside rate of pay is abated by the amount of the contribution before it is put into the body of evidence on which Civil Service pay itself will eventually be determined. So individual rates are abated by the amount of the contribution. Over and above that, an abatement is made to what eventually emerges as the median figure around which the negotiations take place of 1·75 per cent on the last count, based upon an assessment by the Government Actuary of the overall value of the Civil Service pension benefits by comparison with the overall value of the outside benefits in the firms dealt with in the survey. That assessment by the Government Actuary takes account not only of the benefits specifically listed in the scheme in terms of amount actually paid but also of whatever arrangements there may be for uprating, inflation-proofing, or whatever phrase may be appropriate of the outside pension by comparison with the Civil Service pensions.

370. What you are really saying is that if successive Governments' incomes policies have not in effect suspended the normal comparison arrangements, then the effect of changing the pension system would have been shown in the ultimate changes in pay?——I am saying that very definitely; that as pensions change, these changes are, in my view fully reflected in the final pay calculations.

371. But not at the moment?——Let me explain, if that would help the Committee. The present arrangement provides—and this is spelled out in the national pay agreement, copies of which have been supplied to the Committee by the Staff Side—for the Government Actuary on the the occasion of each round of surveys to be provided with the total volume of evidence of outside pension arrangements. He already has details of the Civil Service pension arrangements. He then makes—and this is his judgment—an overall assessment in relation to each of the surveys, showing the difference in the overall value of the benefits in pay terms of the outside rate and the Civil Service rate. That leads, because the Civil Service overall is considered to be more favourable, to an abatement. What we have agreed with the Civil Service Department in relation to the whole of the non-industrial Civil Service, over half a million people, is that from these separate assessments made by the Government Actuary in relation to each of the surveys a single assessment should be produced. The last assessment, which involved an abatement of 1·75 per cent of pay, was based upon the surveys which were completed immediately before the 1974 pay agreement and before the pay research cycle which flowed from that agreement. Quite clearly, that figure of 1·75 did not and could not take account of the very exceptional rate of inflation which occurred during 1974/75. The information was not available to the Government Actuary; he could not tell in December, 1974, what the inflation rate was going to be by July, 1975, and he could not tell what would be the percentage increase under Pensions Increase Acts in 1975, nor, of course, could he tell, because he did not have the information available to him, what would be done

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by outside employers in relation to this exceptional movement in the index of retail prices. He could not tell how many firms would in fact meet the rise in retail prices in full, or how many would meet it in part and, if so, by what part, and he could make his actuarial calculation only on the basis of the totality of information. The only reason that particular Government actuarial survey has not been conducted is because pay research is in suspense and the national pay agreement is in suspense. If and when we return to pay research, if and when we return to a cycle of annual pay research reviews and the full implementation of the 1974 national pay agreement, the Government Actuary will be asked to provide an up-to-date assessment in relation to each of the surveys of the differences between Civil Service pension benefits and outside pension benefits and that will be taken fully into account. I would only say this: I think the Government Actuary will have a more difficult job than some outside critics of the Civil Service and some outside commentators have estimated. I personally do not quite understand how you assess in relation to the pay of an eighteen-year-old clerical officer in 1976 or 1977 by how much his salary should be abated to allow for the fact that in the year 2020 he will be drawing a pension which will take account of price increases at that time. I think that is an actuarial calculation of some considerable difficulty and I am not sure that it would make as great a difference to the figure of 1·75 per cent, which is the current abatement figure, as some people have suggested, if the actuarial calculation were even made in relation to the 26 per cent pension increase for the whole of the public service on the basis of legislation adopted by Parliament on a unanimous vote.

Mr *Lawson*

372. May I first ask you a question of fact? What rate of inflation did the Government Actuary assume when he made the last calculation that you are talking about?——I have no idea, I am sorry. The information about Civil Service pension rates or arrangements and outside pension arrangements as set out in the report are passed to the Government Actuary. What he does is his affair. I am not there to instruct him. I am there only to receive the Government Actuary's assessment. But as the Government Actuary operates on a totally impartial basis in this context I should imagine he would have taken into account whatever an actuary—and I do not pretend to be actuarially experienced —would regard as appropriate in this context.

373. I was not asking you to instruct the Government Actuary. I am well aware that that would be wrong. I thought it possible, since you have a close interest in this matter, that the Government Actuary might have informed you as to the rate of inflation he was taking into account and indeed the basis of his calculations, even though it seems clear that he has not done this? ——He has not done it and we have not asked him.

Chairman.] This is a question on which we can always ask for a note.

Mr *Lawson*

374. Obviously, however, it will have been a rate of inflation very much below the rate of inflation that we have at the present time?——Yes; but what we are doing is comparing the benefits of Civil Service pension arrangements with the benefits of outside schemes. The rate of inflation as such is irrelevant. What is relevant is any difference that there may be, if indeed there is, between the inflation-proofing of Civil Service pensions and the inflation-proofing of outside pensions.

375. Perhaps you will take it from me that full inflation-proofing is very rare indeed outside the Civil Service and therefore the question is what is the value of inflation-proofing. That depends in turn on what is the likely rate of inflation, so, with great respect, it is a highly relevant matter and not an irrelevant matter as you try to suggest. May I make it quite clear that we have no objection to your pushing the interests of your members of the staff as hard as you can? That is your proper job and we have no objection there. But I think it is as well to get the facts straight?——I was not saying it was

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totally irrelevant as such; I was saying that it was relevant only in relation to the difference between what is done for the Civil Service and what is done outside, because what is happening is a comparison between the value of benefits on the one hand and the value of benefits on the other. It would be for the actuary to determine what that difference is and what percentage abatement of what would otherwise be the agreed rate for the Civil Service is appropriate in the circumstances of any particular time. Twenty-six per cent. inflation ran for one year and one year only, but pensions run for perhaps twenty years—perhaps thirty-two years in my case because I am going to live to be ninety-two. To say that an individual's retiring salary should be abated by some large percentage because in one year and one year only inflation-proofing ran at 26 per cent. and the next year dropped to 14 or 15 and the year after that to 10 and the year after that to 5 and to say that the individual's pension should be permanently abated by some very large figure related to one isolated year, would in my view be actuarial nonsense.

376. So far I have not said that. So far all I have been doing is trying to get at the facts. Would you not agree that, as I mentioned earlier, full inflation-proofing of pensions outside the Civil Service, outside the public service, is very rare indeed?——It is very difficult for me to say that I agree with that. I can name a number of large companies where I know that full inflation-proofing ran even during 1975 when inflation was at its height. But there are certainly large numbers of companies who this year, if the inflation rate falls to somewhere between 10 per cent and 15 per cent as at most we must hope it will, will fully inflation-proof. Certainly it is common practice for good outside employers to build 5 per cent into their pension schemes as a matter of right, irrespective of movements of the index of retail prices. It is conceivable, and I am sure you would agree, that the index of retail prices figures will fall below 5 per cent at some time in the future. We must hope that it will, because it used to be like that, and if that happens and when it happens the outside firm which pays as a matter of right through its pension scheme, as many, many schemes do, a 5 per cent increase will be paying rather more than inflation-proofing. And I should not be opposed to that and I hope you would not.

377. Can we get back from Utopia to the present day?——I do not believe it is Utopia.

378. It was the case but it is very far from the case now. Can you tell me what you expect—because you have been monitoring the indices obviously very carefully—the next annual increase in public service pensions to be, in percentage terms? I believe it is announced in July, is it not?——It will be based upon the movement of the index of retail prices between July of last year and July of this year.

379. Which is near?——Yes, but we have not yet got the index of retail prices figure for May—at least, I do not think we have. (Mr *Vickers.*) They come out next Friday. (Mr *Dryden.*) Therefore we have the index of retail prices figure for May and the index of retail prices figure for June yet to come. As my crystal ball is rather clouded I should not wish to be taken as certain, but I should expect it to be of the order of 14 to 15 per cent.

Mr *MacGregor*

380. What value do you attach to the security of employment aspect? You rightly said that there has been a lot of outside criticism and concern in the public media and everything else in the last twelve months and quite a lot of it has focused on the fact that the big increases in unemployment have all occurred in the manufacturing and private sector generally. Therefore in a time like this security of employment is a significant factor for people. Indeed the Civil Service Commission's annual report, of which we have just been furnished with a copy, begins by saying, "By any standard, 1975 was a satisfactory year for recruitment to the Civil Service though the major factors contributing to our success were unfortunately the recession and the high level of unemployment. Then it goes on to talk about the sifting and short-listing of the

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abundant candidates becoming more difficult and taking longer. I wonder, therefore, what weight you gave in the terms and conditions of employment to this factor?——This is one of the issues which is the subject obviously of argument between the negotiators at the final stage of negotiation on any pay settlement and it is an issue on which it is impossible to give a definitive answer. You quote from one particular Civil Service Commission report which indicated that in this last year recruitment opportunities were good. There have been other years when recruitment opportunities were very definitely bad and when the Civil Service Commission was reporting for year after year almost that they had the gravest posible difficulty in recruiting at a wide variety of levels within the Civil Service. I cannot recall on any single occasion the Official Side accepting to any significant extent that those difficulties in recruitment were a justification for increasing the rate of pay of the Civil Service in order to facilitate recruitment. They were not prepared to accept that argument. I would not therefore accept that the fact that last year was a good year for recruitment could be produced as an argument for cutting pay. But I would go on to say, if I may, that the Top Salaries Review Body conducted a fairly comprehensive review into this question of job security, in relation to senior Civil Servants, admittedly, from Under Secretary upwards. Their report, copies of which I think have been supplied to you—certainly we made reference to it and if we did not actually supply it it is a Command number which we have quoted—brought out very clearly that in general the organisations which had the most secure employment outside the Civil Service were also the best payers. They were organisations that were doing well, which were not having redundancies because they were doing well and which were able to pay well because they were doing well and because they wanted to attract and retain the best staff. So I do not believe that in point of fact the likelihood of redundancy in itself justifies paying people more in outside employment. Organisations outside which are most likely to operate their employment on the basis of "hire and fire" and therefore where employment is least secure are very unlikely, in my view, to be good payers. Employers who value the conditions of their staff—this is my experience, and I could quote companies from my own experience but it would be improper perhaps for me to do so—employers who have a really good profit situation and who wish to make sure that they retain the best staff and continue to recruit the best staff and know that they can pay them, will pay well. That was broadly what the TSRB found. I do not believe that you can have a correlation between job security and salary rate. If you try to find one you are more likely to find that the secure job is the well-paid job and the less secure job in outside employment is the less well-paid one and the more difficult one.

Chairman

381. In that same Civil Service report it says, for example, that recruiting is difficult in the North of Scotland. Does that mean that your Whitley Council would be in favour of supplementing pay for people who took jobs in the North of Scotland?——No, I think recruitment is difficult in the North of Scotland for one reason only: that there is not a large number of people who want to take up Civil Service employment in Wick or Golspie, nor are there a large number of people who wish to be transferred to Wick or Golspie or Thurso in order to take up Civil Service employment. So I think that is an unrelated issue, really. Certainly we are not seeking any special rates of pay.

382. But they might take the jobs if the pay were higher than, say, in Bristol?——They might, indeed, but I think the Civil Service trade union movement attaches very great importance to the continuance of the national rate of pay for what is basically a national field of employment with transferability across the country.

383. Even in relation to London?——We have accepted the need for a London weighting. The Priestley Commission recognised the need for a London weighting. Every subsequent review, including the Pay Board report in 1974, recognised the need for a London weighting.

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384. Your two answers are not consistent, Mr Dryden?——They may not be entirely consistent, but I think there is a special case in relation to London, which is, after all, so far as the Civil Service is concerned, with or without the dispersal programme of the present Government and indeed of its predecessor, a very large field of Civil Service employment involving the necessity for people to be transferred into London and to meet the very high expenses which do arise there. Anyone who has served in the Provinces and who has been transferred into London will know that not only the Civil Service but other areas of the public service and other areas of private employment pay an extra rate for staff in London by comparison with that which they pay for staff outside.

Chairman.] Which may be the cause of London housing being more expensive?

Mr *MacGregor*

385. To go back to the question I asked, it is certainly true that some of the bigger companies and better companies are in the position that you describe to recruit the best staff, although, of course, that means that those who do not reach the expectations originally made of them find themselves redundant. This does happen, as you will be well aware, equally outside. But for every company you can quote like that, I am sure there are others where, often through no fault of their own, they are in difficulties at the present time because of the economic situation. I can certainly think of quite a large number of people who have been declared redundant, as I say, through no fault of their own or their company but because of the economic environment. It sounds to me, therefore, from the argument that you have put forward and your analogy with the best companies outside, that you are really saying that security of employment should not be a factor at all and that therefore there should be no abatement at all because of security of employment. Is that your position?——I am not saying that exactly. I am saying that there is no evidence to suggest that there is a correlation between pay and security of employment in the outside field and therefore I would not accept it as an aspect in relation to Civil Service pay determination, though it is frequently quoted, indeed invariably quoted by the Official Side, in the final stages of negotiations and certainly plays a part in their calculations. You would not expect me to ask for a cut in pay because of security of tenure, and I am saying no more than that the Staff Side will always oppose an abatement of pay in relation to security of tenure, because in our view there is no evidence to justify it. The Official Side, on the other hand, may argue something different, and they do, repeatedly. But let me say this: the Civil Service at the present time is not entirely secure employment. The Government has announced its intention of effecting £140 millions of economies on staffing, and figures have been variously quoted, but certainly the projected employment of the Civil Service for 1978/79 is going to be reduced by something like, on a conservative estimate in my view, 60,000. Not all of those will be actual redundancies because much of it will be absorbed by wastage, as is true in any field of employment, but that there will be redundancies is certain. There have been other occasions in the past—for example, when the decision was taken to wind up rationing and the Ministry of Food disappears almost overnight. It may be over twenty years ago but it happened, and when the Ministry of Food disappeared there were large numbers of redundancies amongst civil servants, established as well as temporary staff. That situation can happen at any time. In the Ministry of Defence very substantial cuts are being effected by the Defence review. Some people think the cuts are not large enough, others think the cuts are too large; but the cuts are being made and the Ministry of Defence review is going to reduce the size of the Civil Service in the Ministry of Defence significantly. There will be redundancies. In other words, the Civil Service, if it was in 1974 or 1975, is no longer in 1976 secure employment. So if the security of employment argument was relevant in the past it is certainly not relevant at the present time.

Chairman

386. I think you have taken us on to the cuts. Would you tell us, before we

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go to that, why your figure of 60,000 differs from Sir Douglas Allen's 35,000? ——I said there are all sorts of figures.

387. There may be good reasons. They may not be comparable?——I have included the Ministry of Defence review which is outside the economy cuts. The Ministry of Defence are already committed to 15,000 at present, already before the economy cuts were announced, and another 5,000 to 7,000 are projected in the next PESC review. In other words, I am talking about 1978/79 and there will be over 20,000 Ministry of Defence staff eliminated over that period, either as a result of the Defence review or as a result of the next pay exercise. Those figures are not taken into account at all in Sir Douglas Allen's figures relating to the £140 million cut, from which the Ministry of Defence has specifically been excluded.

388. That is still slightly less than 60,000 which is what you say in your paper?——I think there are variations. Some people have said that the figure will be reduced to 730,000 and others have said it will be reduced to 735,000. It is always difficult to be precise. If Sir Douglas Allen said 35,000 and I have just added 22,000 to it I think I am within a legitimate margin of error in saying 60,000.

389. You said " not less than 60,000 ". You ruled out one side of the margin of error in the earlier memorandum? ——If anyone wants to take a bet with me I think I shall prove right in the end. (Mr *Vickers.*) Is it possible for me to say something about Mr MacGregor's point? It so happens that members of my organisation in 1969 were faced with 5,000 redundancies in the field of messengers and cleaners. Not all of them took place because we were able to resolve some of them in negotiation; nevertheless a large number of people lost their jobs. If I may say so, this idea that this kind of thing does not happen simply is not borne out by the facts. That is all I want to say. It is a very different picture from what has been painted.

Mr *Ridley*

390. Does the Staff Side support the coming phase and the present phase of the pay policy, the £6 a week and the 4½ per cent.?——(Mr *Dryden.*) The Staff Side reached full agreement with the Official Side on the payment of £6 during the 1975/76 season. Some of the unions of the Staff Side are currently making their final decision, but I believe that when the Trades Union Congress meets next week every union on the Staff Side affiliated—and that includes all the major unions—will in fact be supporting the policy.

391. Is that because they thought and think that it will give them more than they would otherwise have got from fair comparisons?——No. There is, in fact, a deep feeling on the part of the Staff Side that we must return to the full operation of the 1974 national pay agreement and the principle of pay research from the earliest practical moment, but we recognise, as a trade union movement in the Civil Service and as a Staff Side and as a Civil Service owing allegiance to whatever Government is in power, that there are occasions, sometimes we think too frequent occasions, when the Government has to impose a pay policy of universal application or alternatively to reach a voluntary policy of universal application. If that happens we recognise that the Civil Service cannot be regarded as an exception to such a policy of universal application.

392. I am a little confused, because you said in your opening remarks just now that the main function of the union was to get better pay and pensions for your members, and you have now said that this award is less than you could have expected to get from the other system. So why have you backed it or why have the unions backed it?——It is not a question of whether we are backing it. Indeed, I am not quite sure of the purpose of the question, because I am being asked about Staff Side policy as opposed to trade union policy and, with respect, I do not propose to get involved in the differences of the policies of individual trade unions. If, at the end of the day, in negotiation with the Official Side we are presented with a situation in which it is quite clearly impossible for the Staff Side to get any other settlement from the Government save the policy which they are operating across the board, we are realists and

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we recognise facts. If anyone wants us to lead the Civil Service out on strike in complete defiance of Government policy, whichever Government happens to be in power, I do not think that is likely to occur.

Chairman

393. You have come across incomes policies under successive Governments? ——We have come across incomes policies under successive Governments: indeed, from the Stafford Cripps freeze back in 1947 right through a series of policies, including the Selwyn Lloyd pay pause of 1961/62, the incomes policy of the first Wilson Administration in 1966/67/68 and so on since then, the various phases of the Heath Administration and the current phases of the fourth Wilson Administration and the first Callaghan Administration.

Mr *Ridley*

394. I would make a forecast—you have made some "guestimates" of the rate of inflation for next year—that it is likely to be about 30 per cent?——I do not think I am here to give evidence about the rate of inflation next year.

395. If the rate of inflation is very high, is it not going to bring the whole of the Whitley Council machinery into considerable disrepute?——I do not think anything would bring the Whitley Council into disrepute, because it has stood the test of time for very nearly sixty years, because we are a very experienced group of trade unionists, because we deal with a responsible administration and because, behind that, we have the overall authority of the British Government, the British Government of either political party—and I am not here at this meeting today to criticise either Government or administrations. I am here to explain the position of the Staff Side of the Civil Service National Whitley Council on certain aspects of conditions of service about which we have been asked for our views, and I hope, Chairman, if I may seek your protection, I shall not be asked to deal with questions of this kind.

Chairman

396. I can only add to your statement, after Government "and Parliament"? ——I regard Government as being dependent upon Parliament.

Mr *Ridley*

397. What is the likelihood of groups of civil servants who feel that they have been badly done by, taking individual action as a result of the failure of the unions to request for their full entitlement?——That, if I may say so, is a question verging on "When did you stop beating your wife?", because it implies that the unions have failed. I am not prepared to accept that the unions have failed in any respect in their overall duty.

Chairman

398. I think the point of this is that any trade union that feels that it has different views from others is at full liberty to send them to us?——That is perfectly true, but I am not here to speak for individual unions. I am here to speak for a collective Staff Side on matters of common concern.

Chairman.] But we have not placed any restrictions on any evidence that any union wishes to send us.

Mr *Loveridge*

399. In your own evidence you mention the Priestley principles that derive from the Royal Commission of November, 1955, and they speak of a fair comparison as the basis of your work and negotiations. Also, within that it is said that the comparison should be with current rates rather than with trends in remuneration. We do not know how inflation is going. It may in fact fall substantially, but if this principle of current rates is adhered to at a time when inflation is falling rapidly, it could arise that the public purse would be charged to much in relation to what the negotiations achieve. Do you really adhere to that principle or is there some give-and-take over it?——This comparison is made with the current rates actually in payment. I do not think the public purse can ever be charged with too high a rate because it is unlikely, in my view, that in present circumstances, even if the rate of inflation were to fall dramatically, even if we were

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to find we had a negative rate of inflation and in fact the cost of living was positively falling, that outside employers would actually reduce their rates of pay to their workers and so if the Civil Service rate of pay is compared with what is already currently in payment, we should then be in line and there will be fairness for the civil servant and fairness for the taxpayer.

400. You mentioned earlier that there was the possibility of a 14 or 15 per cent. increase in July. How would that compare—you must have done some figuring on it—in relation to the limits that have been imposed on the outside world, the £6 for example?——Under the incomes policy it is quite clear that £6 for a very low paid worker would represent more than 14 per cent. He would have to be fairly low paid. It is very clear that it would represent something very much less than the movement of the index of retail prices for someone earning, shall we say, £5,000, £6,000 or £7,000 a year.

401. Do you know what the average will be for the whole non-industrial Civil Service on 15 per cent?——I do not have at my fingertips the current average salary for the whole of the Civil Service, but I would make a rough guess that it is probably nowadays of the order of £3,000. That allows for the fact that there are a large number of fairly low paid staff in the clerical, subclerical and typing grades, a significant number of people in the field of junior and middle and senior management.

402. On that basis the figure would be about £9?——Indeed, 14 to 15 per cent would be £9 a week.

Mr *Garrett*

403. In paragraph 5 of your evidence you refer to the reduction in the number of separate staff associations from 275 in the 1930s to 9 today. Do you see that process continuing and would you welcome a further reduction in the number of staff associations?——I was appointed Secretary General of the Staff Side with only three years, or a little less, to run, precisely because the Staff Side wanted to conduct a review of its own organisation and therefore they wanted a short term Secretary General. It so happened that I was the best Secretary General they could have had and it also happened that I was a short-term Secretary General. During that period we have in fact reviewed our organisation. We have prepared a series of papers which have been considered by the constituent unions and during that period there has been a measure of further rationalisation. The Association of Officers of the Ministry of Labour and the Customs and Excise Group have both merged with the Society of Civil Servants; the Ministry of Labour Staff Association and the County Court Officers' Association have merged with the Civil and Public Servants Association so we have declined from 13 to 9, as I have outlined, even in the last year or two. As a result of the various papers that we have put out which envisaged the possibility of a single Civil Service union, or alternatively envisaged the possibility of a closer federation, it became clear that there was not a readiness at this stage to move to a single union and that, considered as a federation, the National Staff Side itself was already a very good federation for representing the collective interests of these unions. There may yet be change, but the Civil and Public Services Association at its conference this year rejected the idea of a merger with the Society. The Society has considered the possibility of a merger with the Institution of Professional Civil Servants and the First Division Association into a sort of managerial top-brass organisation and has decided, at any rate for the time being, against it. I think having got down to 9, it may well be some significant time before there is further change.

404. What would have been the effect on staff association organisation of the adoption of Fulton's proposal for a unified grading structure?——I think that is very difficult to say, because the unions which make up the Staff Side are themselves of very long foundation. The Society of Civil Servants traces its origins back to 1893—that is the union I happen to know best because I used to be general secretary of it—but other unions are equally long in the tooth. They have a history and tradition in relation to their members and I believe that even if a unified grading structure had been introduced in principle, it

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would have taken a very considerable time to work it down. It is not the sort of thing that you can do over-night in an organisation half a million strong, with the immense complexity of grades and of jobs and trades and so on that exist in the Civil Service. I believe personally, though this is perhaps a little improper for me to say—certainly I have not got authority from the Staff Side to say it—that the National Whitley Council acted wisely in its relation to the unified grading and recommendation. It got unified grading at the top, it merged hierarchies.

404A. Did it?——Yes. There is opportunities for interchange between hierarchies. Did it?——Yes. There is significant opportunity for Departments to move people laterally from one hierarchy to another, either on a permanent or on a temporary basis, and there is a National Whitley Council agreement covering all that. There will obviously be different views within the Civil Service trade union movement and different unions will be giving different evidence to this Committee on this particular subject. So this is not really part of the Staff Side's case, but since you raised it with me I have given a personal answer which is nothing to do with the Staff Side and is purely John Dryden on his way out.

405. I am not surprised at your view, given your background?——My background has nothing to do with it, if I may say so. I am speaking as someone who has not only been an officer of the Society but has also been, for the last three years, Secretary General of the Staff Side; and even I can sometimes rise above my background.

406. In Appendix 1 of your evidence, in which you refer to your paper submitted in connection with the management review of the Civil Service Department, reading between the lines it seems to me that you are really highly critical of the performance of the Civil Service Department in the field of personnel management. You are maintaining, as I understand it, that the Civil Service Department is not capable of imposing a set of policies for personnel management over the autonomy of the individual Department?——On that rephrasing I would not widely disagree with what you have said. On your original remark, yes I would have differed from you completely. I am not being highly critical of the Civil Service Department, because that implies that the Civil Service Department is not doing its existing job properly. What I am critical of is the role allotted to the Civil Service Department, which is not quite the same thing. We believe that the Civil Service Department should have a role of authority as well as a role of guidance. We believe that if the Civil Service Department is there as the personnel management power house of the Civil Service it can only exercise that role if it can say to Departments, "You will do this", rather than just be able to say, which is the limitation of its present power—not its power by choice necessarily, but its present power under the constitution and under the doctrine of Ministerial responsibility—"We should like you to do this; we would recommend that you should do this; we believe that this would be the right thing for you to do". We should like the Civil Service Department to be able to say, "These are our instructions; you will now get on with it".

407. You would like the Civil Service Department to have powers in the personnel field that the Treasury has in the financial field?——Yes. Broadly, I think that is a fair statement of it.

Chairman

408. You are really saying in effect that it should be a Department not of personnel but of administration?——Well, of personnel administration, yes. The two things are combined; they are both. It is personnel management which lies at the very heart of the Civil Service Department function. It is the personnel department for the Civil Service, the management department for the Civil Service. If it is not that, it is nothing. That is why the management divisions of the Treasury were taken away after Fulton and put into a separate department along with the Civil Service Commission and along with the training arrangements in the Civil Service College, to make a department which was responsible for administration and personnel management.

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409. Would you agree that there is an innate conflict—I am sure your members in some unions might—between management services, which might say, "By a simple change of the tax laws we can save 1,500 staff in the Inland Revenue", and personnel management in its aspect of relations with the National Whitley Council? Would you not say that those two things might conflict?——I do not think that the management services department would be likely to propose changes in tax law over which the Inland Revenue Department would obviously have to have authority because that is the department; but if the management services division of the Civil Service Department were to say to the Inland Revenue, "By this, that or the other change of organisation you could carry out your existing departmental tasks much more efficiently, could save *x* number of staff and could save public funds £*x* million, then I think they should have the authority to say to the Inland Revenue Department, "Yes, do that."

410. But might not the unions involved have some degree of argument about that?——There could always be argument on that sort of issue. The main aspect of work would be the subject of consultation any way, and in relation to management services what the Civil Service Department was recommending, and indeed instructing, the Department to undertake would then be the subject as to the way it was done of discussion on the departmental Whitley Council. In any event, what the Civil Service Department through its management services division was recommending to the Revenue would almost certainly be something it had discussed in general principle with the Staff Side of the Civil Service National Whitley Council. Similarly in relation to direct personnel management, questions of recruitment, promotion, career development and so on are determined in broad outline in negotiation nationally. The way in which they are implemented departmentally sometimes leaves something to be desired. On the question of redundancy which arose from Mr MacGregor's remarks about whether the Civil Service was in fact totally secure employment, we have negotiated a national model redundancy agreement, but at the moment the Civil Service Department does not have the authority to say to an individual department affected by redundancy, "The national model redundancy agreement is something that you will apply in every respect in dealing with the redundancy that has arisen in your field."

Mr *Radice*

411. Why do you think that the CSD has not developed in the way that you would like? Secondly, what is necessary for it to do so?——I think it has not developed in the way we should like partly because of the historical approach of senior officials towards their rôle in relation to Ministers and partly because of the way in which Ministers see their rôle in relation to Departments—in other words, the unwritten British constitution requirement that a Minister is totally responsible for the operation of his own Department. If he has not got absolute powers exercised through his own senior officials, if he has to give ground to outside pressures from the Civil Service Department, that is in some way an infringement of the inalienable right of the Minister to run his own Department.

412. How are you going to rectify the situation in the way that you would like? ——I am not in a position to change the British Constitution.

413. How would you like to see the situation rectified?——I should like to see acceptance by Ministers, by Permanent Secretaries, as well as by the Civil Service Department. Let me be quite frank, the Staff Side have not yet persuaded the Civil Service Department that we are right in our approach to this issue. What one has to do is to persuade not only the Civil Service Department but also Government that this sort of change is right and that Ministers should be prepared to accept that in certain respects relating to personnel management, and so on, the basic principles negotiated nationally should be applied and they should accept that they should be applied. (Mr *Vickers.*) This is of course the position in pay. As you will know, there are departmental grades, but as I think all of us present here know very well, the fact that individual Departments would make quite clear privately that they

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would support a particular claim you make has no effect if the Civil Service Department, rightly or wrongly, refuses its sanction; and that is despite the constitutional point which is being referred to. (Mr *Dryden.*) This is, in a sense, the reverse half of the coin; that, oddly enough, on pay the Civil Service Department, operating through various inter-departmental committees as well as in its own right, has the last word and can ensure that although a union might persuade that Department that a pay increase for this particular departmental grade was desirable, it would be inconsistent with Civil Service pay arrangements generally and therefore cannot happen. So there are two sides to the coin: in some respects the Civil Service Department has an absolute right of veto, in some respects it has no authority at all other than persuasion.

414. Is that because in one area it has the backing of the Treasury and in the other area it does not?——I think that has something to do with it. It has the backing of the Treasury and of the Department of Employment and of the inter-departmental committee which has an overriding authority on matters relating to pay as they affect the entire Civil Service.

Mr *MacGregor*

415. I wonder whether I could ask you for your thoughts on the question of cash limits and the likely effect that this may well have longer term for quite a lot of work that you do? As you know, this particular Sub-Committee has been in favour of cash limits for some considerable time and has been investigating the whole process of cash limits since the Government introduced them for wider economic and public expenditure reasons. This year, cash limits are not actually going to have much effect on any of your pay negotiations, because what has been done is quite straightforwardly to take the Government's pay policy rules and simply apply them to the existing number of civil servants, and that is a separate block, as you know. You yourself want to see an end to the present pay policy limitations and that at some point will almost certainly come. You want to go back to the Civil Service pay agreement—you have made that clear already in your evidence to us. Nevertheless, I suspect that the system of cash limits is going to remain quite firmly with us as a principle for many years ahead, with some of the details perhaps changing again for wider reasons. Does not this mean in fact that you will start to have to take into account the cash limits that are settled? Because in future I cannot imagine, and there is no Government pay policy, that they will be able just to use the straight £6 or the 4½ per cent as the calculation for pay. Does it not therefore mean that you will be faced with some choices, just as people in the outside sector are from the point of view of not pushing companies into a loss making situation and so on? You may well find the same choices and that therefore there may be some erosion of comparability because one of the other factors that will have to be taken into account is the money that is available. You may then have to make choices about the directions in which you have to go, and so on, in relation to pay. I wonder what your general thoughts on that are?——I cannot give a complete answer on this question. The Staff Side received only a week ago from the Official Side in the Civil Service Department a detailed paper about the implications of cash limits for Civil Service negotiations, not only on pay but on other issues as well. That paper has yet to be considered by the Staff Side's policy committee. I think that there is an aspect of "chicken and egg" about Mr MacGregor's question in this sense. Obviously if cash limits are running from April of one year to April of the next we have a situation at the moment where Civil Service pay is revised annually on the 1st April, so if one knows early enough by how much Civil Service pay is due to be revised on 1st April one can determine the cash limits appropriately on the basis of full knowledge. There is no problem in relation to the £6 policy effective from 1st April this year. There will be no problem in relation to the 4½ per cent or whatever it is, the £2:50 to £4 payment from 1st April next year, which will presumably, as of now at any rate, be paid out from 1st April, 1977, because those figures are known well in advance and can be calculated well before cash limits them-

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selves have to be determined in November/December. Really the basic problem will be for the Staff Side and Civil Service management to see how the fair comparison system and the cash limit requirements can be made compatible. That they can be made compatible I am convinced, because I believe that the ingenuity of man can cope with problems of that magnitude without overstraining itself, but it will involve, I think, changes in the timetable and things of this kind to ensure that there is no problem in relation to cash limits in determining Civil Service pay. That it will present problems is undoubted. They will be significant problems and it will be the job of the two sides of the National Whitley Council to see how those problems can be overcome and the Civil Service fair comparison pay negotiation system made compatible with the operation of cash limits, if that proves to be a continuing feature of Government public expenditure control.

416. So you are, in a sense, accepting that this is a new factor which will now have to be taken into account?——It is a new factor which will very definitely have to be taken into account in the procedural arrangements, but it does not of itself, in my view, invalidate any of the principles on which Civil Service pay has hitherto been calculated. I remain and my Staff Side colleagues remain absolutely convinced that the future well-being not only of the Civil Service but of Civil Service industrial relations and of working relations between the Civil Service and Government hinge very much upon the continuing application of the fair comparison principle established by the Priestley Royal Commission and proved by the test of time over 20 years.

417. But if there is some conflict between the cash limits that settled for the wider economic and public expenditure reasons and the principle of fair comparison, or if there could be some conflict and therefore there has got to be some "give", I take it from what you are saying that you would expect the "give" to be on the numbers in the Civil Service in any given year and not actually on the rates of pay?——I did say that I thought it might affect the timetable. It may be necessary to determine by November or December of one year what pay increase the Civil Service is going to get in April of the following year. That is a problem, a problem which has got to be overcome. Under the current system we negotiate and finally determine the pay rates, or have done under the last round of pay research in March, 1975, for application from 1st April, 1975. If we have to determine the pay rates earlier, that presents a new aspect of negotiation, a new complication of negotiation. But these are problems that will be overcome by the ingenuity of the negotiators and by the determination of the two sides of the National Whitley Council to maintain the only principle upon which Civil Service pay can fairly be determined, fairly to the civil servant, fairly to the tax payer, fairly to the administrator and fairly to the Government of the day.

418. You referred to the resentment and public criticism there is at the moment, justified or not. Would you feel that proper publication and widespread dissemination of the pay research unit's own findings, and its evidence, would go some considerable way to removing this public suspicion and possible hostility?——Yes, I think it would, if it could be done, but there are difficulties. Many of the organisations collaborating with the pay research unit in the provision of information do it on the basis that the information will be the property only of the negotiators, and there are very strict controls over the reports prepared by the pay research unit. They go on a very restricted basis to the negotiating committee of the union and to the Civil Service Department and they do not go beyond those negotiators. They are obviously available to Ministers and are obviously available, if recourse has to be had to arbitration, to the arbitration tribunal; but they do not go more widely. That is because an essential feature of the setting up of fair comparison was this assurance of confidentiality to the very many outside organisations, two hundred or more, who have regularly participated in pay research reviews. The Director of the pay research unit has been having discussions with organisations to find out to what extent they would be prepared

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to agree to a wider measure of notification, in particular the indication of whether their names can be published as being associated with a specific report, and there will be further discussions, I am quite sure, between the two sides of the National Whitley Council on this question of publicity.

419. You would have no objection if that problem of confidentiality was overcome?——We have no objection to publicity if the problems associated with the very natural sensitivity and susceptibility of the outside firms and organisations can be overcome.

Mr *Lawson*

420. Would I be right in summarising your reply to Mr MacGregor's line of questioning on cash limits by saying that in your opinion the pay block in cash limits should be tailored to fit Civil Service pay and numbers rather than Civil Service pay and numbers being tailored to fit cash limits?——I think there are two jobs that have to be done. The Government has to decide amongst other things what amount of money it can afford for any particular area of its expenditure. It also has to decide—and this is a separate thing—exactly what its present complement and field of duties and field of requirements really involve in terms of cash. These two things have got to be reconciled. If the Government has decided in terms of numbers that it has effected its economies and it projects its numbers for the forthcoming twelve months as 730,000, shall we say, then it estimates the cash limits for 730,000 against determined salary rates operative from 1 April in the year under review. But it has to reach that decision way back in November if it is going to publish its cash limit figures at the beginning of the year along with the Estimates and what have you. At the end of the day, if it finds that it has got to trim back on its cash limits it can only do that by cutting staffs. Or, alternatively, if it finds it wants to undertake extra fields of activity which would involve the recruitment of additional staff, then if cash limits operate it may find it can only do that by cutting out other functions and thus reducing numbers. But if it has got its sums right and knows what pay is going to be from the 1 April. and knows what its complement is going to be from 1st April, it can say what its cash limit will be from that date for the forthcoming twelve months without too much difficulty.

421. Since you mentioned that it may be necessary to cut staff, cut numbers, and indeed the present Government has decided it has to do just this, I should like to put one question to you which puzzles me in the writing of your evidence, paragraph 32. It ends with the words, "in order to ensure that compulsory redundancy may be avoided." While I realise that it would be very nice if it could all be done with voluntary redundancy, I do not see how you can ensure that compulsory redundancy is avoided, although that may well be your objective?——I do not think that the desirable can always be ensured, and if you are taking issue which me on the one word I would accept that it is an expression of optimism rather than necessarily an expression of what is practical.

Mr *Lawson.*] It was just that one word. Thank you for your comment.

Chairman

422. What is the difference between, on the one hand, redundancy provisions in industry and the model redundancy agreement? On the other hand, why is it that the model redundancy agreement, if it were implemeneted by Departments, would prevent redundancy?——"Compulsory redundancy" is the operative phrase.

423. The definition in the Act of redundancy is not when a person is dismissed but when a job has ceased to exist, as a result of which a person is dismissed?——Redundancy arises when there has to be a cut in staff. How that redundancy is absorbed will vary. It can be absorbed by the discharge of people over the normal retiring age, of whom there will be many. It can be resolved by discharging temporary civil servants, of whom there will always be a number—casual staff. It can be resolved by deciding that Departments will be circulated to find out whether they are expanding, although this other department is contracting, and so can absorb staff from the redundancy area.

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It can be resolved by circulating the staff of the Department when redundancy exists and inviting people to volunteer to retire prematurely before the normal retiring age, under the provisions of the structural retirement arrangements of the Civil Service National Whitley Council agreement on premature retirement. All these are possibilities. Probably there are others, because I do not pretend necessarily to be comprehensive in that reply. All these are ways of avoiding compulsory redundancy in which you say to Joe Smith, "You are out."

Mr *Lawson*

424. May I come back to the line of questioning put by Mr MacGregor and try to tie up a loose end? He asked you about this very important matter of job security, and as far as I can recall in your answer you said that a little account was taken of it but not a great deal. Would you be surprised to learn that we were given evidence to the effect that the pay research unit, which works by very precise principles, gives no weight to job security at all?——The pay research unit is a fact-finding organisation. The pay research unit has nothing to do with the determination of Civil Service pay. It only finds the facts and it sets them down on paper and the negotiators argue about those facts. Every chapter of every pay research unit report will say in relation to the outside organisation concerned what the firm itself says about security of tenure in its own employment. The pay research unit checks what it has put down on paper with the outside organisation, and what the outside organisation says is what comes through to the parties. I do not pretend to know whether that is accurate, but it is what the pay research unit has been told by the outside firms about the degree of security of tenure in the broad field of employment covered by the particular survey. So the pay research unit puts the facts out. What happens then is that in the final stage of negotiation, since it is obviously impossible precisely to quantify a factor such as job security—you cannot say that job security is worth £5, or that it is worth £10, and say that that is a fact because it is down here in black and white; it is "an unquantifiable", in the jargon of pay research—it is one of the factors that is argued by the Official Side in arguing that the Civil Service rate should lie if anything below the median rather than above. It is one of the factors, therefore, which the Official Side can use in negotiation and in argument to depress the Civil Service rate in relation to this broad spread of outside true money rates. On the other hand, the Civil Service trade union will be arguing differently in terms of unquantifiables, such as the extremely considerable versatility of the executive class in the Civil Service, or the extent to which mobility is a factor in the civil servant's career—liability to be moved around the country, repeatedly in some cases, to a much greater extent than may operate in the private company. These are unquantifiable factors.

425. I understand the two sides of the argument. But at the end of the day when a conclusion is reached, and in your experience—and you have a great deal of experience—how much weight would you say is attached to job security?——I think you are asking an impossible question. The Staff Side may have been arguing, the trade union may have been arguing, throughout the closing stages of the negotiations that the correct rate for a particular job should be £3,000 a year, and the Official Side may have been arguing, throughout the closing stages of the negotiations, that the correct rate for the job should be £2,800 a year, and eventually, after all the negotiations have taken place, the final figure is probably somewhere between the two, but it is impossible to say what figure has been attributed to job security, or what figure has been attributed on the other hand to the versatility which the Staff Side has been arguing. At the end of the day on issues of this kind you either have an agreement or you have not. If you have reached an agreement it is an agreement which both sides are prepared to accept fairly reflects the overall balance of the argument and is not so unfair as to justify, so far as the Official Side is concerned, a refusal to reach agreement, or, so far as the Staff Side is concerned, a decision to refer the issue to arbitration.

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426. I was not talking about the technique of the negotiation, which I fully understand and we all understand, but this attempt at "fair comparison"?——You were asking me to quantify the unquantifiable.

427. The question is, what is a fair comparison? Are you aware that I was given an answer to a Written Question on Thursday, for example, that unemployment at the present time was 6·4 per cent in the private sector and 2·5 per cent in the public sector, which is rather a big difference, is it not?——A big difference in total numbers, yes. I do not know how you quantify that in pay. If you can make one suggestion to me as to how you can quantify that in pay and what evidence you would have for that suggestion, frankly I should be fascinated. I repeat, the evidence that I have suggests that in the areas where job security is greatest, pay tends to be highest. I have said that before. I must not repeat myself.

Chairman.] I am puzzled by Mr Lawson's questions since he related unemployment to the public and private sectors and I should have thought unemployment was not directly related to either.

Mr *Lawson*

428. It is possible, but I do not want to waste the time of our valuable witnesses. One last question, if I may. I have just come back from Germany where I had very interesting discussions with people from the German TUC, the DGB, and one of the things there, as you will know, is that the public servants and civil servants, because of their job security and their status, do not have the right to strike. Do you think it would be a good idea if we imported that idea into this country?——No, not particularly. If you want to encourage people to decide that they will strike, start telling them that they have not got the right to. In point of fact the Civil Service has exercised its existing right to strike with immense moderation. The only occasion that I can recall where there was anything remotely resembling a strike in the Civil Service was at the beginning of 1973 when the clerical and executive and administrative grades in the Civil Service had received a pay research report which demonstrated that they were 20 per cent behind the pay rates of their outside counterparts and under fair comparison they were due for an increase from 1 January, 1973, which they did not eventually get until 7 November, 1973, and they got no back-dating. They did, greatly daring, hold meetings in official hours, on 10 January, 1973, and they did, even more greatly daring, come out for a on-day withdrawal of labour on 28 February, 1973, or some of them did. But it is a free trade union movement in the Civil Service and the unions concerned asked their members to come out; they did not instruct them to and they did not take disciplinary action against anybody who did not come out, but they did register their protest. If you tell them they cannot do that and if you tell them they cannot register a protest in any circumstances, then I think, knowing the Civil Service as well as I do, that you are far more likely to encourage them to take much more dramatic militant action than any that they have so far taken, if only to show that they have got minds of their own.

Chairman

429. You may also recollect that at one time Germany had no strike statistics because all official strikes throughout Germany were illegal?——I have never been prepared to admit that every thing good comes out of Germany.

Chairman.] As it happened, they kept a set of unofficial statistics which they did not publish.

Mr *Loveridge*

430. Your Staff Side has made a very important recommendation, but I think one not necessarily acceptable to the Government, about strengthening the powers of the Civil Service Department. What I am not quite clear about, and perhaps you might like to tell us so that we may know what weight to give to it, is how far your recommendation springs from your duty to your own Staff Side and your feelings that this would help your negotiations with Government, or how far it springs from a study in depth of what would be good for the public service if the Civil Service

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Department had more power to reduce staffs, and so on, generally. Which were you thinking of?——I think I can best reply by taking one example. We have in various unions in the Civil Service from time to time negotiated what we call promotion pooling arrangements, designed to equalise career development opportunities between different Departments. That has involved determining which Department should export staff whom they cannot themselves promote and which Department should import those same staff into higher posts because they have a much better career opportunity at any point in time. We negotiate this centrally with the Civil Service Department on the basis of statistics which are provided centrally to the Civil Service Department and through the Civil Service Department to the unions, but we cannot compel, and the Civil Service Department cannot compel, an importing Department to accept an individual for promotion through the pool. It has to be done on the basis of the Department's agreeing to do so. If I may be, to a degree, indiscreet, I can say that this is one of the issues where you will often find the trade union side departmentally conniving with the Official Side departmentally to ensure that they do not import, because if they do not have to import people from other Departments they get the promotion opportunities for themselves, and there is a very natural preference to hang on to any promotion opportunities that may be going. This is an example where we feel that the Civil Service Department should be able to say to Department X, "You will import *x* people. We have held this particular pool board and we are sending you Bloggs, Smith and Robinson, to fill your three vacancies". They cannot do that.

431. Do you not think that if the Civil Service Department had actual power to operate on its own, so to speak, without the permission of the Departments which it is going into, you would get into a very considerable muddle because there was no longer any specific Ministerial responsibility? It is a case of too many cooks spoiling the dish, so to speak?——I do not think this would be so, because although I am talking about the Civil Service Department having power, the Civil Service Department would have power to implement with authority National Whitley Council agreements which it will have reached with the Staff Side, and the Civil Service Department operates not purely independently; it operates in consultation with Departments. It has therefore got an agreement with the Staff Side which Departments have accepted in principle in terms of negotiation carried out through the National Whitley Council and to which Departments are, to all intents and purposes, committed by virtue of the fact that it is a National Whitley Council agreement. When it comes to the implementation of that National Whitley Council agreement in their own particular field, they can always say, "Ah, but my Minister will not allow me to accept these particular individuals at this juncture."

432. Some of us have been concerned that there is not enough scope perhaps for specialists, with specialist training, to obtain promotion. I do not know how far your Staff Side has gone into this subject or what they feel about it. What I should like to ask is how far would the Staff Side resent reasonably substantial secondment of specialists on a temporary basis from the outside into the Service, so that up-to-date technical knowledge can be brought in?——The secondment from outside the Civil Service into the Civil Service would, I should have thought, worsen the promotion opportunities of scientists and professionals within the Civil Service, rather than enhance it. I am not entirely sure that I understand the way in which the second half of your question relates to the first. In relation to the opportunities of scientists and professionals, I have said that we have reached an agreement since Fulton for lateral movement and for opportunity posts which between them provide opportunities within the Civil Service—though I believe Mr Garrett regards them as totally inadequate—for professionals and scientists to move across and to take administrative jobs, or indeed, *vice versa*, if any administrator holds an appropriate professional or scientific qualification. The Staff Side is not giving evidence on this matter because I and my colleagues regard it as vital that

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the Staff Side should give evidence only on matters on which there is a unanimity of view. Obviously, on the question of the relative career developments of professional and scientific staff, on the one hand, or administrators, on the other, where different unions represent different groups of staff the possibility of dissension is only too apparent. Therefore I would prefer that questions on this subject or related questions should be put to the unions which will be giving separate evidence to you, as and when they appear before you.

Chairman.] We shall be doing that shortly.

Mr *Garrett*

433. May I ask what objections you have to the Civil Service College's training in management. In paragraph 26 you say that you are not fully satisfied. Although you say the College has done very well in some areas, you say you are not satisfied really with its training in management and administration. Could you just tell us what main objections you have?——I think it is rather in the way in which the College has tended to concentrate on an over-academic approach rather than a practical approach. These are matters which we are continuing to discuss through the joint training committee of the National Whitley Council and we shall continue to do so. We say here we are not fully satisfied that they have done everything possible. That is not to say that the problems of management training have not been developed very considerably indeed since the Fulton Committee reported.

434. But is the main sense of your objection that it is not sufficiently practical for civil servants who are managers? Is that right?——I think that is right. There is no doubt at all that one wing of the College, the specialist wing which deals with specialised functions of management, is extremely effective indeed and has developed techniques of management to a very high degree. But some of the more general courses in our view are over-academic in character, do not sufficiently get down to the nitty-gritty of day-to-day management problems and, perhaps because of that, do not sufficiently hold the interest of the junior or middle managers who are attending the courses. We are seeking to secure improvements in that.

Chairman

435. Would it be better if it were split? It happens to be in at least three sets of buildings so it is not a case of trying to divide something up that is already in one place. It is not. Would it perhaps be better if, rather like the Army, one had training at different levels: a staff college at the top level, what you might call the extremely academic; then a junior and middle management one, which you say is doing well at the moment, and so forth?——In a sense the College although it is a single entity, does split its role very considerably between the different levels of training. It is already split into three locations as you know, Edinburgh, Sunningdale and Belgravia, so there is quite a split of location. But it does split its role. The junior management courses are managed by different teams from the middle management course and so on. But it is, in my view, an over-academic approach which I would criticise.

Chairman.] We have had the opposite criticism from another witness.

Mr *Garrett*

436. May I ask about efficiency and the attitude of the Staff Side to it? Efficiency in the Civil Service appears to depend upon establishment divisions controlling the numbers in a department and then periodic attacks on the complements by staff inspection or management services assignment neither of which seems to involve the staff themselves. In addition there is no real reward for a junior manager in the Civil Service for being efficient in the sense of running the job as best he can or with fewest staff or least cost. Would you care to reflect on how staff might be more closely involved in, shall we say, self management and in being encouraged to make the best use of facilities of the staff in a given section and so on?——We have a series of sub-committees of the National Whitley Council which are dealing with aspects of efficiency through the Joint Management Service Committee and so on. We have made

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quite a significant contribution at the centre to the development not only of management skills as such but the sort of management services approach of which staff inspection is but one.

437. All of that is rather authoritarian. The Civil Service seems to have a rather authoritarian approach to efficiency; that is to say, it imposes outside bodies, in a way, on a given section in the Civil Service. It does not really reflect the views of those who work in it?——(Mr *Jones.*) We have already reached agreement regarding staff consultation on improving management systems which is the successor to M by O and also on departmental management reviews. We have proposed to the Civil Service Department a code of practice on staff inspections which would involve full Staff Side and union involvement in staff inspections, and I am about to propose similar codes of practice for O & M surveys and for the employment of consultants in both general management systems review and also in computer reviews. So we are moving pretty firmly into involving departmental and, more particularly, local Staff Side and unions very much in this area of management review activity.

438. Are you doing that to protect the staff or to enlist their help?——Both. We think this is really the most practical way in which we can move towards—the current jargon phrase is "industrial democracy". We really want to see a much more practical and co-operative involvement of local staff in the way in which their working environment is organised.

439. Could we have some written evidence from the Staff Side on that? I do not think it is here, is it?——(Mr *Dryden.*) We could prepare some. (Mr *Jones.*) We should be very happy to give you the draft code of practice on staff inspection which has just gone to the Civil Service Department for negotiation. There is no reason why you should not have that, and I should be happy to dilate further on the other aspects as well.*

Chairman

440. Your Whitley Council is opposed, is it not, to any sort of merit payments to selected staff?——(Mr *Dryden.*) Yes, because we have a pay system which is itself comprehensive, agreed upon and partly based on history but partly based upon an analysis of current practice, essentially based now upon the fair comparison practice but inevitably affected by long history. One can depart from a system of incremental progression, but to do that against a background of 50 years of history of a regular incremental progression and with a staff conditioned in effect to that approach would not necessarily be to get greater efficiency out of the Civil Service as a whole. Frankly, I believe that the incremental system and the regular promotion machinery which exist within the Civil Service provide incentives to do well on a fairer and a more objective basis than the uncertainties of merit pay and the encouragement within the Civil Service of what one might, if one were using a pejorative phrase, described as "the rat race".

Mr *Radice*

441. I wonder whether I could just return to training. The Heaton Williams report is rather critical of departmental training. Do you think that the Civil Service has got the right balance between, on the one hand, the Civil Service College and, on the other, the departmental training? It seems to me, when I look at various evidence that has been given to us, that maybe the balance here is wrong and there is too little training done in Departments and too much perhaps in the Civil Service College, which is in a sense being overloaded—one of the reasons why it is being so criticised?——One of the reasons for setting up the Heaton Williams Committee was precisely to assess the overall pattern of Civil Service training and to try to determine whether the balance was right between what was done at the centre and what was done within Departments. The Staff Side has accepted basically the entire Heaton Williams report and has negotiated with the Official Side on the basis of its acceptance of the Heaton Williams report. Significant changes are taking place and are continuing to take place as a result of the joint study of that report and the joint development of the ideas and recommendations which

* See Appendix 4.

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Heaton Williams made jointly to the Official Side and which the Official Side have discussed with us. It is too early to say that the pattern has been completely put right, but changes are taking place and will continue.

Chairman

442. May I ask you a general question on the Whitley Council as a whole? Apart from the national one there are what one might call subordinate Whitley councils at significant levels. It has been suggested to us that some of these, because they exist, meet fairly frequently without having anything really to discuss, while obviously at the level of yours there must always be something of substance to discuss. Is it the case that they tend to meet regularly, irrespective of subject matter, rather than meet when necessary?——May I talk of the National Whitley Council first? You are certainly right in saying that it always has something to discuss; so it never meets "A paradox, a paradox, a most ingenious paradox," It never does. What happens is that there are constant and continuous meetings between officials of the Staff Side and representatives of the Civil Service Department; but there is never a meeting of the National Whitley Council. At departmental levels there is a procedure in which the Permanent Secretary of the Department regards it as normally right for him to meet his Staff Side at least once a year. There may not be a great deal of formal business done at such a meeting and it may take place a little more frequently—it will vary with the nature of the Department—but it will meet what seem to the Staff Side in the Department and to the senior officials to be an appropriate number of times in order to ensure that adequate contact is maintained between the senior officials and the Staff Side representatives to enable understanding to be continually maintained. At lower levels, particular at office Whitley committee levels, I should have thought that meetings only took place when there was something specifically to discuss, and it is most unlikely that at the lower levels there are regular meetings purely for the sake of having a meeting across the table. The Whitley system is infinitely variable. It is designed to meet the requirements of the particular situation and particular locality, and I repeat that where there is most work done there is never any meeting of the Council. Where there is a medium amount of work to be done there will be occasional meetings in order to ensure that senior officials understand the background of their staff and their staff's aspirations; at lower levels there will be meetings when in the view of the Staff Side there is a need to see the Official Side or when the Official Side think there is something they need to discuss with staff representatives more formally than in an informal discussion in a private room. No, I do not believe that there is any undue gathering together for the sake of having a meeting. It is a business set-up and it works in a business-like way.

Chairman

443. Thank you very much for your attendance with your colleagues today. It will be the case that we shall be having other witnesses, and should, to wards the end of our proceedings, which will be in some months' time your Whitley Council under your successor wish to add further comments, of course we shall give you the opportunity to do so?——Thank you very much indeed. I am very sorry I shall not have the opportunity of leading them on any future occasion.

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MONDAY 21 JUNE 1976

Members present:

Mr Michael English, in the Chair

Mr Giles Radice
Mr Nicholas Ridley
Mr Brian Sedgemore

Training in the Civil Service: The Role of the Civil Service College

Memorandum submitted by Mr Stanley Henig

1. I was a member of the staff of the Civil Service College (as a Lecturer in Public Administration) from 3 July 1972 until 31 December 1975. The object of this written evidence is to draw on my own academic, political and administrative experience to make a contribution to the debate about the training of civil servants and in particular the role and function of academics at the Civil Service College. Whilst at the College I often differed from colleagues over training questions and disagreed with official policy, but this paper has not been written in any spirit of general criticism. I enjoyed my work at the College and consider it a unique experience for a former Member of Parliament to have been involved in the training of present and future top civil servants.

2. Any discussion of the type and scope of training within the civil service must be affected by the view taken of the role of the service in contemporary Britain. There is a great deal of evidence to suggest that policy and administration can no longer be regarded as completely separate. Even though the United Kingdom maintains a system of complete alternation in the political complexion of succeeding Governments, there is a substantial continuity in policy. A major determinant of this continuity is the administrative weight of a long-established, well-organized and extremely powerful civil service. As a group senior civil servants wield the greatest influence over both the administrative machine and the governmental system of which it is a part*. Accepting that even in a democracy political power is inevitably unequally distributed, senior civil servants as a group have a disproportionate amount. Adapting the adage that " we must educate our masters ", the fundamental objective of civil service training should be to equip civil servants for handling such considerable and far-reaching responsibilities.

3. Close inter-relationship between administration and policy precludes any limitation on training so that it is only concerned with currently fashionable management and operational techniques. Insofar as these are primarily intended to contribute to greater efficiency, they are often best inculcated " on the job " or through departmental training programmes. The task of the College is different. It should be concerned with offering to higher grade civil servants a range of courses and seminars designed to bring them into contact with stimulating ideas and concepts which are are unlikely to meet in their day-to-day work but which are relevant to their wider role in the policy and administrative process. To achieve this the College should be a source of original thinking and innovation and not just a repository of conventional wisdom.

4. It has been suggested that all civil servants should be eligible to participate in these programmes and there has always been uncertainty over the precise scope of the College. It cannot, however, hope to undertake general education for more than half a million people. The College can never represent more than a small part of the total training effort and it ought to concentrate on those civil servants whose present and future posts will permit them to have an important influence on major decisions of policy and administration. Such a conception may appear somewhat exclusive: it is not elitism. Certain civil servants do wield considerable amounts of power: " the object of College training should be to ensure that this power is used in the most effective and socially responsible manner."

5. The Fulton report suggested that the College should be " under the general direction of the Civil Service Department " but that it " should have its own governing body ". This contains an inherent contradiction and in practice the College has been run as a small

* see appendix p. 195.

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part of the large CSD empire. The notion of a " governing body " has materialized into an Advisory Council which meets once a year in an honorary capacity: it has virtually no contact with staff and no apparent impact on the running of the College. The Heaton-Williams report* argued that:—

> " the only case for the continuance of the Advisory Council rests on the grounds that it can help to preserve, so far as is desirable," (sic) " the academic freedom of the College and, even though the possibility may be remote, could come to the protection of the College, if CSD's ' direction ' should ever become oppressive ".

This is to indulge in a flight of fancy. The CSD runs the College as a civil service institution; the bulk of the staff are career civil servants and all are bound by normal rules and procedures. Academic scope given to the College and its staff will be determined by interplay between the generalized wishes and beliefs of the CSD establishment and the strength and bargaining skills of the College Principal (Deputy Secretary rank) and his senior colleagues. The College lacks any of the autonomy traditionally enjoyed by university type institutions, and it cannot make up this deficiency by appeals to outside bodies, however eminent their composition.

6. Throughout most of its existence the College possessed what was virtually a dual system of internal management. The scope and shape of training programmes, courses and seminars and the relationship between sequences were under the control of Directors of Programmes (Assistant Secretaries) and Course Directors (Principals), whilst responsibility for academic content and teaching belonged to Directors of Studies (Assistant Secretary equivalent) and Lecturers (Principal equivalent). General administration, as distinct from the organization of training, almost formed a separate managerial line responsible at Assistant Secretary level to the College Secretary. At the apex of the pyramid the College Principal is the senior academic and his Deputy the senior civil servant. The marriage of two worlds—academic and official—worked surprisingly well and whilst the dyarchy between Directors of Programmes and Directors of Studies occasioned some ambiguities and jurisdictional arguments, the basic relationship was one of constructive tension. At day-to-day operating level the majority of Course Directors and Lecturers worked reasonably well together. Nonetheless academics faced some severe general disadvantages:—they have always been very few in number—about 10 to 15 per cent of the total staff; dispersement between three centres limits any collective impact and may mean that some courses are prepared and organized without any academic involvement; they cannot by definition undertake more than a small proportion of the total actual teaching—in Public Administration this is sometimes as little as 20 per cent; they do not directly control any support staff, so that a good deal of time is spent on low level routine administration; and above all they are operating in a relatively alien world with different norms and constraints.

7. During 1975 certain changes were made aimed at establishing a single integrated line of management through the use of mixed teams of academics and civil servants. This has meant effective demotion for the academic wing of the College. Responsibility for *all* aspects of training programmes, courses and seminars now belongs to Directors of Programmes and their staff; academics find themselves increasingly in the position of specialist advisers to be called on at the discretion of the generalist administrators. There can be little doubt that the CSD is now exercising tighter control over a College which looks ever more like part of a normal Government department and less like an academic institution†.

8. Academics join the College for short contract appointments of up to five years. There is no policy on renewal and no set time for a decision, although Heaton-Williams suggested that this should be eighteen months before the date of expiry. On the other hand College authorities have never sought to impede any academic from resigning his post prior to completion of the term of appointment. Some academics join the College on secondment from their own universities for one or two year periods and there have also been several

* Civil Service Training by R N Heaton and Sir Leslie Williams; CSD; September 1974.

† These changes followed recommendations in the Heaton-Williams report (ibid). A contrast can be drawn between the speed of implementation in this case and the failure until now to act on some of the other proposals in the report. See paragraph 8.

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joint appointments, although little progress has been made in developing this idea. Pay scales for contract academics are theoretically the same as for appropriate grades in the service. However, to retain comparability between College and university lecturers, the upper reaches of the Senior Executive Officer scale were tacked on to the Principal scale to form a special Lecturer grade. Promotion prospects for lecturing staff are virtually nil. Director of Programmes posts are strictly reserved for career civil servants at Assistant Secretary level, whilst there may also be a tendency for the same to apply to Director of Studies posts. Heaton-Williams recommended the creation of posts of Senior Lecturers to which existing Lecturers could be promoted: this has not been implemented. Career problems also face those senior academics who have joined the College as Directors of Studies, but these may be little different from those they would face as professors in universities. The major drawback of all these contract posts is that they offer no kind of tenure, and this may pose particular problems for more senior appointees. Whatever the rights and wrongs of a system of tenure to 65, the point must be made that an academic working at the Civil Service College is treated less favourably than either a university lecturer or a career civil servant.

9. A number of particular problems face the teacher in the Civil Service College. First of all, there is no system for grading student performance. In many cases this does not matter. It would clearly be inappropriate and unnecessary to seek to assess the performance of highly motivated senior civil servants attending refresher or re-orientation courses on a more or less voluntary basis. The situation is rather different with AT and HEO(A) training. These young civil servants who know they are destined for important jobs are required to attend for relatively long—ten weeks at a time—periods of compulsory training. This may seem to interrupt the early part of their careers and often they have to leave exciting posts, sometimes in Private Office. Trainees may find it difficult to relate work at the College to their own prospects. They are too soon out of university to relish a return to anything like the student condition, and too young to have acquired the greater tolerance and understanding exhibited by more senior officials attending courses. The College does not report back to departments and as these long courses proceed, the trainee's motivation is likely to lessen. Attempts are made to overcome the problem by paying considerable attention to the views of the trainees, but this tends to mean only that each group helps to legislate for the next, and possibly different, intake. A slightly bizarre side effect is that while the teachers do not grade the students, the students do grade the teachers! The feedback is useful, but the process may create its own problems. Morale of College teachers was not helped by references in the Heaton-Williams report to " the poor quality of much of the teaching " and " the over-academic nature of some of the courses ". The authors spent little time with College lecturers and it is unclear how many courses or sessions they attended. To the best of my knowledge they paid no attention at all to European training which was my own major academic responsibility. In fact a good deal of College teaching is very good on any criteria. There are problems in using so many outsiders, but first rate speakers can usually be obtained (possibly a reflection of the College's high prestige). Discussion sessions are often outstanding and there has been much investment in developing teaching methods other than the conventional lecture.

10. A second major problem facing the College lecturer is that unlike his university counterpart he exercises no influence over the total teaching programme and only very limited control over syllabus content. A particular example in my own sphere related to courses for British civil servants in other European countries. Logically these should have been integrated into the overall European training programme, but because they had been originally conceived and initiated from outside the College*, this was precluded. In effect the Government is using the College as an agency for the promotion of exchange programmes. Use of career principals as Course Directors and the paucity of Lecturers may mean that the former actually intrude on the academic domain. A great deal of course directing work as such can be carried out by senior executive officers or executive officers. If the College were allowed rational planning of resource use within an overall expenditure

* The first official exchanges for training purposes involving the College were between Britain and France and they arose from the agreement between Mr Heath and M Pompidou at their 1971 summit meeting.

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ceiling, it could make its own decisions as to whether, for example, to employ two principals, three senior executive officers or four executive officers. Crude use of manpower controls in the civil service prevents this and may indirectly contribute to the wastage of resources. The majority of civil servants seconded to the College fulfill their tasks conscientiously, but in most cases they are being asked to undertake work outside their normal career activities. At more senior levels—principal and above—the limitation on postings to three years is often a disadvantage.

11. It is often said that the College does not have a good research record. This primarily reflects a failure on the part of CSD to take any decision as to the kind of research which should be encouraged and then to make available appropriate funds. From the point of view of the individual academic pursuing his own research, a base in the College has many advantages. The fact that he will have signed the Official Secrets Act (whatever other drawbacks this may have) helps to remove the inhibitions which many career civil servants feel when talking to researchers. Through his teaching work and other College links, the academic should be able to build up a range of new contacts. In my own research work—primarily concerned with the functioning of the European Communities—the College base was invaluable. On the other hand in terms of directed research, the College has never been allowed the staff to mount any kind of coherent programme of its own. The other problem relates to publication—the life blood of an academic. The College authorities have sought to be liberal about this, but the civil service seems to harbour doubts about the Fulton recipe for " publication and open discussion ". Inhibitions lead to uncertainties and may make it difficult for the College's many genuine advantages in the research field to be exploited to attract staff.

12. The position of lecturers in the College and at universities is not strictly comparable, but a check list can be drawn up. The College lecturer is likely to receive higher pay and he will be eligible for a better superannuation scheme, although he may face transferability problems; vacations are shorter; promotion prospects are non-existent; research facilities are different and in many ways superior, but there may be problems about publication. Although the College's prestige is quite high in the academic world—probably higher than it is in the civil service—there will be recruitment problems so long as there is lack of tenure. The College requires lecturers with experience and the minimum age is 26. Potential applicants may well hold tenured university appointments which they will be reluctant to relinquish for a temporary post. A situation in which all staff were either jointly appointed or on secondment would preclude the development of the College as any kind of academic community.

13. There is something curiously inappropriate about any final critique of an organization like the Civil Service College. Universities and research institutions are normally independent and self-governing. They make their own decisions about staffing, academic development and the use of available resources. The College possesses none of this autonomy and operates within constraints laid down by the CSD. Any wider debate should focus not so much on how well the College fulfills its present functions, but on the rationality of the choice of functions made for it by the CSD. My own impression is that the College was wished onto the civil service by the then Government in response to the Fulton report and that whilst the administrators will loyally do all they can to make it work, there is little real belief in its long term value. It is compulsory for ATs andHEO(A)s to attend, but the College has no power to influence their careers. The College could have been developed into a high powered research centre, making major contributions to the handling of problems confronting the United Kingdom. This has not happened and Governments continue to make use of ad hoc, time consuming royal commissions, whilst other new developments such as the Central Policy Review Staff have been located elsewhere. The College's internal organization reflects overwhelmingly its civil service origin so that the pattern and content of training are determined by generalist administrators on a three year term of duty. This cannot be the best way to run an effective institution for high level teaching and research.

14. The best long term solution to the problems confronting the College might well be to float it off from the civil service as a quasi-autonomous non-governmental organization with its own statute to provide training and research and an independent budget. The College Principal should be appointed by the Secretary of State for Education and

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Science and should have the same power over staff recruitment as the Vice Chancellor of a University. Failing this and even in the short run certain changes should be made so that a greater share in determining College policy would go to those professionally involved in teaching and research. Ideally almost all posts at principal level and above should be academic appointments (although sources of recruitment should include the civil service) who would be given direct control over the junior administrative staff.

APPENDIX

Many of the conventions of the British system of Government reflect the in-built strength and traditional beliefs of the civil service establishment. Three are particularly worthy of comment.

(i) Lack of contact between civil servants and politicians. This parallels the notion that administration and policy are completely separate. Within the civil service there is a marked atmosphere of " we and they ". Many of the civil servants whom I met in teaching situations had never come into individual contact with Members of Parliament. Even the development of the present select committee system with fairly regular appearances by civil servants has brought little change. The civil service tends to regard the appearances of witnesses before select committees as a kind of exercise in confrontation rather than an opportunity for reasoned discussion between a group of people all of whom are involved in some way in the Government of the country.

(ii) Anonymity of civil servants. This hinges on the notion of individual Ministerial responsibility. Flattering to Ministers, this is broadly a constitutional fiction in an era of huge Government departments and an ever expanding public sector. No Minister has resigned for a generation on a matter of individual responsibility, although issues have arisen which traditionally and theoretically demanded this recourse. There is some current tendency to lift the veil of anonymity on an ad hoc basis during a specific " scandal " situation such as the Vehicle and General affair. Parliament and the public could benefit from greater knowledge as to those responsible for particular acts of administration and policy.

(iii) Political rules in the civil service. The deprivation of political rights from so many citizens is hard to justify given the enormous growth of the civil service. There ought to be greater differentiation between the ' top civil servants ' and those who are involved in more routine administration. As a contract civil servant I was in the politically restricted class and, therefore, lost many of my basic political rights. Given that my own political views are no secret, I quite fail to see how I could have embarrassed the Government or been less able to carry out my official duties had I been allowed to canvass for my party during the 1974 elections. These political rules require modernization.

Examination of witness

Mr STANLEY HENIG, Head of Division of Social Administration, Preston Polytechnic, called in and examined.

Chairman

444. Good afternoon, Mr Henig. We are grateful to you for coming today, especially to see you, as an old colleague, in the House of Commons. We have seen your paper. Do you wish to add anything to it before we start to question you on it? ——(Mr *Henig.*) Thank you for receiving the paper and for inviting me to come here today. I do not wish to add anything further, other than to reiterate the general tone of my paper. As you probably know, I have now left the college. However, having worked at the college and also served here, I felt it my public duty to join in a discussion—I do not seek to criticise or back-bite—to ensure that a college that is doing a useful job could also do a better job.

445. We quite understand your motives and, indeed, we appreciate them. First, I shall ask you the $64 million question? there seems to be a division of opinion between those who would like the college to be more " academic ", if that is the right

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word to use—I am simply trying to illustrate the tendencies—and those who would like it to be more devoted to practical courses. Your basic view seems to be in favour of the first argument. Do you think that there should be, not one college, but more than one college?——I am not sure about that. One of the problems is that the word " academic " has several meanings. At one level is it almost a term of abuse. Several people—and unfortunately this was repeated in a report by two quite eminent civil servants—have referred to the over-academic nature of some of the teaching at the college. At that level it almost becomes a term of abuse. Perhaps the implication is that people become over-theoretical and too detached from reality in their thinking. The argument set out in my paper is, obviously, not that the teaching should be over-theoretical or detached from reality, but that fundamentally teaching at any level is a task for teachers. You must get the right kind of teachers to give the right kind of teaching. To give too much responsibility to career civil servants who do that for two or three years, perhaps less, is not the best way in which to go about getting the results we need from the establishment.

446. In trying to mix fairly precise courses on, for example, data processing with those designed for, say, ATs and above, is that not bound to cause a certain degree of confusion in the mind?——That may be so. However, one could compare the college to a university, although I appreciate that some say that that should not be done. A university will offer courses and research in physics and may also teach operational research and political science, which are very different subjects. At the college different people teach these different courses, certainly at the kind of level at which I operated, and to a certain extent they are also offered at different locations, although that raises other problems.

447. In the Fourth Annual Report by the Principal to the Civil Service College Advisory Council he said: " College training is therefore of two kinds. It can deal with specific topics which are common to a number of departments "—and he gave the example of ADP—and then he cited the alternative situation which I have mentioned. You do not think that the two in any way conflict?——Obviously they are different. Quite honestly, I do not think that that is a real problem. I can appreciate that it can be built up to be a problem. There is a college and, therefore, an administrative structure. Certain people do one set of things for one set of reasons and others do another set of things for another set of reasons.

Mr *Ridley*

448. The first part of your paper is about the immense power that senior civil servants wield. You go on to argue that they should be trained at the college with that in mind: " Certain civil servants do wield considerable amounts of power: the object of College training should be to ensure that this power is used in the most effective and socially responsible manner." What does " . . . most effective and socially responsible manner " mean in this context?——One of the weaknesses of our Civil Service—and it has many strengths—is that civil servants get embroiled in a particular job at a particular time and, technically-speaking, the odds are that they will do that job well but will be bound by the norms and constraints of that particular task. The problem is how to open the minds of the civil servants concerned to wider issues and other kinds of considerations that may be taking place at that time. I believe that the college can remind the civil servant, who may be a brilliant administrator in a particular sphere, that wider considerations are involved in the handling of Government policy.

449. Does not that power become close to a political power, or do you believe that there is " a right solution " that is neither Labour, Liberal, Conservative, National Front nor Communist? I am interested in the distinction between political and Civil Service powers. What nature does this power take?——I have observed it from my different vantage points on the outside. I consider that Ministers today are almost overwhelmed by the pure volume of papers and apparent decisions that come before them. The person who controls that volume and flow of paper will obviously have a big impact on the decisions that Ministers can take, assuming that the Minister concerned is a reasonable and sensible person and I think that most Ministers are. They may not be looking for trouble. The Civil Servant may present the Minister concerned with a piece of paper giving two alternatives. The Minister may ask whether there are any other alternatives and will be told that there are not. In all probability he will be given only one alternative and will have to make up his

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mind on that. In effect, that is considerable power and civil servants wield it in many different ways. There is no Civil Service "Mafia" that meets underground somewhere in Whitehall and says, "This is the campaign that we shall promote next week". It is much more subtle than that. Nonetheless, that Civil Service power is present.

450. I am amused by the paper from the Civil Service College which says: "There is no standard pattern but this will usually acquaint them"—that is, the students—"with the functions, policies and organisation of their department..." There is the idea that the department has policies. Finally, is it right that civil servants should have so much power and that departments should have policies, or should it be for the Government, of whatever colour, to have the policies? You say that it is inevitable that civil servants will have this power and that it would be better to train them for it. An alternative is that civil servants should not have this power. Which of those points of view do you ascribe to?——In an ideal world it is elected and responsible political leaders who should have the power and civil servants should be mere advisers. On the other hand, today I see no alternative, whatever one's political complexion, to an increasing conglomeration of power in the hands of central Government. Therefore, given the nature of the system, it is inevitable that civil servants will have an enormous influence. That is why I am calling a spade a spade, saying that as they have that influence, I should like to ensure that it is used in the best possible way.

Mr *Sedgemore*

451. In the appendix to your paper you refer to the anonymity of civil servants and suggest that it could be relaxed. You also refer to the fact that Ministerial responsibility is now, broadly, a constitutional fiction. Are you saying that it is the volume of paper rather than political cowardice which makes the absence of Ministerial responsibility a fiction?—It is a little bit of several things. There is no doubt that over this century the development of the strength and cohesiveness of the political parties at Parliamentary level has played an important role. Of course, collective responsibility has almost shrouded into obscurity the old concept of individual Ministerial responsibility. However, at the same time decisions are often made in departments about which a Minister cannot possibly be expected to know. It then becomes a fiction for the Minister to say that theoretically he is responsible, but then to add that, he will not be punished because, after all, he did not do it, someone else did but that he will ensure that it does not happen again. Alternatively, a Minister may come blustering before a Select Committee of this House or before the House itself and try to defend the whole situation. There have been examples of that in the past also.

452. Is the absence of Ministerial responsibility good or bad? Is it right that a Minister should not resign if he did not know of the decision?——Frankly, it is neither right nor wrong. However, I object to a system of constitutional theory which does not reflect reality. We must accept the realities for what they are and devise constitutional practices that deal with them and keep them under control.

453. You are probably aware of the recent row over television licences and the dates involved. The Home Secretary appeared to have some knowledge of that matter as it went through the machine, but did not resign at the end, as perhaps Sir Thomas Dugdale would have done. If the Home Secretary knew about the decision on TV licences, would that have been desirable?——We can all have a point of view on that and it seemed to me at the time that this was quite clearly an abuse of the Government's position as such. In terms of historic acts of mal-administration, one could argue that for the Home Secretary to resign over that would have been a fairly drastic piece of surgery. No one is even allowed to know the way in which Whitehall operated or at what point the Home Secretary saw the papers on that. Ultimately he took a rap of a kind and said that he would reverse the decision. Ideally, I should like to see the whole procedure opened up. One would know who, effectively, made the decision and at what point. Perhaps a Select Committee could talk, on a friendly basis, to the civil servant who made the decision to find out why he made that decision.

454. If Ministers are not responsible for all these decisions, clearly the civil servants who take them are. If civil servants make decisions which are open to severe criticisms, what, if anything, should happen to them if Ministers are not to blame?——I do not think that I want to see civil servants punished any more than I want to see Ministers punished. I want an environment

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of open and free discussion in Government so that collectively those involved—be they Members of Parliament, civil servants, Ministers or even responsible journalists—contribute to the discussion, so when mistakes occur, which they are bound to, they are put right because they have been exposed and will try to be avoided in the future.

455. Is it not important to ensure that civil servants are politically motivated in the sense that they are immersed in the politics at least of their Ministers? Is it not important that they know about the politics of the Conservative and Labour Parties, given that these are the two parties which form Governments? Should they not know about all aspects of those policies in great detail, even those of the Opposition —their economic theory and political attitudes? Is not that important?——Certainly.

Chairman.] We are straying a little from the paper.

Mr *Ridley*

456. If a civil servant were to be responsible in this way, should he not in some way be identifiable and made responsible in public? You are saying that they already run the show and that they should be trained to run it better. Where does accountability come in?——In my ideal system of Government, which I suppose is far from being a reality, accountability would occur here. The crucial exchanges on accountability would be between civil servants who are making decisions and Select Committees of this House which, if necessary, could meet in private. That would be a better method of enforcing accountability than knock-about exchanges on the Floor of the House of Commons, which may make headlines in the Mirror rather than The Times but which very often do not achieve the results that some of the participants hoped for.

Chairman.] That is quite fascinating but it is really a matter for the new Procedure Committee of this House, which will discuss this very topic. We should get back to the memorandum.

Mr *Ridley.*] This arises out of the memorandum.

Chairman.] Which paragraph?

Mr *Ridley*

457. Paragraph 4: " the object of College training should be to ensure that this power is used in the most effective and socially responsible manner." Should Ministers have the power not to sack civil servants but to have them moved from advising them when they find out that those civil servants have exercised that power contrary to how Ministers wish it to be exercised? ——Yes, they should.

Mr *Radice*

458. I want to refer to training. In a sense your paper is a criticism of the Civil Service College because you would like it to be run in a rather different way. The Heaton-Williams Report was pretty critical. Another point of view is that the college was never given any clear objective by Fulton and did not really know what it was trying to do. It is only recently that it has discovered what it is trying to achieve and, therefore, is now in a better position. Is there anything in that point of view?——Yes. I like to think of my paper as a critique rather than a criticism. To some extent Fulton was confused, although not perhaps quite as confused as has often been made out. The Government-of-the-day agreed that a college should be set up. Immediately the Civil Service machine moved in to absorb it, so that the college, which was meant to help in the process of reforming the Civil Service, itself became very much a part of the Civil Service which it was expected to reform. On that basis, quite frankly, its fundamental task was impossible and it never had any chance of succeeding.

Chairman

459. In paragraph 5 of your paper you point out that " The Fulton report . . . contains an inherent contradiction . . . " in that it says that the College should be " ' under the general direction of the Civil Service Department ' but that it ' should have its own governing body.' " Obviously both cannot be true. Which do you advocate?——I would much rather that the governing body was distinctly more powerful.

460. How would you constitute it? This is a matter of obvious importance. Let us suppose, for the sake of an extreme example, that the governing body consisted entirely of members of the National Front or Communist Parties. It is possible that the elected representatives of the country might not be totally appreciative of the training given if either was the governing body. You cannot say that it should be solely under its own governing body. I

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agree that the Fulton Report may not have said so either; but I am not criticising your paper in that sense.——Presumably there is some way in which, at present, an advisory council is appointed by the Government. In the paper I argue that it might be better if the advisory council was a governing body and towards the end of the paper I suggest that the Secretary of State for Education and Science could designate the college principal. He might, equally, designate the governing body. The Government uses this method of procedure quite a lot with these semi-autonomous bodies which almost litter the British horizon and which are coming to have a sociology entirely of their own.

461. For example, you would not have representatives of the staff or students on it?——I should like to think that whoever was making the appointments would get as wide a group as possible. Ultimately that must be left to someone and the right person to do that would be a Minister.

Mr *Radice*

462. Basically, you seem to argue for high-class training for high-fliers in a rather independent sort of way, whereas the Civil Service College is an uneasy amalgam of high-class training for high-fliers under Civil Service control and practical management courses?——I have not been tremendously concerned in my paper with practical management courses. I do not doubt their importance. I can see an argument for saying that that is something which is quite separate. I am very concerned with high-class courses for high-fliers. That is tremendously important. Given the way in which the country is run, it is almost more important than anything else. In certain respects at present the college is not ideally structured for fulfilling the tasks in that sphere.

Chairman

463. I turn to a practical point. In paragraph 8 of your paper you say: " Academics join the College for short contract appointments of up to five years. There is no policy on renewal and no set time for a decision, although Heaton-Williams suggested that this should be eighteen months before the date of expiry." Do you know of any examples of this? You say that there is no set time. Do you mean that people are told a week before their contracts are not due to be renewed, or is the period five months or 18 months before? ——I have never heard of anyone who was told as little as a week before, although that does not necessarily prove anything. I am also not aware that people are given as long as 18 months' notice. I have heard of a variety of periods of notice which have ranged from a few months to a year. In those remarks I imply that when an academic joins he is given a contract but does not know what to expect. He may have served three years but he does not know when to start looking for a new job. There is no set procedure. Heaton-Williams recommended that at 18 months before the expiry date an academic should be told whether he may continue for a further five years. Quite clearly, that has not been implemented, or if it has it is since I left the college.

464. You raise two major points in paragraph 9 of your paper. You say: " First of all, there is no system for grading student performance." Would you elaborate on that?——Yes. This is particularly a problem—at least it was in my experience—with the younger civil servants who are required—Fulton suggested this and the Government-of-the-day implemented it and successive Governments have continued it—to attend the college for a considerable period of time. Ten weeks is a long time. It is as long as a university term. When I was at the college they were required to attend three times in their first five years, although I believe that there is now talk of dropping the third of those 10-week periods. The students attend the courses—they may be good or bad courses. The students listen to lectures and are given a certain amount of written work to do and so on. However, no assessment is made of how well they do. There is not even a concept of doing well at the college. Doing well may comprise simply sitting there for 90 per cent of the time and occasionally doing one of the exercises, opening your mouth or producing a short written exercise. If Fulton and the Government think that it is so important——

465. It might be a good idea not to confuse the two. The present Government is not the Government that approved the Fulton Report.——If the Fulton Committee thought it so important that civil servants at this age should have this compulsory training, there must have been a specific purpose behind it. At the end of the day there should be a system of

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checking to discover whether the purpose is being achieved. That is not happening.

466. Presumably that explains the next main point in paragraph 9 which is: " The College does not report back to departments . . . "?——Yes. As I understand the position, the College does not make specific reports. Obviously, if a student grossly misbehaved, got drunk or assaulted the staff——

467. I meant as a regular practice.——In a regular way, no.

468. Would it be a good idea if we made attendance and, perhaps, student performance a condition of promotion? Would this not, to use the phrase of Dr Johnson which is quoted at the beginning of the Fourth Annual Report by the Principal, " concentrate the mind wonderfully "? If we made student performance grading a condition of promotion, that would concentrate the minds wonderfully, would it not?——Indeed, and the trainees would take the college a great deal more seriously.

Mr *Sedgemore*

469. I was thinking about that as I drove down the motorway this morning. That kind of phrase crossed my mind. Do not the trainees regard their time at the college as being an interlude between the grim business of being a civil servant, where they delicately sniff a lot of skills but do not actually derive any great insights?——As far as the grim life of civil servants is concerned, I doubt if ATs and HEO(A)s see it in that way—they are young. HEO(A)s have been told that they are brilliant. It is a mistake to tell young people that they are brilliant; they reckon that they are anyway and one should perhaps avoid telling them so. They have been in exciting jobs, often in private offices and are then told to go to the College for 10 weeks. They listen to lectures and do work which they regard as having no relevance to their careers. They ask, " Why am I here? Why could I not carry on in the private office? " Generally, those people are almost unteachable when they are in that frame of mind.

470. I understand that you lectured in public administration?——Yes.

471. I know that you are an economist because we were together at college.——Yes.

Mr *Sedgemore*.] Is four weeks remotely enough to get a civil servant to understand the basic concepts of economics in the sense——

Mr *Ridley*.] Which basic concepts?

Mr *Sedgemore*

472. In the sense that he can deal with serious problems such as the current economic crisis and look at it from the point of view of Adam Smith, Schumpeter, Samuelson, Karl Marx or Dr Stuart Holland? Can he really grapple with hard problems and look at serious economic alternatives on the basis of that four weeks' training?——At one level, from the way in which you put the question, he almost certainly cannot. It is flattering to be referred to as an economist—no one has called me that for a long time. I am not sure that our tutors used to refer to me in those kind of terms when we were at college together.

Chairman

473. This is becoming a little Oxbridge discussion.——I apologise. During the three or four weeks that is set aside for economics on the AT.1 course it is held to be very difficult to do other than teach those who did not do any economics at university a modicum of basic economics. I do not know whether any short-cuts have been used. It is useful to have some theoretical basis. It is not so much a question of training civil servants who will make basic economic decisions. Those who make such decisions have either done economics training or will learn a great deal about economics while on the job. My argument is that because economics is now so important to Government as a whole, all senior civil servants should learn a certain amount of, dare I say it, academic economics at some stage in their careers.

Mr *Sedgemore*

474. In paragraph 3 you say that the college should bring people into contact " with stimulating ideas and concepts " and that it should be " a source of original thinking and innovation and not just a repository of conventional wisdom." That implies that possibly in economics and other spheres this college is concerned with conventional wisdom?——It may be, in certain spheres. I am in some difficulty here because I was involved in teaching public administration and in particular

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European training, not really in teaching economics. That makes it rather difficult for me to say anything that would be of use to the Committee on the economics training.

475. You cannot say whether Dr Stuart Holland's book, " The Socialist Challenge' could be put before these ATs as being worthy of consideration?——I hope that it has been, but I do not know.

Mr *Ridley*

476. Apart from computer programmers, management skills and the more straightforward forms of training, I want to refer to what you might call the academic part of the college's work, namely, the training for these high-powered, future civil servants. Mr Sedgemore has just mentioned four economists who had totally different views. Is it possible to train people in view of the difficulty of not knowing which of these views should be taken?——If you were training civil servants in economics, you would try to explain that there were these different views about how the overall economy worked and functioned so that, providing they were interested and thought that it would be of use to them, they could go away and read them up in more detail. In four weeks you can do no more than signpost people to areas of learning and knowledge. Many later courses are much shorter than four weeks and it is still hoped to achieve this in them.

477. Whatever is taught in the college, is there not a danger that there will appear to be a sort of conventional wisdom being taught at the college and that emphasis is being placed on one view or the other, which will tend to be the Civil Service view as it is at present constituted, making our senior civil servants into something akin to a political party?——No. It depends on who is doing the teaching. At present the teaching is done either by internal lecturing staff, many of whom are not civil servants, or by outsiders, some of whom are academics and some of whom are civil servants but who are usually selected because of their expertise on a particular subject and who, in fact, have different points of view. When I was involved in European training prior to the referendum and at a time when there was still uncertainty about whether the United Kingdom was to stay in the European Community, we were exceedingly careful in all our courses to make certain that all the various points of view were put forward, because we thought that it was as relevant to civil servants to know about the different arguments as it was to know how the Common Agricultural Policy functions.

Chairman

478. Although you and I were in the same party in this House and Mr Ridley is in the Opposition Party, it is I who would not have been impartial on that subject.——We made certain that those coming on the courses did not hear only my point of view.

Mr *Ridley*

479. As regards both the Common Market and economics, rival political points of view are being explained at the college?——Yes. Public administration sequences very often have sessions, discussions and lectures which go into the ways in which party policy is formed—the inputs that the parties may have into Government policy. That would certainly examine the different political points of view.

480. Is that desirable?——Yes.

Chairman

481. I turn to paragraph 11. Is there not an inherent difficulty in saying—and this is what you are saying—that in effect any member of the college staff should be able to publish any research paper on any subject he likes? One can understand why that might be feasible in, for example, physics in a university or an institute of physics. However, is there not some inherent difficulty when by its very nature the Civil Service is a sociological study—a political study, leaving out the party adjective? Mr X might publish a research paper saying, " I think that this department, which I have studied, was an absolute disaster between two particular points in time ", which would be interpreted by others as being the point in time of a particular Government.——I believe that in those sort of circumstances we get the publicity that we deserve. So long as secrets, so-called, come out in the way in which last week's one did in New Society, with all the attendant publicity, people will probably talk in those terms. I am arguing for a more informed, open and enlightened arena around Whitehall so that this sort of thing would be more acceptable. I accept

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that you are bound to say that if a researcher at the college uses his college position, having signed the Official Secrets Act, to get information from the department concerned, obviously before he publishes that information there must be some vetting. When it comes to opinion pieces which are not based on those kind of research methods, academics at the college should be as free as academics at universities or elsewhere.

Chairman.] Thank you very much, Mr Henig. We shall resume at five o'clock. Meanwhile the Committee stands adjourned for five minutes.

Statement by Joint Co-ordinating Committee (TU Side)

The industrial unions have three points of contact from which we view the operation and activities of the Non-Industrial Civil Service.

(*a*) The shop floor " inter-face " where our members come into close contact with their immediate supervisory grades and management of the establishment.

(*b*) Liaison at National Officer level with our counterparts in the non-industrial unions, some joint negotiations in such things as the Defence Review, and interlocking but separate negotiations on alignment of conditions.

(*c*) Direct negotiations with CSD and various Ministries and Departments on the many national negotiating and consultative councils.

Our views of the Civil Service as seen from these vantage points are as follows:—

(*a*) Apart from a general opinion, filtering up from the shop floor, that there are " too many Chiefs and not enough Indians ", which may or may not prove to be justified, we would not comment about that level of the non-industrial civil service other than to make one point.

That is, the tendency of some local management to take the line of least resistance and lead the shop floor to believe that many of their sectional claims have local management support but " somebody higher up " has to make the decisions.

This inevitably leads to many issues being referred to the national negotiating machine where it is found that the same management are expressing very different opinions to the Official Side as opposed to the views they originally expressed to our members.

The method of processing claims at National level inevitably means that it is an expensive, time consuming operation, which might have been avoided in patently weak cases, had local management taken a stronger, more realistic attitude at the outset. Clearly the Unions would have great difficulty in refusing to process claims which the members had been led to believe had management support.

This situation arises out of the centralisation (over-centralisation?) of decision making and a refusal to delegate authority down the line, especially where money is concerned. This must have the effect of stifling real initiative and providing a suitable shield for those who have none.

(*b*) In our joint or inter-related negotiations with staff/Official Side, we have become frustrated by the amount of time, apparently wasted, by obsessive attention to detail. Sometimes we feel the main point gets lost in a flood of pedantic nit-picking. This is not to say that good agreements do not come out of the negotiations. (How could it be otherwise when, in fact, the Official Side are negotiating their own conditions?).

But in our view, a lot of manpower and money must be employed in the process and one wonders if it can be justified to anyone without a Civil Service background and mentality and with experience of negotiating in other industries.

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(*c*) In our direct negotiations with Ministries and Departments at National level, we become concerned at the proliferation of committees, statutory, ad hoc and investigatory, involving considerable expense of manpower and time, sometimes for quite minor matters.

We believe that this is also the result of central control, a reluctance to make decisions without central reference, an insistence on taking all possible views, angles and possible "spin-off" into account and a fanatical determination to maintain a common, logical, consistent pattern of wages and conditions, down to the last degree, regardless of time, money and manpower needed to achieve this.

One effect of this on industrial relations is to create a good deal of frustration at shop floor level. It can be argued that the system has stood the industry in good stead—but times are changing.

As society has become more volatile, so have the industrial civil servants. Although it is still one of the most moderate and responsible sectors of British industry, there are increasing signs of unrest and a tendency towards taking industrial action that has not previously manifested itself. This can be expected to increase and for this reason alone, an examination of the present systems of control and decision making ought to be made.

If adherence to the present system leads to a breakdown of good industrial relations, the total cost in lost or delayed production/services would far exceed any other monetary consideration.

Therefore, the setting up of committees of investigation, as opposed to short, sharp bargaining sessions, is one aspect which we feel may become counter-productive in the future, even in monetary terms.

On the other hand, we have known cases, especially in the Ministries employing small numbers of industrials, where meetings have been called, and time wasted, for no other reason than the constitution sets out a certain number of meetings per year, even though there was no real business to discuss.

One final point that causes the Industrial Unions some concern is the way that the number of Civil Servants as a whole are presented as having remained fairly static since the Fulton Report.

Since the Industrial Civil Service has declined during that time, it follows that the non-industrials have increased. We feel that this is not generally understood and that a false picture is being painted when the size and efficiency of the service is being discussed.

CONCLUSION

Consequently we see a positive need for some authority to be devolved to local management to deal with many of the items that currently filter up to the time consuming and expensive national machinery.

We also feel that some independent examination of the manning levels and productivity of the non-industrial civil service should be made coupled with a questioning of the ease with which they appear to be able to set up high powered committees to deal with almost anything they choose, and whose cost effectiveness must be open to doubt.

Examination of witnesses

MR F W COTTAM, National Union of General and Municipal Workers and Mr P ADAMS, Electrical, Electronic Telecommunication and Plumbing Union, called in and examined.

Chairman

482. We are grateful to you for your attendance. Mr Cottam, would you care to introduce your colleague to us more fully?——(Mr *Cottam.*) Yes. The only colleague who is with me at present is Mr Adams who is acting chairman of the trade union side of the Joint Co-ordinating Committee. He is also a national officer of the EETPU. Mr Martin, who should be joining us, is a representative of the Transport and General Workers' Union. Mr

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John, who is our chairman, is unfortunately in hospital and therefore he will not be attending.

Chairman.] Neither of us is in a position to criticise the other as regards absent members! At this stage I should declare an interest in the sense that I am personally a member of the union to which Mr Cottam belongs, and I am sponsored by that union as a Member of Parliament.

Mr *Radice.*] I should like to declare a similar interest.

Chairman

483. It is quite accidental but a particular organisation to which we do not belong, but to which other Members of the Committee do belong, is holding a meeting at this precise time and therefore you will not be asked such keen questions as you would have been asked if the situation had been otherwise. We are grateful to you for providing us with your paper. Would you like to make any comments about it before we ask you some questions?——No, I do not think so. We tried to set out the situation as briefly and as lucidly as possible. We are prepared to answer your questions and elaborate on any points that you wish to make.

484. As you know, we are not investigating the industrial civil service as such. However, we thought that in the course of our enquiries into what might be called the "staff grades" of the civil service, the opinions of the industrial unions and in particular the industrial JCC, might be of relevance. Perhaps the most relevant point in that context arises in paragraph (*c*) of your paper where you mention "the proliferation of committees" and say that you "believe that this is also the result of central control". When you talk about "negotiations" in this paragraph, I assume that you are talking about negotiations on pay?——No, negotiations on not necessarily pay, but anything.

485. But you would include negotiations on pay?——Yes.

486. Do you believe in the principle of fair comparisons which is, of course, the applicable principle for all grades from Principal downwards on the staff side?——We have believed in it for years. We do not believe that it has always been applied as regards the industrial civil service, but certainly we believe in it.

487. Will you elaborate on your reservation?——It was only during this last round of negotiations, prior to the current pay policy, that we had anything approaching what we believe to be a system which produces fair comparisons. It is interesting to note that on nearly all previous occasions when we have received the largest pay increases there has been intervention from some outside body. For example, there was Report 18 of the Prices and Incomes Board in 1967; Report 146 in 1970 and an arbitration award in 1972. The rest of the time there have been in effect straight negotiations across the table where we have produced a set of figures which we say entitle our people to "X" and the official side has produced a set of figures which they say entitles them to "Y". There has been a hell of a difference between "X" and "Y". Naturally, from our point of view, we have felt that our figures were based on fairer comparisons than those produced by the official side.

488. We have had a paper from the Civil Service Department. One gathers that in the staff grades up to at least the grade of Principal, factual matters are agreed between both sides before they start the final negotiations. I gather that that does not happen with the industrial grades?——I do not think that you should confuse the two negotiation machines. From what I know of the situation the staff side have a very sophisticated approach and refined method as regards using the Pay Research Unit and its findings. We used it for the first time last year in a rather rough and ready way compared with the staff side negotiations.

489. Would you wish to see the staff side system extended to you?——Yes, but perhaps not exactly in the same way as they use it. We would not commit ourselves as far as that, but certainly we would welcome something along those lines.

490. You would welcome the principle?——Yes.

491. Fair comparisons can be interpreted in different ways. One can have, for example, fair comparisons in Caithness, in London or nationally which might produce employees in London, but not in Caithness. Would you rather have national rates or scope for what is described in the engineering industry as "factory floor negotiations"?——As regards the basic structure, I do not think that we have ever

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suggested that we ought to depart from a national structure. However, as regards the other little bits and pieces that are attached to the wage structure, we feel that there should be more autonomy given down the line for making decisions and settlements.

Mr *Radice*

492. In your paper, your basic criticism is of the negotiating structure. Will you elaborate on that? Do you have any other criticisms of management? From other evidence we have found that the civil service management are spending a lot of money on training in management. From your point of view, do you feel that management in the industrial civil service is good?—— No. It is implied, if not actually spelled out, in our statement that down the line we do not feel that their approach to industrial relations is as competent and realistic as we would like. This may be the result of the system which has removed decision making from, or never given decision making to, local management. We spell out—I do not think that we can emphasise this too much —that there is a tendency either because of the system or the use of the system, for local management to opt out of decision making. They say: " Sorry lads, we are with you and support you, but this must go to national level ".

493. At the Birtley ROF in my constituency they may thoroughly agree with what the trade union side is saying, but they are not able to make a decision?—— We are not singling the Birtley management out, and we do not mention the Birtley management. However, within the ordnance factories there have been a number of occasions when local management have been able to make decisions because they have a piece-work system which is unique. However, without singling out any particular establishment, there is a tendency to say, " You have a good case. We would support you, but we cannot do anything about it. It is out of our hands." Then it comes to be dealt with by us through the cumbersome national machinery. We have an expression that local management support, as expressed to our people, is the kiss of death, because when we get to management level we find that the management are singing a different song. (Mr *Adams.*) We find that being civil servants they usually do not say things like, " We completely support you ". They say words which imply support, but which can never be held against them. Therefore, when you try to establish who gave what support, it is extremely difficult. The other problem within the civil service is that there seems to be a vested interest in not making decisions. If you can find someone else to make a decision, it is unlikely to have an adverse effect upon your own career, but if you happen to commit yourself and make the wrong decision, that is likely to have quite an effect upon your career. Therefore, as we see it, there is a positive incentive not to make the decisions that one would normally expect in outside industry. I suppose we have a unique position in that representing " industrials " as normal industrial trade unions, we are part of the civil service scene although apart from it at the same time. Some way must be found to allow management at local level to make more decisions than are being made at present. Our complaint about the negotiating machinery falls into two parts. There is the problem about how you deal with national wage negotiations.

Chairman

494. Assuming that you want them? ——Yes and on that aspect we have drawn many comparisons on a trade basis and so on. For all its faults it must be said that probably the present system of national negotiations is better than what we have had in the past, but that is not saying anything wonderful. However, problems arise as regards the other matters that are debated at national level. A recent example was the patrol gatemen's uniform and whether they should have blue or white shirts. The discussion on that issue brought together heads of many departments in the civil service and national trade union officials. We believe that such matters should be dealt with at a much lower level.

495. As I understand it, you are saying that you would like wages to be dealt with nationally and not, as it were, on the factory floor basis that applies in, I think, your union amongst others outside the civil service, but you would not object to the decentralisation of non-wage negotiations?——It is not as simple as that. For example, in addition to craftsmen's basic rates, there is a provision for what are called " craft allowances " which are dependent upon the skills that are required to do the work. If it involves more than you can reasonably expect of a craftsman,

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then you can justify an additional allowance of £2, £3, £4 or £6. There is a certain amount of local autonomy as regards the £2 level which is seldom exercised. There is no autonomy at local level as regards any of the other allowances. Therefore, an individual who has a job in one particular establishment which he believes is worth the £4 allowance must go right through the machine—unless it is conceded, which is very rare without some national involvement—before it is determined " Yes " or " No ".

496. Is that not inevitable? I know about the trade union movement. If you want a national pay agreement, you have to be very tight and rather limited on the scope for factory floor negotiations, otherwise you will not have a national pay agreement or at least not in terms of earnings. (Mr *Cottam.*) There are wide differences, under the centralised system, between what people earn. In addition to base rates, people can be on productivity or bonus schemes and have various allowances for environmental reasons and so on. There are some people, not many, who are earning their base rate and nothing more, but at the other end of the scale there are those who may be earning £15 or more over and above the base rate. Therefore, we do not have a national scale to the extent that everyone who is doing a similar job is getting precisely the same amount of cash per week, even excluding shift premiums or overtime levels.

497. Without doing a great deal o statistical work, would it be possible to give us a few examples? You need not necessarily give them now.——(Mr *Adams.*) An easy example is that there are craftsmen in the Home Office who will receive £45 per week, and that is their limit.

498. Is that earnings?——That is their earnings for a 40 hour week. However, there are craftsmen in some Royal Ordnance Factories who will be earning nearer £70 per week, but they are supposed to be on the same wage structure. I admit that one set of craftsmen is working on a piecework system and the other is on a no payment by results system, apart from a nominal £2 scheme. There are all sorts of variations.

Mr *Sedgemore*

499. When any comparisons are made there is a feeling among innocents abroad like myself, that you must always be catching up on the private sector. Does this principle, particularly in upturns rather than downturns, lead to shortages of labour in individual areas, as compared with private concerns in the same areas? If so, how would you deal with it?——(Mr *Cottam.*) That is not an innocent point of view, but a factual one. We are always in the process of catching up. In the past we have not caught up sufficiently each year. It does from time to time lead to shortages of labour, especially when we are nearing the period of a pay settlement. Whatever movement we make is bound to be better than it was previously and therefore one assumes that the recruitment situation will pick up slightly. From time to time there are areas where the rate of pay has fallen behind the going rate for the area and therefore labour has been difficult to retain.

500. In those circumstances, is there ever a case for plant bargaining where there is a big gap that has opened up and serious shortages have arisen?——I do not think that we are suggesting that there should be plant bargaining all the way down the line. We are not dissatisfied with a national wage structure as regards time rates. The problem arises as regards all the other issues which are filtered through nationally in order to be resolved. Reference has been made to craft rates and the four allowances, but on the non-craft side we have been running on even numbers from Band 0 to Band 22. If you want to move a man or a group of men, although inevitably there may be only two people involved in the claim, the matter comes before one of the national committees to be resolved. Any half-decent shop-steward or foreman in private industry would resolve the matter in about 20 minutes.

501. We shall soon be entering Phase 2 or the 4.5 per cent, situation. It is my understanding that the Treasury are expecting " seepage " and it is possible that that will occur in the engineering industry. For example, when engineering employers find themselves short of labour, they will find ways around the 4.5 per cent. If that happens and creates serious problems for the public sector, would you expect to go back to your negotiating team? ——It is rather hypothetical to talk about " if that happens ". We have a pay policy to which the trade unions have subscribed. It was the trade unions who virtually wrote and kept the last pay policy. We have

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virtually written, in co-operation with the Government, this one. It is dangerous to suggest that it will fall down.

502. We are entering an upturn. The last pay policy took place in a downturn. I am thinking of the employers' attitude? ——The real difference between this policy coupled with the last one, and any previous policy is that this one has been agreed with the unions. I am not looking for this one to fall down. You should not suggest that it will.

Mr *Radice*

503. Neither am I looking for it to fall down, but I remember that in the 1960s there was a Prices and Incomes Board Report on the industrial civil service and their negotiating structure. As far as I remember there was argument for more productivity bargaining within the industry. How much has taken place?——A hell of a lot. There are few people, if any, who are not covered by some form of incentive or productivity payment. Whereas, there were only a few at the time of that report.

504. Obviously when you move into another or a different phase you will want, in the words of a very distinguished trade union leader, to return to orderly collective bargaining and presumably encourage productivity deals of one sort or another? ——(Mr *Adams.*) We shall want to review a number of schemes which are creaking a bit and which have had to creak because of the various policies. In a number of areas we have had discussions on more realistic productivity deals with bonus schemes, but all that has had to be put to one side. Once we are able to have some freedom of movement, I should imagine that one of our priorities will be to tidy up a lot of loose ends.

Chairman

505. This is a general problem in the trade union movement and in the country as a whole. However, at this stage we are more interested in matters particularly relevant to your committee. Some of your members obviously have the ability to be, and no doubt some are, promoted into the staff grades. Is this reasonably organised and reasonably done? Is there a feeling that those who deserve promotion do not get it?——It is fair to say that there is such a feeling.

506. I may not have phrased that question well. Many of your members will work in the civil service and private industry at different times in their working life. In your view, is it better or worse in private industry?——It is worse in the civil service because to move to the first non-industrial grade above the craft grades, which is known as the PTO Class, there is an educational requirement which, although not very onerous, restricts a number of people who would otherwise be excellent supervisors. In outside industry, if you want someone to be in charge of a group of men on a certain shop floor, you would choose the person whom you thought was best fitted for the job. In the civil service you must assume that he could be doing that job anywhere in the country and could be in charge of all sorts of people. Therefore, you do not pick the man who is best for the job: you pick someone whom you consider will suit the class in and throughout the whole of the civil service structure.

507. How much consultation is there about this? When the Post Office was simply part of the industrial civil service, before it became a separate board, it was still well ahead of the rest of the country in the sense that local JCCs were consulted. They were not necessarily allowed to choose who was promoted, but they were given three names and allowed to comment on them. How far is there consultation in this respect?——There is none that we are aware of. There is a system of " boarding ". Anyone can apply for the job and they will be interviewed. However, there is no further consultation as to who should be the ultimate successor.

Mr *Sedgemore*

508. I should like to turn to a completely different subject. There is a lot of talk about industrial democracy and obviously that will be very difficult for the non-industrial side to take up. Has your side done any work on this? Are your members interested?——(Mr *Cottam.*) We must confess to having dragged our feet a little, not because we are not interested or because we think that the concept is impossible, but because as regards the time that we have been able to devote to the industrial civil service recently, we have had pressing problems like the effects of the Defence Review and so on. We are interested, but we have not yet got round seriously to discussing this, although the official side has been pressing for dates for meetings and so on.

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509. You said that you did not foresee any difficulties merely by virtue of the fact that there is a relationship with the Government?——I did not say that I did not foresee " any ".

510. But what difficulties there are, can be overcome?——We are interested in it and we are not opposed to the concept. Whether there will be difficulties will emerge when we get down to actually discussing it.

511. You would expect to be brought in as regards any legislation which is likely to cover the industrial civil service?——In principle, yes, but I should like to answer that question when I have seen the legislation. (Mr *Adams.*) Generally speaking we would take the view that any legislation that affects the question of employment would cover the civil service. That is a general observation.

Chairman

512. There is a basic difficulty which we all understand. If you have 100,000 workers and a board of 20 which represents 10,000 shareholders——We have not yet suggested that we want people on boards.

513. That is so, but you have people on the board?——(Mr *Cottam.*) Yes.

514. That is the difficulty?——(Mr *Adams.*) Not necessarily.

515. I was speaking merely in terms of numbers. If you have 1 million people in relation to shareholders of 55 million, which is democracy—.——(Mr *Cottam*). Industrial democracy does not necessarily mean people on the board. I have been involved with people on the board of the British Steel Corporation for a number of years, but that is not my idea of industrial democracy.

516. You are coming to the point that I wanted to deal with, namely, the degree of consultation at the shop-floor level. You express certain doubts and at one point you almost say that there is too much consultation. You also say: " ...we have known cases, especially in the Ministries employing small numbers of industrials, where meetings have been called, and time wasted, for no other reason than the constitution sets out a certain number of meetings per year . . . " ——(Mr *Adams.*) There is a great deal of consultation, but no decisions are made. You can have as much consultation as you want on any subject that you believe you should be consulted on and there is no argument about it. However, it is difficult to get someone to make a decision.

517. You mean that you are not consulting with the people who make the decisions?——That is right. All the decisions are made at the top. Therefore, there is not much point in consulting at local levels if the matter has to be channelled up to the top before a decision can be made.

518. This is probably an impossible question, but how long does it take for the average, small, factory-floor negotiation to reach national level? How long would it take to resolve, or go through all the stages?——In the civil service?

519. Yes?——This is a difficult question. I remember that when I first came to this area, having had nothing to do with the civil service—

520. I really meant how long would it take not to resolve the situation, but to reach it?——It can be reached very quickly, but it would then go on for a long time. The first time that I was involved in a meeting the chairman of our side complained that it was about time he had a reply to his question because it had been on the agenda long enough. The reply he received was: " I do not see how you can say that; it has only been on the agenda 18 months "! I should think it unusual to get a decision within six months. (Mr *Cottam.*) Reverting to your point about meetings, in the minor Ministries there is a tendency to hold meetings simply because we have a machinery. We have had cases —I am excluding the Ministry of Defence and the Department of the Environment which are the major employing areas—in the minor Ministries where meetings have been called and where the agenda did not justify anyone leaving whatever else he had to do, in order to attend the meeting. The meetings were called simply because it was written into the constitution that we should hold a meeting every six months, and so on.

Mr *Radice*

521. I assume that your major concern at present is the possible loss of jobs due to defence cuts. Do you expect many jobs to be lost?——(Mr *Adams.*) Yes, there is no doubt about that. That is the difference

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between the non-industrial civil service and the industrial civil service. The non-industrials will lose job opportunities because they will not be taking on people whom they otherwise would have engaged. In the industrial civil service people will be given the sack.

522. How much were you consulted over, for example, the closure of one of the three ordnance depots?——(Mr *Cottam.*) I assume that you are talking about the CODs. They were put on the table as proposals under the euphemistic title of "fair value". Some of our people laughed, but they are still continuing. (Mr *Adams.*) I do not think that we would ever complain about lack of consultation, but sometimes it is difficult to see what the consultation produces.

Chairman.] If there are no further questions, I should like to thank you for your attendance.

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MONDAY 28 JUNE 1976

Members present:

Mr Michael English, in the Chair

Mr John Garrett	Mr Giles Radice
Mr John Loveridge	Mr Nicholas Ridley

Examination of witnesses

Mr E GREBENIK, Principal, Civil Service College and Mr G T MORGAN, Assistant Secretary, Personnel Management (Training) Division, CSD called in and examined.

Chairman

523. Good afternoon. We have seen various things from your college including your last two annual reports and so forth. Is there anything you would wish to add before we start asking you questions?——(Mr *Grebenik.*) I do not think so, sir; I would rather answer your questions.

524. What do you think the college's main purpose is?——The college's main purpose is to contribute to the greater efficiency of the Service.

525. In only one way?——There are a number of ways in which it can do so. It can contribute to the greater efficiency of the Service by teaching a certain number of techniques which can be used in the management of business and can contribute to the greater efficiency of the Service by what we call development training but what I think Professor Gunn has called conceptual studies, which affect the work of the Civil Service in a wider setting.

526. You, in one of your annual reports, protested that you did not quite know what the object of the college was —I am paraphrasing but I think that is not an unfair summary of one of your last two annual reports. Who decides what your college does? Your Advisory Council meets once a year, so presumably it does not decide; so who does—you or somebody else?——May I in the first place put a slight gloss on this. I did not say that I did not know what the object of the college was; I said that the different objects of the college had not been put in an order of priority. The policy of the college is decided in part by the Civil Service Department, in dialogue and co-operation with us. The Advisory Council is not a governing body; it was never meant to be a governing body, and as part of the Civil Service Department we naturally follow the policies of the department which are discussed with the branch of which Mr Morgan is the head. But our co-operation is a real co-operation, not the co-operation of the man with his horse, with ourselves being the horse; we do, in fact, have a continuous dialogue about our training policy. In the end, however, we must naturally do what the Civil Service Department requires us to do. The Civil Service Department discusses training policy with other departments through the Advisory Council, through the Consultative Committee, on which the principal establishment officers of the major departments are represented and through the Liaison Committee, on which the staff side is represented; and the policy that emerges is, as most policies are, an amalgam of decisions, compromises which we do our best to carry out.

527. Are you saying that you would rather come under the Department of Education and Science than the CSD? ——I do not think so. As the Civil Service College is an organisation which is designed fundamentally to serve the Civil Service, it is, to my mind, inevitable that it should be part of the Civil Service Department whose task it is to see that the Service is properly administered, and central training policy is, of course, one of the responsibilities of the Civil Service Department.

Mr *Garrett*

528. I should like to question you on your definition of management in the Civil Service. In your report to the Advisory Council 1974/75 you said: "The Civil Service College should deal

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with the whole spectrum of activities which make up Civil Service work and should not be confined to the consideration of management problems". Yet the Fulton Report in its second volume defined management in the Civil Service as "the formulation of policy under political direction, creating the machinery for the implementation of policy, operation of the administrative machine and the accountability to Parliament and the public." It used a very wide definition of what it thought management in the public service was. In your report, when you turn to management you refer to it only in terms of fairly low level techniques. You say, "We do teach management because we teach automatic data processing, O & M, management by objectives, network analysis, management accountancy and so on." So it seems to me that you talk of management as a kind of second order activity, not really comparable with the more important things that you think your college should be doing. Yet this was exactly the criticism made of the Civil Service by Fulton: that it treated management in that wider sense as a second order activity. So in a way it seems to me from what you say that you have failed to respond to what Fulton wanted, hence maybe some of the criticism that your college has had for being too academic and not sufficiently practical?——I think there is a semantic problem rather than a real problem here. I used the term "management" in a sense which was considerably narrower than that in which the Fulton Committee used it. I think there are really three levels of training with which we are concerned. There is, in the first place, the technical training in techniques of management, ADP, management by objectives and the type to which you have referred, and I really limited the use of the term "management" to these. We do a great deal of this training and there is a feeling that perhaps we ought to devote even more of our time than we do to this type of training. I was really concerned to show that there are other types of training which I distinguish from management: the human aspect, personnel relations and so on, and what I think Professor Gunn has called the conceptual aspect of management, the wider aspect of management with which the college should be concerned. It is perhaps true that I did not choose my words sufficiently carefully in my last annual report in order to make certain that my concern was really exactly the same as yours, namely, that the work of the college should not be limited to pure instruction in techniques but to include the wider concepts which the Fulton Committee has laid down. I think you will remember that when the Osmond Committee on training reported, I think this was contemporaneously with the Fulton Committee or perhaps just previous to the Fulton Committee, they used a similar conception of management. I was perhaps at fault in using the word "management" in a slightly too restrictive sense.

Mr *Ridley*

529. May I follow that, but from a different angle? You said at the very beginning that your object was to improve the efficiency of the Civil Service. By the use of the word "efficiency" do you merely mean numbers of people per unit of work performed, or would you put a wider definition on it? How would you define efficiency in that context?——There are two types of efficiency. There is, in the first place, the efficient conduct of the governmental machine, undertaking the work of the administration at minimum cost; but there is also another type of efficiency with which we are concerned, and that is to make it possible for civil servants in their task of advising Ministers to give better and, therefore, more efficient advice. I would include both those meanings under our object "improving the efficiency of the Service".

530. May I just follow the second one, the advice to Ministers point? Do you think that this is something which can be taught in an academic sense, or is it not verging on the political?——There is a certain amount of background professional knowledge with which it is desirable that most higher civil servants should be familiar. For instance, it is desirable that most higher civil servants should show some familiarity with the concepts of economics, that they should be able to argue in numerate terms and that they should be familiar with the way in which the governmental machine works, not only in this country but also

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in other countries. Part of our training is designed to make certain that this information is made available to those civil servants who are likely to reach the higher positions in the Service.

531. May I put an example? You talk about the basic concepts of economics. There is a school of thought that believes that an incomes policy will help our economic problems. There is another school of thought which believes it might exacerbate them. Which school are you teaching?——I do not think we are necessarily teaching people about these problems of the day. We are concerned with rather more elementary things. We should like to make certain that civil servants become familiar with the concept of opportunity costs; that they are able to distinguish between money terms and real terms; that they know something about marginalism. Obviously, we try to relate these concepts to the actual problems of the day, but I think we are fairly careful in our teaching not to take a particular view but to try to introduce people to the elements of the subject. You must not forget that we have a number of people coming into the Service who will not have received any training in economics or the social sciences as part of their university education, and part of our job is just to make certain that during the course of their training they become, as it were, economically literate. So I do not think we deal with these rather advanced problems of policy. Our task is the rather more humdrum one to teach the fundamentals of method of analysis.*

Mr *Ridley*.] My trouble is that I do not know of any economic statement which is not political and which cannot be challenged.

Chairman.] I know a few statements which are not political—well not necessarily party political.

* *Note by witness:* The answer to this question was given with the training needs of Administration Trainees in mind and should not be taken to imply that questions of economic policy are not discussed in College training. Many seminars held in the College are specifically designed to provide a balanced discussion of policy issues. Even on basic courses of instruction the fundamental methods of economic analysis are applied to problems and policy issues in a balanced but challenging manner in order to underline the relevance of this material.

Mr *Radice*

532. Do you think that there is in fact a danger that your college is falling between two stools? On the one hand, it is not really a very significant factor in the training of the high-fliers. It cannot be all that significant, because it is not a factor in their promotion. On the other hand, in regard to the training of the rest of the civil servants, 94 per cent of that is in any case done outside your college. Is there not a danger that you are falling neatly between two stools and that is one of the great problems facing your college at the moment?——It is probably not true to say that because training does not figure in promotion their performance in training is not important in the promotion of high-fliers, or that we do not train a very considerable proportion of the people who are high-fliers. After all, we take into the college everyone who enters the Service as an administration trainee. Quite a number of people who are likely to rise in the Service come to us on courses at principal level or middle management level, and I think it is true that a very large proportion of the people who will ultimately reach the highest posts will have received some college training. There are two parts of the college. Perhaps this is too great a dichotomy, but the different types of training in the college are in fact administered by different directorates and we do a good deal of junior and middle management training as well as the training of the high-fliers. High-fliers, by the nature of the thing, must be few in number, and, therefore, the bulk of our work must be devoted to people at middle and lower level.

533. Would you not agree that in fact, taking first the high-fliers, you do not report back to the departments on the results of what has happened during that course, so to the extent it need not be important? Maybe it is sometimes, but it need not be an important experience for those who you are training? ——That is so, and the decision not to report on them was taken quite deliberately.

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Chairman

534. By whom, precisely?——It was taken by the college in consultation with the Civil Service Department.

535. Who is the college—you or the Advisory Council or the CSD—in this context? By whom was that decision precisely taken?——I cannot remember who ultimately took the decision.

536. Could you send us a note about it?——Yes. I will look back into this, I think, if I may say so, that there was a working party on the training of administration trainees in which this problem of reporting was discussed. It was discussed by the directing staff of the college. The directing staff of the college discussed it with what was then Mrs Sloman's division, as she was Mr Morgan's predecessor as Head of PM(T). If you ask who ultimately took the decision, I think I should have to try to send you a note on this, but it was taken quite deliberately.*

Mr *Radice*

537. May I follow that? On the second part of your training functions, are you happy that there is proper co-ordination between what you do at Civil Service College and the departments where in fact most of the training is taking place or should be taking place? Is it a properly co-ordinated system of training?——The responsibility for training policy is clearly in the hands of Mr Morgan's division and he has a system of training liaison officers and departmental training officers. By and large, there is a fair distinction between the training that is given departmentally and the training that is given centrally, departmental training dealing very largely with matters that are of concern to a specific department. It is obviously desirable that, for instance, DHSS officers should be trained in social security regulations in their own department. We could not do this. Revenue officers should be trained on revenue law in the Revenue. By and large, departmental training deals with matters which are of specfic interest to departments, or with what I have called technical aspects of management. We are concerned very largely with matters which are of interest to the Service as a whole and the other two levels of management. But perhaps Mr Morgan might wish to add to this.

Chairman

538. Could we supplement this? Mr Radice quite correctly has raised the question of training in the Civil Service. We intentionally invited Mr Morgan to this meeting because the figure in my mind is slightly different, but as I understand it the CSC does about 9 per cent of civil service training, the bulk of it is done in departments. I think that is right. There are two separate things, really. One is, who makes the decision about what is done in departments? Is it the individual departments or is it the CSD? The other is, to take a subject like automatic data processing, about which I think you have probably got some very good courses, these are obviously of interest to many people in many departments but are they simply done by the Civil Service College for that reason, irrespective of whether that is what the Civil Service College should be doing?——Would you like me to deal with the second part?

539. I should like you both to answer?——It is probably for Mr Morgan to answer the first part of the question, and perhaps I could then come in on automatic data processing, if that is agreeable to you. (Mr *Morgan.*) May I take a specific example, Chairman, to illustrate how the Civil Service Department considers a question of training going over the whole field? We set up a working party to consider management training in the Civil Service, and as a result of that working party's report certain training frameworks were recommended to cover the training from the most junior levels, clerical officer up to middle management level or senior executive officer level. These training frameworks were considered by the working group which had departmental representatives on it and also representatives from the staff side, and the recommended frameworks which were agreed centrally are now being implemented by departments. It is the task of my division to monitor progress in implementing the recommendations and we make regular progress reports. In the last year we have had a number of conferences with departments to consider the progress that has been made.

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540. The most junior level, by definition, cannot be a management level, because there is nobody to supervise? ——I was talking about clerical officers who do have some supervisory responsibilities at the lower levels; but it ranges from that level up to middle management?——(Mr *Grebenik.*) May I take up your point on automatic data processing?

541. I only used it as an example? ——Yes, but it is probably, if I may say so, quite a good example, because automatic data processing is taught both in the college and in departments; the Department of Health and Social Security and the Ministry of Defence, for instance, have their own ADP schools. The college function in ADP is in part to produce training in automatic data processing for those departments which are too small to organise proper training in ADP themselves, and in part to act as moderators for departmental training in the Civil Service. As you will know, the Central Computer Agency, which is part of CSD, is responsible for computer policy throughout the Service and our specialised training wing work in very close co-operation with the CCA in devising training programmes for ADP personnel. It has recently been agreed that as far as possible the Civil Service College should concentrate on training at the intermediate level of ADP; that is to say, the training of programmers and so on is left to individual departments. Some of it is given out to technical colleges outside the Civil Service altogether, so that we should concentrate on systems analysis and the intermediate part, and we organise, though we do not ourselves teach, the more advanced part of ADP training. The more advanced part of ADP training, which is designed for the training of people who will ultimately be in charge of ADP systems, used to be done by us in conjunction with the City University, with the North Staffs Polytechnic and at present with the London School of Economics. We co-operate with these institutions in designing the syllabus and we send them students, but the actual teaching is done by them. At the City University we had for some time a member of our staff on secondment as a senior lecturer in charge of a course.*

Mr *Garrett*

542. May I ask some questions about your relationships with departments? I see that the Heaton Williams report observes that researches commissioned from your college by your department have been very few and far between. They say that they were struck by the paucity of the contacts between the college and the departmental training officers; relatively few departmental training officers or members of departmental training units have visited the college. I believe in your own annual report you refer to a certain amount of indifference by Permanent Secretaries to the college. Mr Dunsire, who has sent us some evidence from the Joint University Council for Social and Public Administration, referred to hostility between the Permanent Secretaries of departments and your college. Why are relationships not better than they have been?——The Civil Service College is, of course, a new institution and even though we have been going for six years it does take time for it to become part of the Civil Service. I think that the relationship between us and departments has improved a great deal, even since Heaton Williams published their report. For instance, we now make certain to have an annual, sometimes a six-monthly, meeting of departmental training officers in which the programme of college training is explained to them, in which they can see the college directors and in which we can get feedback from departments about the nature of our training. We have also set up a consultative committee on which the principal establishment officers of major departments are

* *Note by witness:* The reference to the provision of advanced ADP training requires clarification. The courses run for us by City University and the London School of Economics lead respectively to a Diploma in Systems Analysis and a Diploma in Information Systems Design. Students wishing to study on a full-time basis for parts I and II of the British Computer Society Examination can do so at the North Staffordshire Polytechnic. The Civil Service College also runs courses (with a high success rate) for BCS parts I and II, but on a modular, sandwich-type, basis.

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serving. We have had a number of extremely valuable meetings in which we can get the reaction of top management of departments to the courses given in the college. So I think that the situation has changed a good deal since Heaton Williams. I am not myself aware of any hostility by any Permanent Secretary to the idea or to the work of the college; but there are a large number of Permanent Secretaries and inevitably some of them have been more enthusiastic about training than others. I have not myself ever come across any expression of hostility, either to the idea of the college or to the work of the college, by any Permanent Secretary.

Mr *Loveridge*

543. How many weeks of the year are courses running?——We run a training year of, roughly speaking, 40 weeks. The College is in fact not operating in August, when it is very difficult to get students because they are on leave. Effectively it is rather difficult to get courses going in the first half of September, though a limited programme of courses is running.

544. When you speak of efficiency and training in efficiency, do you follow this through by precept or by example? I note that the costs are about £40 a day at Sunningdale, which on the 40-week course would give you something like £11,200 a year per student year as your cost. I am not sure exactly how you work the figures out but it must be at least £10,000 a year per student. How does that square efficiency and how does it square with the comments, possibly not entirely fair, of the Heaton Williams report on the poor quality of much of the teaching?——As far as costs are concerned, our costs are not out of proportion with the costs of other management training institutions. We are required by the Treasury to charge average costs to students from outside the Civil Service, and when we compare our fees with those of Henley or the business schools they come out at very much the same level. I think that another point in the cost is that, unlike some of the business schools, we include in our cost the time of the trainees. That is not, I think, included in the costs of business schools.

545. Perhaps I have misread it, but I thought in *Hansard*, in answer to a question it was said that the salaries of the trainees were not included in the costs? ——I am under the impression that we always do include the salaries of the trainees in the costs. May I look into this and check it?*

Chairman

546. The figures I have here are comparing 1974/75 with 1971/72, and the total cost of Civil Service training is given as rising from £34 million to £78 million, of which the costs of students' salaries was £21 million rising to £51 million. It then goes on to give the figures that Mr Loveridge quoted, and it then goes on to give the Robin Cook question?——(Mr *Morgan.*) We normally include the costs of salaries when we are reporting costs, but that specific question may have been phrased in such a way that we excluded them on that occasion. I do not know.

Mr *Loveridge*

547. My question was in relation to the £40 per day?——Could you quote the source?

Chairman.] The question was asked by Mr Robin Cook on the 14 May and 17 June. I have a copy of the question.†

Mr *Loveridge*

548. What was the cost per student day at each of the three centres? The answer says: "The cost per student day, including an estimate of travelling and subsistence expenses born by the departments, based on attendance in the last academic year of each of the three centres was as follows: Sunningdale £40, London £38, Edinburgh £36". I was under the impression that that did not include the salaries of the students. Perhaps you could let us know?——(Mr *Morgan.*) We can check it.

Mr *Ridley*

549. Could you also check if that includes the cost of the capital equipment the College uses?——(Mr *Grebenik.*) It does.

* See Appendix 13.

† *Hansard* 14 May 1976, Col *278*w, 17 June 1976, Col *213*w.

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Chairman

550. Mr Morris's answer was that, "these costs include not only those for the provision of food and accommodation at the residential centres . . . but also the estimated costs borne by Departments for the board and lodging of students needing accommodation in London and the expenses incurred by students in travelling to and from the centres concerned." The implication is that it does not include the costs of their salaries? ——May I check this and let you have a note?*

Chairman.] It is only an indication of costs.

Mr *Loveridge*

551. I wonder whether I might go on further on the question of this suggestion that there is poor quality in much of the teaching? Is that a fair accusation?—— The college has been criticised and I think in many respects unjustly criticised. Heaton and Williams report the criticism of a number of administration trainees that the quality of the teaching was not what they expected. I am bound to say that they are an extremely demanding group of students. They are fairly highly selected. My own impression is—but I am naturally *parti pris* in this matter—that we do not compare unfavourably with other institutions of a similar nature, and I was myself somewhat upset by the Heaton Williams criticism which was given *obiter*?

552. I think we all recognise that individual teachers teach in different ways, but you may have seen Mr Dunsire's suggestion that a university teacher as such is virtually incapacitated for work in your college. Do you think this is right? If you are going to exclude people who have experience of university teaching, what kind of people are you going to have left to give your instruction?——We have a great many university teachers taking part in our courses and we look to the universities to provide many of our outside lecturers. I am not quite certain, but I think Mr Dunsire suggested that the fees that are now payable are not such as would attract university teachers.

553. What he said was, "I long ago stated my view that the archetypal functions of a university and of a staff college are so different that a university teacher as such is virtually incapacitated for the latter." I wondered what your views were of that opinion?——This is not my experience.

Chairman.] I think I can supplement that. Mr Henig, who, I think, was on your staff and also in this House, made the point that nobody who wanted to teach in a university would want to teach in a place where you could not really publish any papers—not that you cannot theoretically publish papers from the CSC but it takes a long time to get approval and you may not get approval for certain types of paper.

Mr *Loveridge*

554. I think you have answered my point really in saying that you do rely on the universities for teaching and that you welcome such teaching?——Some of our most successful outside teachers in fact come from the universities. I think Mr Henig suggested that the conditions of appointment in the college may not be attractive to university teachers who would like freedom to publish. In fact, a number of my colleagues in the college have published papers. The intention is that they should have as great freedom as possible in publication. It is necessary for them to submit papers for clearance because they are civil servants, but the intention is that as long as neither security nor the proprieties of political life are damaged publication is always permitted.

555. Do you feel that the college is too tightly controlled by its relationship with the Civil Service hierarchy? Would you think it would be better for the College—if you can give an independent judgment to us; perhaps it is a little difficult to ask you—if it were to have a greater degree of independence and have a separate governing body?——I have never felt constrained by my relationship with the Civil Service Department, who have always given us a very great deal of what I consider are the essential freedoms of an academic institution, namely, that once the syllabus has been laid down, to teach it in our own way and to interpret it in our own way. There has never been, to my knowledge, any attempt on the part of the Civil Service Department to interfere with the way in which we teach. Obviously, as we are there to serve the needs of the Civil

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Service, the Civil Service Department, or perhaps I should say the Civil Service, do express some views about what the training needs of the Civil Service are and I cannot see that this could be any different. In an institution which exists to serve a particular customer, the Civil Service, the customer must obviously have a very important voice in what is taught. I know, for instance, that the Oxford Centre for Management Studies undertakes some training courses for Marks & Spencer, and Marks & Spencer in fact discuss with the teaching staff of the Oxford Centre of Management Studies what is to be included in their courses. The relationship between CSD and us, although officially we are subordinate to it, is much more that of a group of people who have the same aim and who try to co-operate with one another in achieving this aim.

556. Do you have a specific means of getting feedback of information from former students?——Yes, we make a point of asking students at the end of each course to give us an assessment of the course and suggestions for improvement. This is a very valuable procedure. For instance, in the training of administration trainees even, for that matter, in the training of HEOs and SEOs, we have acted on the suggestions made by students of the college. We also get feedback on courses from departments to which the students return after they have been on our courses, and again this information is acted upon.

557. Do you think you get about the right number of pupils in relation to the size of the Civil Service? Do you think the College should be expanded further or do you think it should restrict its intake to those specifically qualified to come?——This is rather a difficult question to answer. I think one cannot divorce the training that is given in the college from the training that is given in the departments. Obviously, the resources that can be devoted to training must be decided on by the people responsible for personnel management in the Service, and the resources that can be devoted to the central training in the college are ultimately decided by the Civil Service Department.

558. I am not clear how far your pupils have to rely on residence with you. Presumably nearly all of them do. Would it not be possible though, if you had most of your students from a London area, for them to travel by day and therefore these substantial costs relating to their keep would not arise? ——Sunningdale and Edinburgh are residential, London is non-residential. I think there are great advantages in residential training. First of all, you can work a rather longer day. People when they come to Sunningdale work in the evenings. It would be very difficult for them to work in the evenings if they had to travel from the other side of London. In the second place, I think that one of the very valuable features of college training is the opportunity that it provides for civil servants from different departments to meet one another and to talk to one another in a residential setting. I have no doubt that you could run a 10 to 5 establishment more cheaply than a residential establishment. The costs are fairly obvious. The benefits of residential training, I think, are pretty real, but they are not very easily quantifiable.

Mr *Radice*

559. May I ask Mr Morgan what his views on the aims of the Civil Service College are, given the fact that you have such a close relationship with the Civil Service College, or the CSD does?——(Mr *Morgan.*) I would not dissent from anything that Mr Grebenik has said. When we come to look at the division of labour between the college and the Service, resources are one of our primary considerations. There is a limit to what the college can do, given its present facilities. For example, the college was unable to cover all the training recommended for SEO's in the centrally agreed framework that I referred to earlier and it was therefore decided that the six largest departments should undertake their own training at that level. To take another example a recent Working Party on ADP training considered that the training provided by the College in that area could be doubled but the college did not have the necessary resources to do so. It would be necessary in that particular case to look elsewhere to departments and outside. We look to the college as our centre for developmental training and also for certain specialised training.

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We look to departments to give that which is job-related or vocational.

560. On the training of high-flyers, does the CSD think that how higher civil servants have performed at the college ought to be a factor in promotion?——It is a very difficult question which goes wider than training. It is a question for personnel management policy, really, as to how one decides the basis on which promotion should be determined.

Mr *Ridley*

561. A sort of 11 plus approach?——The normal approach within the Civil Service is that promotion should be based on performance on the job and that is what happens in the case of ATs; they are judged by the way they perform their duties.

562. In private office?——And elsewhere.

Chairman

563. It seems a bit odd to get the students reporting on what they think of the courses but not to get the college ever reporting on what they think of the students. It is rather like the tail wagging the dog?——(Mr *Grebenik.*) Whilst we obviously take into account what students think about the courses and we ask them to report, we exercise a certain amount of judgment on which of their recommendations we accept. The question of reporting on students' performance is very often linked with the training of administration trainees. There are some very considerable difficulties, for instance, in examining students, because they come to us with a very heterogeneous educational background and it would obviously not be fair supposing——

564. What sort of courses are you talking about here?——I am talking about the courses for administration trainees. It would not be fair to give the same examination in economics to a student who comes into the Civil Service with an Honours Degree in the subject as to the student who comes to the college without any previous knowledge of economics.

565. You do not think the first might be a valuable member of the class for the assistance of the others?——He is, in fact. We use, for instance, people with a knowledge of statistics and economics to help tutor those who have not had this background. If it were a question not of examining but of reporting on the students, this could undoubtedly be done, but only if very considerably increased resources were made available to us. At present we take in something of the order of 250 administration trainees a year, and an AT course in the college consists normally of 40 to 50 individuals. It would be possible to watch each of them personally, carefully, and to report on them, but it would be a much more expensive type of training than the training we can at present provide.

Mr *Ridley*

566. May I turn to costs a bit more? Mr Morgan, have you up-to-date costing as to what it costs the Exchequer to send a student to the Civil Service College and what it would cost if you were to commission courses in some suitable institution outside the Civil Service, either a university or a technical college for the more technical aspects such as computer training?——(Mr *Morgan.*) Yes, we have. Mr Grebenik mentioned earlier some of the courses where we can make that kind of comparison. We find that they are very much of a muchness with those of outside institutions. Sometimes they are lower in the Civil Service College and sometimes marginally higher, but there is nothing in it, taking course for course, day for day.

567. Could you give us that information on a piece of paper, showing the latest quotes for training, at a later date?——Certainly.*

568. Thank you. I revert to the total cost of £34 million in 1971–72 and £78 million in 1974–75. That is the total cost of training in the Civil Service; is that right? We are talking here about efficiency. Do you believe that we are currently saving £78 million of costs which we should have to pay if we did not do any training?——That is a very difficult question.

569. But it is an important one?——Most important, probably. In fact, as I think Heaton Williams said, all training organisations are very much concerned with this particular question and are trying to do what they can to solve it,

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but as far as we are aware there has been no satisfactory solution to it so far. We are doing quite a number of exercises to try to get an accurate picture of the training, broken down as far as we can between different types of training and courses so that we have a proper measure of the cost itself. When it comes to measuring the benefits, it is rather more difficult. We have mounted a number of exercises at the vocational end of training, as, for example. in Customs & Excise. They carried out a very comprehensive evaluation of their VAT training to see whether that was meeting the aims they had set themselves; and in other areas, particularly where there is repetitive work, it is possible to get a closer relationship between the cost of training and its value. We were interested to see recently that the Training Services Agency, who mounted a study in industry under Professor Brinley Thomas of Cardiff University of 20 major firms who were reckoned to be leaders in the training field, found that in no single case had they produced a satisfactory method of evaluating the financial cost/benefits of training. We have recently been in touch with the Bureau of Training in the United States to see what their experience has been. They have developed something which is known as a training value model and they have had some success in the area of repetitive skills in estimating the cost of the training and evaluating the benefits, but they ran into difficulties in the area of developmental training or management training. There is difficulty in measuring changes in performance in that area and you cannot isolate training from other factors, such as reorganisation and things of that sort. I fully agree with you that this is a very difficult area and it is one in which we are trying to make progress.

570. Do you have costs of training in the British Civil Service per head compared to costs in other countries, such as America, Germany, France, similar countries to ourselves? Can you compare what our unit costs of training are, not, of course, referring to the benefits but referring to the cost alone? ——We have those sort of costs for our own Civil Service but we have found it very difficult to get comparable information overseas and it is not for want of trying. We have in fact made enquiries of most of our European partners and also of Sweden. We discussed the question with a Civil Service Commission from Sweden last summer but we found we were further advanced in this particular field than they were.

571. Just a last question on the cost of the college itself. Perhaps Mr Grebenik would like to deal with this. It has gone up in the same period, I think I am right in saying, from £2 million to £3·2 million. Does that represent an expansion or is it just inflation? Could you tell us a little more about why it has risen so much?——(Mr *Grebenik.*) The College did expand. It was agreed in 1971 that the capacity in Sunningdale should be doubled and the new accommodation came into operation last year, so the capacity of Sunningdale has risen from something of the order of 125 to about 240 students. Similarly, accommodation in Edinburgh has increased over the period. There is therefore an increase in the scale of operation and to this, of course, the effects of inflation must be added.

Chairman

572. They are not likely to be closing Edinburgh then?——The position is as Mr Morris has stated, that this is one of the options that Ministers are at present considering.

Mr *Ridley*

573. Has the cost per student day gone up in real terms?——I am afraid I should have to ask for notice of that question.

574. Could you give us some information on the cost per student day, say, five years ago and now?——Yes, I will try to do that.*

Chairman

575. Apart from costs, do you sell any courses? If you have an ADP course I should have thought that considering the extent to which the Government goes in for automatic data processing this would be regarded as a reputable course by most people in industry, whereas there have been fly-by-night operators who try to teach industrialists' staffs about ADP without actually being capable of doing so. Do you actually go in for providing such non-sensitive, in

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the security sense, courses of that character? Do you sell any places to industry?——In the case of ADP we cannot meet the demands of the Service and therefore we do not try to sell any courses.

576. Even if you were making a profit from industry you could not meet the demand? You might be able to subsidise the cost of the rest?——We have not got sufficient accommodation to meet the needs of all ADP training in the Service. We do, in fact, permit a number of people from the private sector and from the non-Civil Service public sector and from public services of other countries to come to our courses provided that they do not displace any British civil servant.

577. The last are charged, are they? ——Yes, they are charged, except in the case of those European countries with which we have reciprocal agreements.

578. How much are they charged? ——They are charged average cost: that is to say, the cost that if applied to all the students would completely cover the cost of a student day.

Mr *Ridley*

579. You told us earlier that you taught the importance of marginal cost pricing. Do you not apply it in your own structure?——We are bound by Treasury regulations.

Mr *Ridley*.] Would you like to be released from them?

Chairman

580. Which Treasury regulation?—— The Treasury requires us to charge average cost for students from outside the Civil Service.

Mr *Ridley*

581. Under what authority?——(Mr *Morgan*.) Simply the normal Treasury regulations about recovering costs for services to outside bodies.

Chairman

582. Recovering?——In this case it is recovering for a service provided.

583. Mr Grebenik said "average cost" which implies that half, say, or not necessarily half, but some are not recovered?——(Mr *Grebenik*.) The average cost is the cost which if applied to all students on the course would totally cover the cost of the course. The civil servants do not have to pay. If we had a course which costs £10,000 and we have 25 students on it then the average cost would be £400 per student and that is the figure that would be charged to somebody from outside the Civil Service.

Chairman.] I think you mean what Mr Ridley meant, but I am not sure that it is an average.

Mr *Ridley*

584. If it were a contingent of young Saudi Arabian civil servants you would still charge them that?——Yes.

585. But they do not charge us the median cost of production for the oil? ——The costing policy is not a matter for me.

Mr *Ridley*.] I quite accept that; thank you very much.

Mr *Garrett*

586. Thousands of Civil Service managers manage offices handling clerical transactions. I suppose this must be the most common management occupation of a Civil Service manager. I do not notice that your College devotes much resources to training in that field, although, clearly, if all those offices with clerical staff were managed more efficiently by better trained managers the savings would be enormous. Is there not a case for such training on a very large scale in a central body, rather than leaving it to the department? Because there must be common developments that can take place all over the Civil Service?——A great deal of our programme—we have a Directorate of Management, (Personnel Organisation and Manpower), and a good deal of our resources is devoted to training in personnel management in this particular case.

587. I did not mean personnel management. I meant how to run an office well and efficiently?——Yes, we would regard this as coming within the scope

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of that particular directorate and our courses do deal with this.

588. What contribution does the College make to the central Fulton question of fitting specialists, people with specialist qualifications, for general management positions?——There is a scheme which is called the SPATS scheme—the acronym stands for Senior Professional Administrative Training Scheme, I think—in which a number of specialist civil servants are selected and attend a course at the college. It is altogether a sixteen-week course, the first ten of which are given to them by themselves and the last six of which they attend in common with administrators, and it is intended that after completion of that course these officers shall be employed on administrative work in their next appointment. We also have on our courses a very considerable attendance by specialist officers, particularly in our senior management courses, in which the bulk of the attendance comes from the specialist branches of the Service. Of course, all middle management courses, the ones that we refer to as HEO or SEO courses, are courses which are at the level of HEOs and SEOs and are open to members of the specialist branches of the Service on the same terms as they are to administrators. Lastly, we also give a four-week training course to a large number of graduate specialists who come into the Service. This course is designed to accustom them to methods of Civil Service management and to the way in which the Civil Service operates. So a fairly large proportion of our students come from the scientific, professional and technical branches of the Service.

589. How do you respond to the criticism that an important criterion for the selection of the top management of the Civil Service is social class and therefore the amount of training you give people who do not enjoy the characteristics of a mandarin is wasted because they will not get the top jobs anyway?——I am sorry not to be able to answer for promotion policy. This is a question that you should put to my colleagues who are responsible for promotion policy, but I would say that I myself would not accept this particular criticism.

Chairman

590. May I go back to the more basic issue? I can see why it is desirable, for example, to have on data processing or something like that an organisation responsible for training people in all the departments which are too small to do it themselves. Leaving that aside, how much of your college's effort is devoted to merely that, filling in the gap, as it were, because not every department is big enough to do certain things? How much of it is devoted actually to training people in subjects which are related to the Civil Service as a whole? It seems to me that there is a line of demarcation?——Only a relatively small amount of our resources is devoted to filling the gaps in departmental training. We have a Small Group Training Unit which provides training at a relatively low level of the Service for those in management, for people from very small departments. We do a certain amount of ADP training for small departments, but the bulk of our training is training which differs from departmental training, in that it is concerned not with departmental questions but with problems of the Civil Service as a whole. The central training programme is devised by itself as a supplement to the training that is given in departments, and the bulk of our work in the college is of that type. The Small Groups Training Unit altogether amounts to two per cent of our training effort; ADP is 18 per cent but a good deal of this is special college training and not just departmental training. Middle and senior management training amounts to 24 per cent of our resources, and again there is a certain amount of training designed to plug the holes in departments but the bulk of it is special training.

591. What is the basic distinction between your two directorates then?——I am sorry; we have more than two directorates.

592. You said you had two separate directorates?——Yes, I tried to divide the work of the College into that type of work which is concerned with the teaching of management at what Mr Garrett has referred to as a secondary

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level and the conceptual and human studies. The bulk of the College's work is in fact of the more advanced character. If I may refer to my figures again, we spend about one-quarter of our resources at the present moment in the training of ATs and HEO(A)s; we spend six per cent on graduate specialists; we have a quarter devoted to middle and senior management training; eighteen per cent to ADP, eight per cent to management services and five per cent to the training of trainers.

593. Are these figures in some of your reports?——I think they can be obtained from that, but we can let you have these figures.

594. I think it would be more convenient if you would. It would save our shorthand writers?——I will try to let you have those figures as far as possible.*

Mr *Loveridge*

595. When you say that six per cent goes to specialist training of graduates, what training in fact do they get?——The graduate specialists get a four-week course in which they are introduced to the structure of the Civil Service. They are given an introduction to problems of resource management, very elementary economics, something about the machinery of Government, because, of course, junior specialists who join the Civil Service often regard themselves as working in their professional capacity. They say "I am a civil engineer" rather than a civil servant.

596. When you mention senior management training, what would that cover?——There are three different kinds of senior management training. In the first place, we run a number of seminars for newly promoted Under Secretaries. There are about five of these each year. They are concerned with problems which are of general interest to the Civil Service and they are almost invariably chaired by a Permanent Secretary. These are short seminars of about two and a half to three days' duration. We run a rather more extensive programme of seminars for officers at assistant secretary level, again on a very large variety of topics: personnel management, monetary policy, educational problems. There are about 40 to 50 of these seminars a year.

597. They would be the sort of seminar between somebody who has done the job before and those who are about to do it?——It is a seminar in which people who have similar problems in different departments come together and meet academics or people from industry, from the trade unions or from other parts of the public sector with similar problems, in which they can exchange experiences and learn something about new thought outside the Civil Service on these problems.

Chairman

598. Most of these are in your annual report, but I could not quite see what the object of the exercise was, because, for example, the seminars mentioned in one year's annual report may bear no relation whatsoever to those mentioned in another. What happens if, say, an assistant secretary is moved from department A to department B or has just got promoted into another department or something? I do not quite see the object of having the odd seminar on the odd subject unless the seminar is repeated at appropriate intervals?——Some of the seminars are, as it were, hardy annuals and are repeated from year to year, but our programme of seminars at assistant secretary level is drawn up in consultation with departments; that is to say, we circularise departments and suggest a list of topics to them, ask them whether they would be interested in having these seminars at assistant secretary level and ask them whether there are any other topics which they think should be discussed by officers.

599. Would it be unkind to say that it is whatever is currently fashionable?——It would be perhaps a little unkind to say this, because we try to run these seminars on problems which are not merely fashionable at the moment, but which we think have some permanent importance. At the same time there are problems on which senior training needs to be given. When we joined the Community, for instance, a fairly large amount of our time was devoted to seminars on how the EEC worked. This was done deliberately in order to fam-

*See Appendix 13.

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iliarise civil servants with an institution with which they will have to be working in the future and with which they may have not have been very familiar. In so far as you can call this fashionable, then I plead guilty to the charge.

Mr *Loveridge*

600. You mentioned that a Permanent Secretary would sometimes take the chair at some of these seminars. When he does so, would his salary be costed against the £40 or would it not?——Yes, the time of civil servants coming to teach in the college are costed.

601. You mentioned earlier that you had a 245-bed capacity now. Do you ever have any empty bed?——Inevitably, in a residential establishment you can never use your full capacity. In Sunningdale we are using about 70 per cent capacity at the present moment.

602. Only 70 per cent.? That, of course, would make a very substantial difference to your marginal costing?——Yes. I understand that this is fairly common in residential establishments. The numbers do not always fit. We cannot always arrange for courses to follow on one another immediately and we have a certain problem of fall-out, in the sense that departments nominate for courses civil servants who do not in the end turn up. We do what the airlines do, we overbook. But, even so, we sometimes have empty places.

Mr *Garrett*

603. Do I understand you to say that 25 per cent. of your resources are devoted to the training of ATs and HEOs?——In terms of the number of student course days, yes.

604. So that means that 25 per cent. of your resources are devoted to training people who are overwhelmingly Arts graduates, selected as crown princes for rapid promotion in the Civil Service, an arrangement which was so heavily criticised by Fulton, and six per cent. of your resources are devoted to training of graduate specialists which Fulton has particularly said it wanted to see trained for top management. I thought the college was recommended to be set up by Fulton precisely to redress that balance?——In the first place, of course, it is no longer true that all the administration trainees are Arts graduates. I think something like 15 per cent. of them—I speak from memory—have degrees in natural sciences and mathematics. There are also a number of other ATs who are not graduates at all but who have come in as promotees from the executive officer class. But on the question of selection I think you are going to see my colleague, Dr Allen, at your next meeting, and he and the Civil Service Commission are, of course, responsible for selection. You are castigating us or criticising us for spending rather less time on the training of graduates who come in as specialists, but the position in the Service at the moment is that the young man or woman who comes into the Service as a specialist will spend the first part of his career doing specialist work, as an engineer, as a scientific research worker or what-have-you. These people will, of course, have been trained for that aspect of their work during their period of higher education and do not require to be trained by us. We, indeed, top up their training as civil servants rather than as specialists. As they rise in the Service they will, of course, take part in the training of middle managers and of senior managers. I think that if you look at the statistics of our trainees you will find that a great many of the courses that are given for middle and senior managers are in fact attended by members of the scientific, professional and technical group.

605. Do I understand that the Civil Service Department have carried out a management review of the Civil Service College?——There has been a management review of the Civil Service Department which included the college.

Mr *Garrett.*] Can we ask for copies of that?

Chairman.] Yes, we will ask the appropriate people.

Mr *Ridley*

606. I should like to go back to the Advisory Council. We have not discussed it very much this afternoon. Is that because it is not important?——The Advisory Council is important in

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that it keeps the college in touch with people in other parts of the educational system in the public sector and outside. It has met relatively infrequently.

607. How often?——It meets once or twice a year and it receives an annual report from myself, copies of the last two of which have been shown to you, and it normally discusses this report in rather general terms. But individual members of the Advisory Council are very often consulted by members of the college staff on particular problems. I regard them as being, in a sense, professional advisers to whom I can turn if I am in need of specialist advice which they can give. So the Council is not only useful as a body but also provides a group of individuals to whom the college can turn for advice.

608. Would you think it a good idea if they were very much more managerial and less advisory—I am not implying that I think either of those things; I should just like to have your view?——If they were to become a governing body they would, of course, have to be concerned with our finances and with the way in which we spend them. I myself come from the autonomous sector of the educational system. I used to be a university teacher and I believe that governing bodies are extremely useful as watchdogs for the public purse, but that it is not really a proper function for them to interfere in academic policy or in academic matters. They are there to advise, they are there to warn, but I think responsibility for the management of the College must rest with the directing staff and responsibility for policy and for seeing that directing staff carry out their duties must, in my view, rest with the Civil Service Department rather than with an independent body.

609. Picking you up on that, I would accept that what you teach must be very largely a matter for the CSD and the staff of the college; but you did say you thought governing bodies performed a useful function in financial control. Might it not be a good idea to have a governing body controlling the finances of the CSC?——In my experience the control of the finances is considerably more efficient and more rigid than anything I used to experience in universities by governing bodies.

Mr *Loveridge*

610. Would not the greatest possible saving in terms of unit costs arise from increasing your bed occupancy rate from 70 per cent to 90 per cent, which should save you approaching £½ million a year? Is it impossible to so adjust your courses in relationship to the Civil Service, which is more or less a captive market for you, to arrive at such a bed occupancy?——We strive to increase our occupancy as far as possible. I understand that we are not very different in our utilisation of bed occupancy from other residential establishments.

611. But they may not have a captive market?——We do not have a captive audience, in the sense that we cannot compel people to come to courses. We can advertise our course and we can receive nominations.

Chairman

612. I am very sorry, but I do not quite understand that. When you say that you cannot quite compel them, that may well be true. But you are not surely suggesting that if a department suggests to somebody that he should go on one of your courses he customarily says, "Not on your life!", are you?——No. A department can, of course, make an officer come to a course, but the reason for under-occupancy is frequently slightly different. We must naturally plan these courses some time in advance. A department will, in all good faith, nominate, shall we say an assistant secretary to come to our course. Then some emergency crops up in the department, the particular officer concerned is urgently required in his department and the department tells us, "We are very sorry Mr Smith cannot come because the Minister needs him".

613. I think Mr Loveridge's point is that he is not replaced by anyone else?——We try to replace as far as we can.

614. You cannot. You just said that the department nominates?——We have a reserve list and we overbook when people are nominated for courses. In the first place we overbook; in the second place we have a reserve list. Very often we have a fall-out in the last few days before the course is due to start. In these circumstances it becomes extremely

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difficult to fill empty places. It is a matter we have mentioned again and again at establishment officers' meetings and we are very conscious of the fact that we should be even more efficient than we are in utilising our resources. If one looks at residential establishments and at the constraints under which we operate I do not think we are less efficient than most other establishments in this field.

Chairman.] I do not think we were necessarily saying that you were less efficient. We were saying that the system as a whole might be.

Mr *Loveridge*

615. It may not be your fault that you have such a big drop-out rate but it is an incredibly large one?——As I say, we are constantly looking at it and we are constantly endeavouring to increase utilisation.

Chairman

616. You have not quite got the point. What we are trying to discover is whether you, however far you look at it, have the power to alter it?——The power to increase utilisation? Well, we can, of course, plan. We plan for as much utilisation as we think is reasonable for the accommodation. Once the courses have been planned, once nominations have been received, we in the college or in the Civil Service Department have no power to compel departments to send the people they have nominated.

617. Mr Morgan, I feel we have slightly neglected you in this case. You are responsible, I presume, for supervising, in some sense or another, most of the training in the Civil Service. Is that right?——(Mr *Morgan.*) Certainly my division is responsible for the overall picture, yes.

618. Take the big departments that do their own training in, say, a specialist field: how do you ensure that the standard is the same? Do you know how the DES sends inspectors round schools in the United Kingdom and the University Grants Commission looks at universities? How do you ensure that all departments are equally good on training in a given subject?——We have a training liaison officer service. These are officers who are recruited from departments and have wide experience of training. They are given a group of departments and they are responsible for monitoring the training which is done in those departments and for making comparisons with that done in other departments and in other organisations. I should not like you to think it is an inspectoral rôle because it is not. It is a liaison service, and departments are quick to come to CSD for advice and guidance about what is happening in other fields.

618A.—I think I was rather suggesting that perhaps it should be an inspectorial role as a question. I do not quite see how you ensure that the standard of training in all places is the same unless you are actually inspecting to see whether it is?——The system that we have operating is not an inspectorial one. It is a liaison service and we are pretty well satisfied with it. It has quite a good reputation within the Service, so much so that departments come to us seeking advice about standards in order to raise theirs.

Mr *Radice*

619. Would you accept that in fact the standard is rather patchy in training —some departments are rather better than others?——There are some leaders, certainly, who are very efficient at their training and others who are less so, but we are trying to bring those up to the level of the others.

620. But you have no power to do so?——Not powers of direction but powers of persuasion. We try to exercise our responsibilities in that way, I think with some success. For example, we have annual conferences of departmental training officers devoted to specific training problems and they are well attended. At the last conference I suggested that we might do without one next year as an economy measure but they are pressing us to run another because they find them so useful.

Mr *Garrett*

621. Has the CSD rejected then the Heaton Williams recommendation that the role of the CSD should include the overall planning and direction of Civil

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Service training?——No, we do do that. We have a training plan.

622. You said that you were not in the business of directing?——I am sorry; not direction, no.

623. But Heaton Williams specifically said that you should be. I see the Heaton Williams report made fifty recommendations in all, of which five related to the Civil Service Department and a dozen or more to training within departments, leaving aside the college. How have your department reacted to these recommendations?——Very broadly speaking we are in sympathy with most of the recommendations and have adopted the majority of them. There are some which have caused us some difficulty and we have not been able to implement them directly, and you have already quoted one of them.

624. Perhaps the most important one? ——Perhaps it is, but that is one we found the most difficulty with. It is not that we have not considered it. We have discussed with departments what our relationship should be. But at the end of the day it was decided that the CSD should give more positive guidance, and that is what we are now doing; but it does not yet amount to positive direction.

625. Heaton Williams also said that training was not given enough prominence within the Civil Service Department itself; that consideration should be given within the Civil Service Department to the level at which responsibility for training policy is exercised, as if you yourselves did not take it sufficiently seriously. How has the Department reacted to that?——We do take it very seriously. There was a conference of Permanent Secretaries at Sunningdale to consider the recommendations and one of the first things they did was to reaffirm how important they regarded training.

626. Could we have comments from your Department on each one of the Heaton Williams recommendations and what you have done about it?——Certainly. In fact it is not a too difficult task, because we have produced two reports about how we have implemented the recommendations of the Heaton Williams report. Perhaps we could supply the Committee with those documents.

Chairman

627. Let us take automatic data processing? If there was a British Computer Society examination or something of that character or standard to be reached and you found that department A was taking 80 hours to train somebody to that standard and that they had a 90 per cent success rate, and department B—just to make it awkward I will make it the opposite way round—took 40 hours and had a 50 per cent success rate, what would you do about it?——Do you mind if I do not take that particular example, because I cannot say that we have done anything about that one, but if I can take another example where we have done something——

628. There is an objective, something external. You have two departments who go about training for the same thing in different ways and get different results. What would you do about it? ——You are suggesting that the results in one case were not satisfactory.

629. No. I deliberately chose slightly awkward figures. In my example one was taking half the time of training and also got 60 per cent of the results?—— May I answer your ADP question by referring back to the working party on ADP training? They considered the various forms of training provided and their relative costs. Their recommendations were based on knowledge of the various courses available in the ADP field. I think there would be no reluctance on the part of departments to go where the best advantage was, so their recommendations have been generally accepted. May I take a more specific example, dealing at the same time with your point? We recently costed an HEO course which was being carried out in departments to see how they compared, and quite significant variations emerged between the courses provided by different departments. The results were published and those people who had more expensive courses quickly

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abandoned them and followed the practice of those with the more economical ones. That is an example where departments have shown that they are quite willing to follow a lead if they have the information to do so.

Chairman.] Thank you. We are grateful for your attendance.

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MONDAY, 5 JULY, 1976

Members present:

Mr Michael English, in the Chair

Mr John Garrett
Mr Giles Radice
Mr Nicholas Ridley

Memorandum submitted by the Civil Service Commission

1. This memorandum and its annexes have been prepared as an introduction to the evidence of the First Commissioner (Dr F H Allen). The statistical tables have been compiled to meet the wishes of the Committee, who will, we understand, also have the 1975 Report of the Commission.

2. The Civil Service Commission is not a "public service" commission and is in no way concerned with recruitment to local government, the nationalised industries, the National Health Service or the educational sector. Even so, as will be seen from its Annual Report, the Commission is a professional selection agency responsible for a very large recruitment each year, extending from junior clerical grades on the non-specialist side to professionals at advanced stages in their careers. In view of the wide range of the Commission's activities, it is perhaps to be regretted that attention is so often concentrated upon the recruitment of graduates as Administration Trainees. This is not to underestimate the importance of this entry, since it includes a considerable proportion of those who may ultimately fill the most senior posts in the Civil Service; indeed, its importance is illustrated by the particular care with which the selection is done. But it represents only one competition out of over 400 run by the Commission in a typical year. Moreover, in 1975 we were responsible for 15,805 appointments altogether, of which less than 200 were Administration Trainees recruited from outside; and over 3,500 of the total recommended for appointment in that year were young graduates of one sort or another; including about 600 young Scientists, nearly 200 graduate entry Valuers, over 100 Tax Inspectors and a similar number of Factory Inspectors.

3. In his evidence to the Committee on 3 May, Sir Douglas Allen referred to the special status of the Civil Service Commission, and the Committee may welcome some elaboration of this point. The Commissioners are appointed by Order in Council "for certifying the qualifications of the persons proposed for permanent appointment . . . to any situation in Her Majesty's Home Civil Service or Diplomatic Service". But though the Commissioners' independence and political impartiality in the selection of individuals is thus ensured, the First Commissioner is answerable to the Permanent Secretary of the Civil Service Department, and through him to the Minister, for the efficiency and administration of the Commission. In addition, since the incorporation of the Commission into the Civil Service Department, the Commissioners have had a greater responsibility than previously for contributing to the formulation of recruitment policy, and in this sense the Commission operates as an integral part of the Civil Service Department. However, it remains the Commissioners' main function to recruit civil servants on merit and in accordance with the principle of fair and open competition. It is not part of the Commissioners' function to determine how many civil servants should be recruited in various grades, and we cannot by ourselves decide what combinations of qualities should be looked for. We are ready to advise departments and the central management of the Civil Service on such issues, but we select against specifications in whose determination the major part is usually played by the employing departments. Nor is it our function either to seek to influence developments in the formal educational system of the country, or to influence the courses of study provided for and chosen by undergraduates, or to give preferential treatment of any kind to any candidates on the grounds that they are alumni of particular educational institutions. We see our task as being to recruit for the Civil Service a member of the most able from the educational system as it stands, and to that end we operate a comprehensive liaison system with educational institutions of all kinds and at all levels.

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4. Here the Committee may like to be reminded of the report (Cmnd 4156) of the Davies Committee, which was set up in 1968 as a result of a recommendation in the Fulton Report. In chapter 5 of their Report, the Davies Committee considered the question of bias in the so-called Method II method of selection (which, apart from minor changes recommended by the Davies Committee, is the method still used for selecting Administration Trainees). They concluded (paragraph 5.45) that, although Method II had " undeniably attracted more candidates from so-called ' privileged ' social and educational backgrounds and from a relatively restricted range of degree subjects than strictly arithmetical proportions would suggest it should ", they, in their judgment, found no evidence of bias in Method II itself or that it " contributes in any way to the disproportion which analysis shows to have occurred ". Since the early 1960s this disproportion has diminished, mainly, it is believed, because of the greater effort the Commission has devoted to liaison with the schools and universities.

5. We attach statistical tables relating to recruitment as the Sub-Committee have requested.

STATISTICAL TABLES

ADMINISTRATION TRAINEES

TABLES

1. External Applicants by Socio-Economic Group (Father's occupation) 1971 and 1975: cf Vol 3(1) of the Fulton Report—table 3.65.
2. External and Internal Applicants by type of full-time school last attended 1971–1975: cf Vol 3(1) of the Fulton Report—table 3.33.
3. External and internal applicants by University Group 1971–1975: cf Vol 3(1) of the Fulton Report—table 3.44.
4. External and internal applicants by main subject(s) studied for university first degree 1971–1975: cf Vol 3(1) of the Fulton Report—table 3.51.
5. External and internal applicants by class of university first degree 1971–1975: cf Vol 3(1) of the Fulton Report—tables 3.53, 3.54.
6. External appointees by Socio-Economic Group (Father's occupation) 1971 and 1975: cf Vol 3(1) of the Fulton Report—table 3.65.
7. External and internal appointees by type of full-time school last attended 1971–1975: cf Vol 3(1) of the Fulton Report—table 3.33.
8. External and internal appointees by University Group 1971–1975: cf Vol 3(1) of the Fulton Report—table 3.44.
9. External and internal appointees by main subject(s) studied for university first degree 1971–1975: cf Vol 3(1) of the Fulton Report—table 3.51.
10. External and internal appointees by class of university first degree 1971–1975: cf Vol 3(1) of the Fulton Report—table 3.53, 3.54.
11. External and internal appointees by Final Selection Board mark 1971–1975.

PROFESSIONAL TECHNOLOGY GROUPS AND SCIENTISTS

12. Recruitment to Professional, Technology Groups and Scientists 1971–1975.

EXECUTIVE OFFICERS AND DEPARTMENTAL EQUIVALENTS

13. Graduate applicants by type of full-time school last attended 1973–1975.
14. Graduate applicants by University Group 1973–1975.

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15. Graduate applicants by main subject(s) studied for university first degree 1973–1975.
16. Graduate applicants by class of university first degree 1973–1975.
17. Graduate appointees by type of full-time school last attended 1973–1975.
18. Graduate appointees by University Group 1973–1975.
19. Graduate appointees by main subject(s) studied for university first degree 1973–1975.
20. Graduate appointees by class of university first degree 1973–1975.

FIELD OF EMPLOYMENT BEFORE JOINING THE CIVIL SERVICE

21. Direct entry Principals: cf Vol 3(1) of the Fulton Report—table 3.60.
22. Direct entry Senior Psychologists: cf Vol 3(1) of the Fulton Report—table 3.60.
23. Direct entry Economic Advisers and Senior Economic Advisers: cf Vol 3(1) of the Fulton Report—table 3.60.
24. Direct entry Statisticians: cf Vol 3(1) of the Fulton Report—table 3.60.

GENERAL NOTES ON TABLES 1–20

1. The figures in these tables cover the centralised schemes of recruitment for which results were normally declared between 1 January and 31 December of each year.
2. The figures of "appointees" do not necessarily take account of those who subsequently decline after certification and before taking up appointment and may not therefore be an exact record of the number of candidates who took up duty.
3. It has not been possible in every case to analyse the records of all applicants and appointees. In each table the numbers of records investigated have been shown and due allowance should be made in cases where numbers are small.

TABLE 1

ADMINISTRATION TRAINEES: EXTERNAL APPLICANTS BY SOCIO-ECONOMIC GROUP (FATHER'S OCCUPATION) 1971 AND 1975

Social Class	1971		1975	
	Men %	Women %	Men %	Women %
I Higher professional and managerial ...	16·4	17·1	19·6	21·9
II Intermediate, professional and managerial	41·1	45·7	43·2	48·7
III Skilled {non-manual / manual}	33·1	30·3	25·4	22·0
IV Partly skilled	4·0	2·5	6·2	3·2
V Unskilled	0·9	1·5	1·9	0·8
Others	4·5	2·9	3·7	3·4
TOTAL	100·0	100·0	100·0	100·0
Number of records investigated	844	409	1,204	744

1. Comparable data for 1972, 1973 and 1974 and for internal applicants have not been recorded.

2. This information has been collected from answers given by candidates on their application forms. It relies solely on the candidates' view of their parental background and on their choice of words which may be misleading. The value of the data should be measured against these constraints.

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TABLE 2

ADMINISTRATION TRAINEES: EXTERNAL AND INTERNAL APPLICANTS BY TYPE OF FULL-TIME SCHOOL LAST ATTENDED 1971–75

University	1971				1972				1973				1974				1975			
	External		Internal		External		Internal		External		Internal		External		Internal		External		Internal	
	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %
LEAs ...	61·8	68·9	79·4	76·6	61·8	63·4	77·3	70·8	65·1	65·1	Not Available		68·8	70·2	Not Available		63·2	64·0	66·4	71·5
Direct Grant Public and Other fee paying	36·8	30·1	17·0	22·8	37·0	35·0	18·8	25·0	31·2	28·8			28·6	26·9			33·7	32·2	22·0	23·9
Others ...	1·4	1·0	3·6	0·6	1·2	1·6	3·9	4·2	3·7	6·1			2·6	2·9			3·1	3·8	11·6	4·6
TOTAL ...	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0			100·0	100·0			100·0	100·0	100·0	100·0
Number of records investigated	844	409	841	167	1,154	637	462	72	542	373			464	382			1,152	704	336	109

1. This analysis by schools does not match exactly the breakdown given in table 3.33 of the Fulton Report. It is the nearest classification that can be given covering the five years.
2. Figures for 1973 and 1974 are incomplete. During these years candidates' schools were recorded on the computer only if they had left within the past five years. From 1975 the computer programme has been amended to record the last school attended in every case.

[Continued

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TABLE 3

ADMINISTRATION TRAINEES: EXTERNAL AND INTERNAL GRADUATE APPLICANTS BY UNIVERSITY GROUP 1971–75

University	1971				1972				1973				1974				1975			
	External		Internal		External		Internal		External		Internal		External		Internal		External		Internal	
	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %
Oxford and Cambridge	25·9	12·7	14·7	5·0	27·1	13·5	9·3	5·7	27·2	11·1	11·3	—	28·7	11·3	13·3	3·3	25·6	13·0	13·1	5·7
London ...	14·5	16·4	26·5	23·8	12·9	17·9	24·3	20·0	8·4	13·3	17·0	18·1	7·7	12·9	10·8	11·9	8·6	11·4	10·7	14·8
Welsh and English Provincial...	45·0	58·2	40·6	61·2	47·6	53·8	51·4	62·9	44·8	57·4	49·0	63·7	40·5	57·3	50·0	55·4	43·8	56·3	49·5	55·7
Scottish ...	8·8	10·0	8·2	8·8	7·8	10·4	5·6	2·9	9·6	10·4	5·7	12·1	13·1	11·1	4·8	10·9	11·3	7·7	9·7	10·2
Irish and Foreign ...	3·2	2·0	10·0	1·2	3·3	3·6	7·5	8·5	2·2	2·2	3·8	3·0	2·1	2·6	2·4	10·9	1·9	1·9	2·4	3·4
CNAA Approved...	0·8	0·7	—	—	0·6	0·5	1·9	—	6·6	3·9	8·5	3·0	5·9	3·3	18·1	7·6	5·3	5·8	13·6	10·2
Other ...	1·8	—	—	—	0·7	0·3	—	—	1·1	1·7	4·7	—	1·9	1·5	0·6	—	3·5	3·9	1·0	—
Total ...	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	99·9	100·0	100·0	99·9	99·9	100·0	100·0	100·0	100·0	100·0	100·0	100·0
Number of Records investigated	844	409	170	80	1,154	637	107	35	1,142	587	106	33	923	583	166	92	1,204	746	206	88

1. The " CNAA approved " category includes Polytechnics.
2. Internal applicants need not be graduates.

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TABLE 4

ADMINISTRATION TRAINEES: EXTERNAL AND INTERNAL GRADUATE APPLICANTS BY MAIN SUBJECT(S) STUDIED FOR UNIVERSITY FIRST DEGREE 1971–75

	1971				1972				1973				1974				1975			
	External		Internal		External		Internal		External		Internal		External		Internal		External		Internal	
	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %
Arts and Humanities	42·1	54·0	36·1	46·1	36·3	48·0	41·7	43·75	35·4	48·9	33·0	61·3	37·8	50·6	44·1	63·4	39·9	49·9	40·6	56·8
Social Science ...	36·4	35·0	39·6	43·6	41·0	38·9	47·2	43·75	34·4	33·2	41·0	25·8	39·9	34·6	34·9	23·3	40·9	33·6	36·5	30·8
Natural Science ...	17·4	9·1	8·9	7·7	18·7	12·4	6·5	12·5	23·1	13·4	19·6	12·9	17·2	12·3	16·4	10·0	14·5	13·6	17·7	9·9
Applied Science ...	3·1	0·2	3·6	—	3·0	0·5	3·7	—	2·5	0·5	4·5	—	3·5	0·2	3·3	1·1	2·9	0·4	3·1	—
Other ...	1·0	1·7	11·8	2·6	1·0	0·2	0·9	—	4·6	3·9	1·8	—	1·6	2·2	1·3	2·2	1·7	2·5	2·1	2·5
TOTAL ...	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	99·9	100·0	100·0	99·9	100·0	100·0	99·9	100·0	100·0	100·0
Number of Records investigated	825	409	169	78	1,126	629	108	32	1,142	587	112	31	923	583	150	92	1,204	744	192	81

Internal applicants need not be graduates.

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TABLE 5

ADMINISTRATION TRAINEES: EXTERNAL AND INTERNAL GRADUATE APPLICANTS BY CLASS OF UNIVERSITY FIRST DEGREE 1971–75

Class of Degree	1971				1972				1973				1974				1975			
	External		Internal		External		Internal		External		Internal		External		Internal		External		Internal	
	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %
First ...	13·4	11·2	2·5	2·6	11·7	8·1	3·2	—	9·6	8·9	—	2·6	11·3	6·6	1·3	5·5	8·6	11·1	2·7	—
Upper Second ...	33·8	39·0	14·7	21·8	33·1	38·6	23·4	20·6	29·4	35·0	19·5	28·9	27·9	33·0	13·3	15·2	30·2	29·5	20·2	19·8
Undivided Second ...	17·8	12·3	15·3	12·8	12·8	9·7	7·4	14·7	11·8	6·2	9·8	13·2	13·8	7·2	22·0	17·4	18·3	16·8	10·6	18·6
Lower Second ...	25·4	31·1	24·2	44·9	31·5	33·2	26·6	41·2	33·9	37·9	39·1	18·4	35·8	44·5	27·4	47·8	29·7	29·3	38·3	46·5
Other ...	9·6	6·4	43·3	17·9	10·9	10·4	39·4	23·5	15·3	11·9	31·5	36·8	11·2	8·7	36·0	14·1	13·2	13·3	28·2	15·1
TOTAL ...	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	99·9	99·9	99·9	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0
Number of records investigated	618	267	157	78	670	259	94	34	927	514	92	38	732	517	150	92	721	369	188	86

Internal applicants need not be graduates.

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TABLE 6

ADMINISTRATION TRAINEES: EXTERNAL APPOINTEES

BY SOCIO-ECONOMIC GROUP (FATHER'S OCCUPATION) 1971 AND 1975

Social Class	1971		1975	
	Men %	Women %	Men %	Women %
I Higher professional and managerial ...	19·3	18·6	25·9	23·1
II Intermediate, professional and managerial	49·4	51·2	50·3	59·6
III Skilled {non-manual / manual}	24·1	23·3	18·2	17·3
IV Partly skilled	2·4	2·3	3·5	—
V Unskilled	—	2·3	1·4	—
Others	4·8	2·3	0·7	—
TOTAL	100·0	100·0	100·0	100·0
Number of records investigated	83	43	143	52

1. Comparable data for 1972, 1973 and 1974 and for internal appointees have not been recorded.

2. This information has been collected from answers given by candidates on their application forms. It relies solely on the candidates' view of their parental background and on their choice of words which may be misleading. The value of the data should be measured against these constraints.

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TABLE 7

ADMINISTRATION TRAINEES: EXTERNAL AND INTERNAL APPOINTEES BY TYPE OF FULL-TIME SCHOOL LAST ATTENDED 1971–75

University	1971				1972				1973				1974				1975			
	External		Internal		External		Internal		External		Internal		External		Internal		External		Internal	
	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %
LEAs ...	49·4	58·1	76·3	44·4	50·0	56·8	61·5	50·0	59·2	—	Not Available		38·3	41·4	Not Available		50·0	44·0	51·7	61·5
Direct grant Public and Other fee paying	50·6	41·9	21·1	55·6	50·0	43·2	30·8	50·0	38·8	—			61·7	51·7			45·7	56·0	41·3	38·5
Others ...	—	—	2·6	—	—	—	7·7	—	1·9	100·0			—	6·9			4·3	—	7·0	—
TOTAL ...	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	99·9	100·0			100·0	100·0			100·0	100·0	100·0	100·0
Number of records investigated	83	43	38	18	92	44	13	4	103	1			47	29			140	50	29	13

1. This analysis by schools does not match exactly the breakdown given in table 3.33 of the Fulton Report. It is the nearest classification that can be given covering the five years.

2. Figures for 1973 and 1974 are incomplete: during these years candidates' schools were recorded on the computer only if they had left within the past five years. From 1975 the computer programme has been amended to record the last school attended in every case.

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TABLE 8

ADMINISTRATION TRAINEES: EXTERNAL AND INTERNAL GRADUATE APPOINTEES BY UNIVERSITY GROUP 1971–75

University	1971				1972				1973				1974				1975			
	External		Internal		External		Internal		External		Internal		External		Internal		External		Internal	
	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %
Oxford and Cambridge	57·9	44·2	50·0	8·3	53·8	23·3	20·0	25·0	56·6	37·8	20·0	—	61·6	29·0	8·0	6·3	61·5	51·9	30·5	8·3
London ...	6·0	18·6	—	16·7	11·0	20·9	—	—	3·6	9·5	13·3	33·3	9·2	17·7	8·0	18·7	7·7	9·6	13·0	8·3
Welsh and English Provincial...	27·7	25·6	37·5	58·3	30·8	48·8	80·0	50·0	29·7	37·8	46·7	33·3	17·7	32·3	60·0	50·0	22·4	36·6	30·5	66·7
Scottish ...	8·4	11·6	—	16·7	4·4	7·0	—	25·0	7·2	13·5	20·0	33·3	8·5	19·4	8·0	18·7	5·6	1·9	17·4	16·7
Irish and Foreign ...	—	—	12·5	—	—	—	—	—	0·7	—	—	—	1·5	—	—	—	1·4	—	4·3	—
CNAA Approved...	—	—	—	—	—	—	—	—	1·4	1·4	—	—	1·5	1·6	16·0	6·3	1·4	—	4·3	—
Other ...	—	—	—	—	—	—	—	—	0·7	—	—	—	—	—	—	—	—	—	—	—
TOTAL ...	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	99·9	100·0	100·0	99·9	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0
Number of records investigated	83	43	8	12	91	43	5	4	138	74	15	3	130	62	25	16	143	52	23	12

1. The "CNAA approved" category includes Polytechnics.
2. Internal appointees need not be graduates.

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TABLE 9

ADMINISTRATION TRAINEES: EXTERNAL AND INTERNAL GRADUATE APPOINTEES BY MAIN SUBJECT(S) STUDIED FOR UNIVERSITY FIRST DEGREE 1971–75

University	1971				1972				1973				1974				1975			
	External		Internal		External		Internal		External		Internal		External		Internal		External		Internal	
	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %
Arts and Humanities	60·3	81·4	66·7	58·4	43·3	60·5	40·0	75·0	52·9	65·3	60·0	50·0	52·3	69·3	62·5	50·0	48·2	55·8	63·7	91·7
Social Science ...	25·3	16·3	33·3	33·3	31·1	34·9	20·0	—	26·5	24·0	26·7	50·0	33·9	19·4	33·3	28·7	34·1	23·1	13·6	8·3
Natural Science ...	10·8	2·3	—	8·3	18·9	4·6	20·0	25·0	17·6	6·7	—	—	11·5	11·3	4·2	7·1	14·9	21·1	13·6	—
Applied Science ...	3·6	—	—	—	6·7	—	20·0	—	0·7	1·3	6·6	—	0·8	—	—	7·1	2·1	—	9·1	—
Other ...	—	—	—	—	—	—	—	—	2·2	2·7	6·6	—	1·5	—	—	7·1	0·7	—	—	—
TOTAL ...	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	99·9	100·0	99·9	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0
Number of records investigated	83	43	9	12	90	43	5	4	136	75	15	2	130	62	24	14	141	52	22	12

Internal appointees need not be graduates.

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TABLE 10

ADMINISTRATION TRAINEES: EXTERNAL AND INTERNAL GRADUATE APPOINTEES BY CLASS OF UNIVERSITY FIRST DEGREE 1971–75

Class of Degree	1971				1972				1973				1974				1975			
	External		Internal		External		Internal		External		Internal		External		Internal		External		Internal	
	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %
First ...	22·9	23·2	—	—	22·6	5·3	—	—	14·9	13·7	—	—	31·7	9·8	4·3	18·8	15·5	21·4	21·7	—
Upper Second ...	37·3	34·9	12·5	25·0	36·9	65·8	75·0	—	38·3	52·9	50·0	—	30·7	44·3	34·8	—	42·6	40·5	26·1	50·0
Undivided Second ...	20·5	25·6	37·5	16·7	26·2	7·9	—	33·0	20·6	5·9	16·6	—	21·8	19·7	17·4	18·8	26·4	21·4	13·0	25·0
Lower Second ...	16·9	16·3	25·0	50·0	14·3	18·4	—	67·0	17·8	21·6	16·6	100·0	14·9	22·9	26·1	50·0	8·2	9·5	21·7	25·0
Other ...	2·4	—	25·0	8·3	—	2·6	25·0	—	8·4	5·9	16·6	—	0·9	3·3	17·4	12·4	7·3	7·1	17·4	—
TOTAL ...	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	99·8	100·0	100·0	100·0	100·0	100·0	100·0	99·9	99·9	100·0
Number of records investigated	83	43	8	12	84	38	4	3	107	51	12	1	101	61	23	16	110	42	23	12

Internal appointees need not be graduates.

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TABLE 11

ADMINISTRATION TRAINEES: EXTERNAL AND INTERNAL APPOINTEES BY FINAL SELECTION BOARD MARK 1971–75

Final Selection Board	1971				1972				1973				1974				1975			
	External		Internal		External		Internal		External		Internal		External		Internal		External		Internal	
	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %
A	43·4	25·6	13·2	—	23·9	13·6	7·7	25·0	29·9	17·6	4·3	—	24·6	16·1	5·9	5·6	19·9	21·4	6·6	—
B	15·7	27·9	15·8	16·7	29·3	29·5	—	—	25·5	28·4	21·7	20·0	34·6	24·2	23·5	22·2	42·4	23·2	26·7	23·1
C	40·9	46·5	71·0	83·3	46·7	56·8	92·3	75·0	44·5	54·0	73·9	80·0	40·8	59·7	70·6	72·2	37·7	55·4	66·7	76·9
TOTAL ...	100·0	100·0	100·0	100·0	99·9	99·9	100·0	100·0	99·9	100·0	99·9	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0
Number of records investigated	83	43	38	18	92	44	13	4	137	74	23	5	130	62	34	18	151	56	30	13

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TABLE 12

RECRUITMENT TO PROFESSIONAL, TECHNOLOGY GROUPS AND SCIENTISTS 1971–75

	1971				1972				1973				1974				1975			
	Applications		Appointed		Applications		Appointed		Applications		Appointed		Applications		Appointed		Applications		Appointed	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Science Group ...	3,811	687	495	60	4,534	632	361	41	6,235	914	404	75	9,636	1,690	546	100	13,824	2,620	532	128
Architects...	216	7	39	1	312	12	65	4	290	13	41	8	248	17	79	6	832	16	105	4
Surveyors/ Planning Officers ...	560	10	92	3	600	8	114	2	570	19	105	3	625	13	119	1	1,776	56	293	10
Engineers ...	3,674	4	220	1	3,849	6	235	1	3,152	6	279	3	2,046	4	225	1	4,603	15	342	1
Valuers ...	1,158	59	196	4	1,378	93	193	9	834	78	226	16	1,012	95	304	26	1,383	100	406	36
Professional Accountants	344	6	36	—	594	14	42	1	453	5	32	1	520	5	49	1	942	12	53	—
Economic Service ...	523	55	24	2	683	76	33	5	471	84	34	7	421	77	49	5	727	112	60	9
Legal Service	450	69	62	13	422	80	55	21	429	75	58	19	414	122	79	36	751	222	107	32
Medical and Dental grades	327	27	48	5	677	43	84	5	650	63	70	9	676	98	70	11	675	89	55	12
Psychologist Class ...	144	90	23	10	163	103	27	7	123	151	11	24	143	170	20	18	230	181	18	7
Linked Research Classes	808	612	29	15	851	534	33	23	817	500	47	23	764	430	50	31	1,012	645	43	31
Statistical Service ...	532	121	48	11	563	151	61	9	388	88	52	11	400	89	54	16	437	114	42	10

Recruitment to the *Science Group* was centralised under new arrangements for the first time in 1973. It is not possible, therefore, to compare statistically the results of competitions in 1971 and 1972 with those of later years.

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TABLE 13

EXECUTIVE OFFICERS AND DEPARTMENTAL EQUIVALENTS: GRADUATE APPLICANTS BY TYPE OF FULL-TIME SCHOOL LAST ATTENDED 1973–75

	1973		1974		1975	
	Men %	Women %	Men %	Women %	Men %	Women %
LEAs	77·1	79·5	76·6	81·1	73·9	78·2
Direct grant, public and other fee paying	17·3	15·8	17·4	15·4	19·3	16·5
Others	5·6	4·7	6·0	3·5	6·8	5·3
TOTAL	100·0	100·0	100·0	100·0	100·0	100·0
Number of records investigated ...	624	765	1,434	1,254	3,110	2,697

1. Competitions for Executive Officers and Departmental Equivalents were computerised in 1973. Comparable data for 1971 and 1972 are not available.

2. This analysis by schools does not match exactly the breakdown given in table 3.33 of the Fulton Report. It is the nearest classification that can be given covering the three years.

3. Figures for 1973 and 1974 are incomplete: during these years candidates' schools were recorded on the computer only if they had left within the past five years. From 1975 the computer programme has been amended to record the last school attended in every case.

TABLE 14

EXECUTIVE OFFICERS AND DEPARTMENTAL EQUIVALENTS: GRADUATE APPLICANTS BY UNIVERSITY GROUP 1973–75

University	1973		1974		1975	
	Men %	Women %	Men %	Women %	Men %	Women %
Oxford and Cambridge	6·2	1·2	5·5	1·1	5·5	1·2
London	8·3	7·3	8·3	6·1	8·3	8·2
Welsh and English Provincial ...	55·3	58·0	51·3	57·3	52·7	56·8
Scottish	9·6	14·0	10·8	15·2	8·6	11·6
Irish and Foreign	8·5	7·5	7·6	9·2	6·0	7·0
CNAA Approved	14·1	12·0	16·4	11·0	18·8	15·2
Other	—	—	0·1	—	0·1	0·03
TOTAL	100·0	100·0	100·0	99·9	100·0	100·03
Number of records investigated ...	1,768	1,564	2,660	2,145	3,473	2,987

1. Competitions for Executive Officers and Departmental Equivalents were computerised in 1973. Comparable data for 1971 and 1972 are not available.

2. The " CNAA Approved " category includes Polytechnics.

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TABLE 15

EXECUTIVE OFFICERS AND DEPARTMENTAL EQUIVALENTS:
GRADUATE APPLICANTS BY MAIN SUBJECT(S) STUDIED FOR UNIVERSITY FIRST DEGREE 1973–75

	1973		1974		1975	
	Men %	Women %	Men %	Women %	Men %	Women %
Arts and Humanities...	27·0	46·0	25·6	45·4	28·5	47·1
Social Science	35·9	33·8	36·3	34·0	37·0	33·2
Natural Science	27·8	18·3	29·9	16·7	26·6	16·4
Applied Science	8·1	0·6	6·6	1·1	5·5	0·6
Other	1·2	1·2	1·6	2·8	2·4	2·6
TOTAL	100·0	99·9	100·0	100·0	100·0	99·9
Number of records investigated ...	1,720	1,522	2,563	2,072	1,288	1,231

Competitions for Executive Officers and Departmental Equivalents were computerised in 1973. Comparable data for 1971 and 1972 are not available.

TABLE 16

EXECUTIVE OFFICERS AND DEPARTMENTAL EQUIVALENTS:
GRADUATE APPLICANTS BY CLASS OF UNIVERSITY FIRST DEGREE 1973–75

Class of Degree	1973		1974		1975	
	Men %	Women %	Men %	Women %	Men %	Women %
First	2·2	1·4	2·3	2·4	1·8	1·7
Upper Second	10·6	14·4	10·9	12·3	15·2	19·2
Undivided Second	12·3	9·7	11·2	11·3	5·3	5·9
Lower Second	28·8	37·3	29·6	36·2	35·3	40·9
Other	46·1	37·1	46·0	37·8	42·3	32·3
TOTAL	100·0	99·9	100·0	100·0	99·9	100·0
Number of records investigated ...	1,768	1,564	2,660	2,145	3,473	2,987

Competitions for Executive Officers and Departmental Equivalents were computerised in 1973. Comparable data for 1971 and 1972 are not available.

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TABLE 17

EXECUTIVE OFFICERS AND DEPARTMENTAL EQUIVALENTS:
GRADUATE APPOINTEES BY TYPE OF FULL-TIME SCHOOL LAST ATTENDED 1973–75

	1973		1974		1975	
	Men %	Women %	Men %	Women %	Men %	Women %
LEAs	76·9	82·9	74·1	83·9	73·3	77·9
Direct grant, public and other fee paying	18·3	13·4	19·2	13·7	20·5	17·7
Others	4·8	3·6	6·7	2·4	6·2	4·3
TOTAL	100·0	99·9	100·0	100·0	100·0	99·9
Numbers of records investigated ...	230	305	537	496	955	948

1. Competitions for Executive Officers and Departmental Equivalents were computerised in 1973. Comparable data for 1971 and 1972 are not available.

2. This analysis by schools does not match exactly the breakdown given in Table 3.33 of the Fulton Report. It is the nearest classification that can be given covering the three years.

3. Figures for 1973 and 1974 are incomplete: during these years candidates' schools were recorded on the computer only if they had left within the past five years. From 1975 the computer programme has been amended to record the last school attended in every case.

TABLE 18

EXECUTIVE OFFICERS AND DEPARTMENTAL EQUIVALENTS:
GRADUATE APPOINTEES BY UNIVERSITY GROUP 1973–75

University	1973		1974		1975	
	Men %	Women %	Men %	Women %	Men %	Women %
Oxford and Cambridge	7·6	1·1	5·4	1·5	6·8	1·3
London	9·3	7·1	8·0	6·5	9·4	9·7
Welsh and English Provincial ...	54·5	61·7	53·9	59·0	54·6	61·9
Scottish	8·8	14·0	12·8	15·6	9·0	10·7
Irish and Foreign	4·6	4·2	4·7	5·7	2·9	3·1
CNAA Approved	15·2	11·9	15·1	11·7	17·2	13·2
Other	—	—	0·1	—	—	—
TOTAL	100·0	100·0	100·0	100·0	99·9	99·9
Numbers of records investigated ...	670	621	976	873	1,024	1,014

1. Competitions for Executive Officers and Department Equivalents were computerised in 1973. Comparable data for 1971 and 1972 are not available.

2. The " CNAA Approved " category includes Polytechnics.

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TABLE 19

EXECUTIVE OFFICERS AND DEPARTMENTAL EQUIVALENTS:
GRADUATE APPOINTEES BY MAIN SUBJECT(S) STUDIED FOR UNIVERSITY FIRST DEGREE 1973–75

	1973		1974		1975	
	Men %	Women %	Men %	Women %	Men %	Women %
Arts and Humanities...	29·5	48·6	29·6	48·2	30·5	49·4
Social Science	34·2	33·5	36·7	33·4	37·4	34·5
Natural Science	27·6	16·4	27·1	15·7	23·9	13·4
Applied Science	7·3	0·5	5·2	0·5	6·3	0·6
Other	1·4	1·0	1·4	2·2	1·8	2·1
TOTAL	100·0	100·0	100·0	100·0	99·9	100·0
Number of records investigated ...	655	603	949	848	489	536

Competitions for Executive Officers and Departmental Equivalents were computerised in 1973. Comparable data for 1971 and 1972 are not available.

TABLE 20

EXECUTIVE OFFICERS AND DEPARTMENTAL EQUIVALENTS:
GRADUATE APPOINTEES BY CLASS OF UNIVERSITY FIRST DEGREE 1973–75

Class of Degree	1973		1974		1975	
	Men %	Women %	Men %	Women %	Men %	Women %
First	1·9	0·6	2·3	2·4	1·6	1·7
Upper Second	11·2	13·0	9·7	14·1	18·6	21·7
Undivided Second	12·5	9·5	10·7	10·8	5·5	6·8
Lower Second	30·4	42·2	33·3	38·5	39·3	43·5
Other	43·9	34·6	44·0	34·2	35·0	26·3
TOTAL	99·9	99·9	100·0	100·0	100·0	100·0
Number of records investigated ...	670	621	976	873	1,024	1,014

Competitions for Executive Officers and Departmental Equivalents were computerised in 1973. Comparable data for 1971 and 1972 are not available.

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TABLE 21

FIELD OF EMPLOYMENT BEFORE JOINING THE CIVIL SERVICE

DIRECT ENTRY PRINCIPALS

Percentages

Field of Employment before joining the Civil Service	Year of Entry				
	1971	1972	1973	1974	1975
1. Agriculture and fishing	—	—	—	—	—
2. Mining and industry including building ...	22	17	25	7	25
3. Transport and communications	—	—	—	—	—
4. Distribution grades	—	—	3	—	—
5. Insurance, banking and finance	8	12	9	—	—
6. Education	14	6	13	16	28
7. Local government	4	30	9	5	4
8. Armed forces	22	12	16	28	4
9. Miscellaneous	8	6	13	14	14
10. Nationalised industries	8	—	3	9	7
11. Other government and quasi government...	14	17	9	21	18
	100	100	100	100	100
Number of records analysed	27	34	32	43	28

These figures are based on the number of successful candidates who took up duty in the Civil Service and are still serving.

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TABLE 22

FIELD OF EMPLOYMENT BEFORE JOINING THE CIVIL SERVICE

DIRECT ENTRY SENIOR PSYCHOLOGISTS

Percentage

Field of Employment before joining the Civil Service	Year of Entry				
	1971	1972	1973	1974	1975
1. Agriculture and fishing	—	—	—	—	—
2. Mining and industry including building ...	25	25	9	—	50
3. Transport and communications	—	—	—	—	—
4. Distribution grades	—	—	18	—	—
5. Insurance, banking and finance	—	—	—	—	—
6. Education	25	25	46	60	—
7. Local government	—	—	—	—	—
8. Armed forces	—	—	9	—	—
9. Miscellaneous	25	50	9	20	—
10. Nationalised industries	—	—	—	—	—
11. Other government and quasi government...	25	—	9	20	50
	100	100	100	100	100
Number of records analysed	4	4	11	5	2

These figures are based on the number of successful candidates who took up duty in the Civil Service and are still serving.

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TABLE 23

FIELD OF EMPLOYMENT BEFORE JOINING THE CIVIL SERVICE
DIRECT ENTRY ECONOMIC ADVISERS AND SENIOR ECONOMIC ADVISERS

Percentages

Field of Employment before joining the Civil Service	Year of Entry				
	1971	1972	1973	1974	1975
1. Agriculture and fishing	—	—	—	—	—
2. Mining and industry including building ...	38	18	—	—	—
3. Transport and communications	—	—	—	—	—
4. Distribution grades	—	—	—	—	—
5. Insurance, banking and finance	—	9	—	—	8
6. Education	50	37	80	63	76
7. Local government	12	18	—	12	—
8. Armed forces	—	—	—	—	—
9. Miscellaneous	—	—	—	—	8
10. Nationalised industries	—	—	—	—	8
11. Other government and quasi government...	—	18	20	25	—
	100	100	100	100	100
Number of records analysed	8	11	5	8	12

These figures are based on the number of successful candidates who took up duty in the Civil Service and are still serving.

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TABLE 24

FIELD OF EMPLOYMENT BEFORE JOINING THE CIVIL SERVICE
DIRECT ENTRY STATISTICIANS

Percentages

Field of Employment before joining the Civil Service	Year of Entry				
	1971	1972	1973	1974	1975
1. Agriculture and fishing	—	—	—	—	—
2. Mining and industry including building ...	33	46	40	29	47
3. Transport and communications	—	—	—	—	—
4. Distribution grades	—	—	—	—	—
5. Insurance, banking and finance	8	9	—	—	—
6. Education	16	18	20	36	33
7. Local government	8	—	13	14	13
8. Armed forces	—	—	—	7	—
9. Miscellaneous	—	8	—	7	—
10. Nationalised industries	—	—	—	—	7
11. Other government and quasi government...	35	9	27	7	—
	100	100	100	100	100
Number of records analysed	12	11	15	14	15

These figures are based on the number of successful candidates who took up duty in the Civil Service and are still serving.

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Examination of witnesses

Dr F H ALLEN, First Commissioner, Mr K A G MURRAY, Under Secretary, Civil Service Selection Board, and Mr D G DAYMOND, Under Secretary, Head of Basingstoke Office, Civil Service Commission, called in and examined.

Chairman

630. Dr Allen, you are, I think, the First Commissioner of the Civil Service Commission?——(Dr *Allen.*) Yes. May I say before we begin that we have presented the Committee with a very short paper as a preface to the statistical tables for which it asked, and it is so short because I understand that you have received our annual report for 1975 which sets out fairly clearly, I think, what we did last year and fortuitously it also has a passage describing the general functions of the Commissioners and the organisation of the Commission now. The tables attached to that will give you some idea of the scope of our activities and of the many Civil Service classes to which we recruit each year.

631. I think that is the paper that we have. I understand that it is acceptable to you if we regard it as published from this point?——Yes, it is.

632. So that if anybody wants to get a copy they can get hold of one. There is one point about these figures. I am sure that it is terribly nice to know the qualifications, for example, of administrative trainees or even their background (to use a word that I do not particularly like) by socio-economic group. It is not the responsibility of this Committee to investigate the educational system of the United Kingdom. Let me explain it in this way. You could tell me that you took in a certain number of Oxbridge graduates. This, in my view, might or might not be relevant to the Civil Service. I should be much more interested to know whether the percentage of Oxbridge graduates that went to a public school, and was taken into the Service, was different from the percentage put out by Oxford and Cambridge. That figure is not very easy to discover, partly because Civil Service statistics are kept in such a way that they do not distinguish public schools from direct grant schools, for example, and partly because they do not make the comparison. I think that you will see that there is a distinction, though, between any biases that the educational system may have which are presumably general to all occupations in the country, and any biases that your Commission may have. I hope, although not off the cuff and immediately, that possibly the Commission and the Civil Service Department will be willing to assist us in finding out this particular distinction?——I think that the information that you would like to have about the number of public school leavers who go to Oxford and Cambridge is very difficult for us in the Commission to determine; we have to turn to the Department of Education and Science for information about that. We have been given one statistic which I could lay my hands on here.

633. We shall follow this through if necessary with the universities themselves?——The public school proportion of acceptance for the year 1974-75 of students domiciled in England and Wales for Oxbridge, was 38 per cent and 27 per cent for men and women respectively.

634. We are still on intake into Oxbridge?——Yes.

635. You are not suggesting that you are responsible for the intake into Oxbridge?——Not in the least.

636. If you remember, Lord Franks when he investigated Oxford, pointed out that their intake was biased. As I said, we are not investigating that. What we are investigating is whether there is any bias between the output of Oxbridge—it might be other universities—and your intake. That is what we want to determine at some stage, although I do not think that it can be determined this afternoon?——May I add one important fact? It is a fact which was quoted in the Davies Committee's report, which indicates that Oxford and Cambridge attract nearly one third of the most able children judged by their performance at advanced level, although in fact the two universities between them take only one tenth of the university places. That, I think, does substantiate the suspicion that has been in all our

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minds that at schools throughout the country many bright boys and girls, encouraged or not by their teachers, set their targets on Oxford and Cambridge and a significant number of them get there.

Mr *Ridley*

637. What is so very dreadful about that?——All I can give in support of that is this information from UCCA.

638. I was wondering what was wrong with that?——Nothing is wrong with it.

Chairman.] I think that Dr Allen was following my point. The point is that there is a distinction between any bias in the educational system, which we are not investigating, and any bias in your selection system which we are investigating.

Mr *Garrett*

639. While we are on this subject, how do you explain the continuing dominance of public school, Oxbridge, arts graduates in the externally recruited administration trainees, when the administration traineee scheme was brought in to replace the old assistant principal scheme on a suggestion in the Fulton report, to overcome this kind of bias? ——May I attempt to answer this in a fairly roundabout fashion? We have each year declared to us a certain number of vacancies for administration trainees in the Civil Service. We obtain the number by adding together the bids made by different departments. We have then a general description of the administration trainee in a very idealised form, set out as a description of intellectual and personal qualities. We set certain conditions of eligibility, of which one is a degree with honours obtained in the current year, or to be obtained in the current year. Anybody who thinks himself eligible under those conditions can apply to take our qualifying test, regardless of the subject of the degree or the university or polytechnic at which the candidate is studying or has studied. Thereafter everything depends on his success in our tests. The results show that a large number of the successful candidates have in fact been at Oxford and Cambridge. Whether they show equally strongly a dominance of the arts subjects I am not so clear. We have so many statistics that I must confess that I have not committed them all to memory. I see that the arts and humanities in 1975 accounted for 48 per cent of the external male candidates who were appointed.

640. And over 30 per cent was for the social sciences?——Yes, 34 per cent was for the social sciences which includes economics, public administration and matters of that sort, and some 16 to 17 per cent for the natural sciences.

641. You quote the clean bill of health given to your selection procedures by the Davies Committee both in your evidence and in a recent annual report, but on the same day that the Davies Committee's report was published there was also published Vol V of the Fulton report, the social survey, which went into the question of the background and the origins of, in those days, assistant principals, and provided the information that the Chairman referred to at the beginning of our meeting today. That study showed that the entry to the Civil Service for administration jobs was becoming more socially exclusive, and it concluded that there was reasonable doubt for questioning the effectiveness of Civil Service recruitment. I think that it is as well to give that kind of paper equal prominence with the Davies Committee study, do you not?——The Davies Committee was set up specifically to investigate what was then called the Method 2 method of selection, that is, the Civil Service Selection Board procedure, and it seems to me that having explored all the information very thoroughly, we would place greater reliance on it.

642. You are familiar with Lord Balogh's comments on the Davies Committee?——No, I am not.

Chairman

643. May I go back to a point in your answer to Mr Garrett? You said that you recruited a certain number of people according to the bids put in by departments?——Yes.

644. I understand that those are rather lower this year than in former years. Is that right?——Yes.

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645. No doubt due to fears of the future, or something?——Yes.

646. Is that not slightly short-sighted? This is a problem that has affected many industrial companies. Surely at the level that we are talking about at this moment, there really is no need to reduce your intake. There might be a need to reduce the intake into the entire Civil Service, but at the prospective open structure level there can hardly be such a need, since there will always be some sort of job available for able people?——The number of bids in 1974 and 1975 was 250, and it has been reduced to 208 this year.

647. What you are really saying is that nobody decides centrally what the total number should be. Is that right? Each department puts in its bid and you accept and tot up the total?——That is not quite correct. It is not for the Civil Service Commission to say what the total should be.

648. Who is it for?——The personnel management divisions of the Civil Service Department are involved with departments in the establishment officers' meeting in deciding whether or not the overall total is——

649. But who finally decides?——Departments.

Mr *Ridley*

650. Following Mr Garrett's line of questioning, what you are saying is that you only choose people on their ability to pass the strictly impartial tests which you have laid down?——Yes.

651. You take no account whatsoever of what is called their social background?——May I add a little information here. All we know about their social background is what the candidate has chosen to place on one of our forms, and that information itself is not information on which great reliance can be placed. If a candidate writes down "manager", or "civil servant", or "engineer", it really means very little when it comes to placing people in one of the five socio-economic categories. There are people in the Commission who argue that we should not ask candidates to provide us with this information as it can be argued that it is irrelevant to the process of selection, and might lead some of them to think, quite erroneously, that we took their father's occupation into account in deciding whether or not to select them. There is only one argument against this, and that is that it can be of use to the selectors in CSSB to know what a candidate's home background was. If it influences matters at all, it can only be in one way. If a candidate has had, let us say, a disadvantageous upbringing, somewhat narrow and restricted, and has achieved what he has achieved in order to reach us, then in a sense he can be regarded as getting a little extra mark against his name by comparison with the candidate who has had a much more privileged—if I may use that word—upbringing. I think that Mr Murray would endorse that. (Mr *Murray.*) I do not think, speaking as a very good egalitarian, I hope,——

652. Why do you hope that you are a very good egalitarian?——Not "I hope" then, but speaking as a very good egalitarian, we must not equate this matter of privilege simply with there not being very much money in the parental background. There are a number of our candidates coming from very underprivileged backgrounds, with plenty of money. By and large of course, it goes the other way, but it does work that way as well. What we try to do at CSSB is to look at people against their background as a whole in relation to their opportunities, and if these opportunities have been limited or restricted then this is part of the picture. It does not get anybody through, but it is part of the general picture and in that sense it is an important part of our evidence.

653. Is this not rather unfair on some people who might be of higher calibre who, because they have had a privileged background, might be disqualified?——No, not at all. We are not thinking of penalising somebody because his father was a major general, and he went to Eton. We are trying to look at the picture as a whole, but the main thing is ability and quality. Nobody will get through simply because of social background, whether it is good or bad, but it is part of the picture.

654. Would it not be better to drop any intimation of social background at

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the time of taking the examinations, so that you could not be accused of bias either way, either by Mr Garrett or by me?——No, I think we should not. We are perfectly able to take care of the bias ourselves. The more that you know about somebody and the kind of upbringing that he has had the better. It is very much part of him, and you cannot divorce that from the other things.

655. If in one year all your 208 candidates turned out to have been at Oxford or Cambridge, would that cause you to try to alter the final determination, because you would be frightened of criticism—egalitarian criticism, perhaps I should dub it?——No, I think that we should take the best people, even if they come from Oxford and Cambridge.

656. May I change to a slightly different kind of question? It appears that you are seeking to recruit the very best people from those who make application to join?——Yes.

657. Do you feel that the balance between the very best people who go into the Civil Service, and those who might go into industry or commerce or into non-Civil Service activities, is a factor that you take into account, or do you feel that you must ration yourself as to the amount of the talent that you take for fear of starving other activities? Is that a thought in your minds?——(Dr *Allen.*) I think that I have to say that it is not a thought in our minds, because we have very little knowledge of the total talent available in any one year. It is difficult enough to recruit the small number of able people that we are seeking. That is really all I can say in reply.

Mr *Radice*

658. Speaking as an arts man myself, or at any rate as a social scientist, why is it that you recruit so many more people coming from an arts background or from a social science background? Is it that your tests are linked in that way, or is it that in your view the best kind of civil servant tends to come from that kind of background?——May I describe the tests very briefly? Perhaps I might begin by saying that some modification of the tests was made shortly after the publication of the Fulton Report and that of the Davies Committee, in order to ensure that scientists and engineers were not placed at any disadvantage. In other words, there was an increase in the amount of numerical work and statistical work that was required by comparison with purely literate work. All candidates are required to take the qualifying test, which comprises three or four cognitive tests, (intelligence tests)—and three subjectively marked papers, of which one is a summary, a précis, of an already rather condensed thick-textured passage of prose. The second is what is called a test of constructive thinking, where a problem is outlined. Let us say that a fishing port is in decline and that the railway has been closed down. A scenario is set, and the candidate is asked to offer suggestions about how the economic life of the town might be revived. The third one is called interpretation of statistics. The candidate is presented with two or three tables of statistics. They might, for example, be of the number of people entering teacher training colleges, or the number of vacancies for teachers of different kinds in schools over the years. The candidate is asked what he can infer from these tables. I do not think that it can fairly be said this favours any particular kind of candidate in terms of his academic discipline. At CSSB itself there are four basic exercises. There is an imitation Government file called the background story, which has been devised very carefully and presents a complicated problem. It contains a lot of complicated material, and each candidate is required in two hours and ten minutes to assimilate the file, to analyse the problem, and to present a recommendation for and against the various courses of action. This same background story is then used as a basis for a drafting test in which the candidate has to write an answer to a letter of complaint based on something in the background story. The same background story is also used as the basis for the committee exercises, in which each candidate has to act in turn as chairman of a committee and as a member of a committee in dealing with problems arising from the background story. A few years ago, for example, there was a background story to do with the provision of water supplies in a

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certain imaginary region of England, with various options of building new reservoirs, or having a nuclear desalination plant and so on, and a host of complicating factors relating to the submersion of old buildings and complaints from different local authorities. All this information is accompanied by tables of figures and costs which have to be analysed by the candidates. I do not think myself that this could be said to favour the arts candidate. In addition, at CSSB the candidates take more intelligence tests, some of them of a verbal kind and some of a non-verbal kind to do with patterns and numbers, and further tests of statistics and so on. Of course, this is supplemented by the solo interviews with each of the three assessors who interview the groups of candidates. We have thought very hard about this over the years and we cannot see that it favours any particular kind of candidate. I have a personal view, which I will express if I may. That is that an undergraduate who has been reading economics, let us say, or public administration or politics, may from the nature of his academic course be more accustomed to reading about, and perhaps to thinking about, these problems than other kinds of candidate, but others within the Commission do not think that this places such undergraduates at an advantage.

Chairman.] As I said at the beginning, it would be possible, I think, statistically, to prove or disprove this, but none of the statistics that we have so far received, it seems to me, does.

Mr *Radice.*] This is a slightly different point from the one that we have been asking about.

Chairman

659. No, you can do it on the same principle. What is the output of, say, Oxbridge, in terms of engineers, and what is the percentage intake into the Civil Service? Nowhere do I find that statistic which would prove or disprove the point that you are making?——(Mr *Murray.*) May I make one point on that? So far as the scientists are concerned, at the qualifying test stage they are slightly less good proportionately than other candidates, but only slightly less good, probably not significantly so statistically. When they come to the CSSB they do equally well. That is a statistic.

Chairman.] That is certainly one. However, I do not think that we can argue this in the absence of the relative statistic, which is the one that I hope we shall eventually find.

Mr *Garrett*

660. Do you think that in any way it is a deterrent to the best technical and scientific specialists, that such people are very under-represented in the top general management jobs of the Civil Service? It is very rare, if ever, that one comes across a permanent secretary or deputy secretary who has an engineering qualification or a scientific qualification, for example. Most of the higher civil servants have backgrounds as Oxbridge historians and classicists, still? ——(Dr *Allen.*) Of course, most of the higher civil servants of today were recruited some 25 to 30 years ago.

661. Yes, I am aware of that?—— This is really not so much a recruitment point. It relates indirectly to recruitment. I think that it is fair to say that a great many engineers, and I might remark in passing that I am a chartered engineer, a civil engineer,——

Mr *Ridley*

662. So am I?—— —having graduated in engineering, which is a very arduous course to pursue nowadays, wish to remain, and to pursue a career as engineers. Only later in their lives, probably, do some of them wish to shift to management. I think that this is true of scientists, too. Good physicists who wish to pursue a career in research are not thinking at that stage of becoming managers.

Mr *Garrett.*] But it is easier to transfer from being an engineer to being a manager in industry than it is in the Civil Service, is it not?

Chairman

663. I think that perhaps we are going outside the field of the Civil Service Commission?——I think we are. My personal opinion on this is not worth having, I think, because it would not be based on facts.

664. May I go back to your field? There is such a thing, is there not, as the job specification of administration trainees?——There is nothing that I could hand you which I could say truly was a job specification.

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665. There is some document which defines what you ask them to do?—— Yes, which I shall be happy to provide you with, but it is a trainee grade and in that grade people are being trained to undertake an enormous diversity of tasks. It is almost impossible to say that the trainee does A, B and C. There are so many things that he or she may do.

666. Let us go back to my first question. There is such a document?—— There is a document which describes the personal qualities and intellectual qualities that we look for in administration trainees.*

667. Then can I ask you the real question, which is, who decides what the contents of that document are, and when was it last revised?——(Mr *Murray.*) It was first prepared, if I may put it in this way, in 1945 by Professor Burt in conjunction with Dr Anstey. That remained broadly true—perhaps it should not have done—right up until the Fulton report. It was revised two years ago, again by Dr Anstey, after a pretty elaborate job specification exercise and that is the one to which we are working now.

668. Is there a procedure for revising it regularly?——(Dr *Allen.*) These job descriptions are looked at every year. For example, in the case of graduate recruits to the Diplomatic Service, we seek the agreement of the Foreign and Commonwealth Office to the specifications to which we are recruiting, and very minor changes in the wording are sometimes introduced. For administration trainees, where we are recruiting for twenty different departments, the process of consultation would be much more difficult, and in fact it is not carried out inter-departmentally each year.

Mr *Ridley*

669. It is right that you recruit for the Foreign Office and the Diplomatic Service. Have you any additional, or special, tests for budding diplomats as opposed to the generality?——(Mr *Murray.*) Apart from an initial test of linguistic aptitude, no.

670. That awful country week-end has gone, has it?——The country week-end has gone since 1950, thank goodness, and we do not need it, so that there are no peas on the knife, or anything like that. The theory—it is the hypothesis behind this—is that the common qualities for home administration and diplomatic administration are much more important than the obvious differences, so we use a common selection procedure. Of course, the emphasis is different on certain qualities, but basically it is the same.

671. Do people apply to go into the Foreign Service rather than the Civil Service, or do you switch them about once they have passed the entrance exam?——They give their own order of preference, and even when they are at CSSB they can change if they wish.

672. Do you feel that this is right? Do you feel that the qualities of a diplomat are the same? You were telling us about the tests—whether there should be a water scheme, or how they were going to deal with teacher training and recruitment. These do not seem to be at all the same sort of problems that a man who makes his career in Uganda shall we say as a diplomat, might encounter?——(Dr *Allen.*) To add to what Mr Murray has said, at CSSB the assessors will include one member, or ex-member, of the Diplomatic Service, and the interviews will certainly cover international affairs in a way that they are not likely to in interviews with prospective home civil servants. But the basic tests of intellectual ability, penetration and judgment, it seems to us, should in fairness be soluble by both kinds of entrant.

673. Is there not a very great additional role that a diplomat has to have, that is, to be able to get on with all sorts of other people, to have good relations, and to have a certain amount of entertaining ability and some charm? Do you disregard that altogether?——(Mr *Murray.*) No, I think that you want that. Shall I put it in the negative sense? If you have not got that you might be unhappy in certain aspects of Diplomatic Service life, but it is very much a peripheral thing. People in the home Civil Service must be equally good with people, in understanding how they tick, and knowing how their decisions affect ordinary people. This is just as important at home as abroad.

* See appendix p. 48

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Mr *Garrett*

674. May I ask you a couple of questions on your memorandum? You say that you do not see it as your function to influence developments in the formal educational system of the country. Why is that so? Is it not the case that in this country we have got a rather poorly developed higher educational system in the field of the management of government? Should you not seek to encourage institutions to specialise in this field?——(Dr *Allen.*) My answer to your question is that our function is to fill permanent pensionable posts in the Civil Service by open competition and on merit. It is not to indulge our own theories about how the educational system should be changed, if at all. We have to accept the output of the educational system as it is. If, occasionally, some change is proposed which might make our task more difficult, we would think it proper to write to the Department of Education and Science and tell them so, and tell them that if certain changes were to take place we might have to institute different tests.

675. Would not the general level of skill, and the value to the Civil Service of candidates, be increased if some of them had been through training in public administration, or management of Government?——As a post-graduate course?

676. Under-graduate or post-graduate. In some countries there are under-graduate courses, are there not?—— People who have had this experience and training can, and do, apply and may or may not be successful, depending on their personal talents. It does not seem to me that we can tailor the job description in such a way as to attract people of that kind alone. If we did so, to start with we would not get enough applicants.

Chairman

677. May I ask you about a different thing? If you look at page 11 of your 1975 annual report, it starts out in a magnificent way with principals in the administrative division and gives vacancies of 50, and applications of 1,647? ——Yes.

678. But later on there is a slightly different situation. Under the heading "Outcome" in the reference to the Technology Division, for example, it says "Most notified vacancies filled". Why do you not put the figures in, in the latter case? Earlier on you say "All posts filled", or "6,334 posts filled" under executive officers, and "About 109 appointed" against inspectors of factories. Why is there no consistency in your set of figures?——Because, when we are talking about the recruitment of architects, civil engineers and so on, we are talking about recruitment through a considerable number of competitions, and to a variety of grades, and the outcome of some of the competitions may not have been known at the time when the report was drawn up. But the more detailed figures are given in the table that follow in so far as we can give them. If you look at those, you will see that there are a certain number of figures in brackets which indicate cases not yet settled.

679. Literally, if you have 650 vacancies and the outcome is vaguely stated as "Most notified vacancies filled", then that means that anything from more than 325 to 649 vacancies were filled. It is a meaningless outcome, is is not?——Yes.

680. It is meaningless compared with all the preceding columns in the same pages?——(Mr *Daymond.*) As Dr Allen says, this comprehends a whole range of different jobs and some of these jobs are difficult to fill; others are fairly easy to fill.

681. Before you go on, you should not put planning officers, estate surveyors, valuers and cadet valuers, and land agents all under one heading? You should split it?——We could have made it much longer, I agree, if we had wanted to, and set them all out separately.

682. If I might make another point to Dr Allen, in another part of the report there is an enormous list of names of interviewers. A few of those are recognisable people, but, if I may say so, I suspect that there is more than one person in the land called M. Smith or P. Smith. I suggest that either the whole of this could be left out, or, alternatively, you could give some slight specification of who the interviewers and examiners are. It seems to me that those pages as they are printed are not

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as helpful as they might be?——(Dr *Allen.*) We could make them much longer, and provide the occupations of the interviewers. They are presented here because we wish to be as open as we can and wish the public to know who our assessors, interviewers and examiners are. I take your point.

Chairman.] I am sure that that is true, but the method of presentation in certain parts of the report does not lead to the openness that you are seeking.

Mr *Radice*

683. Turning to your report again, on page 7, you state that there were small groups in which vacancies remained hard to fill, and you mention accountants, statisticians, scientists and technologists and, indeed, oddly enough, some posts in the Diplomatic Service, but let us leave that aside for the moment. Why do you think that these specialist grades remain so hard to fill? Is it the reason that you gave earlier—your own personal reasons?——If we are talking about scientists and engineers, it may be the case. It is a strange thing that in the last two or three years we have had many applications for posts in the science group of the Civil Service and a large number of people regarded by us as acceptable have, when offered a post, turned down our offer. The figure last year was, I think, nearly as high as 50 per cent. This year it is somewhat lower, but it is still quite high. I think that many factors enter into this. Perhaps the pay that we offer, although attractive enough superficially, is not as attractive as the pay being offered by some other employers. There is also the question of location, because most science posts are in research establishments scattered about in different parts of the country, and joining an establishment will almost certainly mean moving house. Also, many of the young scientists who apply to us have a number of other applications in at the same time, and we have to assume that some of them find the other posts that they are offered are more attractive than ours.

Chairman.

684. Not necessarily in this particular year, but in general, if you find difficulty in filling a particular set of vacancies, what are your relations with the pay side of the CSD? Do you actually recommend that a particular job should be differentially up-graded?——We inform them of the difficulties that we are having. I do not think that we would go any further than that. We might, in some recruitment grades, propose offering a higher starting salary within the approved scale but the pay divisions are rightly strict in their attitude to such changes. I do not know if Mr Daymond would like to add anything to that. (Mr *Daymond.*) No, I think that that covers it. With regard to accountants and lawyers, one of our difficulties is that we are looking for experienced people and they are at a premium. When times are bad accountants are wanted, and when times are good accountants are wanted. We find great difficulty, as everyone else does, I think, in recruiting them.

Mr *Radice*

685. May I go back to the scientists? Could it be the case that in industry and in the academic world there is more opportunity for creative work than there is in the Civil Service, and perhaps as Mr Garrett has already said, also more opportunity to go on to the management side than there is in the Civil Service so that you are at a disadvantage by the nature of the jobs that you are offering?——(Dr *Allen.*) I am speculating, but I think that the second explanation, the one offered by Mr Garrett, might probably be more true than the first, because the opportunities for doing research—and if you wish, to pursue a lifetime in research—in Government research establishments, are very good.

686. But can you get the recognition for your creative work in Government service that you can outside?——In many of the research establishments there is considerable freedom to publish. A small number of scientific civil servants is elected to membership of the Royal Society. It is a very small number, but it is a very small number of scientists anyway.

Mr *Garrett*

687. You can offer a young graduate who applies to join the research officer class—somebody with a background, shall we say, in planning, or geography or something like that—far inferior prospects to what you can offer somebody who joins as an administration trainee

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or possibly even a scientist. That is also true, I guess, of accountants—that you offer them inferior prospects to those for an administration trainee. Do you not think that may have some influence on the number who apply?——Research officers are a small class in the Civil Service. It is now part of the general category, so that people will have an opportunity to move from the research officer class to the main administration group.

688. Is that true? Are you sure of that?——By means of what we call lateral movements and the use of opportunity posts.

689. I thought that the research officer class was about to be combined in some kind of social science class, but not admitted to the administration category? ——My understanding is that at the present time—you are slightly taking me outside my field here—the research officer class is within the general category. It is at the moment a subject for restructuring—yes, indeed. The most senior posts in the research officer class are not at the high levels—at levels higher than that of assistant secretary, although I am open to correction on that point.

690. The Fulton report called that discrimination against expertise—that a general graduate would have this royal road for promotion if he joined as an AP, now an AT, while a graduate of equal calibre, if he joined as a research officer or as some other specialist, would not have those opportunities?——The candidate who applies to be a research officer presumably applies because he wishes to do work of that kind. In order to be selected he undergoes less stringent selection procedures. Having got in and perhaps found the work unsatisfying, he can then enter other competitions run by the Civil Service Commission in order to move to another part of the Civil Service.

Chairman.] This is possibly not the responsibility of the Commission.

Mr *Garrett*

691. Then may I ask about something that is? In paragraph 3 of your memorandum you say that "the First Commissioner is answerable to the Permanent Secretary of the Civil Service Department, and through him to the Minister, for the efficiency and administration of the Commission." What report do you make about efficiency? How do you measure it?——I am not quite certain where to pick that question up, exactly. I can say, to start with, that we make a detailed analysis of the costs of recruiting—the true economic cost of recruiting candidates in each of the different recruitment divisions. We compare one year with the next, allowing for inflation and so on. We can compare the numbers of staff of the Commission with the total number of applications processed and candidates appointed, and this is done every year. In effect the figures are presented, although not quite in that sense, in this report. In addition, the Commission makes a quarterly report to the Permanent Secretary's management group and plays its part in the departmental planning procedures where objectives are set, and we have to report on their fulfilment, or, if they are not fulfilled, why they have not been fulfilled. I think that I have covered about four points there.

Chairman

692. On page 8 of your 1975 report, in the last paragraph, the first sentence reads as follows, "Within the Commission, five separate divisions are responsible for all—or nearly all—recruitment to the various occupational groups and classes of the Civil Service". What does that sentence mean? Are they responsible for nearly all? If so, what is omitted?——There is a small group known as the Written Examination Unit which is not one of the other five divisions, which recruits linguists, but it is so small that it can hardly be called a recruitment division in itself.

693. That is the sixth, mentioned on the next page. But you are, in fact, responsible as a Commission for all recruitment to the Civil Service, of a permanent nature?——Of a permanent nature. We ourselves do the selection down to a level equivalent to executive officer, and to the equivalents in other classes. In the grades below that, we delegate powers to departments for the recruitment of clerical officers and clerical assistants in the administration group,

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assistant scientific officers, and professional and technical officers, grades three and four. In delegating those powers we issue each recruiting department with detailed instructions about how the recruitment is to be carried out from the stage of advertisement onwards, and we retain powers to monitor that recruitment in order to ensure that departments are doing it correctly. We do a certain amount of monitoring, but not as much as I should like to see done because of constraints on staff.

Mr *Ridley*

694. How many people do you employ?——(Mr *Daymond.*) Three hundred and twenty.

695. What is the total cost of the recruitment?——About £4 million.

696. Is not 320 rather a lot? What do they all do?——It is a smaller number than some years ago.

697. That does not mean to say that it is not still too many. I am not saying it is?——Where does one begin? They are responsible for the whole of the recruitment to the permanent posts in the Civil Service. (Dr *Allen.*) May I give an example? In recruiting executive officers, for example, we receive some hundreds of applications each week. In one week in February we received nearly 1,000 applications from people wishing to be executive officers. Each application has to be scrutinised carefully and fairly. You cannot just put one aside and say "That does not look very promising" and tear it up. Each one has to be acknowledged and processed in the proper way.

698. Do you keep unit costs, both as to people selected and as to people interviewed—the cost per application or per examinee or whatever it may be? ——Yes. We work these out—not every year. We did so in 1972, and we did so in 1975. We have yet to decide whether to do it every year because it is quite a costly process in itself, but we can in fact give the cost per candidate, per application form processed, per candidate recommended for appointment and per candidate actually appointed.

699. Are those costs going up or down in real terms? I do not want you to give them to us now?——They are going up slightly, but I think that I am right in saying—Mr Daymond will correct me if I am wrong—that they have not gone up at quite the rate that might be expected from the inflation that has taken place in the last three years.

700. I did say in real terms, discounting inflation?——In real terms, slightly up. (Mr *Daymond.*) If I may add to that, in our costs we find that the element of our costs that is related to our own work is going down slightly, and the costs over which we have no control, like advertising and postal costs, have gone up, so that as a whole it has gone up, but not in the areas that we have control over.

701. Do you check with comparable figures in other countries which are similar, such as France or Germany or America? Are you able to compare yours with their unit costs?——(Dr *Allen.*) No, I am afraid not.

702. Why not?——We have not asked them for them.

703. But could you not do that?—— Yes.

704. Would it not be useful to know how your unit costs lie in relation to theirs?——Yes. I am not quite sure that they would be able to provide us with this information.

705. Nor am I?——Furthermore, I do not know how much it ought to cost to recruit a certain person.

706. If you discovered that there was a large disparity between you and another country, either way, it would at least be something of interest, would it not?—— Then we should have to look at their procedures and compare them with ours, and decide whether or not they were superior or inferior.

Chairman

707. Do you make the same comparison with the big British multi-national companies and organisations on a similar scale?——(Mr *Murray.*) When we did the investigation for the Davies report, not only could we not get easy figures from France or America, but we could not get them from home. There was no big firm that could give us the figures,

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any more than a big firm that could give us follow up results. We were told by most of the big firms approached that our costs seemed about right, but they could not give anything more exact than that. We had the costs; they had not.

708. You mentioned a follow up. There is a report in existence, of which the Department has been kind enough to supply us with copies, in which your predecessors compared over a period, the gradings of people with the eventual positions that they reached in the Civil Service, and the correlation is quite high. In that of course—if for the moment we call them As, Bs and Cs—there is no mention of the question of causality. Have you any idea whether it is that people rise to high positions in the Service because the Civil Service Commission originally classified them as As rather than Bs and Bs rather than Cs, or is it in fact that your selection processes are so excellent that the results follow?——(Dr *Allen.*) I firmly believe that it is the latter.

709. One would expect you to say that. Can you suggest any effective test? ——I have never heard senior servants refer to other senior civil servants or to up-and-coming civil servants, saying "Of course, he got 265 in the old AP competition. He must be good". I think that these marks and assessments are kept confidentially in establishment divisions, just as they are for administration trainees now. When an administration trainee is appointed he knows, or she knows, that his mark is A, B or C and so does the establishment officer, but the division in which the AT works does not know. (Mr *Murray.*) I think that the Chairman is absolutely right. There is so much that is simply due to chance—a good posting or something of that sort, over which we have no control. I think that there is a lot of that, and that does not come out in the follow up.

Mr *Garrett*

710. It could be to do with the culture of the Civil Service, could it not?—— Yes.

711. Those at the top of the Civil Service see to it that newcomers are recruited in their image?——I do not know. As you may remember from a volume in the Fulton report, Dr Anstey went into this subject of reporting officers and probable bias and so on, and he came out, I think, objectively and reasonably, with the conclusion that there was not any. We cannot be sure of that, of course, but as for repeating things in our own image, I do not think that that is done at CSSB, but really you would have to come and see the thing. You would have to read the reports, and if they are reproduced in certain prototype images, they do not leave us like that. What happens later on, I do not know. The mould might get them. (Dr *Allen.*) Might I add that I am not at all clear what the image is. There are four Civil Service Commissioners of whom one was at Oxford University, one was at Aberdeen, one was at London and one was in Dublin. The one at Oxford read mediaeval languages, the one at London read law, the one in Aberdeen read psychology and the one in Dublin read civil engineering. I am not at all clear what sort of image it is that we might be attempting to perpetuate, if we were doing so.

Chairman

712. I am not at all clear of the virtues of selective statistics like that either?——(Mr *Murray.*) And very wisely so. (Dr *Allen.*) Might I ask one question? Would you like me to send you a copy of our document about the qualities looked for in administration trainees?

713. Yes, please.——We would be pleased that you should see it.[1]

Chairman.] I had intended to ask for that. Thank you very much.

[1] See appendix p. 48.

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APPENDIX

TABLE 1

ADMINISTRATION TRAINEE ENTRANTS FROM OUTSIDE CIVIL SERVICE 1971 EDUCATIONAL BACKGROUND

Percentages

	Total entrants		HEO(A) and above		HEO and EO	
	Male %	Female %	Male %	Female %	Male %	Female %
TYPE OF SCHOOL						
LEA grammar	54·2	45·2	53·7	42·3	60·0	60·0
Direct grant and Public School ...	45·8	41·9	46·3	46·2	40·0	20·0
Other fee paying and Others ...	—	12·9	—	11·5	—	20·0
	100·0	100·0	100·0	100·0	100·0	100·0
Number of records analysed	72	31	67	26	5	5
UNIVERSITY						
Oxford and Cambridge	56·9	48·4	58·2	53·9	40·0	20·0
London	5·6	9·7	6·0	7·7	—	20·0
Welsh and English provincial ...	29·2	32·2	26·8	34·6	60·0	20·0
Scottish	8·3	9·7	9·0	3·8	—	40·0
Irish and Foreign	—	—	—	—	—	—
Others	—	—	—	—	—	—
	100·0	100·0	100·0	100·0	100·0	100·0
Number of records analysed	72	31	67	26	5	5
DEGREE SUBJECT						
Arts and humanities	47·4	76·5	47·9	77·8	40·0	71·4
Social Science	35·5	17·6	35·2	14·8	40·0	28·6
Natural Science	13·2	5·9	12·6	7·4	20·0	—
Applied Science	3·9	—	4·3	—	—	—
Others	—	—	—	—	—	—
	100·0	100·0	100·0	100·0	100·0	100·0
Number of records analysed	76	34	71	27	5	7

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CLASS OF DEGREE						
First	30·6	22·6	32·8	23·1	—	20·0
Upper Second	33·4	41·9	31·4	34·6	60·0	80·0
Undivided Second	16·6	25·8	17·9	30·8	—	—
Lower Second	16·6	9·7	16·4	11·5	20·0	—
Others	2·8	—	1·5	—	20·0	—
	100·0	100·0	100·0	100·0	100·0	100·0
Number of records analysed	72	31	67	26	5	5
SOCIAL BACKGROUND						
I. Higher Professional and Managerial	20·8	19·4	20·9	19·2	20·0	20·0
II. Intermediate Professional and Managerial	44·4	51·6	41·8	50·0	80·0	60·0
III. Skilled (Non-manual, Manual)	26·4	16·1	28·3	19·2	—	—
IV. Partly skilled	2·8	3·2	3·0	—	—	20·0
V. Unskilled	—	3·2	—	3·9	—	—
VI. Others	—	6·5	6·0	7·7	—	—
	100·0	100·0	100·0	100·0	100·0	100·0
Number of records analysed	72	31	67	26	5	5

Notes

1. The records analysed comprise survivors to date for whom the educational background is recorded. Since the numbers are small due allowance should be made when interpreting the percentages.

2. The number of records analysed shown under " Degree Subject " may differ from other totals because some courses of study were divided between two different fields of study.

3. Information on " Social background " was collected from answers given by candidates on their application forms. It relies solely on the candidates view of their parental background and on their choice of words which may be misleading. The value of this data should be measured against these constraints.

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TABLE 2

ADMINISTRATION TRAINEE ENTRANTS FROM OUTSIDE CIVIL SERVICE IN 1972 EDUCATION BACKGROUND

Percentages

	Total entrants		HEO(A) and above		HEO and EO		Still ATs	
	Male %	Female %	Male %	Female %	Male %	Female %	Male %	Female %
TYPE OF SCHOOL								
LEA grammar	46·6	58·3	49·2	65·2	25·0	100·0	40·0	36·4
Direct grant and Public School ...	49·3	33·3	49·2	30·4	50·0	—	50·0	45·4
Other fee paying and Others ...	4·1	8·4	1·6	4·4	25·0	—	10·0	18·2
	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0
Number of records analysed ...	73	36	59	23	4	2	10	11
UNIVERSITY								
Oxford and Cambridge	54·8	21·6	59·3	33·4	40·0	—	30·0	—
London	9·6	21·6	8·5	20·8	—	—	20·0	27·3
Welsh and English provincial ...	28·8	54·1	25·4	45·8	20·0	50·0	50·0	72·7
Scottish	6·8	2·7	6·8	—	40·0	50·0	—	—
Irish and Foreign	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—
	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0
Number of records analysed ...	73	37	59	24	4	2	10	11

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DEGREE SUBJECT								
Arts and humanities	49·3	65·0	49·2	72·0	100·0	100·0	30·0	46·2
Social Science	27·3	30·0	25·4	20·0	—	—	50·0	53·8
Natural Science	18·2	5·0	20·6	8·0	—	—	10·0	—
Applied Science	5·2	—	4·8	—	—	—	10·0	—
Others	—	—	—	—	—	—	—	—
	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0
Number of records analysed ...	77	40	63	25	4	2	10	13
CLASS OF DEGREE								
First	23·3	8·1	28·8	8·3	—	50·0	—	—
Upper Second	37·0	70·3	33·9	75·0	25·0	—	60·0	72·7
Undivided Second	27·4	5·4	30·5	4·2	25·0	—	10·0	9·1
Lower Second	9·6	16·2	6·8	12·5	25·0	50·0	20·0	18·2
Others	2·7	—	—	—	25·0	—	10·0	—
	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0
Number of records analysed ...	73	37	59	24	4	2	10	11

Notes

1. The records analysed comprise survivors to date for whom the educational background is recorded. Since the numbers are small due allowance should be made when interpreting the percentages.
2. The number of records analysed shown under " Degree Subject " may differ from other totals because some courses of study were divided between two different fields of study.

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TABLE 3

ADMINISTRATION TRAINEE ENTRANTS FROM WITHIN CIVIL SERVICE IN 1971 EDUCATIONAL BACKGROUND

Percentages

	Total entrants		HEO(A) and above		SEO		HEO and EO		Still ATs	
	Male %	Female %	Male %	Female %	Male %	Female %	Male %	Female %	Male %	Female %
TYPE OF SCHOOL										
LEA grammar	72·0	50·0	71·4	40·0	100·0	—	71·4	50·0	50·0	100·0
Direct grant and Public School	12·0	50·0	14·3	60·0	—	—	—	50·0	50·0	—
Other fee paying and Others	16·0	—	14·3	—	—	—	28·6	—	—	—
	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0
Number of records analysed ...	25	10	14	5	2	—	7	4	2	1
UNIVERSITY										
Oxford and Cambridge ...	40·0	—	33·3	—	—	—	—	—	—	—
London	20·0	30·0	33·3	25·0	—	—	—	40·0	—	—
Welsh and English provincial	20·0	50·0	—	50·0	—	—	—	40·0	100·0	100·0
Scottish	—	20·0	—	25·0	—	—	—	20·0	—	—
Irish and Foreign	20·0	—	33·3	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
	100·0	100·0	100·0	100·0	—	—	100·0	100·0	100·0	100·0
Number of records analysed ...	5	10	3	4	—	—	1	5	1	1

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DEGREE SUBJECT										
Arts and humanities ...	83·3	53·8	75·0	60·0	—	—	100·0	57·1	100·0	—
Social Science	16·7	46·2	25·0	40·0	—	—	—	42·9	—	100·0
Natural Science	—	—	—	—	—	—	—	—	—	—
Applied Science	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
	100·0	100·0	100·0	100·0	—	—	100·0	100·0	100·0	100·0
Number of records analysed ...	6	13	4	5	—	—	1	7	1	1
CLASS OF DEGREE										
First	—	10·0	—	25·0	—	—	—	—	—	—
Upper Second	20·0	40·0	33·3	50·0	—	—	—	40·0	—	—
Undivided Second	20·0	—	33·3	—	—	—	—	—	—	—
Lower Second	20·0	40·0	—	25·0	—	—	—	40·0	100·0	100·0
Others	40·0	10·0	33·3	—	—	—	100·0	20·0	—	—
	100·0	100·0	100·0	100·0	—	—	100·0	100·0	100·0	100·0
Number of records analysed ...	5	10	3	4	—	—	1	5	1	1
No University	20	2	11	2	2	—	5	—	2	—

Notes

1. The records analysed comprise survivors to date for whom the educational background is recorded. Since the numbers are small due allowance should be made when interpreting the percentages.
2. The number of records analysed shown under " Degree Subject " may differ from other totals because some courses of study were divided between two different fields of study.

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TABLE 4

ADMINISTRATION TRAINEE ENTRANTS FROM WITHIN CIVIL SERVICE IN 1972 EDUCATIONAL BACKGROUND

Percentages

	Total entrants		HEO(A) and above		HEQ and EO		Still ATs	
	Male %	Female %	Male %	Female %	Male %	Female %	Male %	Female %
TYPE OF SCHOOL								
LEA grammar	66·7	42·9	40·0	33·3	100·0	100·0	100·0	33·3
Direct grant and Public School ...	27·8	57·1	50·0	66·7	—	—	—	66·7
Other fee paying and Others ...	5·5	—	10·0	—	—	—	—	—
	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0
Number of records analysed ...	18	7	10	3	3	1	5	3
UNIVERSITY								
Oxford and Cambridge	30·0	16·7	50·0	50·0	—	—	—	—
London	—	—	—	—	—	—	—	—
Welsh and English provincial ...	70·0	66·6	50·0	50·0	100·0	100·0	100·0	66·7
Scottish	—	16·7	—	—	—	—	—	33·3
Irish and Foreign	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—
	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0
Number of records analysed ...	10	6	6	2	2	1	2	3

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DEGREE SUBJECT								
Arts and humanities	46·1	66·6	42·8	50·0	67·0	100·0	33·0	66·7
Social Science	30·8	16·7	14·3	50·0	33·0	—	67·0	—
Natural Science	15·4	16·7	28·6	—	—	—	—	33·3
Applied Science	7·7	—	14·3	—	—	—	—	—
Others	—	—	—	—	—	—	—	—
	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0
Number of records analysed ...	13	6	7	2	3	1	3	3
CLASS OF DEGREE								
First	10·0	—	16·7	—	—	—	—	—
Upper Second	40·0	—	16·7	—	100·0	—	50·0	—
Undivided Second	20·0	16·7	33·2	50·0	—	—	—	—
Lower Second	20·0	66·6	16·7	—	—	100·0	50·0	100·0
Others	10·0	16·7	16·7	50·0	—	—	—	—
	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0
Number of records analysed ...	10	6	6	2	2	1	2	3
No University	8	2	5	2	1	—	2	—

Notes

1. The records analysed comprise survivors to date for whom the educational background is recorded. Since the numbers are small due allowance should be made when interpreting the percentages.

2. The number of records analysed shown under " Degree Subject " may differ from other totals because some courses of study were divided between two different fields of study.

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APPENDIX

QUALITIES REQUIRED IN THE ADMINISTRATION TRAINEE

Supplementary information submitted by the Civil Service Commission

2.1 The range of work carried out is very wide, and there is ample scope for a variety of talents, but there are certain essential qualities:

1. A good all-round intellect. The candidate need not be of the highest academic level, but he must be capable of putting his intellectual ability to good practical use. Penetration and judgment are of high importance. He should be able—or potentially able—to get quickly to the roots of the sort of problem with which he will have to deal, to show ability to analyse papers and extract the important elements. A commonsense appreciation of what is practicable or likely to be politically acceptable is needed (though to some extent developed through experience). The ability to tackle new and unfamiliar jobs and to look ahead is also important.

2. Because he is going to be working closely with other people, the candidate must have, or develop, the ability to express himself orally, to hold his own in discussion while maintaining good relations with others concerned, and to carry due " weight ".

3. He must be able to express himself clearly on paper, and in an orderly manner. In an increasing number of jobs numeracy will be almost as important.

4. In almost every case he will be working as part of a large organisation under the authority of a Minister. There is therefore no place for the man who must work on his own, or whose ambitions are overwhelmingly personal (he must of course be ambitious enough to welcome responsibility). On the contrary, he must be able to work with and handle people, and to make ready and easy contact, at different levels both inside and outside the Service.

5. Because so much of what he does will affect the ordinary citizen his attitude, as developed, must be one of tolerance and humanity, ie he must have, or develop, a feeling for how his administrative decisions could affect " ordinary people ".

6. He must not be too restricted in his interests, and should have a general interest in current affairs (assessors will allow for special circumstances).

7. He will need drive and determination because he will at times find himself in situations where he can set his own pace, and where the quality and thoroughness of a job will depend on his own application. He should be able to work fast where necessary and to meet tight time-schedules. He will need the emotional stability necessary to work under pressure.

2.2 It is highly unlikely that all these admirable qualities (plus an unquestionable integrity) will be found in any one individual, and there are no *absolute* standards attaching to any one of them (except integrity). Thus, though most of those who attain the upper reaches of the Service will be of very high intelligence, it is perfectly possible for someone whose intelligence is in a lower range (by our standards) to do well because of the particularly effective way in which he is able to apply it. There are again, wide variations in personal qualities. And it is very necessary to bear in mind how a candidate will develop when in the supporting environment of the Service. Will he grow out of his present diffidence? Will he acquire more drive once he has an actual job to do? How much intellectual potential is there to be developed? To what extent is ignorance of the world at large, or narrowness of interests, a reflection of an honours degree course or of personal circumstances,

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and thus a temporary phase? This sort of question must be considered when judging suitability, and *the candidate must be assessed as a whole, and not just on performance at CSSB, or in what the Director calls a CSSB vacuum.*

2.3 Motivation in the case of younger external candidates is less important than in the case of the older. Most undergraduates have a very imperfect idea of what the Service is and entails. Over the years people have joined the Service for many reasons—and for none—and have been highly successful in it. Motivation is likely to be of greatest importance in the case of older candidates on the margin of acceptability.

2.4 Of some candidates one can predict with confidence that they will come to merit accelerated promotion in the "fast stream": with others it is more difficult. It is tempting to look for stereotypes that correlate with selection or non-selection for early advancement: eg the administrator as against the manager, the conceptual thinker as against the practical man, the man of ideas as against the "non-original" thinker. None of these polarities will do. There are managerial posts in the upper reaches of the Service involving the deployment of resources totalling hundreds of millions of pounds: and there is a place among those selected for early promotion for the manager, the practical thinker and the non-originator. As a general rule the candidate selected for early promotion is likely to be of above average intellectual ability by our standards, but even this will not always be true: as said, the man who is able to recognise and make use of ability of a higher order than his own may make a very successful senior Civil Servant. *Once again, therefore, we are faced with the need to look at a candidate as a whole* and the assessment becomes often a matter of degrees and not of distinguishing amongst types. The question that needs to be asked is whether the candidate has the degree of ability—or will have developed it in the course of the 2–4 years before streaming actually takes place—to merit rapid advancement to Principal and thereafter at some stage, to Assistant Secretary. If the answer is YES the appropriate mark is A; if the reply is "possibly" the mark should be B: but if the candidate seems likely to be acceptable but to progress more slowly, through the grades of HEO and SEO, the mark should be C.

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MONDAY 12 JULY 1976

Members present:

Mr Michael English, in the Chair

Mr John Garrett	Mr Giles Radice
Mr John Loveridge	Mr Nicholas Ridley

Memorandum by the Department of the Environment

INTRODUCTION

1. The Department of the Environment's programmes and related costs currently represent some 16 per cent of annual Government spending. It employs some 47,500 non-industrial staff and 34,000 industrial staff. These figures include 8,500 locally engaged staff working abroad. (See Annex A). The wide-ranging scope and complex nature of the policies, regulations and activities for which the Department has been made responsible include a growing international role.

2. The following section contains information about the Department's functions and organisation. Later sections deal with the control of its financial resources (II), its management efficiency (III), and the management of its personnel (IV); the final Section (V) contains specific information about the Property Services Agency (PSA).

SECTION 1: FUNCTIONS AND ORGANISATION OF THE DEPARTMENT

3. The history of DOE effectively begins in October 1969 when, following publication of the Redcliffe-Maud Report on Local Government, the then Prime Minister created a new post of Secretary of State for Local Government and Regional Planning to co-ordinate the activities of the Ministry of Housing and Local Government (MHLG) and the Ministry of Transport (MOT). At the same time, responsibility for the Regional Economic Planning Councils and the Economic Planning Boards was transferred to MHLG from the former Department of Economic Affairs. Although these changes were designed to synthesise policies on housing, regional planning, land use, and transport, MHLG and MOT were not at that stage, formally merged, and their Ministers retained all their separate statutory powers. However, a review of the functions and organisation of these two Departments, and of the Ministry of Public Building and Works (MPBW), was instituted, the outcome of which was not announced until after the 1970 General Election when the White Paper "The Re-organisation of Central Government" (Cmnd 4506) was published. The White Paper laid great emphasis on the grouping of interacting functions and the need for a new form of organisation to carry them out. It proposed new Departments with a wide span of interests so as to provide a series of fields of integrated policy making. One of the Departments thus created, on 12 November 1970, was DOE.

THE DEPARTMENT'S PRIMARY FUNCTIONS

4. The Department inherited the functions of its three constituent Ministries, with responsibility for a wide range of activities throughout the UK and abroad. Other tasks were added at the moment of formation (eg the Central Unit on Environmental Pollution) and subsequently (eg the Development Commission). A statement of the main current functions of DOE is to be found at Annex B. (Some of these functions relate to England only, others to Great Britain, some extend throughout the United Kingdom, whilst others involve overseas responsibilities). These functions are broadly inter-related. For instance, DOE Ministers are responsible for land use planning policy in England, a task which has important linkages with, and implications for, their responsibility for English housing policies, and for the development of their transport policies. Many of the Department's activities have substantial economic implications; the industries it oversees or

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sponsors (eg water, construction) are not only major employers but are central to the development of regional policies.

5. To discharge these varied responsibilities the Department relies mainly on local authorities and certain nationalized industries (eg British Rail, Ports). The relationship with local government is especially important, not least because the Department has a general oversight of local expenditure. As regards DOE's relationship with the nationalized industries, the financial and policy control is more direct; the Department seeks to ensure first, that the industries are efficient and pursue appropriate financial objectives; and second, that their activities and operations are compatible with the Government's objectives in other fields. The new towns building programme, carried out by the various Development Corporations, should be noted in this context. Finally, DOE has a direct executive role both through the building programme managed by the PSA, and through its highways construction programme. The Department's programmes are supported by research, about 40 per cent of which is carried out "in-house", principally at the three main Research Establishments (the Building Research Establishment, the Transport and Road Research Laboratory and the Hydraulics Research Station); the rest is by grants and contracts to other organisations. Details of the current research activities are given in DOE's "Report on Research and Development, 1975".

Organisation

6. In designing the basic structure of the Department at the time of its formation two main alternative models were considered: a fully integrated organisation, with statutory powers vested in a Secretary of State, to be assisted by a number of Ministers; and a "federal" structure, in which the different Ministers would retain their own statutory roles. The former was chosen to encourage the development of a corporate identity within the new Department; and to enable the Secretary of State to take a strategic lead in key issues. This unified structure also simplified the provision of common services and the re-organisation of overlapping areas of work. The organisation chart at Annex C shows the present reporting lines within the open structure of the Department.

7. Early steps were taken to bring together the common services of the three previous Ministries: Establishments, Finance, Research, Legal, and Economics and Resource Allocation have each been formed into single units. Considerable progress has been made in the rationalisation and integration of policy functions to assist the development of the strategic approach envisaged by the 1970 White Paper. For example, the DOE Regional Offices have been given responsibilities for local housing, planning and transport issues; policy responsibility for land use planning and local transport has been concentrated in one Deputy Secretary Command; the bringing together of work on the national housing programme (formerly with MHLG) and on the construction industry (formerly with MPBW) has facilitated a better understanding of the problem of matching the demands of the housing programme and the capacity of the construction industry; and the Department's wide span of interests, when harnessed to its role as the sponsor of local government, has enabled it to pursue a more coherent relationship with local authorities.

8. In much of this, the Department's Regional Offices play a vital role, not only liaising with local authorities on day-to-day business, but also negotiating and discussing many policy issues with a variety of local and regional interests. As much casework affecting local affairs as possible has been delegated from Headquarters. The Regional Directors of DOE act as Chairmen of the Regional Economic Planning Boards, and the Regional Offices provide the Secretariat to the Regional Economic Planning Councils. (Headquarters' role is by contrast concerned more with the relationship of regional and local issues to national objectives and policies). Including the staff of the Driver and Vehicle Licensing Directorate at Swansea, together with various other local offices and outstations (eg Rent Assessment Panels and Traffic Area Offices) 57 per cent of Central DOE staff are employed outside London.

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9. To cope with the great variety and spread of its work, the PSA also has an extensive regional organisation which employs 69 per cent of its staff in the UK and in the main theatres of defence activity overseas. Historically, regional offices were concerned mainly with minor new works and maintenance, but again, present policy is to delegate to them responsibility for major projects.

The Property Services Agency

10. A major development has been the creation on 1 September 1972 of the Property Services Agency (PSA). The 1970 White Paper stated that, where reasonably clear cut and separable blocks of work could be identified in Government, these should be delegated to agencies forming units of accountable management. Such considerations led to the formation of the PSA as a Departmental agency within DOE, under a Chief Executive of Second Permanent Secretary rank.

11. The PSA provides, equips and maintains a wide range of buildings and installations for Government Departments, the armed services, the Post Office and other clients (eg NATO, the US Air Force) and manages a large part of the Government's land and property at home and overseas. In total the Agency has nearly 53,000 staff, of whom 23,000 are UK based industrials. To supplement its resources of professional and technical staff the Agency makes use of consultants. In 1975–76 over £27 million was spent on fees to consultants and drawing office agencies.

12. The Agency's responsibilities differ from those of the former Ministry of Public Buildings and Works in three main respects. First, it has taken over the Defence Lands organisation of the Ministry of Defence. Second, although it provides works and other services for ancient monuments and the Royal Palaces in England, the Houses of Parliament and the national museums and galleries in London, the administrative responsibility for these rests with Central DOE. Third, responsibility for general economic and policy matters concerning the construction industry now rests with Central DOE.

Driver and Vehicle Licensing Directorate (DVLD)

13. The DVLD in Swansea handles the licensing of drivers in Great Britain and the licensing and registration of vehicles throughout the UK. In the mid-1960s the previous local authority based system was becoming severely strained by the ever increasing volume of transactions: 3·5 million files a year were already being transferred between local authorities as people moved around the country before renewing licences. The police were finding it increasingly difficult to trace vehicle owners who were able to move faster than their records. A centralised and computerised system was, therefore, set up to combat these problems. DVLD is now one of the largest computerised operations in Western Europe, with two computer-based systems—one for drivers and another for vehicles. The driver licensing system came into operation in March 1973 and the transfer from the local to the centralised system will be complete by October 1976. Centralisation of the vehicle registration system commenced in 1974 and the hand-over from the local authority Motor Taxation Offices is expected to be completed by 1978. DVLD has proved to be a costlier operation than was originally planned; the reasons for this, and the lessons to be learned have recently been reported upon by the Public Accounts Committee (4th report, Session 1974–75).

SECTION II: FINANCE

Departmental Programmes

14. The main public expenditure programmes for which the Department is responsible are the England elements of roads and transport, housing, and other environmental services (including water, sewerage and local amenities). The Department is also responsible for investment by the surface transport nationalised industries, Government accommodation and the administrative costs of collecting rates and licensing road vehicles and drivers. In 1976–77 these expenditures are

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expected to amount to some £8,500 million at 1975 Survey prices revalued, the cost being met by the Department itself, local authorities and public corporations of various kinds. A breakdown by programmes is at Annex D(i).

Voted Expenditure

15. The Department itself spends about £10,000 million, financed almost entirely by moneys voted by Parliament. It accounts for fourteen Votes (Annex D(ii)) by far the largest of which is that for rate support grant. Part of the Voted expenditure is spent on the Department's own public expenditure programmes: but part also, especially of the rate support grant, contributes to financing programmes for which other Departments are responsible such as education, police and health. The diagram at Annex D(iii) illustrates the relationship between Departmental programmes and Voted expenditure.

Finance Organisation

16. The Permanent Secretary of the Department, the Second Permanent Secretaries and the Chief Executive of the Property Services Agency are Accounting Officers for the Votes and Accounts within their respective fields of responsibility (as shown at Annex C). In Central DOE the Principal Finance Officer is a Deputy Secretary assisted by three Under Secretaries dealing respectively with Local Government finance; with roads and environmental services, etc; and with housing, transport industries and central services. The Principal Finance Officer of the PSA is an Under Secretary.

17. The Finance organisation is responsible for assembling the Department's bids for resources in accordance with procedures established by the Treasury for the annual Public Expenditure Survey (PESC), and for monitoring expenditure within the limits authorised by the Government from time to time, notably in the annual White Paper on Public Expenditure. It also now operates the cash controls described in the White Paper "Cash Limits on Public Expenditure" (Cmnd 6440): cash blocks of central and local authority expenditure administered by the Department are at Annex D(iv).

18. The Directorate of General of Economics and Resources, a Deputy Secretary command, has general responsibility for the co-ordination of the allocation of resources within the Department, including work relating to the Public Expenditure Survey, and represents the Department in consideration of resource allocation within Government as a whole. Within the Directorate General, a number of specialist directorates of economists and statisticians advise on specific areas within the Department's responsibilities.

Financial Control

19. Beside the monitoring of expenditure by Finance divisions and internal audit by Account divisions, the Finance organisation shares with the relevant policy divisions responsibilty for securing value for money with due protection for public funds. Depending on their nature individual programmes are kept under continuous or periodical review, with major reappraisals such as the Transport Policy Review at longer intervals. Local offices responsible for road schemes are for example subject to annual finance inspection from Headquarters. Contract procedures used by the Department follow normal Government standards. They are designed to obtain offers by firms of standing and in competition wherever possible: similar procedures are recommended to other public purchasing authorities as appropriate.

Local Authority Expenditure

20. As the Department with the major responsibility for Local Government matters DOE has a co-ordinating role in financial relationships between central and local Government. The Secretary of State takes the lead in the annual negotiations leading to the rate support grant settlement and the Department brings together all the expenditure information necessary for the negotiations to proceed. The Secretary of State has the statutory responsibility for signing the Rate Support

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Grant Order, and takes the chair of the Consultative Council on Local Government Finance established last year. The Department is also responsible for allocating borrowing approval to local authorities in the locally determined sector: this is a block allocation covering borrowing for expenditure of local authorities' own choosing over some parts of their services. But while the Department is concerned with the overall level of local government expenditure, it has administrative responsibility only for its own programmes. Responsibility for expenditure on other local services, and its compatibility with any overall objectives rests with Departments such as DES, DHSS and the Home Office, who in turn must settle their own policies with the Treasury.

21. The Secretary of State is responsible for the efficiency of the audit of local authority accounts by District Auditors and approved auditors under the Local Government Act 1972. This system of audit provides strong safeguards over the financial propriety of local government accounting in which central government has, through RSG, a big stake. In addition, the Audit Service are relied upon as a means of ensuring that directions, consents and approvals (including loan sanction) given by the Secretary of State are first, sought, and second, complied with. Finally, District Auditors play an important administrative role in certifying claims for Government grant.

Property Services Agency

22. The Agency's accommodation and property management services for Government Departments and other public and associated bodies are carried out either on an allied service basis (ie as a final charge to a Vote for which the PSA is accountable) or on repayment terms. About 70 per cent of services are undertaken on an allied basis, including the requirements of Civil Departments and of the Ministry of Defence and the Armed forces. But only about a third of these services fall within the public expenditure programmes controlled by PSA (ie Office and General Accommodation Services, plus a transport element in Other Common Services) and relate to the provision and maintenance of the Office Estate and upkeep of civil accommodation in the UK. Other services are attributed to programmes controlled by other Departments such as the Defence Budget. Thus, although the PSA is accountable for the expenditure on its annual Vote, these Departments are responsible for justifying the scale of expenditure on the requirements they generate in the longer term.

23. The cost of repayment services is recovered from the client and does not fall as a final charge on PSA Votes. These services are largely for the Post Office and certain other bodies including Departments adopting a trading fund basis of financing.

24. The PSA Supplies now operates entirely on a repayment basis through a trading fund, being charged with costs incurred and recovering for goods and services provided, including those provided to other parts of the PSA operating on an allied basis. The main clients other than bodies ordering directly off the PSA contracts are the PSA itself (51 per cent), Defence and other Departments (28 per cent), Post Office (16 per cent) and Hospitals and other Non-Government bodies (5 per cent). (This arrangement is explained in more detail in Section V.)

Financial Control in PSA

25. Repayment services must be authorised and funded by the client, subject to some delegation to the PSA within overall allocations. Bids for PES allocations to Allied Services and subsequent Vote control are managed, as in Central DOE, in consultation with CSD concerning priorities and standards. For major capital schemes the PSA has in practice to look beyond the five year PES horizon: decisions to build or lease to meet requirements are based upon availability, cost and other factors. Minor works and furnishing programmes proceed in accordance with known loads and particular improvement programmes. Rents and maintenance costs are estimated from existing commitments and expected changes in the estate.

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For voted services the PSA has various levels of delegated authority from the Treasury, for example up to £2 million for a scheme of new works connected with offices.

26. Detailed control and value for money depends on adherence to space and other standards established by the PSA, in collaboration with CSD or the Ministry of Defence and in agreement with Treasury; adherence to technical standards prevailing within the PSA; working to recognised cost limits or reference costs, supplemented by cost planning; and on requiring professional project managers to obtain Secretariat approval within the PSA to estimates of costs and changes thereto. Contracts are normally let on the basis of the lowest competitive tender from contractors selected from the PSA's list of firms approved on grounds of financial viability and competence. During construction financial control is exercised by maintaining a record of commitments to date and regular reporting of recorded expenditure which is monitored against the total financial approval. Finally the handling of major new works is subject to sample review by internal audit to check on management and financial control aspects. (See "Developments in accountable management", in Section V).

SECTION III. MANAGEMENT EFFICIENCY

Corporate Management

27. A Policy and Management Group meets weekly under the chairmanship of the Permanent Secretary. It is composed of the other three Permanent Secretaries, the Deputy Secretary (Finance and Local Government), the Director General Organisation and Establishments (DGOE), the Director General Economics and Resources and the Under Secretary, Central Policy and Planning Unit (CPPU). Deputy Secretaries and other officials, including the PS/Secretary of State, attend as appropriate. The purpose of the Group is to provide the Secretary of State with corporate advice on major policy issues and continuously to maintain a strategic oversight of DOE's organisation, resources and general management. Specifically, the objectives of the Group are to:—

(1) consider major policy issues that span the functional areas of the Department;

(2) consider other policy issues of major importance to the Department;

(3) initiate policy reviews into aspects of the Department's work;

(4) keep under review the broad disposition of the Department's resources; and

(5) consider major management issues.

28. The Group is serviced by CPPU with the Under Secretary in charge answering directly to the Permanent Secretary on some issues. The role of the Unit is:—

(1) to service the Policy and Management Group and help it to co-ordinate the policy advice of the various functional directorates; to ensure that such advice is consistent with general departmental policies;

(2) in consultation with the appropriate directorates, to organise the drafting of submissions, reports and papers on policies which span several directorates and for which no other directorate can naturally take the lead;

(3) where appropriate, and at the request of the Group, to provide the Chairman or Secretariat, or both, of internal departmental task forces and working parties;

(4) to identify needs for contingency plans, and to plan ahead;

(5) to liaise with Central Policy Review Staff;

(6) to co-ordinate the Department's contribution to the Programme Analysis and Review (PAR Programme);

(7) to ensure information systems are available for selected transdepartmental issues eg progress of legislation;

(8) to co-ordinate the Department's interests in Energy Conservation.

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29. The Unit is concerned with policy and management matters affecting the whole of DOE, although the Property Services Agency also has such a focal point in its Secretariat and Planning Unit (SAPU) working to the PSA Board of Management. Directors (Under Secretaries) are responsible to the top management of the Department for the effectiveness and efficiency of their directorates. Policy reviews (eg of transport or housing) provide major opportunities to judge the broad effect of the Department's policies. Some programmes (eg highways, road safety) are subject to cost-benefit analysis. For others activity is monitored against objective standards of performance criteria. Moreover, where policy issues straddle several Under Secretary commands, consideration is given to setting up monitoring units to co-ordinate a common approach—one such unit has been set up to deal with Transport Policy. A new system of corporate planning of new town development corporations' activities is being developed. DVLD, alone among Line Directorates, has an Organisation and Method (O and M) capability of its own.

Role of Management Services

30. When the Department was first created the then DGOE formed a project team of three Assistant Secretaries to plan the new Department's organisation, and during the first two critical years of DOE the Directorate of Management Services (DMS) also advised on aspects of the Department's activities. This Directorate has now become the Department's major source of advice on those management and organisation problems which call for special study. In the period 1972–75 major studies were not undertaken since it was judged appropriate to give the Department time to settle down after the fifteen important organisational studies carried out during the first two years of DOE's existence, and to limit changes to those dictated by circumstances. Throughout this period, however, DMS advised all parts of the Department, including PSA, on improving performance and efficiency.

31. The Under Secretary Management Service reports directly to DGOE, and has three Divisions engaged on management services work. In addition he is responsible for library services and defence planning. The three Divisions are:

(1) Organisation and Methods Division (MSOM);

(2) Computing Division (MSCOM); and

(3) Operational Research Division (MSOR).

Information about the staffing, costs and activities of these Divisions is given in Annex E. In brief, MSOM carries out studies of organisation and methods, including industrial work studies, and advises on the use of office machinery other than computers. MSCOM provides a data processing service to the PSA and DOE (excluding DVLD and Research which have their own capabilities). Project teams design, extend and maintain a wide range of computer-aided systems, most of which are run at the Department's major ICL 1900 Computer Centre, Hastings. MSOR applies mathematical analysis to modelling operational problems to identify for management a range of options for choice; this includes developing information systems.

32. In common with other Departments DOE seeks CSD (Central Computer Agency) approval for the acquisition of computer capacity and looks to CSD for advice on the employment of management consultants. The Department contributes to CSD studies common to a number of Departments, particularly where the expertise rests in DOE eg studies on transport and stores.

Staffing and Work of DMS

33. The staff of MSOM engaged on assignment work are chosen for their all round ability and experience and their interest in the work. At present virtually all the staff are drawn from the Administration Group although some posts have been and could well again be filled by members of other Groups. All O & M assignment staff receive special training.

34. The staff of MSOR divide about equally betwen scientists and administrators. Most of the Science Group hold or are acquiring post-graduate qualifications in

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operational research or related subjects. Of the present members of the division, two have worked for management consultants and six have been in industry. The senior Administration Group member has received formal training in systems analysis.

35. MSCOM employs 230 Automatic Data Processing (ADP) specialists and 220 in the Data Processing grades. 320 staff are employed on computer operations, including the necessary software, control and measurement facilities. Half that number (160) are employed on projects. Most of the ADP specialists enter as Executive Officers who have obtained satisfactory marks in the ADP aptitude test conducted by CSD. They receive systematic training as programmers, graduating from coding to advanced work on direct access systems. Some transfer to systems analysis and design after a few years as programmers; others continue on programming and become Strategic Programmers (Higher Executive Officer level) in project teams. ADP specialists are given a planned tour of duty in MSCOM embracing elements of installation management and staff work on, for example, forward planning and procurement of hardware, as well as charges of subject matter and management in the project teams.

36. Consultants are employed when expertise is needed in a specialist technique not available in DMS or CSD; when it is necessary to have an outside assessment of a departmental activity; or when DMS's resources are inadequate to meet a demand in the time required. With the completion of transfer of work to third generation computers and improved recruitment of specialists into MSOR the use of consultants has been falling. In 1975–76 expenditure on consultants' fees was 16 per cent of in-house assignment staff costs.

37. Most of the work of DMS arises from requests for advice being received from line Directors. A significant proportion, however, reflects the management interests of the Policy and Management Group and of DGOE and his personnel directors. In some cases the initiative is taken by DMS. A common feature of major assignments is that they are directed by a steering group led by the client. The Directorate at present has some 180 major projects. Annex F gives an outline of the more important recent and current assignments and an indication of the scope of activities. For each DMS project a budget is estimated and resources are controlled against that budget as work proceeds. From the outset the Directorate has in mind the probable outcome in relation to the estimated cost. Annex F (1) lists some recent projects where it is possible to give an indication of how cost and benefit compare in money terms.

Complementing and Staff Inspection

38. DMS is not responsible for complementing or staff inspection. Within Central DOE they are the immediate responsibility of the Director of Personnel Management and Traning (DPMT); both DMS and DPMT, however, come within DGOE's command which facilitates co-ordination. In the PSA, staff inspection comes under the Property Services Agency Establishments Organisation (PSAEO). In both Central DOE and the PSA, arrangements are made to ensure that MSOM and staff inspectors are kept fully informed of the other's activities, eg by reports, circulation of future work programmes etc.

39. DOE has, like other major Departments, delegated powers over complementing from CSD for posts up to and including Senior Principal level and equivalents. (Above this level CSD approval for changes is required.) Directorates submit annual manpower forecasts to the responsible Division in Establishment; from this the supply estimates of salaries and PESC return are made and agreed with CSD. The officers responsible for complementing then adjust Divisions' complements throughout the year in line with these forecasts, taking account of any ad hoc requests from line management and changes in demand.

40. Staff Inspection is the tool which checks complements in the various parts of the Department on a regular and routine basis. There are 45 Staff Inspectors, who work in teams, visiting individual Divisions and Sections to interview managers and

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staff and assess work loads and procedures. Special training is provided by CSD, whose Inspectors also join DOE teams from time to time. Staff inspection reports are implemented after discussions with line management, Staff Side and, as necessary, personnel management. The aim is to inspect the whole of the Department on a three year cycle, and also to maintain a capability to respond to ad hoc requests for inspections (eg following organisational changes).

SECTION IV: STAFFING AND PERSONNEL MANAGEMENT

Organisation

41. Personnel management for non-industrial staff in DOE is organised within two separate chains of command each reporting ultimately to the First Permanent Secretary; this reflects the existence of the PSA as a separate unit of accountable management within a unified DOE.

42. The various personnel management functions (other than for industrial staff), are divided between the Directorate General of Organisation and Establishments (DGOE) and the PSA Establishments Organisation (PSAEO). DGOE supports two Under Secretary Commands, one responsible for the management of senior staff (ie Assistant Secretary and equivalent and above) throughout the Department, the other for all other non-industrial staff other than those in the PSA. PSAEO is headed by an Under Secretary who reports to the PSA Chief Executive.

43. These arrangements have been in operation since the formation of PSA in September 1972. Although there is a clear division of responsibility between PSA and Central DOE continuous consultation takes place between the two personnel management organisations to ensure that major policies and practices remain consistent throughout the Department. All significant statements of personnel management policy are prepared and promulgated jointly. Personnel management for some specialist groups of staff (eg Quantity Surveyors, Scientists and Professional Accountants) and Administration Trainees are handled "across the board" by the organisation with the major interest.

44. The organisation and arrangements for the management of industrial staff are set out in paragraphs 65–71.

Whitley Organisation

45. Consultation with the Staff Associations is conducted through a network of formal committees. The DOE General Whitley Council chaired by the Permanent Secretary, deals with general matters affecting DOE as a whole and meets twice a year. Separate councils for Central DOE (meeting again twice yearly) and PSA (meeting quarterly) are chaired by the Permanent Secretary and the PSA Chief Executive respectively. Each has a General Purposes Committee which meets monthly and a number of sub-committees set up to deal with matters of continuing interest (eg accommodation and welfare, overseas services, hardship, manpower). In addition, there are local Whitley Councils in each of the regional offices, the main out-stations, and some Headquarter offices with large concentrations of staff.

Developments since Fulton

46. The Fulton Committee recommended a number of major changes in the structure, management and organisation of the Civil Service. The Civil Service response has been dealt with by CSD in its evidence to the sub-committee. DOE's progress in implementing the decisions taken on those recommendations of the Fulton Committee dealing with grading structures, personnel management and training are discussed in paragraphs 47–58 below.

Grading Structures

47. The major restructuring of the former class system by the introduction of a new category and occupational group system followed closely on the heels of the creation of DOE in November 1970. The merger of the Administrative, Executive

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and Clerical classes into the Administration Group was effected at the beginning of 1971. This was followed in September 1971 by the creation of the Science Category and on 1st January 1972 by the merger of the Works Group and associated classes into the Professional and Technology Category (P&T). Also on 1 January 1972 a system of unified grading was introduced down to and including Under Secretary level—the open structure. Thus DOE was faced with the task of implementing four major structural changes within the first 15 months of its existence, a not inconsiderable challenge.

Opportunities for Specialists

48. One of the aims of the new Open Structure was to ensure that scientific and other specialist staff should be able to bring their professional training and outlook to bear effectively upon major problems of policy making and management. It also meant that opportunities had to be created for suitable specialists to take part in policy making and management at the lower and middle levels. These were important issues in a Department where 50 per cent of non-industrial staff were specialists or professionals of some kind.

49. Posts at Under Secretary level and above are filled by the most appropriate and qualified staff, whatever their background or method of entry into the Civil Service. It is significant that of the 96 members of DOE's "Open Structure" 39 entered the Service in a specialist or professional grade. It should be noted that the creation of the "Open Structure" has largely destroyed any distinction between administrative and professional work-contact at this level, and has accelerated the development of integrated hierarchies—a process reinforced by reorganisations of work which have often brought together functions previously regarded as exclusively "administrative" or "professional". Two examples may be cited here. First, the Deputy Secretary post (Environmental Protection) and Chief Water Engineer brings together policy responsibilities for the water industry and for general pollution issues as well as professional water engineering matters; the present incumbent is an engineer who remains Head of Profession for DOE's water engineers. Second, the present Deputy Secretary/Chief Planner command was originally a purely professional role but now embraces a wide range of "administrative" work, including the administration of the Community Land Act and the distribution of Transport Supplementary Grant; this post is at present occupied by a professional planner.

50. Administrative and managerial experience and training is important if specialists are to continue to reach the senior posts. Two main formal avenues exist for providing this experience:—

(*a*) The Senior Professional Administration Training Scheme was introduced by CSD in 1972, and is designed to enable those specialists who have gained early promotion to the equivalent of Principal rank to obtain experience of policy-making and management. Subsequently 31 DOE candidates were accepted for the scheme of whom 19 have been given administrative experience. A large number dropped out after acceptance and recently interest by specialist staff has declined.

(*b*) The other avenue is the creation of "open" posts; ie the identification of jobs which can be filled by suitable staff regardless of their formal discipline. Below the Open Structure there are 208 "open" posts in the Department, of which 70 or 34 per cent are at present held by specialists. Progress in creating such posts has been slow; the necessary procedures and negotiations with the Staff Associations are frequently protracted. However, there exists a number of multi-disciplinary posts (ie jobs open to officers within a defined range of groups), some with administrative content providing a valuable broadening of experience. There are currently 357 multi-disciplinary posts in the Department.

51. A National agreement provides for lateral transfer between Groups where such a move would enhance an officer's career opportunities. In 1974 and 1975 there were three moves of professional or specialist staff to the Administration

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Group and three moves of members of the Administration Group into a specialist area (eg to become a statistician). There were also 22 transfers between professional/ specialist Groups in the same two-year period.

Career Development

52. The purpose of personnel management is to secure better quality staff, and their efficient deployment so that they not only derive greater satisfaction from their work but, as a result, the Department operates more effectively. The developments described in paragraphs 53–56 below have involved a considerable increase in the staff resources deployed on personnel management in DOE (eg a 15 per cent increase in staff dealing with the careers of specialists or professionals). Although it is not easy to quantify benefits in relation to costs, it is already clear that the increased efforts on career management have been well received by the staff.

53. DOE was one of the first Departments to introduce formal Career Development (CD) Schemes designed to assist staff to achieve their full potential. The Schemes formalise what was always recognised as good personnel management—namely to provide opportunities for regular interviews to review progress and discuss problems and needs ; to plan posting to develop abilities ; to consider training needs. The patterns of the schemes vary ; career development interviews for some groups are conducted on a one-for-one basis, ie by the personnel officer with the individual concerned. In other cases, a panel system is used (eg for scientists, the panel will comprise a personnel officer, a representative of the Head of Profession, and the line manager).

54. The Department's policy is that career development should be an integral part of day-to-day staff management. Athough historically personnel work has tended to be carried out by staff from the Administration Group, increasing numbers of specialists are engaged on this work, usually dealing with those of similar background. The specialists tend to serve in personnel for a limited period before returning to their specialism.

55. Personnel management is not considered to be a specialisation, although in practice many do make this a substantial part of their careers—15 per cent of personnel officers dealing directly with planning and developing the careers of the staff have currently served for ten years or more, thus providing a solid core of experience and continuity. On average, these officers have nearly five years' experience. But Personnel Management divisions also need people with up-to-date experience of the operating units which they are required to staff, while conversely a short period in personnel work provides useful experience to others whose main career will be elsewhere in the Department ; a number of staff serving in personnel have been selected for short "tours" for both these reasons.

56. The general policy agreed with Staff Side is to give staff experience of a number of areas of DOE's work, so as to develop their knowledge of "environmental" issues, although mobility of this kind is necessarily reduced in the case of those people whose interests and aptitudes lead them to specialise within a functional area, eg computer operations, bridge design, etc. Postings tend to be shorter for younger staff, eg new COs and EOs are likely to be transferred every two years. At more senior levels longer periods in post are appropriate. It is, of course essential to retain a core of experience in every Division ; this should be an important pre-condition of any staff transfer at middle and senior management levels.

Job Appraisal Reviews

57. Another major innovation is the system of Job Appraisal Reviews (JARs). These are conducted at regular intervals by the individual's contersigning officer (usually two grades higher), and are designed to ensure that staff have a regular assessment of development and performance and an opportunity to express freely their own views about their work. In DOE, JARs are conducted for all UK staff up to SEO and equivalent. The introduction of JARs for more senior staff is at

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varying stages of development within the different disciplines. Special training is given to all managers giving Job Appraisal interviews. The scheme appears to be working well, and a recent CSD evaluation of the system operated in the PSA suggests that the scheme is as good as most and better than some. Here again it is difficult to quantify the benefits in terms of increased efficiency but there is no doubt that the regular dialogue between staff and line management is creating a more open style of management.

Wider Issues Review

58. The Wider Issues Review conducted by the CSD and National Staff Side led to Service-wide progress on a number of personnel management issues. Particular examples in DOE are two pilot Job Satisfaction Studies, one in a London office, the other at DVLD in Swansea; the delegation of some important personnel management functions to regional offices outside London; the production of Career Guides for recruitment grades; and the spread of career development schemes. DOE's attempts to tackle all aspects of the Review were summarised in the 1975 booklet, " Working in DOE ". Annex G reports on the latest position.

Administration Trainees

59. DOE is, with 130 ATs and 34 HEOs(A), the largest employer of ATs in the Civil Service. The intake of ATs is based upon forecast manpower requirements, primarily the anticipated future requirements for Principals within the likely time scales for fast and main stream entrants. Streaming decisions, are made jointly by the Permanent Secretary and the Civil Service Commissioners between two and four years after an ATs entry, depending upon the individual's record of achievement and potential. Postings are carefully selected so that experience may be gained of at least two or three different jobs before the streaming decision is made. In DOE just over 50 per cent of ATs have been fast streamed since the new system of recruitment was introduced. Care is taken to ensure that most ATs share rooms with their Principals to maximise their experience of the Branch's involvement in policy and decision-making, and to see that there is regular access to the Assistant Secretary. Attempts are being made, especially in the case of HEOs(A), to provide direct experience of management responsibilities in addition to the more traditional policy work.

Particular Problems for the PSA

60. Within the PSA, the large number of Professional and Technology grades creates certain staff management problems. The nature of the work is such that there is a demand for the services of many different disciplines. Architects, civil engineers, M&E engineers, building surveyors, quantity surveyors, estate surveyors and Supplies specialists are employed in the Agency in significant numbers. Professional staff are supported by non-professionals with technical and drawing office training. The fundamental problem is to utilise these varied skills whilst ensuring that members of each group have opportunities to develop beyond the confines of their basic discipline and qualifications.

61. The creation of " open " and multi-disciplinary posts (see paragraph 50) has helped in this respect. When PSA was set up there were 114 posts open to all disciplines including administrators, and 47 others which could be filled by any of the P&T disciplines. The corresponding figures now are 124 and 281.

62. Difficulties remain however in seeking to develop policies which will facilitate the interchange of professional and technician staff. For example, many posts have by tradition always been filled by technicians, others have been reserved for professionals. There have inevitably been problems in the opening of such posts to those of other backgrounds, particularly since staff reductions between 1963 and the early 1970s meant that job opportunities for both professional and technician staff were extensively reduced for some years. Equally the Department has to take account of the oragnisation of work outside the Service and the fact that professionally qualified staff in particular take considerable pride in, and attach great

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importance to their membership of their respective Institutions. Hence changes must be introduced gradually with the fullest consultation with the Staff Side. Progress is nevertheless being made and proposals to "open" a further range of posts are well advanced.

63. Movement towards this kind of flexibility does however create career management problems. The creation of more posts open to a range of disciplines and backgrounds means that it becomes more difficult to establish a career structure for each individual group.

Manpower Planning

64. There is separate manpower planning for Central DOE, DVLD and the PSA, although combined studies are made. The work is based on computer models developed by CSD. Given basic data or assumptions on staff numbers; wastage and promotion rates; growth, and retirement and recruitment policies, the future development of the system can be modelled by computer to provide information for the valuation of alternative personnel management policies. Recent studies have been made to assess future recruitment needs, and alternative policies to reduce the impact of the "retirement bulge" due in the early 1980s. Data for manpower planning is mainly provided by the Personnel Management Information System (PMIS), a computer data-bank of DOE staff details, designed and implemented by the Directorate of Management Services, containing individual's present and past grades or disciplines, job records, qualifications etc. PMIS is designed to provide a personnel management service which reffects the structure and requirements of DOE. This is by contrast with PRISM which has been designed to meet the central management requirements for the whole of the non-industrial Civil Service; it is orientated towards general statistical data output. The two systems are, of course, compatible.

Industrial Staff

65. DOE employs 26,800 industrials in the UK, over 23,000 of whom work in the PSA. The total wage bill is £75 million. The range of industrial jobs is wide, eg electricians, carpenters, painters, plumbers, porters, custody guards, laboratory technicians and motor fitters.

66. The pay and conditions for all UK-based industrial staff in DOE is the responsibility of the Industrial Personnel Division (IPD) in PSA which conducts negotiations with the industrial Trade Unions represented on the Departmental Joint Industrial Council and the Work Services Trades Joint Council. IPD also takes part in negotiations on the Joint Co-ordinating Committee for all Government industrial establishments chaired by CSD. Day-to-day management is largely delegated to line managements within guidelines laid down by IPD. Each of the PSA's Home Regions has a Senior Labour Officer who is experienced in personnel matters relating to industrial staff.

67. A great deal of attention has been paid to increasing the efficiency and productivity of the industrial staff. In the PSA Works, plant has been automated wherever practicable; a formal system of planning and control, based on work measurement, has been introduced; a productivity agreement has been negotiated and management training improved. Productivity or incentive bonus schemes have been extended to cover most of the other areas of employment in the Department. These measures have enabled output to be maintained in spite of a substantial rundown in the number of industrial staff. (See Annex A; Table 2.)

68. On most important non-pay matters including pensions, sick leave and travel and subsistence payments, conditions of service for industrial and non-industrial service are now the same. Pay is still negotiated quite separately but the same broad principles of comparability with analogous outside employment applies.

69. In 1973 the PSA reviewed its policy for the employment of craft apprentices on works services and the size of the intake is now related to expected losses due

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to death or retirement. The annual intake has since increased from about 150 to nearly 400 as a result of the impetus provided by this review.

70. Industrial staff are encouraged to acquire technical qualifications relevant to their work and thus to qualify for appointment as technical officers. In addition mature industrial staff with appropriate supervisory experience have, since 1968, been eligible for promotion to technical grades even though they lack formal technical qualifications. In the three years 1972–75 an average of 100 industrial staff were promoted to non-industrial grades through this method.

71. In addition to the UK-based staff covered above, PSA has nearly 7,000 industrial staff who are locally engaged overseas. Their pay and conditions are normally negotiated on the basis appropriate to the area, reflecting good local employment practice. The major employer of such staff is MOD, which acts as the lead department in negotiations.

Training

72. Training is mainly provided by a Central Training Division in three centres serving both the PSA and Central DOE:—

(*a*) The Residential Training and Conference Centre at Cardington, Bedfordshire, provides training, particularly for the staff of the PSA, in a variety of Building and Civil Engineering and Mechanical and Electrical Engineering subjects; training in management and procedures relevant to DOE's needs; and general management training in line with the frameworks agreed by the National Whitley Council for staff at EO to SEO level. Some courses are also run for staff at Principal level, but management training of staff at this and more senior levels is normally by courses provided by the Civil Service College. During the last complete training year (which ended on 31 July 1975) some 6,000 students attended courses at Cardington ranging in length from two days to three weeks.

(*b*) The London Centre provides induction training for new entrants, and job-related training in such matters as written English, report writing, job teaching chairmanship, and various sorts of interviewing. During the 1974–75 training year, over 4,000 students attended courses of up to a week's duration.

(*c*) The Drawing Office Training Centre at Croydon, close to the main production directorates of the PSA, provides Drawing Office training for school leaver recruits, young technical trainees, and other members of the P&TO grades who need training in Design and Drawing Office practice. In 1974–75 about 80 students were trained, the majority of whom were school leaver recruits undergoing three to four years training, about half of which will be spent at the Centre.

73. Training programmes and courses are designed to be responsive to the requirements of the Department. Close contact is maintained with Heads of Profession and line managers, particularly in regard to technological training, and a dialogue is maintained generally with line managers and with other Personnel Divisions to ensure that individual training needs are met in the best possible way. In addition, and when requested to do so, Training Division also helps line management to identify training needs which result from changes, for example, in organisation, structure or functions. Training is not however confined to the provision of courses. Apart from the considerable amount of on the job training by line management at all levels, other parts in the Department with training responsibilities include DVLD, the Planning Training Unit, the Housing Training and Information Unit, the Research Stations, the PSA Regional Offices, the Driving Establishment, and the DOE Technical Training School which runs courses for the Vehicle Inspectors, and the Student Teaching Office for architectural students.

74. The Department also makes use of training provided by the Civil Service College and other institutions such as Universities, Technical Colleges and Colleges of Further Education. In 1974–75 some 4,000 officers attended courses outside the

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Department. In addition, young members of staff are encouraged to continue their education (eg on a day-release basis) where this is likely to be of value to the Department or to the Civil Service as a whole.

75. Further development is planned of the contacts between Training Division, other Personnel Divisions, and line managers, to ensure that training programmes are geared to the needs of the Department and are run as economically as possible. In particular a review is proposed of the present programme of General Management courses, which have now been in operation for some time.

76. In selecting trainers the Department seeks a blend of staff with and without previous training experience: many have professional or technical qualifications. Instruction in training techniques is given either by the Department or by other organisations such as the Civil Service College. New trainers work under the supervision of experienced training staff until they are fully competent.

Welfare

77. Welfare Officers in the Department (57 in all) offer help on a confidential basis to members of the staff with personal, family or group welfare problems. No-one outside Welfare Divisions is given access to information about individuals, but Welfare staff are frequently able to assist Personnel Management with specialist knowledge and advice.

Accommodation

78. The size and dispersed character of the Department's organisation produces problems in accommodation of staff. 1,300 different offices and buildings are occupied throughout the UK and overseas. In London there have recently been certain enforced moves of staff as the leases of older buildings were terminated. Some buildings, including many typing pools, have already benefited from the office improvement programme designed to make offices quieter, more comfortable and attractive. This is a continuing programme which should in due course benefit the whole of the Department's staff.

SECTION V: SPECIAL FEATURES OF THE PSA AS A DEPARTMENTAL AGENCY

Senior Management

79. The PSA is headed by a Chief Executive whose responsibilities include expenditure on works, supplies and the staffing of the Agency. He reports to the First Permanent Secretary of DOE on matters within the latter's responsibility, but has direct access to the Secretary of State.

80. The management structure of the Agency differs in certain respects from the traditional Departmental structure and echoes some of the corporate management structures found in industry. It also reflects the major reorganisation which took place in MPBW in 1969. Prior to 1969 there were parallel "administrative" and "professional" hierarchies; these were replaced by creating, at Under Secretary level, a series of organisational units, each of which was responsible for meeting the needs of a particular client or group of clients. From Under Secretary upwards policy, financial and executive control were unified, with these senior posts being filled on an open basis. The object was to create a unified senior management team, under which each member of staff could operate without the elaborate process of cross-consultation and divided responsibility which are inseparable from parallel hierarchies.

81. The PSA has developed this structure with executive responsibility for the performance of the Agency resting with the Chief Executive and through him with the Deputy Chief Executives and their Directors, each of whom answers for an identifiable block of work. Complementary to this clear allocation of individual executive responsibility is a system of formal Boards, normally meeting each month. The main PSA Board chaired by the Chief Executive consists of the three Deputy

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Chief Executives and the Director General of Design Services (all of Deputy Secretary rank), the Controller of PSA Supplies, the Agency's Principal Finance and Establishment Officers, and two of the Agency's Directors appointed in annual rotation. In addition there are two part-time members from outside the PSA. Currently these are Professor Alan Harris, a civil engineer, and Mr. Andrew Derbyshire, an architect, both members of private consultancy practices. The members of the boards of the Deputy Chief Executives and the Director General of Design Services include both their Directors and senior staff drawn from other parts of the Agency.

82. Papers submitted to the PSA Board and the minutes of their meetings are circulated to the senior management of PSA generally (ie down to Assistant Secretary/Director B level). This keeps senior staff informed of matters of current concern.

Aims and Objectives

83. The objectives of an organisation such as the PSA cannot simply be expressed in terms of financial targets or benchmarks. The PSA aims not only to provide services economically, but to do so efficiently and to the satisfaction of clients; it aims moreover to enhance the quality of its construction work in accordance with wider Government environmental policies. The PSA has accordingly a wider, more general framework of accountability which requires managers down to Assistant Secretary/Director B level to set compatible aims and objectives for their respective commands. This is closely linked to a system of annual reports to the Chief Executive by the Deputy Chief Executives, the Director General of Design Services, and the Principal Finance and Establishment Officers. These reports identify progress against objectives for the preceding year, and indicate the objectives for the current year.

Developments in Accountable Management

84. The setting up of the PSA was itself a major step forward in extending the principles of accountable management, and there have subsequently been further developments to this end in the internal organisation and management of the Agency. The block of work which has proved most susceptible to this approach is that covered by PSA Supplies which has now been set up as a separately accountable unit within the Agency, operating as from 1 April 1976 on the basis of a trading fund. Supplies is charged with the full cost of services provided to it by other parts of the PSA and by other Government Departments, and in turn charges an inclusive price for all goods and services provided to other parts of the PSA, and to other Departments and public bodies. It has been set a financial objective and will produce trading accounts at regular intervals; its performance will be monitored by means of a number of indicators, including some comparing the price, or movement in price, of items supplied with those of other organisations. Within the Division itself the performance of units will be assessed through a system of budget centres and commodity accounts. Finally, an entirely new accounting system called "New Supplies Management Accounting" (NSMA) has been devised and put into operation in PSA Supplies.

85. A thoroughgoing approach of this sort has not been found suitable for the main body of the PSA's work, accommodation and property services. However the resource costs of the PSA Directorates other than Supplies (eg staff costs of employing consultants) are recorded and analysed according to a system styled Professional and Technical Office Control and Analysis Programme (PATOCAP). Under this system project managers and their teams on individual major new works prepare resource budgets, and resource costs are logged against them. The system is intended to provide information for control purposes. The relationships between cost of productive time, non-productive time, other on-cost and overheads and the make-up of these latters items is subject to detailed study by senior management. in addition performance indicatiors are being developed where possible, the aim being to monitor the performance of a particular Directorate at different dates, to try to

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establish targets for improvement, to compare the performance of different Directorates at a point in time, and eventually to establish a system for continuously monitoring in-house performance in comparison with that of outside agencies. Other systems provide information about the timetable and progress of projects, and changes in cost and patterns of expenditure (principally NEWMIS—New Works Management Information System). Systemised information relating to the Government civil and Defence estates is also available.

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ANNEX A

ANALYSIS OF DOE STAFFING 1971–76

TABLE 1: Analysis by functional part of DOE (United Kingdom only)

	Central DOE	DVLD(*d*)	PSA	TOTAL(*c*)
1971	*	1,447	*	71,590
1972	*	1,728	*	69,725
1973	20,355	2,792	46,878	69,925
1974	20,407	4,815	44,266	69,488
1975	20,916	5,881	43,852	70,649
1976	21,540(*a*)	7,019	44,437(*b*)	72,996(*a*)(*b*)

Notes:

* PSA not formed until October 1972; separate DOE (Central) and PSA figures are not available for these years.

(*a*) Includes about 120 Civil Servants replacing agency typists and draughtsmen.

(*b*) Includes about 330 Civil Servants replacing agency typists and draughtsmen.

(*c*) This total excludes staff employed overseas—see Table 3 following.

(*d*) Staff increases in DVLD are consequent upon the transfer of functions from local to central government. The net saving in public sector manpower is expected to be ultimately about 1,000.

TABLE 2: Analysis of DOE Staff by occupational group United Kingdom and United Kingdom based only)

	Administration Group	Professional Group	Others	Total Non-Industrial	Industrial	Total(*b*)
1971	15,961	16,536	6,309	38,806	32,784	71,590
1972	16,279	16,450	5,990	38,619	31,106	69,725
1973	16,679	16,726	7,286	40,691	29,234	69,925
1974	18,293	16,187	7,786	42,266	27,222	69,488
1975	19,597	16,137	8,364	44,098	26,551	70,649
1976	20,399	17,057(*a*)	8,731(*a*)	46,187	26,809	72,996

Notes:

(*a*) Estimated figure.

(*b*) This total excludes staff employed overseas—see Table 3 following.

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TABLE 3: DOE STAFF EMPLOYED OVERSEAS

	Non-Industrial	*Industrial*	*Total*
United Kingdom based	607	150	757
Locally engaged	1,556	6,767	8,323
TOTAL	2,163	6,917	9,080(*a*)

(*a*) All these staff are employed in the PSA.

TABLE 4: OVERALL DISTRIBUTION OF PSA MANPOWER (as at 1 April 1976)

Located in	*Non-Industrial*	*Industrial*	*Total*
London	8,233	5,500	13,733
Rest of United Kingdom ..	12,211	17,736	29,947
Abroad (United Kingdom based)	607	150	757
(Locally engaged)	1,556	6,767	8,323
TOTAL	22,607	30,153	52,760

TABLE 5: DISTRIBUTION OF PSA NON-INDUSTRIAL MANPOWER

Senior Directing Staff		90
Administration Group		6,649
Professional and Technology grades (including Students):		
Architects	518	
Civil Engineers	537	
M & E Engineers	530	
Building Surveyors	233	
Quantity Surveyors	467	
Estates and Lands staff	435	
Non-professional staff	9,162	
Scientists	18	
Accountants	12	
Ancient Monument Inspectors	11	
Typing, Reprographic, Messengerial Staff	2,389	
Non-Industrial Staff locally engaged overseas	1,556	
		11,882
TOTAL		22,607

ANNEX B

THE FUNCTIONS OF DOE

1. The functions of DOE include responsibility for policy and related executive action in the following areas; these relate to the UK generally, except where indicated:

(*a*) *Local Government*

The structure and functioning of local government in England including:

(i) The organisation and framework of local government;
(ii) Local Government Finance and rate support grant;
(iii) Local government staff matters;
(iv) The Audit Inspectorate.

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(*b*) *Housing*

The Department deals with policy on housing and for the operations of English local authorities under the Housing Acts. Work falls under the following main headings:

(i) Housing Finance in the public sector including local authority rents, housing subsidies to local authorities, rent rebates and allowances;
(ii) Housing Finance in Private Sector, including mortgage finance;
(iii) Improvement Areas, House Improvements and slum clearance;
(iv) The Private Rented Sector;
(v) Housing Associations and the Housing Corporation;
(vi) Special Housing Needs and Social aspects;
(vii) Local Authority Housing Management.

(*c*) *The Construction Industry*

The Department is responsible for:

(i) The sponsorship of the construction industry including the building materials industry;
(ii) International construction methods;
(iii) Construction exports;
(iv) Building regulations.

(*d*) *English New Towns*

Policy on urban dispersal and the designation of land for New Towns. Within this general area DOE is responsible for the appointment of members of Development Corporations, for New Town Policies, and Programmes, and the British Urban Development Services Unit.

(*e*) *Environmental Protection*

The Secretary of State is assisted by the Central Unit for Environmental Pollution which has an interdepartmental role and participates in the international work on pollution. Within the general area of the Department has the following specific responsibilities (England only unless otherwise indicated :—

(i) Water and sewerage;
The strategic planning of water resources in England and Wales;
Sewerage and sewerage disposal
Organisation of the water industry
The British Waterways Board.
(ii) Waste disposal including toxic and radioactive waste;
(iii) Smoke control and clean air;
(iv) Noise;
(v) Coast protection.

(*f*) *Countryside*

Countryside policy in England including conservation, amenity, rural economy and the Development Commission.

(*g*) *Recreation*

Sports policy and the sponsorship of the Sports Council. The Department assists national voluntary organisations to participate in international events.

(*h*) *Ancient Monuments and Historic Buildings*

The Department is responsible for the conservation of Historic areas and buildings in England only; the preservation of Ancient Monuments throughout the UK (although policy responsibility for this subject in Scotland and Wales rests with the appropriate Secretary of State); and the management and maintenance of Royal Parks and Palaces, and the Palace of Westminster.

(*i*) *Planning and Land Use Policy in England*

The Department's wide responsibilities in this area include:—

(i) Regional planning and strategies;
(ii) Structure and local plans;

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(iii) Development control including call-ins, appeals and enforcement;
(iv) Planning for aggregates and other minerals;
(v) Urban matters, including commercial development, location of offices;
(vi) Reclamation of derelict land;
(vii) The public ownership of land and the operation of the Community Land Act;
(viii) Compulsory purchase and compensation policy;
(ix) The Planning Inspectorate and inquiry procedures.

(*j*) *Transport*

The Department's work on inland transport matters (Excluding air transport) falls under the following heads:—

(i) Ports organisation and development, the National Ports Council, and the British Transport Docks Board;
(ii) Railways—British Railways Board investment, passenger grant policy, rail freight, railway safety;
(iii) Road haulage; the National Freight Corporation;
(iv) Roads in England;
The planning, provision and improvement of the motorway and trunk road network;
Local roads within the general framework of local authority transport policies and programmes (TPPs);
Traffic engineering and standards of road and bridge construction.
(v) Road and vehicle safety;
(vi) Vehicle and Driver Licensing;
(vii) Traffic management;
(viii) Local passenger transport services; the organisation of the bus industry and the National Bus Company; the functions of the Transport commissioners.

2. In addition to the functional responsibilities listed above, the Department contains common services organisations dealing with finance, research, economics and statistics, legal services, and organisation and establishments.

The Functions of the Property Services Agency

3. The Civil Estate managed by the PSA consists of over 10,000 holdings totalling almost 4,500 hectares and about 10 million square metres of accommodation. About 65 per cent consists of offices; just under half the estate is Crown freehold and the rest leased. The Defence Estate, which the PSA manages on behalf of the Ministry of Defence, consists of about 286,000 hectares in the UK—of which about 112,000 hectares are let for farming—and just over 48,000 hectares overseas. The PSA is also responsible for the managing of the property of diplomatic and consular establishments all over the world.

4. The construction work for which the Agency is responsible is carried out largely through contractors and includes not only government offices, barracks, servicemen's married quarters, Post Office and telephone exchanges, but also law court, prisons, housing for prison officers, and defence installations of all kinds. Many of the projects are highly specialised, eg wind tunnels, radio telescopes, airfield lighting sysems, etc. There was an expenditure of just under £400 million on new construction works in 1975–76. New construction work by the Agency accounts for some 5 per cent of total new building output in the UK.

5. The PSA maintains the buildings and fixed installations for which it is responsible. Total expenditure on maintenance in 1975–76 amounted to some £270 million and accounts for over 7 per cent of national maintenance expenditure. It includes the upkeep of large military establishments at home and abroad and the care of small government offices throughout the UK. Particular tasks include maintaining power stations, water supplies, sewerage treatment works, railways, masts and towers, and the dredging of sea approaches to naval dockyards.

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6. The PSA also furnishes and equips buildings and installations. PSA Supplies is responsible for the design, purchase, installation and maintenance of a vast range of office, domestic, laboratory and museum furniture, furnishings and equipment, as well as the supply of fuel and a wide range of buildings and engineering materials and equipment. It also provides and maintains a fleet of over 4,500 vehicles. The gross annual value of business for 1976–77 is estimated at £285 million.

7. The Agency is the source of advice on long-term property and estate management to meet government requirements, and is also responsible for the development of policy and practice in a number of areas of professional interest—for instance, civil engineering, building design, and quantity surveying.

8. The PSA has its own Establishments and Finance organisations.

ANNEX C

DOE ORGANISATION CHART FROM 22 MARCH 1976

Note: This chart shows report lines only.
It does not purport everywhere to indicate relative gradings and status.

Permanent Secretary	Sir Ian Bancroft
Director General Organisation & Establishments	G W Moseley
Under Secretary, Senior Staff Management	N H Calvert
Under Secretary, Personnel Manpower & Training	A R Atherton
Under Secretary, Management Services	M Mendoza
Director, Information	N Taylor
Under Secretary, Driver & Vehicle Licensing	W Dawson
Director General, Economics & Resources	H J D Cole
Under Secretary, Central Policy Planning Unit	P J Harrop
Principal Director of Statistics	G Penrice
Director (Economics & Statistics) Housing	D J Ovens
Director (Economics & Statistics), Transport	R Fry
Director (Economics & Statistics), Environment, Planning & General	E H M Price
Deputy Secretary (Finance & Local Government) & Principal Finance Officer, DOE	G C Wardale
Under Secretary, Finance Officer, Local Government, Finance, Policy	T H Caulcott (G H Chipperfield from 1 April 1976)
Under Secretary, Finance Officer, Housing, Transport, Industries & Central Services	A J Rosenfeld
Under Secretary, Finance Officer, Local Authority, Expenditure	A G Rayner
Under Secretary, Local Government	C J Pearce
Director General, Research	D J Lyons
Director, Research Requirements	W J Reiners
Director, Building Research Establishment	J B Dick
Director, Hydraulics Research Station	R C H Russell
Director, Transport & Road Research Laboratory	A Silverleaf
Solicitor	K A T Davey
Principal Assistant, Solicitor	J S Ryan
Principal Assistant Solicitor	H Woodhouse
Chief Planning Inspector, Planning Inspectorate	C F Allan
Chief Inspector of Audit	S V Collins
Second Permanent Secretary (Housing, Construction & Environmental Services)	Sir Robert Marshall
Deputy Secretary, Housing	P E Lazarus
Under Secretary, Housing A	K T Barnett
Under Secretary, Housing B	J E Hannigan
Under Secretary, Housing C	S W Gilbert
Under Secretary, Housing D	T L Jones
Director, Housing Development	Miss P R Tindale

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Deputy Secretary (Environmental Protection) & Chief Water Engineer	T P Hughes
Under Secretary, Water	A G Semple
Under Secretary, Noise, Clean Air & Wastes	J R Niven
Under Secretary, Central Unit on Environmental Pollution	A J Fairclough
Director, Water Engineering 1	S F White
Director, Water Engineering 2	A W Kenny
Director, Water Engineering 3	D C Musgrave
Director, Central Water Planning Unit	O Gibb
Deputy Secretary	C P Scott-Malden
Under Secretary, Construction Industry (Home)	P N Gerosa
Under Secretary, Construction Industry (Overseas)	J H S Burgess
Under Secretary, New Towns	J A L Barber
Under Secretary, Planning, Sport & Countryside	A Leavett
Deputy Secretary	T H Shearer
Under Secretary, Ancient Monuments & Historic Buildings	V D Lipman
Under Secretary, Planning, Regional & Minerals	J Crocker
Under Secretary, Planning, London	J A L Gunn
Regional Directors & Chairmen, Regional EPBs	*
Second Permanent Secretary (Transport & Planning)	P R Baldwin
Deputy Secretary & Chief Planner	W Burns
Under Secretary, Development Plans & Regional Strategies	Mrs J Toohey
Under Secretary, Planning, Land Use Policy	Mrs J Bridgeman
(*PLUP Reports through Mr Burns to Secretary (Housing, Construction & Environmental Service.*)	
Under Secretary, Planning, Urban & Passenger Transport	D Holmes
Under Secretary, Local Transportation & Roads	D Bishop
Under Secretary, Urban Affairs & Commercial Property	J Palmer
Deputy Chief Planner, Planning, Intelligence	D E Johnson
Leisure Experiments	Miss W M Fox
Deputy Secretary (Transport Industries)	T L Beagley
Under Secretary, Ports	J E Sanderson
Under Secretary, Railways	W J Sharp
Under Secretary, Freight	J A Dole
Under Secretary, International Transport & Nationalised Industries (General)	S M A Banister
Director General, Highways	J A Jukes
Deputy Director, General, Highways: Directors, Road Construction Units	M Milne
Chief Highway Engineer	R J Bridle
Deputy Chief Highway Engineer (1)	K Sriskandan
Deputy Chief Highway Engineer (2)	H Williams
Under Secretary, Highways Planning & Management	G D Spearing
Under Secretary, Highways Programming, Contracts & Land	F J Ward
Under Secretary, Road Safety	H F Ellis-Rees
Chief Mechanical Engineer, Vehicle Engineering & Inspection	J W Furness
Chief Executive, Property Services Agency	W R Cox
Deputy Chief Executive I	A Sylvester-Evans
Director, Civil Accommodation	J Delafons
Director, Estate Management (Overseas)	B Roberts
Director, Estate Surveying Services	A R J Baldwin
Deputy Chief Executive II	E H A Stretton
Director of Scottish Services, Property Services Agency	G M Patrick
Director, Home Regional Services	N P Walsh
Directors of PSA Regions (Home)	
Director, Property Services Agency, Wales	
Principal Establishment Officer, Property Services Agency	P D Davies
Principal Finance Officer, Property Services Agency	G May
(*PFOPSA Reports to PFODOE on PES Matters.*)	
Deputy Chief Executive III	H P Johnston
Director, Defence Services I	E Vickers
Directors of PSA Regions (Overseas)	
Director, Defence Services II	F R Martin
Director, Post Office Services	J T Lawman

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Director General of Design Services	W D Lacey
Director, Building Development	W J Appleton
Director, Civil Engineering Development	F Walley
Director, Engineering Services Department	A C Gronhaug
Director, Quantity Surveying Development	K Linsdell
Controller, Supplies	H Leadbeater
.....	
*Regional Director & Chairman (Regional Economic Planning Board)	
West Midlands	Miss S W Fogarty
Yorkshire & Humberside	R G Wilson
North West	W R Corrie
Northern	D J King
South West	P R Sheaf
East Midlands	A E A Brain
South Eastern	J Lane
Eastern	A G Powell
Countryside Commission, Director	R J S Hookway
Development Commission, Secretary	K J Reeves (Acting)

ANNEX D(i)

DOE PUBLIC EXPENDITURE 1976–77

	£m at 1976 prices
Nationalised surface transport industries capital expenditure*	250
Roads and transport	2,250
Housing	3,700
Other environmental services	1,900
Other public services (tax and rate collection)	100
Common services (accommodation and transport services)	300
	8,500

* Excluding investment in British Rail passenger infrastructure which is charged to revenue account and included under Roads and Transport.

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ANNEX D(ii)

DOE VOTE ESTIMATES 1976–77

Class and Vote Reference		*Title*	*Main Estimates 1976–77 £m at Estimates Prices*	*Accounting Officer*
I,	11	Defence Accommodation Services etc ...	409	Sir Robert Cox
II,	2	Overseas Representation: Accommodation Services etc	26	Sir Robert Cox
VI,	1	Roads etc, England	457	P R Baldwin
VI,	2	Local Transport etc	86	P R Baldwin
VI,	3	Transport Industries	477	P R Baldwin
VII,	1	Housing, England	1,779	Sir Robert Marshall
VIII,	1	Other Environmental Services etc	167	Sir Robert Marshall
VIII,	2	Royal Palaces, Royal Parks, Historic Buildings and Ancient Monuments	34	Sir Robert Marshall
VIII,	3	Environmental Research	37	Sir Ian Bancroft
VIII,	6	Central Administration (Department of the Environment)	71	Sir Ian Bancroft
XIII,	8	Economic and Financial Administration: Driver and Vehicle Licensing	49	P R Baldwin
XIV,	1	Office and General Accommodation Services	341	Sir Robert Cox
XIV,	2	Office and General Accommodation Services: Furniture and Equipment, Transport etc (Repayment)	token	Sir Robert Cox
XVII,	1	Rate Support Grants and Supplementary Grants to Local Revenues, England and Wales	6,209	Sir Ian Bancroft
			10,143	

ANNEX D(iii)

DOE PESC AND VOTE EXPENDITURES 1976–77

£m at 1976 prices

	Vote estimates	Nationalised transport industries capital expenditure	Expenditure on environment financed by local authorities etc	Regional water authorities capital expenditure	Total
DOE PESC blocks	5,050	250	2,700	500	8,500
Local authority expenditure on education, health, law and order etc, financed by rate support grant ...	4,450	—	—	—	—
Defence accommodation	450	—	—	—	—
Other programmes and non public expenditure	50	—	—	—	—
	10,000				

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ANNEX D(iv)

DOE CASH BLOCKS 1976–77

			£m at outturn prices
DOE	1	Pay and general administrative expenses	175·0
	2	Motorways and trunk roads, new bus grants etc ...	528·0
	3	Certain railways and waterways grants	60·1
	4	Various central and miscellaneous services	138·7
	5	PSA: Pay and general administrative expenses ...	105·8
	6	Office and general accommodation services	259·2
	7	Overseas representation: accommodation services ...	31·2
	8	Rents (UK)	86·7
	9	Rate support grant and supplementary grants for local authorities in England and Wales	6,644·1
DOE/LA	1	Capital expenditure within the locally determined sector in England and Wales	385·2
	2	Key sector loan sanction for capital expenditure on roads and other transport in England and Wales ...	97·4
	3	Improvement of local authority and new town housing etc	1,021·8*
	4	Housing associations	447·0
	5	Reclamation of derelict land and coast protection work	21·2
Calendar year 1976		British Rail operating subsidy	395·0
			10,396·4

* Correction to figure in Cmnd 6440.

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ANNEX E

DIRECTORATE OF MANAGEMENT SERVICES

Staff in Post 1 June 1976

UJS Management Services

Title	MSOM	MSCOM	MSOR
Staff	(1 Asst Secretary 1 Senior Principal 7 Principals 11 SEO's 38 other staff)	(1 Asst Secretary 4 Senior Principals 12 Principals 26 SEO's 474 other staff)	(1 SP Scientific Officer 4 P Scientific Officers 1 Principal 4 Senior Scientific Officers 3 SEO's 24 other staff)
	58	517	37
Function	General O&M Assignments; Industrial Work Study; Management Advice; Office Systems and Machines; Forms Design and Control; Internal Instructions; Staff Suggestions.	Computer Applications including: Pay and Staff Records; Statistical and Census-based Applications; Accounting, Stock Control and Management Information Services.	Management Accounting Systems; Financial Planning Models; Environmental and General Operational Research Studies.

Assignment Staff Costs and Expenditure on Consultants 1975–76

	MSOM £m	MSCOM £m	MSOR £m
Assignment Staff Costs	0·466	1·100	0·264
Consultants' Fees ...	0·036	0·223	0·025

ANNEX F(i)

SOME DMS ASSIGNMENTS: COSTS/SAVINGS

1. Installation of automatic typewriters in about 12 locations at Headquarters and in the Regions.

Estimated cost of assignment—£5,000.
Estimated saving—13 typists=say £36,000 pa.

2. Microfilming of industrial pay roll records.
Estimated cost of assignment—£4,000.
Estimated saving—3 CAs=say £9,000 pa.
Further savings should arise as application is extended to other pay roll records.

3. Application of COM to bill paying summaries.
Estimated cost of assignment—£3,800.
Estimated saving of paper and staff—£20,000 pa.

4. Installation of incentive bonus scheme in PSA Supplies stores.
Estimated cost of assignment—£35,000.
Estimated saving of £63,000 pa in the first year rising to £126,000 pa after 3 years.

5. Revision of existing incentive bonus schemes in the Central Vehicle Workshop.
Estimated cost of assignment—£115,000.
Estimated increase in productivity—£18,000 for the first year and £39,000 pa subsequently.

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6. Installation of incentive bonus scheme in the commercial transport fleet.
Estimated cost of assignment—£20,000.
Estimated increase in productivity—£16,000 pa increasing to £22,000 pa after 3 years.

7. Survey of DOE Superannuation Section.
Estimated cost of assignment—£8,000.
Proposals will not only enable the existing complement of about 70 staff to cope with the greatly increased level of retirements in the period 1978 to 1982, but should also lead to a saving of about 10 to 12 posts (say about £40,000 pa) in 1979, when reckonable service for all staff in the Department should be on the computer.

8. Study on the use of and support to Estate Surveyors and Lands Officers in the PSA.
Estimated cost of assignment—£18,000.
Proposals will make good an anticipated short-fall of about 95 professional staff on a complement of 425 by the extended use of non professional staff on estate work, coupled with organisational changes and improved methods of working. Overall there should be a saving of between 10 and 20 non professional posts (say about £50,000 pa).

9. Use of BCS tape transfer System for Payments to Housing Authorities.
Quarterly and twice yearly payments of housing subsidies to local authorities, housing associations and Development Corporation currently total £700 million pa. Substitution of the clerically based credit transfer system through the Bank of England, by a magnetic type transfer system operated by BACS saves at least one night's interest on all transactions. Flexibility in frequency of payment offers improvement in cash flow.
Cost of provision—£12,000.
Estimated net saving—not less than £400,000 pa.
This follows the introduction of a similar facility in August 1974 for quarterly Highways payments to local authorities which was estimated to save £40,000 pa.

10. Gas Tariff Checking
Payments by the PSA for gas consumption amount to £2,500,000 pa. Programs designed in conjunction with Directorate of Engineering Services Development, check that, for each building, the gas tariff in use is the most economical for the recorded consumption, or advise tariff changes for consideration by the appropriate engineer. The project has been operational since August 1975. Early results, based on current knowledge of heating plant in buildings, indicate that the estimated saving of £300,000 pa would have been exceeded but for an intervening policy change on tariffs by the Gas Council which has reduced the potential saving to approximately £190,000 pa. This saving relates to consumption during 1974–75 and would almost certainly have been higher but for the unusually mild winter. More reliable data will be available in July-August 1976 when records of plant capacities for each building will have been confirmed.
Cost of Development—£31,000.

11. Electricity Tariff Checking
Similar in concept to 10 above this system will be implemented in December 1975 in order that changes can be effective from 1 April 1976. The estimated savings from tariff optimisation are £350,000 pa against an annual expenditure of £7,500,000 pa.
Cost of Development—£66,000 (estimated).

12. Location of Supplies Stores
MSOR study of PSA Supplies Stores distinguished the operating costs of a range of possible sites and pointed to an operating cost reduction of some £750,000 pa.
Cost of study—£15,000.

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ANNEX F(ii)

MSOR PROJECTS

1. Much operational research work finds expression in models to help line Directorates judge the probable effect of changes and so provide a better foundation for directing and managing activity. Examples of such models are:

(1) A new towns financial planning model which relates physical targets to costs in the development period. This was supported by a model which relates population targets to physical targets.

(2) A model relating planning case load to arrangements for allocating cases which has been used to explore the consequences of organisational change.

(3) Models exploring the relations between applications for driving tests, waiting time for tests and the Department's test resources.

(4) Models to illustrate the consequences of alternative policies for housing finance and for elements of the Rate Support Grant.

(5) Models to help the PSA control of supplies and maintenance activities.

(6) Forecasting models and aids to resource allocation to assist programme management and budgetary control in a PSA production directorate.

(7) Exploratory work in developing models to assist the determination of priorities in pollution monitoring and assessment.

(8) Models to explore the impact of different policies in motorway maintenance and development of aids to assist the control of manpower in motorway design units.

2. Section V describes the PSA's management systems of PATOCAP, NEWMIS and NSMA. MSOR have from the outset played a major role in adapting PATOCAP to the PSA's needs and itself devised NEWMIS.

ANNEX F (iii)

MSOM PROJECTS

1. The recently completed restructuring of the PSA UK and Overseas Territorial Organisation was based on proposals by MSOM who have since examined the work of the PSA's Directorate of Home Regional Services and made recommendations about the Directorate's functions and organisation. A review of the work of the Directorate of Contracts is in progress.

2. A joint study by MSOM and MSCOM is in hand of the records needed for personnel management and career development to see how far records can be standardised and maximum use made of the new computer based information system (PMIS), with implications for the better organisation of personnel management work.

3. In 1975 the Head of DVLD asked for a review of the management structure, organisation, system and operational procedures of his Directorate to see whether any improvements were possible within the current statutory framework and the lifetime of the present computer equipment (about five years). This major review was carried out by a team from MSOM and MSCOM Divisions and a firm of management consultants, led by the Director of Management Services (DMS).

4. On behalf of the DGOE and the Director General of Research, MSOM are examining the Department's arrangements for determining, carrying out and controlling research activities.

5. *MbO in the PSA.* With assistance from DMS a formal Management by objectives system was introduced in the Accounts Division from 1970 onwards. This involves the definition of aims, key areas and objectives, agreeing duties and responsibilities of indivdual managers (with standards of performance where prac-

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ticable), and regular reviews of the achievement of objectives and plans for improvement. The procedures and formal documentation have subsequently been simplified and the system is now applied more flexibly; individual objectives or improvement projects are settled in respect of managers at HEO level and above only. (An amplified job description suffices for EOs and equivalents.)

6. Future plans were to build on this work, on the basis of a statement of principles on improving management, which had been agreed between CSD and National Staff Side. It should be possible to make progress in other parts of the Department on extending participative management within a framework of objectives and measures of performance.

7. Other assignments include:

(1) The introduction of microfilming techniques for drawings, payroll and other records.

(2) Devising and installing centralised dictation and other typing systems.

(3) Work Study leading to the introduction of incentive bonus schemes.

(4) Advising on the resource and organisational implications of legislative proposals.

(5) Reviews of the Housing Corporation's regional organisation and clerical support arrangements.

(6) The use of typing and distribution services.

(7) Help with the Department's plans for dispersing work from London.

(8) A study of the management information requirements in the PSA for maintenance and minor new works services.

WIDER ISSUES REVIEW—IMPLEMENTATION OF THE DEPARTMENTAL PROGRAMME

1. This Annex summarises the action taken against each of the headings of the Departmental follow-up programme to the Wider Issues Review, as set out in paragraph 103 of the booklet "Working in DOE". The sub-paragraphs that follow correspond to the sub-paragraphs there:

(*a*) *Special consultative machinery should be established to oversee the dispersal programme.* A joint Committee of the Central DOE Whitley Council has been set up to provide a forum for consultations on dispersal.

(*b*) *Consultations should be carried forward on the proposals for delegation of Establishment functions to the Regions in Central DOE.* This programme of delegation is now complete: Regional Establishment Units are in operation in six English regions, responsible for personnel management and career development for staff up to EO level, and certain personnel management functions for all grades.

(*c*) *The agreed career development scheme for Administration Executive and Clerical grades should be implemented, monitored and reviewed after a year's operation.* The agreed career development scheme for these grades has now been running for almost two years, and a CSD study currently in hand in the Department should assist any review of the Scheme, although it is too early to mount a full-scale evaluation of career development.

(*d*) *Interviewing work should be pressed forward on the career development scheme for professionals and specialists in Central DOE.* Most professional groups and grades are now interviewed regularly; additional groups are being brought into the scheme as quickly as resources permit.

(*e*) *The Career Development Interviews for P&T Group Staff in the PSA should continue with a view to ensuring that all officers concerned are interviewed at least once every three years.* This is being done.

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(*f*) *All reporting officers should attend a one-day course on Annual Staff Reports.* The initial training programme is now completed, and courses will continue to be provided for staff entering reporting officer grades.

(*g*) *Continuing arrangements should be made for newly appointed staff to attend training courses on job Appraisal Reviews.* These arrangements have been made.

(*h*) *Continuing care should be taken to ensure the accuracy and confidentiality of the Personnel Management Information System.* A check on the accuracy of the PMIS records is currently in progress. Care is taken to ensure that confidential personal records are protected, and for this reason certain types of personal information are not held on the computer record.

(*i*) *Preliminary work on manpower planning should continue with a view to further consultations with Staff Side.* A number of computer-based manpower planning techniques are used to develop recruitment and retirement policies. The results of this manpower planning work will be discussed with Staff Side from time to time.

(*j*) *The revised notes of guidance for Promotion Board members and candidates should be brought into use as soon as possible.* This has been done.

(*k*) *The recently agreed procedures for lateral movement and open posts in Central DOE should be reviewed after two years experience.* Insufficient time has elapsed for these procedures to be reviewed.

(*l*) *Flexible arrangements enabling women to work part-time or to resume their career should be developed and extended.* Arrangements to achieve these ends already exist; in so far as it is possible, within present constraints on manpower and money, these are being developed.

(*m*) *The new retirement policy for Administration grades should be reviewed in 1976 with regard to the pattern of retirement around 1980.* This is being done at the moment as part of the Department's normal manpower planning work; the review of retirement policies will also need to take into account the constraints currently imposed on manning levels.

(*n*) *The Pattern of Departmental Training should be kept under review by the Joint Training Committee and with particular reference to the Heaton/Williams review of training.* This is being done, subject to the present limitations on expenditure.

(*o*) *Discussions should continue on the possibility of a pilot study on Job Satisfaction.* With Staff Side agreement, Job Satisfaction studies are now in progress at the Metropolitan Traffic Area Office (Acton), and at DVLC.

(*p*) *In allocating resources for improved accommodation and working conditions the wishes and preferences of staff should be taken more fully into account in deciding what needs to be done and in determining priorities.* In so far as is possible within physical and financial limitations, this is done.

(*q*) *Experiments in flexible working hours (FWH) should continue, provided they have the support of both local management and Staff Side.* Discussions are currently taking place with the Staff Side aimed at enabling FWH to be introduced if local staff and management agree that this would be desirable, subject to the availability of resources and certain other conditions.

(*r*) *The present series of Official publications have been reviewed, to see whether they could be improved in form and content, and be better adapted to different needs.* This review has been carried out and a number of changes introduced as a consequence.

(*s*) *The Welfare Service leaflets should be revised and issued to all staff.* This has been done.

(*t*) *The Staff Handbook should be completed as soon as practicable.* Further sections of the Handbook have been issued since 1975, and more are in the pipeline.

(*u*) *Standard letters used by Personnel Divisions should be reviewed and improved in style and format.* This has been done.

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(*v*) *Career Guides should be produced for grades up to HEO.* Career guides have been issued for CO and EO grades; the CA guide will be appearing shortly.

(*w*) *Training courses or seminars for Establishment Liaison Officers and Training Liaison Officers should be considered.* Such seminars are under consideration.

(*x*) *Continuing efforts should be made to improve communications between Establishments and the Department at large.* The importance of good communications is fully recognised; continuing efforts to improve them are being made.

Examination of witnesses:

Sir IAN BANCROFT, Permanent Secretary, Sir ROBERT COX, Chief Executive Property Services Agency, Mr G W MOSELEY, Deputy Secretary, Establishments, Mr G C WARDALE, Deputy Secretary, Finance, Mr M MENDOZA, Under Secretary, Director of Management Services and Mr G MAY, Under Secretary, Principal Finance Officer, PSA of the Department of the Environment, called in and examined.

Chairman

714. Sir Ian, we are grateful for your attendance. You are the first Permanent Secretary who has come before us who is in charge of the modern sort of Department. I think your Department and perhaps three others and that includes two that are not technically Departments of State, probably four sections, if you like, of the Civil Service, control three-quarters of its staff. Do you think that the big Department is a success?——(Sir *Ian Bancroft.*) May I answer that in rather general terms and then come to more particular issues about it? So far as the DOE is concerned—and that is the only one, of course, that I can speak for—the basic idea behind its setting up was to try to explore and resolve within a single line of management, as the founding White Paper said, issues affecting the environment together with their implementation; rather than through the system of interdepartmental bargaining and, therefore, it was felt, compromise, which quite often ensued. In other words, the main thrust behind the idea of the big Department, as I see it, is that it is to seek to provide a better system of policy formation. The size of a Department depends not so much on the total numbers of staff employed but very much, in my view, on the width of interest of the Department. We are not all that big compared, for example, with the Ministry of Defence and, as you said, there are others bigger than we are.

715. I was not really going into the minor relativities?——No, but it seems to me that the question of bigness depends very greatly on the load on the top Minister, on the size of the top hamper—and for that I should like to assume for a moment that one is talking about the open structure, so far as officials are concerned—and on the need, so far as one can, to avoid too many policy conflicts being embraced within a single organisation. That, in sum, is one man's definition of the big Department. What are its advantages? Has it been a success? Can it be a success? I think first, it ought to lead to what I called earlier on better systems of policy formation and, therefore, better decisions regarding policies. It ought to lead to a greater ability to switch resources from one area to another. It is interesting, I think though I do not claim this is necessarily the result of the setting up of the DOE, to note the shift in expenditure between transport and housing. In 1970-71, transport took 31 per cent. of DOE's expenditure and housing 41 per cent. In 1979-80, on the latest public expenditure figures, transport will fall five percentage points to 26 per cent and housing will increase by eight percentage points to 49 per cent.

716. There has been a change of Government also in that period?——There has indeed. There has been more than one change of Government.

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Mr *Ridley*

717. There may be another?—— There have also been very considerable changes in interest rates. The other advantages that I see stemming from a large Department are that it is possible to perceive the interactions between different areas of policy and to take reasonably meaningful and reasonably prompt action on them. One thinks in particular in my Department of land use and regional planning, where you have the whole area of roads, traffic management, public transport, new towns, housing, the building programmes of the PSA, water, sewerage, waste disposal—all now come under the command of a single Secretary of State. It is also important to make the point that there is not only co-ordination and reconciliation and resolution at headquarters, but our regional offices are now able to present a much more coherent face to local authorities than they were when they were made up of arms of the DEA, arms of the MHLG and arms of the Ministry of Transport. I think that on environmental affairs generally, the fact that we have now got brigaded together the Central Unit for Environmental Pollution—not to mention the Royal Commission on Environmental Pollution—and the whole business of the visual and noise and air emissions from various of our activities, can also help to get a rather more sensible policy by having the thing under one single Secretary of State. I do not think that I need enlarge on interactions between transport, rail, road, land use, housing—the whole pattern of settlements. Then we have the question of the countryside. I am not trying to claim too much, I hope. When one talks, often fairly loosely, of enhancing the environment or the quality of life, what I think many of us mean by that is not just the conservation element of the DOE's activities; for most people the quality of life is the quality of the urban environment, which means jobs, houses, transport, travel to work, which means a very large number of social issues. So we are only one element in this total picture, but I think that the fact that we have been able to bring these elements together ought to help.

Chairman

718. I am worried about your verb. Your immediate answer to my question was that there "ought" to be certain advantages in a big Department. I originally asked you the question whether there were?——I am a cautious man, and what I wanted to do was to try to rehearse, as I saw it, in answer to your question, the advantages which ought to stem from the creation of a big Department. I was going to come on to say that there are, of course, penalties too. There are penalties quite often of sheer scale in terms of the client, the staff, running a system rather than a family, and immense efforts have got to be made to counteract the penalties. In the constituents of the DOE since 1963 there has been a considerable amount of organisational and structural turbulence. If I may come to and answer your question, I think that my objective answer—and I hope that I am not *parti pris* in this —would be that the DOE has been a success but that there is a great deal yet to do in getting the full advantage of the various factors I have mentioned. My own personal time scale in terms of organisations and reorganisations is that it is about a five-year period that one is talking about, because the disbenefits of turbulence are considerable in the first year or so. We are now in our sixth year, and I hope very much that we shall be able to reap the full benefits of integration and merger with a period of reasonable stability ahead.

719. In paragraph 5 of your Memorandum you say that you have a general oversight of local authority expenditure; in paragraph 20 you shade that a little. Do you think that your oversight of local authority expenditure which, in money terms, is one of the prime responsibilities of your Department, is entirely successful?——There has been considerable worry and publicity, as you know, about the fact that——

720. I am not talking of recent publicity. You will recollect that this Committee commented upon it last year? ——Yes, indeed. My reply to that is that it is getting better. The fact that it was possible to establish—if I may return to the more recent past—thus early the possibility of an overspend by local government in this year and the

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agreement of the Consultative Council on Local Government Finance to seek to remedy that, is an example, if I may say so, of a rather better and more co-operative, more sharing, approach to this very difficult question of trying to reconcile a degree of local democracy which is meaningful in terms of members and officers and voters with the need to have reasonable confidence that the macro-economic effects of local government expenditure are manageable and under control.

721. Do you think that it was a good idea to agree to cash limits for local authorities without adjusting the rate support grant formula? I mean without adjusting it in principle; I do not mean in minor details?——(Mr *Wardale.*) As you are aware, it is only by the rate support grant that Government can effectively operate on current expenditure. Outside the rate support grant, local authorities are taxing authorities in their own right, through the rates. We have the opportunity, of course, of operating on the rate support grant at any given time, subject to the legal requirements, which do not give the Government an entirely free hand; but it does not follow that at this point in time it would be desirable to operate immediately on the rate support grant rather than consider whether one should operate the next time the rate support grant is determined.

722. I think you will find, if you look at previous evidence given by your Department to this Committee, that they said operating on the rate support grant was the only means they had of control of local authority expenditure. Therefore, I repeat my question: Was it a good idea to agree to cash limits for local authorities without altering basically—not just in detail—the rate support grant formula?——It would have been, I think, difficult at any stage——

723. I accept that?——to have a meaningful cash limit on local authority expenditure, I agree, other than under present arrangements, through the rate support grant. I suppose it is arguable from that that cash limits on local authority expenditure were not as meaningful as perhaps they appeared to be. But it seemed to the Government that, since they were embarking on a cash limits programme, they should make over this particular area, which is quite a considerable area of current expenditure, some attempt at cash limit control.

724. I think that I should address this question to Sir Ian. I am really asking about the advice that your Department gave to the Treasury at that time. Would you accept what Mr Wardale has just said?——(Sir *Ian Bancroft.*) Yes, I think I would.

Mr *Ridley*

725. Surely the only way in which you could administer cash limits on local authorities would be to give each local authority a cash limit. At the present time, if one spends more, all the others have to spend less, which cannot be right. I know that it is not to do with the subject, but it seems to me rather interesting?——Obviously you would not want to draw me too much on this, but I think that what I have to keep asking myself anyway is the road along which one would be going if one went in for seeking to establish and control the budgets of each local authority by saying, "This is how much you are proposing to spend; this is how much you are going to be allowed to spend". It would mean, I fancy, Whitehall having to have powers to override, as it were, the views and wishes of the elected representatives who may have been elected on particular platforms. There are interesting implications, the sort of thesis that Layfield raised, the centralist-localist one. I am not taking a view on this matter at the moment, but I think that it does have tremendous implications which one has to think about very deeply indeed.

Mr *Garrett*

726. May I ask detailed questions about your evidence to us on personnel management? You supplied us with a document called "Working in DOE", and in paragraph 56 of that you refer to scientists—and I guess you also mean other specialists—moving to an equivalent post on the administrative side in order to gain management experience. You then say that it is unlikely that there will be many such moves. That is to say, you consider in your document to your

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staff that it is unlikely that specialists will move into administrative positions to gain management experience. Yet the whole tenor of your evidence to us is just the opposite: that you now have an open system in which specialists can freely move into management positions? ——I do not think that that was what our evidence was intended to convey. We made the point, of which you, Mr Garrett, were well aware, that, like other Departments, we have an open structure——

727. At the top?——At the top—that is, the Under Secretary level and above —in which there is total freedom of movement, to the extent that the jobs themselves permit such movement. There have been one or two illustrations, which are set out in our paper and which are quite interesting in themselves. We are having difficulty, as I think our Memorandum demonstrates, in a number of areas. We have not made a great deal of progress in increasing the number of open posts. We have made some progress in increasing the number of multi-disciplinary posts. These are posts below the Under Secretary level. The open posts are those open to any discipline. The multi-disciplinary posts are those which are open to a number of defined disciplines. We are having very great difficulty indeed, as our Memorandum demonstrates, in getting people moved laterally from one particular specialisation to generalism. We are having not as much success as I would have hoped in getting people to come forward under the SPATs Scheme from the scientist area to train and have experience of managerial posts.

728. Is it not rather odd, then, to say in your paper to your staff that it is unlikely that there will be such moves, as if the management of the Department did not expect it?——Does it not say that it would be unlikely that there would be "many" such moves?

729. Yes?——Which does, I think, make a difference. What I think we were trying to be in that document was as realistic as we could.

730. In your evidence to us, in paragraph 49, you say, "It is significant that of the 96 members of DOE's open structure, 39 entered the Service in specialist or professional grades". Is that not misleading? Would one not expect that those 39 were mainly still employed as specialists? The Fulton point, surely, was that people who entered as specialists should end up in general management or administrative jobs. So the point you make is really meaningless, is it not? The question is, how many people who entered as specialists are now in general management or administrative jobs?——I think, if I may say so, that this is not being totally fair. We tried to give, as I said, two illustrations in the evidence where people who entered as specialists are now doing jobs which have got a very strong managerial content.

Chairman

731. If I may say so, I think that that answer (*a*) is not necessary at this point and (*b*), does not answer the question. We are getting the statistics of all of them, not just two or three examples? ——No. What we have done, as I say, is to list one or two posts which have been enlarged to take in managerial components as well as specialist components. I think it is fair to say—and we can certainly supply details to the Committee on this—that there are at least seven posts which it would not have been possible, pre-Fulton, for a specialist to enter. We have the two cases I have mentioned, of the planner who is now in charge of a wide area of administrative work, and the water engineer who is now in charge of a wide area of environment protection work. We have a man who entered the Service as an economist who is now in charge of all highways work. I am talking about Deputy Secretary level. We have a man in Sir Robert Cox's Agency who entered the service as an engineer and who is now doing a generalist Deputy Secretary role. As I say, among Under Secretaries—we could in fact supply you with names here——

732. I think the point is that this sort of isolated statistic proves nothing. We are getting the statistics for the whole of the Civil Service above certain levels? ——Yes.

Mr *Garrett*

733. May I ask another question on the way the Civil Service should be what you might call Fulton's idea of

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managed? You say, in paragraph 56, that very young staff are transferred every two years. At more senior levels, longer periods in post are appropriate. And yet, in answer to a Parliamentary Question that I asked about the length of service in post of your Under Secretaries and Assistant Secretaries, the answer was that they averaged about 2½ years. Is this not the kind of very rapid movement between unrelated posts that Fulton criticised very heavily?——I personally should like to see this improved on, but I think it goes back a bit to the point I was making, that over the last few years there has been a considerable degree of organisational turbulence in the DOE; not simply the merger itself in 1970, but also the need, so far as one could, to put in hand a number of reviews of the policy areas of the Department in the first two or three years. This in turn has led to a considerable turnover. My own hope and wish is that we shall be able to settle down and have longer periods in post for more senior staff.

Mr *Radice*

734. Do you think that that is likely to happen?——If we are left alone, I think it will.

Chairman

735. I am not sure what you mean by "left alone". Some of us politicians feel the same. May I turn to another subject—the Property Services Agency? We have read your Memorandum and that of the PSA. I cannot find in it, I am afraid, what I have seen in the Press: the relative proportion of office space used by the Government which is rented and owned?——(Sir *Robert Cox.*) At the moment, rather more than half our estate is rented; less than half is owned.

736. Less than half is owned. What was the proportion, say, ten years ago? ——I do not know, but I would say that the proportion owned at that time would have been rather larger because the estate would have been smaller.

737. I think—as I say, I have seen the statistics in the Press—they would agree with your view. I wonder whether you could let us have a note of them in due course?——Certainly.*

*See Appendix 28.

738. May I ask whether you consider that that is efficient?——No. This problem of building *versus* leasing is one which has been exercising ourselves and the Treasury for some time now, and indeed, I should perhaps say is a matter on which I was examined by the Public Accounts Committee a little earlier this year. I have supplied them with a Memorandum. The economics of this vary from time to time because they turn on the level of construction costs, on the level of rents and on current interest rates; but usually, and as a matter of principle, if we can build a building for ourselves rather than lease one, we think we have a better bargain. We think the financial outcome is rather better, and we stand a better chance of getting the kind of building we want. The problem has simply been that there has not been enough money to do all the building we should like to do. We have had various schemes for new building in London, but very few of these have come to fruition and, as things stand at the moment, I cannot see much prospect of major Government building in London in the near future. Such money as we have been allocated for construction of new buildings for Civil Service offices is being concentrated very largely on the Hardman dispersal programme, where we have a large programme of building in Scotland, Wales and the Provinces to accommodate the 30,000 new jobs which will move out of London as a result of the Hardman exercise.

739. So would you be better with a cash limit like the Ministry of Defence that did not distinguish between capital and revenue, so that you could make your own choice?——It would help us in a limited sense, but in the end the money would have to be allocated through the PESC exercise, and I doubt whether in the long run we should be allowed any more money through that than through the other. I do not know whether Mr May would like to comment on that. (Mr *May.*) We actually have a separate cash limit for the rents bill because it is a very difficult area in which to forecast what the expenditure will be. But our main cash limit is capital and current, and it covers both maintenance

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and the capital construction of buildings and running costs as well. We have not got at the moment a cash limit which allows us to switch money between rents and capital. I think that in fact it would not be very useful.

740. Do you mean that yours does not distinguish between pay and administration and other?——There is a cash limit for administrative costs.

741. Pay and administration?——Pay and administration, yes. I include in administration costs the salaries and consultants' fees and the like. There is a cash limit for new works, maintenance, running costs, and there is another cash limit for rents. In fact, within a year you cannot do very much about replacing leased accommodation with new buildings, obviously; that is a longer term programme.

742. Not in a single year. The point I am getting at is, if the Property Services Agency is going to act as was originally anticipated, should it not be pointed out that it may be that running costs are being increased by not spending some capital monies?——We recognise that in the long term it would be much more economical for us to build than to go on leasing accommodation, but we have to be realists as well. We know that when there are demands on public expenditure we cannot always get what we should like to have, if it is necessary in the interests of general control of the economy to limit expenditure. We ask and try to get what we can and do the best with what we get.

743. We are in the difficulty of not having the figures, but if we accept that the proportion of owned property has fallen very rapidly——?——Yes; it went down, I think, from about 45 per cent. to 41 per cent.

744. In how long?——Broadly over the period you were talking about, over a period of ten years. We will confirm those figures, but it is of that sort of order, as I recollect it.*

745. If it has fallen that relatively rapidly, surely in that period of ten years there has been a variety of economic circumstances? We have had boom conditions as well as recessions?——When things are booming, perhaps there are restraints on capital expenditure. When the economy is in difficulties sometimes there are restraints on public expenditure.

746. You are really saying that you lose out both ways?——We can do, yes. (Sir *Robert Cox.*) And, of course, money is not the only constraint upon us. On some of our large London building projects there were very difficult planning constraints too. I think that in a sense we got the worst of both worlds, because at the time when the money was available we were in a planning difficulty; when we had cleared the planning difficulty the money was not available.

Mr *Ridley*

747. I should like to ask some questions about the relationship between the Agency and the DOE. I have always been very much in favour of moving towards this sort of relationship. First of all, could you define the remit of the Property Services Agency, particularly in relation to control and accountability—financial accountability—between the DOE and the PSA?——The answer to that one is a straightforward one; namely, that I am the Accounting Officer for the operations of the PSA.

748. Do you then publish a set of accounts, or at least have a set of accounts, showing the cost of all the operations and the capital value—a sort of balance sheet of the assets?——For the PSA as a whole we do not publish a commercial balance sheet because we are subject to Vote accounting in the ordinary way. You will find all our operations, with one exception which I shall mention in a moment, logged up in the Supply Estimates and also shown in the annual public expenditure forecasts. The one exception to that is that our supplies organisation on 1 April this year went over on to a trading fund basis, and they henceforth will be publishing commercial-type accounts. More generally, we operate within defined aims and objectives, and I think I am right in saying that we gave some information about these in the Memorandum which we put before the Committee.

*See Appendix 28.

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Chairman

749. Some few years ago the Treasury was altering the form of the Estimates and mentioned that it was proposed to show in future—it has not been totally completed yet, but for some Departments it has—the value of the property that those Departments occupied; in other words, in effect, though not perhaps in terms of Vote in the technical sense, at least to show how much property they were occupying. Presumably, your Agency estimates those values. Is that right?——If I could take it not in terms of property values as such but in the cost or the value of services that we supply, this now shows itself up in two distinct ways. In the case of PSA Supplies operating on a trading fund, the value of those supplies and services is costed and charged through one of the PSA Votes, which then supplies the goods and services to the Departments as an allied service. So far as our general property management and building for the generality of the Departments is concerned, these things are shown in the Supply Estimates in tables at the end of the Estimates. You will find them on pages XIV, 4–6, of the Supply Estimates, 1976–77. These are not finely costed, but they represent reasonably close estimates of the value of the property and other services which we supply to the different Departments and to the main expenditure programmes.

Mr *Ridley*

750. Do you charge for the supplies division trading fund? Do you charge other Departments?——It depends on the nature of the Department. If we are talking, shall we say, about straightforward office furniture supplied to the generality of Government Departments, the arrangement is that the PSA supplies these things to Government Departments as an allied service, and the financial arrangement is that the trading fund charges this to our Directorate of Civil Accommodation who meet the cost from one of the internal PSA Votes. That is the way the money goes through.

751. What is the point of making it a trading fund if you do not charge? ——Because there are other customers for whom we do make an actual charge. For example, to the Post Office, military barracks and similar institutions we make a direct charge. The purpose of operating the trading fund is not simply in relation to the receiving Department; it is a financial discipline upon our PSA supplies organisation itself.

752. Why do you not make the supply of office space into a trading fund too? ——This has been considered. On the whole we are inclined to think that the quite considerable extra expense and trouble that would be involved would not be worth it. The reasons are various. One, for example, is that a major Government Department using office space has not got a great deal of control over the quantity of accommodation it requires. Its staff is settled by other considerations in consultation with the CSD, and the space supplied is settled by common standards. Therefore, a Government Department of a given size needs a building or buildings of given floor space, and its location nowadays is very often settled either as a matter of policy by dispersal to some other part of the country or by a straightforward need to be close to Whitehall and Westminster, which has a strong effect on the rent. Secondly, there would be quite considerable difficulty and staff effort involved in accurate apportionment of rents to different Government Departments, particularly where, as is so often the case, we have shared buildings. Thirdly accommodation costs in the case of a major Government Department would, I think, loom fairly small in the eye of the Permanent Secretary—the Accounting Officer—who was looking after very much bigger affairs and very much larger sums of money. In many ways it is probably better that I should be worried for one hundred per cent. of my time about accommodation costs than that other Permanent Secretaries should be worried about them for, say, one or two per cent of their time.

Mr *Garrett*

753. You are not accountable for them, are you?——For the accommodation costs I am.

754. The argument against an allied service basis is that nobody is accountable for the expenditure—neither the supplier nor the user?——I am accountable for the expenditure.

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755. You cannot be accountable for the space or services supplied on an allied service basis to other Departments? ——Indeed, because it is my job to see to it that that space is allocated and used on a reasonably efficient and economic basis.

Chairman

756. So you have the power to suggest —to say—to a Department that it really is taking up twice as much space in relation to its personnel as another Department?——It is not, of course, as crude as that.

757. I think that that is what Mr Garrett means by "accountable"?—— On the allocation of a new building I can and do, and my staff can and do, discuss in close detail with the occupying Department the exact amount of floorspace that is required and should be used for given levels of staff.

758. Now, who changes it? Supposing you do. Somewhere in this vast organisation there must be an organisation that has rather more space than the average?——Yes.

759. Who can change it?——We can change it. It is our job to keep under review the occupation of buildings and, as occasion requires, to propose changes in occupation and reallocation of buildings.

760. To whom do you propose them? ——It depends on the scale of what is proposed. If it is a really major shift, one would go to the Permanent Secretary of the Department concerned. Smaller changes would be dealt with by the accommodation officers.

761. But they are always in the Department concerned?——In the Department concerned.

762. So the final authority rests there? ——No; I am sorry. The authority and the responsibility lie with us to initiate and to pursue these things. There can, of course, be a situation where there is disagreement between ourselves and the occupying Department. In that event there is interdepartmental machinery for resolving such disagreements.

Mr *Ridley*

763. But you presumably charge the Post Office if you provide offices for it? ——Yes. I was going on to say that of course we do have, besides Government Departments which we deal with on an allied service basis, our repayment clients, of whom the Post Office is the biggest, but there are a variety of others. They are charged for the services we provide, whether they be rent or works or whatever.

764. When you come to charge, what basis do you use for charging? How do you fix the level of your charges? ——I will ask Mr May to answer that in more detail, but the general principle is that we work on one of two bases: we either charge our actual costs based on a meticulous recording of the work we do for a given Department, or in other instances we apply a broad brush and apply a percentage addition to the costs we incur. (Mr *May.*) If a repayment body is occupying space within our estate we charge them a rent usually on a market rental basis. It is only in exceptional circumstances, and then when specifically approved by the Treasury, involving a special body that deserves some assistance, that we charge on other than a market rent basis.

Chairman

765. What is the average rental of the buildings we are leasing compared to outside private lettings of office space? ——(Sir *Robert Cox.*) The lettings we have cover an enormous range.

766. Do not think that you have to answer this now. If you want to send us a note about it, I do not mind?—— I can give you the answer very briefly. The range is tremendous. We have in London buildings we leased just after the War for less than £1 a square foot. There are others which we have leased more recently at current market levels which are well above that. We are in a position where, at the moment, we are extremely well off for rents because we have these old hirings. Many of them come up for review in the next few years and there will, I am afraid, irrespective of the size of our occupation, be a fairly sharp increase in our London

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rent bill. We are hoping to mitigate this by some of the moves out of London under the Hardman exercise.

767. I think that this is really the point that we are all getting at. Have you assessed the value to you of building in time capital blocks in the freehold ownership of the Crown? Have you assessed that cost against what it would cost you to renew those leases?——In broad terms, I think the answer is that we have.

768. Have you been allowed to take whichever is the economic viewpoint? ——No. We accept that, in principle, it would usually be better for us to build rather than to lease, but the plain fact of the matter is that in the current public expenditure situation we simply cannot be allowed enough money to carry out big building programmes except, as I said, for the Hardman dispersal exercise.

Mr *Loveridge*

769. When you do build, how do you know that your building costs are economic compared to other building costs? ——This is a matter of close control throughout the building operation. We have, of course, our own teams of designers and experts. We do on occasion make use of consultants, which enables us to see how our costs compare with theirs. On many of the types of buildings we construct we have fixed cost standards we have to work to.

770. Do you think that you are competitive?——I should have thought we were, yes.

Mr *Garrett*

771. Sir Robert, you are the Accounting Officer of an accountable unit of Government. That is what the Agency idea was all about, surely. For what can you really be held accountable? Do you organise your Agency as you think fit—omit some grade levels and have more at other levels? Do you have any control over personnel policy for your Agency?——We, though an agency, are a Government Department responsible to Ministers and to Parliament. The Agency, like every other Government Department, has to operate within the general constraints of Civil Service management. Within that constraint, the only difference between the Agency's position and that of any other Government Department is that personnel management for senior levels of staff is undertaken in the central part of the DOE on behalf of the Permanent Secretary.

772. Do you have much more freedom of action than a traditional Permanent Secretary in a traditionally organised Department?——It is a different kind of freedom. When the Agency was set up changes were made to bring together the executive type of work that it could best do. For example, they brought into the Agency all the property management work for the Ministry of Defence which was formerly conducted there. On the other hand, there was handed over to the central part of the DOE some of the more politically sensitive work—for example, on historic buildings and ancient monuments and the politically sensitive work on the construction industry. 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 those largely non-political fields I would say, yes, I have a great deal of freedom of management.

773. There was more delegation then to somebody who was the head of an agency like yours than to a normal Permanent Secretary—more delegation of power over money and people?——It is management of a type of work which permits that to happen. Of course, within the Agency itself there is equally a great deal of formalised delegation to various levels of staff to get on with their construction programmes.

Mr *Ridley*

774. May I come back to the question of financial accountability? Where you charge on a market rental basis, do you compare whether that makes your new building which you are letting economic? ——(Mr *May.*) First of all, we do not build new buildings for repayment customers. If we are acting on behalf of a repayment customer and they want a new building, they would carry the cost from their funds.

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Chairman

775. No; any customer. If you are doing a building, say, for the DOE itself, or for the DHSS centrally, if you are designing it for yourselves why can you not charge them a standard architects's fee and then deduct your own costs from that and see whether you have made a profit?——The question of when it is worth while actually charging money to people for services we provide really depends on what value you get out of that sort of activity, which takes staff time. If one can be satisfied oneself that one is providing these services in an economical sort of way, there is not, I submit, a great deal of advantage in charging it out in small packets around the Government Departments.

776. Surely you would agree with me that it is not difficult to work out what a standard architect's fee is, for example? ——Yes, we know that. One of the things that we do, when we are thinking about our own affairs, is to have in mind what the professional fees would be. These are the sort of things that we keep in mind in managing ourselves.

777. But you in no way publish the fact to anybody else, even another Department of State?——No, not unless we actually have to recover the fees.

Mr *Ridley*

778. Do you know, for instance, the unit cost of providing one person's office per year in the Government Service, in the PSA?——I have not got the figure in my head, but one is aware that one can calculate an average.

779. How does it compare with the private sector's costs?——(Sir *Robert Cox.*) Again I think the variations are enormous, both as between different areas and different types of office. Averages are very difficult in this field.

Chairman

780. But you are saying to us, in effect, that we can base the whole of a large section of the Civil Service pay on comparability with industry, but we cannot even compare their offices. This, surely, cannot be true?——(Mr *May.*) We actually are aware that the average rent that we pay for our accommodation is considerably lower than the going market rates.

781. Have you got figures to show that? Can you supply us with them? ——Yes, we can certainly do that.

Mr *Ridley*

782. All we know, and all Sir Ian knows, is that you spend £900 million a year, which is a tidy sum of money. We want to know whether we are getting good value for money and what are the unit costs of everything that is provided. If I were Sir Ian, I would be unable to accept responsibility, because you have not so far given us any evidence that you know what your costs are or what your going rates are?——(Sir *Robert Cox.*) I am sorry if we have given that impression. We have a great deal of information. Every project we undertake is supported and analysed by a computer programme, which follows through the whole of the construction costs and the whole of the staff costs at every stage of the project. We know from start to finish what it is costing us and how it is going in relation to the estimates beforehand.

Chairman

783. So the work that it was said earlier would cost a lot in staff time is already being done?——(Mr *May.*) I was talking about actually charging. Obviously, we must manage ourselves, and we spend a good deal of effort doing that. There would be the additional effort, as I understand your question, of then charging other Departments money going through their accounting systems and forcing them to employ staff.

784. Are we saying that the only reason that you do not do it is because they might object to the costs that they were given?——The reason why we do not do it is that generally it is more economical for us not to charge them, and there is no gain in better control of those costs by charging out.

785. May I put it this way? When I say "charge", I do not mean that you go in for a great invoicing system as if you were a completely separate organisation, like a company; but it is

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not uncommon in industry for one section of a company, in a modest way, without having invoices for everything, to re-charge its activities to other departments, saving a lot of clerical staff, because you do not need a great invoicing arrangement on the one side, nor do you need a great organisation on the other to check whether the invoice is truthful or right?——(Sir *Robert Cox.*) I am sorry; I think that we perhaps have not responded accurately to your questions. What we were directing ourselves to was the question whether it was sensible to charge every Government Department rents on all the buildings it occupied. That, I believe, would be an unprofitable use of resources. Where, however, it comes to a major new construction for a Department—a computer centre for the DHSS, or something of this sort—I believe that the financial responsibility for the project rightly lies with the PSA, because it is the PSA that has the construction expertise and experience and the staff who understand these things to design the project on the client's brief and to carry it through and supervise it and see whether good value for money is being got. But it is equally true that in the case of specialised buildings the client Department must know and must bear the cost of the demand it is making, and that is thrown up through the PESC Programmes. If you look at that, you will see the cost——

786. But they are not in actual money. They are not in real money?——They are in the programme.

787. They are in survey prices of the preceding year, or maybe some from the preceding year?——They are in survey prices in a programme for which each Department has to battle every year to maintain its needs and its place. When it comes to the actual expenditure and the control of actual money on the project, it goes across to our Votes, and we then have to defend the actual operation and its cost.

Mr *Loveridge*

788. When you use the words "client Department", I am not quite clear what you mean. If the client Department does not like the service it is getting from you, has it the option to go elsewhere?——Not if it is a Government Department. This was one of the fundamental decisions taken in relation to the setting up of the Property Services Agency. We had an inquiry headed by Mr Herbert Cruickshank, the Deputy Chairman of Bovis Holdings, and one of his main conclusions was that considerable advantage could be obtained if there were concentrated in one agency all construction and property management work for the Government.

789. As Bovis used to do with Marks and Spencer, perhaps. But it does seem that this places a double responsibility on you to have sets of statistics—how many bricks your bricklayers lay as compared to those of the three most successful firms laying bricks in the kingdom, and that kind of thing. How far do you measure these figures, and how far do you try to keep up with the leading outside firms on these simple building statistics?——Not quite like that because, in relation to major projects, we do not do the construction ourselves; we work through contractors and we work on the basis of tendering. That is the basis of our control. We have a directly employed labour force, but that is mainly used on maintenance and the operation of plant.

Mr *Ridley*

790. You have 23,472. Is that right? ——Industrials of one kind or another.

791. When you employ them on work, do you tender, so to speak, to yourselves against competition from other firms?——We keep records which enable us from time to time to ascertain whether our own costs are——

792. That is not what I asked. I said do you invite tenders to check your own costs?——No. From time to time we allocate, as a matter of policy, the types of work we shall try to do by directly employed labour and the types of work we shall put out to contract.

793. But when is it since you had fair competition, when your own people tendered alongside outside competitors? How long is it since you have done that, or have you never done it?——I do not think that we have ever operated by direct tendering between the two organisations.

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794. Why not?——Because there is some work which we have to undertake ourselves because of its nature, work in security areas.

795. It cannot be all like that?——There is a good deal of work for the Services which we do within Service compounds. One of our main jobs is not building offices for civil servants but looking after the whole of the requirements of the armed Services.

796. Are you saying that there has not been a contract which was not security work, which these 23,000 have done and which could not have been checked with a private firm bidding?——We make sample checks from time to time of our costs with costs outside.

797. I am not asking that; I am asking, have there been contracts which were not security work where you could have obtained a competitive tender to put against your own direct works department?——I think that is possible, yes.

798. Surely there must have been hundreds?——Except that some of this is not work in the sense of a specific job of building something. A lot of this is plant maintenance and security work, and things of this kind.

799. But anything can be put out to tender, including maintenance, repair and redecoration of housing and all sorts of things, provided there is no security element. There is no reason why it all should not have been put out to tender. Why has it not been? Why have you not had checked prices?——Because we operate on a different system of checks. We do not use that particular method, but we try to achieve the same result by the checks we make on our own costs. In the last six or seven years we have been able to reduce our costs very substantially. We have reduced our directly employed labour force by something like 10,000 people.*

Chairman

800. May I ask a reverse question to the previous one? Is it true that the amount of work done by outside consultants has been increasing? Is it true that the amount of commissions given to you by the Post Office has been decreasing?——The amount of work coming in from the Post Office at the moment is decreasing. The amount of work we are putting out to consultants, by which I understand is meant professional firms, is also decreasing, and has decreased quite considerably over the last couple of years.

Mr *Ridley*

801. May I come to the Post Office? You presumably charge them for everything that you do for them?——Yes.

802. Do you make a profit on that?——No, we aim to recover our costs exactly.

803. Including the use of capital equipment, plant and matters of that sort?——Yes.

804. And do you succeed in covering costs? Have you succeeded?——Yes.

805. Has the Post Office invited tenders, and you have tendered for most of the work, or is it done on a single-tender basis?——At the moment we work under an agreement with the Post Office whereby, except by agreement, we do the whole of their work for them. They are at the moment doing a number of experiments outside to test whether they would do better by going elsewhere.

806. Do we know the result of those?——The results at the moment are not clear. We are still in negotiation with the Post Office.

807. How do the prices that you have charged the Post Office compare with those for which you do work for other Government Departments, such as the price per square yards of bricks or per cubic yard of excavation or a cubic yard of concrete placed, or whatever it may be—your unit costs in the building field? Have you got these?——It is difficult to answer that question because so much of the Post Office building is of a specialised character which we do not repeat in other fields. For example, a telephone exchange is a building with its own characteristics which would not be reproduced in a building we put up, shall we say, for the Department of Health and Social Security.

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808. I was a contractor. I am not one now but I have been one. Every contractor keeps the cost of every operation he does, including each cubic foot of earth he digs, so he always knows what everything has cost him. Would it not be wise for you to keep the same information as is kept in the private sector?——(Mr *May.*) I am afraid that we can be using the same contractor to build a Government office or a Defence barracks or a Post Office telephone exchange.

809. But it is still relevant. The cost of laying bricks is the same in each? ——But the point is that we obviously design the buildings subject to cost control unit costs which vary from one type of building to another. When it comes to excavation and brick-laying and so forth, our method is to go to tender and get the lowest price we can for that particular project.

810. Quite. When you are doing it. yourself. I am trying to check against your efficiency. I want to know how you check against your efficiency for the employment of 23,472 people. You cannot check their efficiency unless you keep costs of what they charge to produce a cubic foot of concrete or a square yard of shuttering, or whatever it may be. This is the way that builders do it, by keeping the cost of every operation. You do not seem to do this. Am I right?——(Sir *Robert Cox.*) I am in a little difficulty because I think that a comparison is being made between two things which do not happen in quite the same way. In the case, for example, of the work we do for the Post Office we are speaking about major new construction. We do not as an Agency undertake major new construction ourselves. Our labour force is concerned solely with maintenance and operation of plant and minor things of that sort. We do not use the directly employed labour force to go out and put up a new office block.

811. But do you keep costs for the directly employed labour force? What I am trying to get at is the directly employed labour force, the 23,000. Do you keep detailed costings of how much they cost to do all the work they do?——We do keep detailed records of our costs. I am not quite sure whether they are in the form which would enable me to answer your question directly, but there is a great deal of recording done of our costs in the attempt to keep those costs down.

Chairman.] I think we have probably done enough on that, Sir Robert. My colleagues have a few other questions.

Mr *Radice*

812. Sir Ian, may I turn to training? Your Department does a major effort in training. I think you say in paragraph 72 that some 6,000 students attended courses at Cardington, and there are various other courses of one sort and another which you run yourself. You also use the Civil Service College. What are the principles on which you operate, in the sense of what training do you do as a Department, or departmentally, and what training is done at the Civil Service College? Are you satisfied with the training that is done for you by the Civil Service College? ——(Sir *Ian Bancroft.*) To take the first point, we do highly specific job-related training in the DOE at Cardington and elsewhere. The job-related, highly specific, professional training—engineering of various sorts—at Cardington can go, and does go indeed, up to quite senior officers. We do quite a lot of induction courses for more junior staff in London, at Albert Embankment, and the broad line between what we do and what we ask the College to do for us is that for the more senior levels of non-job-related, non-specific training we look to the College, including the Service-wide system under which ATs and HEOs (A) go to the College.

813. Would you like to know how your staff who went to the Civil Service College did there? You do not know at the moment?——No, that is absolutely right. I think it is a very interesting point indeed on which there is more than one view. In some ways I think that there might be advantage, if it were possible to do it sensibly and without the expenditure of many more staff, to have some notion as to how the individual has done at the College. I am not now talking merely of ATs and HEOs (A). But I quite see the difficulties of that, particularly in the latter

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field, where you have very large courses and where you would have difficulty, I guess, in getting people to produce intelligent and sensible assessments. In terms of motivation, I think, it might be of help.

814. Motivation at the Civil Service College?——Yes. One quite interesting point perhaps to make is that in our own residential centre, although the results are not fed back formally at all, on a number of courses of this rather technical character there are tests and examinations at the end to provide an incentive for the individual to apply him or herself.

Chairman

815. You are saying that yours is in that respect better than the Civil Service College, are you?——No ; different.

Chairman.] Point taken.

Mr *Garrett*

816. May I ask about your central policy planning unit which you describe in your paper to us? One of its jobs is to plan ahead, I notice. Does that mean that it produces a corporate plan for the Department, a management plan of the kind that you urge local authorities to produce for you?——No ; we are not as ambitious as that at the moment. As I indicated earlier, and as the Memorandum makes clear, we have this wide array of interests in the DOE, and what we are striving to do in a situation which is constantly changing in terms of resource availability is to try to get a general strategic envelope inside which it would be more helpful for Ministers to make choices in terms of priorities, particularly in terms of resources. But a plan as such—no.

817. Does the Central Policy and Planning Unit ever report directly to the Minister?——No. On occasions it has done particular jobs. I think now in terms of one particular review in which the Under Secretary in charge of it was indeed seeing a lot of the Minister alone, but in terms of its having a formal reporting line direct to the Minister, the answer is no.

818. Does it have outsiders in it, in the sense of people with planning experience from outside industry, shall we say?—— At the moment, no.

819. Is it proposed that it should have? ——I personally am in favour of trying to get into the Department people from outside, whether they are from outside industry, whether they are from nationalised industry, whether they are from local government. We have not been very successful so far but we are continuing to try. We do, of course, employ consultants in various other fields, not only those that Sir Robert mentioned, but also in the field of the management services operation that Mr. Mendoza commands.

820. What is the relationship between the Central Policy Planning Unit, in terms of planning, and the Department's political advisers? I assume that you have political advisers?——Yes, we do ; we have two. The relationship between them?

821. Yes?——Intimate and informal.

822. Do the political advisers contribute to plans produced, or papers on issues produced by your Central Policy Planning Unit?——I should prefer not to be drawn, if I may make a point, because the political advisers are the appointees of the Ministers and the particular way in which they operate is very much for the Minister himself to decide. The only point that I should like to make is that we do seek to ensure, from Ministers downwards, that the fullest opportunity is taken of using the special experience and skills of these advisers.

Chairman

823. Obviously, the political adviser would have no relevance to the efficiency of the Department because he would not be an administrator, by definition. The administrator of the Department is you, Sir Ian, is that not right? In paragraph 68 of your Memorandum you say that pay is still negotiated quite separately—this is for industrial grades—but the same broad principle of comparability with analogous outside employment applies, the same broad principle as applies to non-industrial grades. Question 486 of the evidence of the Industrial JCC to us said: "Do you believe in the principle of fair comparisons which is, of course, the applicable principle to all grades from principal downwards on the staff side? " Answer: "We have believed in it for years. We do not believe that it has

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always been applied as regards the industrial Civil Service but certainly we believe in it". They then went on to give details, one of which showed that, for example, a craftsman in the Home Office might be earning £40 a week, whereas in a Royal Ordnance Factory he might be earning £70 a week—the same sort of craftsman. That does not apply to the DOE, but are you actually satisfied that in the DOE, bearing in mind that only one pay negotiation for all industrial grades in the Civil Service has been conducted with the aid of a pay research unit, comparability is applied to industrial grades in the same way as it is applied to non-industrial grades?——I wonder if I could ask Sir Robert, who is by far the major employer in the DOE of industrials. (Sir *Robert Cox.*) We are indeed the major employer of industrials within the DOE, but, of course, as you have said, the negotiation is an annual event conducted centrally through the National Joint Industrial Council, chaired by the Civil Service Department, of which we are a member with the other main industrial employing Departments. There are certain limited delegations to adjust industrial pay locally but, by and large, it does depend on that negotiation. All I can say, I am afraid, is that I am not aware of any evidence to the contrary.

824. We have such evidence. May I read the whole of paragraph 68? I did not read it all before. "On most important non-pay matters, including pensions, sick leave and travel and subsisttence payment, conditions of service for industrial and non-industrial service are now the same. Pay is still negotiated quite separately, but the same broad principle of comparability with analogous outside employment applies". If it is negotiated not merely separately, as you say, but in a quite different way without, apart from one exception, using any research into comparability by a pay research unit, how can you necessarily be sure that comparability applies? There is one exception, as I say?——I do not think that I can give a satisfactory answer to that because our knowledge and experience relate solely to the industrials employed within the Property Services Agency, and the examples you mentioned of differentials ranged over two other Departments of which we have no direct knowledge or, I am afraid, concern.

825. I am sorry; I do not mean the specific example. I am talking of the entire Civil Service now, all the industrial JCC's employees. As I understand it, only one negotiation has involved a pay research unit, only one in the entire Civil Service, so that cannot be a lot in yours even if the one falls in the DOE or even if it falls in the PSA. If there is only one in the entire JCC structure, if the majority are not the overwhelming majority, how can you be sure that comparability does apply?——I am afraid I cannot give a full answer to that question now. If it would help, we can certainly let you have a paper in consultation with the CSD.*

Mr *Radice*

826. Sir Ian, what advice would you give administrative trainees in your Department, if you were asked, on how best they should pursue a successful career in the Civil Service?——(Sir *Ian Bancroft.*) It is 75 per cent. will-power and 25 per cent. intellect.

Mr *Ridley*

827. It is the other way round in our profession?——More seriously, I think that one would be forced back to giving the sort of advice which I guess would probably apply to many other professions too: that is, the need for industry, the need for mastery of the subject that one is trying to deal with, the need for a degree of ingenuity and innovativeness, which is very much the case, the need for a degree of sensitivity to people, the need to get some experience fairly early on in managing work and managing people. It has been the case until the fairly recent past, as I am sure all of you recognise, that the way to the top has so often been *via* a series of what one might call, in shorthand, policy-mongering jobs, without much experience of managing and organising work and people. I think, there is also need in a totally non-party sense, of a degree of political sensitivity; and an ability in any period in which you are in a private office to read papers upside down.

Mr *Garrett*

828. How do administrative trainees of the kind that you are describing get

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mastery of their subject if the bulk of them come in with no technical qualifications whatsoever and thereafter change jobs at two-year intervals?—— There are various ways in which this can be done. One is the training course, whether one thinks that it is too long or too short, at the Civil Service College, the three ten-week modules. There is very little chance, in my view rightly, of their getting total mastery of a subject while they are administration trainees because it is a trainee grade. So they are being posted around the Department fairly rapidly in order to give them experience, in order to give them the feel of the Department, and in order to give them the opportunity of serving under different reporting officers, so that when the time comes to assess the individual one is looking at him through a number of windows. It is also important during this period, or his period as an HEO (A), to try, if possible, in addition to what one might call the normal private office posting, to get him outside London altogether to one of the regional operations of the Department. We are trying increasingly to do that. I think that the time for mastery of the subject will come when he becomes a principal, and it is at that sort of level that one is hoping to get a greater degree of stability and a greater length of posting.

829. You do all this for young administration trainees, most of whom are arts graduates, but you do not do the same thing for young engineers? ——We do a fair amount for young engineers and, indeed, for young scientists and the other many disciplines that we have in the DOE. Mr Moseley, would you like to say a word about the handling of the young specialist? (Mr *Moseley.*) I think primarily the development of the young scientist or professional is through the career development opportunities that we give him, where, as you may have seen from some of the material that has been distributed to the Committee, we have a very systematic method of monitoring the careers and abilities and progress of all our young entrants, whether they are in the AEC or in the professional, technical or scientific grades. The regular discussions that take place through the career development system, which is not necessarily merely a face-to-face interview with the man's boss but which involves the head of profession, a representative of the personnel management team and a line manager, I think ensures that the young entrant of whatever category has opportunities for seeing various types of work and has various types of posting.

Chairman

830. The question that we are really asking is, if an arts graduate comes in as an AT are his chances of getting to the rank of Assistant Secretary, to take an average rank, the same as the chances of a scientist or an accountant or an engineer coming in for the first time? The point being that you cannot train people academically in administration, but probably the number of administrators among scientists is no higher than the number of administrators among arts graduates?——I think that the short answer must be "No", in the sense that unless he has come in with his academic training in science or whatever through the AT scheme, at the present moment there is still a comparative constraint on the opportunities that exist for getting into what you, I think, Chairman, mean by administrative assistant secretary posts.

Mr *Garrett*

831. But yours is a highly technical Department?——I would not have said that DOE Central was a highly technical Department. It has, clearly, a wide variety of professional disciplines within it.

Chairman

832. Mr Garrett put it one way, I put it another, but, oddly enough, we both mean the same thing, as this Committee often does when different Members put questions in different ways. There is no such thing as any real way of training somebody as an administrator. You can train people in certain skills but you cannot train them actually as an administrator except by experience, to some extent. But there is equally the reverse way round; there is no particular reason to suppose that there are not the same administrative talents among, say, 20 per cent of scientists as there may be among 20 per cent of arts

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graduates. What Mr Garrett, I think, means is that some of those 20 per cent of engineers and scientists turned into administrators might add a certain technical skill of their own to that quality? ——We are certainly using those skills where they arise. Last year, for example, four professionals moved across to principal posts. There are figures that I can give you for moves across to the Assistant Secretary grades.

833. Across—that is the precise point we are getting at really. Why across? ——(Sir *Ian Bancroft.*) It comes back, I think, to the very interesting point of the comparatively slow progress that has been made, not I think only by the DOE but by other Departments too, in the creation of open posts beneath the open structure. It is basically, I think, because there is a feeling that one man's open post is another man's wrecked career opportunity, and so one has to proceed sensibly by consensus, so far as one can, in agreement with the unions. What I do not want to do, except when one is forced into it—we have had one fairly recent case where we had, in a sense, to impose some open posts by administrative action—is to provoke confrontation between management and unions, between unions and unions, and between individuals. As I say, it would be one's ambition to make as reasonable progress as one can here, but I think that one has to proceed pretty cautiously.

Mr *Garrett*

834. The fact was that your Establishment Officer said, did he not, that a young engineer does not stand the same chance of getting to a top management post as a young arts graduate coming in through the administration trainee scheme?——He said that, and I agree with him. (Sir *Robert Cox.*) The position is a bit different in the PSA, where there is such a strong professional content in much of the work. If one looks at the top management of the PSA, as the Permanent Secretary said just now, one finds that one of the four Deputy Chief Executives is an engineer by training and by profession, another one is an architect—that is, two out of the four are professionals. If one looks at the Under Secretary line, one sees that about half or the Under Secretary posts are held by professionals. We have 124 open posts in the whole of the PSA. At the moment, of our territorial regional directors, I think I am right in saying that all but two are professionals. If you had gone back ten or fifteen years I think every one would have been an administrator.

Chairman.] It is arguable that you may be going to the opposite extreme and not allowing arts graduates a chance to be promoted.

Mr *Radice*

835. Sir Ian, you said, quite rightly, that a very important part of any top civil servant's job is obviously policy advice. When you give advice to Ministers do you present, as a matter of course, a series of policy options, or do you say, "Well, there are various courses but this is the course that we advise"?——(Sir *Ian Bancroft.*) I think it depends very much on the particular subject and on the time available, because there is quite often a great time constraint. But so far as possible my own personal aim is to present a series of options and, when I can, if I feel I am competent so to do, to proffer advice as to which I would recommend.

Chairman

836. I understand that until a month or two ago there was no clear demarcation line between different Ministers as to what they were responsible for in your Department. I am told that this has now been sorted out. Is that the case? ——I hope so.

Mr *Loveridge*

837. Sir Ian, a little earlier you referred to structural turbulence. One cannot help but wonder, in such a big Department, how this comes out, so to speak. One feels that there are so many bits that there must be endless consultations before anything can be done unless you leave a good deal of freedom to each of the segments. I am not clear on what a junior Minister does in such a big Department. Is he just an apologist to Parliament for agreed programmes presented to him by civil servants? Can he be useful at all there unless he has an in-built unnatural turbulence which makes him very difficult? I cannot

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quite get at how it functions when you have got so many parts of the whole. That equally applies, I think, to the senior civil servants in the same way as to the junior Ministers?——I should prefer not to be drawn on the Ministers. If I may just comment briefly and not be drawn further, I think that all our nine Ministers and our Baroness-in-Waiting work pretty hard and are more than apologists. So far as the top civil servants are concerned, on which I feel better qualified to answer, the only way of running a Department like the DOE is to have, at any rate at the official level, a structure which is capable of maintaining almost any sort of Ministerial superstructure because that changes quite often, depending on elections, depending on Prime Ministers, depending on Secretaries of State. If every time there is a change there you have to change the structure, then you do get fearful turbulence and the periods of very short postings that Mr Garrett, quite rightly, drew attention to. So what we have tried to do, in terms of the official responsibilities, is to allocate responsibilities between myself and the three Second Permanent Secretaries, in the sense that I seek—I said earlier on that I am a cautious man—to exercise, under the Secretary of State, a general overall control over the strategy of the Department, together with the central services (this emerges, I think, from the organisation chart which I presented you with) but also to deal, so far as one can, with the public expenditure of the Department—the PESCery—and with the local government, because that is very much a trans-departmental issue, going right across the Department, both in finance, policy and organisation terms. Sir Robert, as you know, is the Chief Executive of the Property Services Agency and has a considerable degree of autonomy, as he has also observed and as you have observed. For the rest of the Department, one Second Permanent Secretary has brigaded under him now, as you will see, the planning and transportation elements of the Department's activities and, finally, the other one has the housing and the environmental services. Each of those has a considerable measure of delegated responsibility.

838. You mentioned earlier, in answer to a question, I think, by the Chairman about the mammoth size, that housing now had more weight of resources than it had earlier. One could not help but have the feeling, in hearing your answer, that you meant that related to the change of size, the change of structure, rather than to any change of policy, and I wondered in this connection whether with so many bits you felt that each got adequate weight in its claim on resources at Cabinet level when this was determined?——This would see as one of the positive advantages of the big Department. As I said earlier on, I did not want to claim too much for the fact that there was now a unified Department dealing with these matters, but it means that at both official level and Ministerial level one can look at the across the board resource allocation operation and one can try to take a view on where, in the national interest, at a particular time, the weight of the resources should fall and where the switches should be.

839. Is not a heavier weight going into housing basically a political decision?——Yes. What I was meaning to say was that the Secretary of State, in whom all statutory powers are vested —all the other Ministers in the Department operate by delegation from him—has the responsibility at the end of the day for deciding how the resources should fall. Instead of its having to be argued about between three or four different Ministers in the Cabinet or outside the Cabinet, it is argued out in No. 2, Marsham Street.

840. And you think that that is better? ——I do.

Mr *Ridley*

841. Do you think that Ministers should have the power to ask for advisers to be moved if they find them either personally incompatible or that they are giving them consistently unwelcome advice? I do not say sacked at all—I do not mean that—but shifted to another part of the Department?——May I come straight on to your question in a second? I have always held the view that a Minister has particular interest and powers over and, if you like, responsibility for the appointment

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of his driver, his Press secretary, his Private Secretary and his Permanent Secretary. Having said that, there are difficulties sometimes in moving one or the other. If a Minister finds a fairly senior officer in his Department with whom there may be a personal antipathy, or finds the advice he is getting unsound, then I should hope very much that he would discuss it at a very early stage with his Permanent Secretary, and steps would be taken very quietly and discreetly to organise a move, because to have a constant abrasion, I think, is helpful neither to the Minister nor to the Department.

Mr *Loveridge*

842. I believe that in the old days—I am not certain of this but I think I am correct—it was only the Chiefs of Staff who had direct appeal to the Prime Minister in the event of a clash, and later Permanent Secretaries came to have the same rights, indeed greater rights, so that we now have the situation where it is really only the Prime Minister, in consultation with the head of the Civil Service, who can move a Permanent Secretary. One can see many benefits from that. On the other hand, one cannot help but feel that over a century or so Ministers are becoming of less and less significance in the direction in which their great Departments are moving. If they really feel and have the backing of the Government—I think they would need to have some backing behind them—ought they not to be able to say to a Permanent Secretary, "Would you not like a year in the South of France?"—or whatever it happened to be? Should senior Secretaries of State have power to overrule and, if necessary, to move aside from them their Permanent Secretary of State, or should it rest with the Prime Minister, as at present? Or should it go back to the old way of their having that power?——As an interested party, I think that the present system—I am not absolutely sure, but I am pretty sure—is that the Prime Minister makes the appointment in consultation with the Minister concerned and obviously after receiving advice from the head of the Civil Service. On the whole, I think that that is probably a happy situation and one that I, being, as I say, an interested party, would prefer not to see changed. But I am not an expert on this subject.

843. To some extent it would depend on the degree of crisis? If there was a war, one can see that different conditions might prevail?——Certainly. Of course, as has been said before, if not in this Committee then in another, sometimes it is more convenient for a Prime Minister to move a Minister.

844. That is always his privilege?——Yes.

Chairman.] Thank you very much, Sir Ian, and your colleagues. We are grateful for your attendance.

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MONDAY 19 JULY 1976

Members present:

Mr Michael English, in the Chair

Mr John Garrett	Mr Giles Radice
Mr Nigel Lawson	Mr Nicholas Ridley
Mr John MacGregor	

Memorandum submitted by The Institution of Professional Civil Servants

1. The Institution of Professional Civil Servants represents the professional technology and science categories and most other specialist groups and classes in the Civil Service and related public employment, including the Atomic Energy Authority and the Research Councils (except the Medical Research Council). Our membership of approximately 100,000 represents over 85 per cent of the potential and includes almost the whole range of professions and skills in this country from junior to the most senior grades.

2. The Institution welcomes this enquiry. We note the fears which have been expressed lest the enquiry should provide ammunition for further unfair attacks on the Civil Service. We believe the contrary to be true: the most effective answer to unfair attacks lies in an authoritative, objective and impartial review in which the issues can be examined in detail.

3. It is now eight years since the Fulton Committee made recommendations for a comprehensive reform of the Service. In its evidence to the Fulton Committee the Institution advocated radical reform. As the statement "Response to Fulton", submitted to the Sub-Committee by the Civil Service Department makes clear, many of the Fulton recommendations have been accepted and in most (but we think not the most important) a great deal of progress has been made. Yet the Institution remains fundamentally dissatisfied. Much more needs to be done before it can reasonably be claimed that the Civil Service is well-equipped to discharge the tasks which now confront it.

4. In reaching this conclusion, the Institution has not neglected to take into account the time-scale envisaged by the Fulton Committee for the full implementation of its recommendations. It is also true that the restrictions on public expenditure and the restraints imposed by incomes policies have hindered progress—though not to the extent to which the Civil Service Department has insisted in negotiations. In these respects, the Institution hopes that the Sub-Committee will take neither a short-term nor limited view of the cost and effort required to complete the reform of the Civil Service; improving efficiency usually involves an increase in short term costs.

5. The essence of the Institution's submission is that the failure to make sufficient progress stems not so much from recent economic factors as from an unwillingness to accept the main findings of the Fulton Committee on the role of the Civil Service and its associated recommendations. This has been compounded by an inadequate appreciation of wider priorities in many areas and at many levels of management by people immersed in their particular day-to-day business and problems.

6. We think it right to inform the Sub-Committee that there was a deep antipathy to the Fulton Report in many key areas of the Service and that, in consequence, implementation of the Fulton recommendations was not facilitated. In particular the wording of Chapter 1 of the Report was regarded as wounding and unfair. In its desire to stimulate change, the Fulton Committee was possibly over emphatic in some of its criticisms. But this is not to deny the validity of its basic diagnosis.

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The Institution is convinced that the Committee was essentially right. Indeed, it is noteworthy that Lord Simey, who dissented from the more extreme criticisms of Chapter 1, nevertheless concurred in the basic diagnosis.

7. To eliminate any possibility of misunderstanding, the Institution recognises the high calibre of the most senior grades in the Civil Service and their professionalism in public administration. We stress, however, that this in no way detracts from the first finding of the Fulton Committee. The role of the Civil Service has changed fundamentally and the organisation of the Service has, by contrast, only changed to a limited degree. Furthermore, the relationship of the Civil Service with the community it serves had not, and still has not, changed adequately to match its new functions. For example, a great deal of progress remains to be made in extending the arrangements for " open " Government.

8. Much of the argument about the organisation of the Civil Service is concerned with the respective roles and opportunities of " generalists " and " specialists ". In making such a distinction, the United Kingdom Civil Service does not follow the practice of most other Civil Services, or for that matter, most industrial and commercial organisations. We believe that the distinction is misleading and divisive and impedes the close team-work increasingly required to discharge efficiently the work the Civil Service now has to undertake.

9. The distinction is misleading and false firstly because amongst the generalists themselves (ie in the Administration Group) there is a range of specialisms, eg in finance, accounts, contracts, personnel management and computers. Secondly, these specialisms are not peculiar to that group, since accountants, scientists and other specialists are engaged on similar work. Thirdly, specialists are not only required to be expert in their own area but also to be proficient in general management and administration. Fourthly, public administration itself is a specialism. Fifthly, there is a significant and increasing amount of work in the " grey " area which cannot be limited to any single discipline. Sixthly, in modern circumstances it is unrealistic to expect any one officer to be able to give informed advice on policy over a wide range of subjects. What is required is that all officers, whatever their specialism, should work closely together in organisations which are designed to tackle most effectively the task in hand.

10. This point was made clearly and forcibly by the Fulton Committee in their Report:

> ". . . . a growing proportion of jobs in the Service require both technical and managerial knowledge and ability, and cannot now be properly classified as either technical (and therefore reserved for the appropriate specialist class), or managerial (and therefore normally reserved for the Administrative or Executive Class)."
>
> (para 212)
>
> ". . . . civil servants today have to be equipped to tackle the political, scientific, social, economic and technical problems of our time. They have to be aware of interests and opinions throughout the country and of many developments abroad. They have to keep up with the rapid growth of new knowledge and acquire new techniques to apply it. In short, the Civil Service is no place for the amateur. It must be staffed by men and women who are truly professional."
>
> (para 31)

The whole philosphy of the Fulton Report was based on these findings.

Work of the Civil Service

11. Any review of the efficiency of an organisation must start from an appreciation of the nature of the work it has to undertake, and then examine how well equipped it is to cope with it. As indicated above, the Fulton Committee undertook a detailed analysis of the work of the Civil Service and how it had changed over

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the past century. An outline of the main features was given in paragraphs 7–12 of its Report which, for convenience, are reproduced as Appendix I to this paper.

12. Since the Report, the Government has become even more extensively involved in commercial and industrial activities. Examples abound: the Clyde shipyards, Rolls-Royce, Chrysler and British Leyland, have all required help and reorganisation. Another example is the involvement of the Government in seeking to stimulate industrial regeneration. To take an example of a different kind, the problems of energy policy and the development of North Sea oil have resulted in the creation of the Department of Energy. Not least significant, membership in the European Economic Community has resulted in participation by the Government in the development of the Community's economic policies and practices and their application within the United Kingdom.

The Fulton Prescription

13. The main recommendations of the Fulton Committee were related to its diagnosis of the respects in which the organisation of the Civil Service was inadequate for the efficient discharge of its present and prospective responsibilities. Fulton found that:—

(*a*) the Civil Service was still too much based on the philosophy of the amateur (or " generalist " or " all-rounder ");

(*b*) the present system of classes in the Service with their own separate pay and career structure seriously impeded its work;

(*c*) scientists, engineers and members of other specialist classes were frequently given neither the full responsibilities and opportunities nor the corresponding authority they ought to have;

(*d*) too few civil servants were skilled managers;

(*e*) there was not enough contact between the Service and the community; and

(*f*) personnel management and career planning were inadequate.

(paras 15–20)

14. The class system of organisation was criticised by the Fulton Committee because:—

(i) it prevented the best deployment and use of individual talent;

(ii) it was a major obstacle to the ability of the Service to adapt itself to new tasks;

(iii) career opportunities for the different classes varied greatly in their attractiveness and scope even for people with similar educational qualifications. The word " class " and the structure it represented produced feelings of inferiority as well as of restrictive opportunities ;

(iv) the structure led to the inefficient organisation of work because each class had its prescribed functions; the separation of functions had a particularly damaging effect in blurring responsibility and authority; and a man's career was thought of as a career within his class;

(v) the system of class stood in the way of the most efficient method of matching men to jobs; and

(vi) the system of class was a major obstacle to the proper application of principles of accountable management.

(paras 209–213)

15. The Fulton Committee regarded reorganisation of the structure of the Civil Service as fundamental to the improvement of its efficiency. This point was made forcibly in paragraph 193 :—

" The change we are recommending will have massive repercussions on all Service as fundamental to the improvement of its efficiency. This point was made be necessary, because the present structure of the Service stands in the way of what we consider to be the only efficient method of matching men to jobs—rigorously examining what each post demands before selecting the individual who is best fitted to fill it. . . ."

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16. The Fulton Committee went on to call for the Civil Service to be converted into a flexible integrated whole in which two objectives were of overriding importance. These were:—

(i) ". . . . the structure should enable all civil servants, whatever their background, skill or discipline, to make their full contribution to the work of Government; in particular, scientific and other specialist staff should be able to bring their professional training and outlook to bear effectively upon today's major problems of policy-making and management. This means an open road to the top of the Service for all kinds of talent. It also means that suitable specialists must be able to take part in policy-making and management at the lower and middle levels of the Service; quite apart from the valuable contributions they can make to management at these levels, it is unrealistic to expect specialists to reach top managerial positions without this earlier experience."

(para 197)

(ii) ". . . . structure should promote the effective management of the work, and especially the organisation of mixed teams in the growing areas of work in which solutions to problems need the partnership of different skills and disciplines. Effective management calls for clear allocation of responsibility and chains of command designed to meet the needs of the particular job in hand. It also requires a structure flexible enough to accommodate future changes in the work and in the combinations of skills needed from time to time ".

(para 198)

17. The Fulton Committee considered that to overcome the deficiencies and achieve their objectives, two fundamental changes in structure were necessary:—

(i) the distinction between the higher and lower classes should be abolished, and

(ii) the principle of the best man for the job should apply—no post should be the preserve of any one group.

(paras 215 & 217)

18. To give effect to these changes Fulton recommended the creation of a classless uniformly graded structure. The Committee explained that this was essentially a pay structure and so not designated to determine the actual organisation of work. The precise organisation of each block of work, and the number of working levels in it, should be determined solely by what was required for the most efficient achievement of its objectives. Job evaluation would show that only a selection of the total number of grades should be used and there should be no set pattern. The Committee also explained that within the overall structure there would continue to be a great variety of groups of staff. At the level of Under Secretary and above, the Committee itself distinguished a top management group. Below this level, it was thought that the occupational content of the work was often greater than the managerial content. At least during the earlier years of their career, most civil servants should therefore work in the field of their specialism. Some would wish to spend their whole careers in their specialised field. Others would progress after appropriate training and experience to work which became steadily more managerial in character in organisations adjacent to their specialism. Posts at all levels which offered the right amount of experience in management should be open to members of all occupational groups fitted for them. Staff should be given a fair indication of their career prospects in each eventuality and should be able to take part in the development of their own career patterns.

Action taken on the Fulton Report

19. The structure proposed by the Fulton Committee has only been introduced for grades at Under Secretary level and above. It thus covers only a tiny proportion of the posts in the Civil Service—843 out of 568,506. Moreover, little change has occurred in the proportions of such posts occupied by people with different backgrounds. As the Civil Service Department makes clear in its evidence, a deliberate

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decision was taken not to proceed with the extension of unified grading below Under Secretary level. It is true that this was not, in terms, a final decision, but many people hoped that the issue was buried.

20. Below the top structure, most of the largest classes in the Civil Service have been reorganised into Categories (for pay and grading purposes) and Groups (for recruitment and career management purposes). The three biggest examples are the General Category (which contains the Administration Group), the Professional and Technology Category, and the Science Category. Many of the criticisms which the Fulton Committee made of the old class structure are no less valid in relation to the new structure which exists at present. Thus some Categories, Groups and Classes are employed on similar work and there is urgent need for rationalisation. To give an example, a job evaluation exercise, Project ST, was undertaken some years ago as a basis for reorganising a number of Categories, Groups and Classes engaged on broadly similar work and to resolve problems of differentials with the industrial grades. Although the report was received in 1972, no progress has yet been made.

21. It is true that the reorganisations have removed the formal horizontal barriers which impeded promotion between classes in the same hierarchy. It is also true that arrangements have been made for lateral movement between one group and another and for the designation of " open " posts which can be filled by members of any Group. In these latter respects, however, little real progress has been made. Very few lateral moves have taken place and the number of open posts is also very small.

22. There has also been unsatisfactory progress in introducing the career management and development systems which the Fulton Committee envisaged. As the National Staff Side made clear in its evidence, the introduction of general career management arrangements has been painfully slow and inadequate. Little progress has also been made in the clarification and improvement of career prospects. Career prospects for people with similar qualifications vary greatly according to their group or class. Only if officers with good potential in all groups are promoted at an early stage in their careers, will it be possible to provide the right admixture of staff at the higher levels.

23. Similarly, although various large units of accountable management have been created, such as the Property Services Agency and the Procurement Executive, the introduction of the principles of accountable management have not extended throughout these organisations or to other parts of the Service. Only in the Royal Ordnance Factory organisation has some progress been made.

24. The Institution is also concerned at the lack of progress in revising the relationship of the Civil Service to the community it serves. We believe that changes in this area are no less important than the changes in structure.

25. The Institution considers that substantial further progress is vitally necessary before it can be said that the Fulton Committee's aims for the reform of the Civil Service are within sight of achievement. The Civil Service is not yet organised on a basis which enables it to perform its functions in the most efficient way, nor are posts necessarily occupied by the officers best fitted for them irrespective of their Category or Group.

26. We propose therefore in the second part of our evidence to examine in detail the progress which has been made in the following fields and to put forward suggestions for further development:—

(i) pay and grading structure;
(ii) the extension of accountable management;
(iii) career management and development; and
(iv) the relationship of the Civil Service to the community.

12 *July* 1976

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APPENDIX I

EXTRACT FROM THE FULTON REPORT

7. Meanwhile, the role of Government has greatly changed. Its traditional regulatory functions have multiplied in size and greatly broadened in scope. It has taken on vast new responsibilities. It is expected to achieve such general economic aims as full employment, a satisfactory rate of growth, stable prices and a healthy balance of payments. Through these and other policies (eg public purchasing, investment grants, financial regulators) it profoundly influences the output, costs and profitability of industry generally in both the home and overseas markets. Through nationalisation it more directly controls a number of basic industries. It has responsibilities for the location of industry and for town and country planning. It engages in research and development both for civil and military purposes. It provides comprehensive social services and is now expected to promote the fullest possible development of individual human potential. All these changes have made for a massive growth in public expenditure. Public spending means public control. A century ago the tasks of Government were mainly passive and regulatory. Now they amount to a much more active and positive engagement in our affairs.

8. Technological progress and the vast amount of new knowledge have made a major impact on these tasks and on the process of taking decisions; the change goes on. Siting a new airport, buying military supplies, striking the right balance between coal, gas, oil and nuclear-powered electricity in a new energy policy—all these problems compel civil servants to use new techniques of analysis, management and co-ordination which are beyond those not specially trained in them.

9. The increase in the positive activities of Government has not been solely an extension of the powers and functions of the State in an era of technological change. There has also been a complex intermingling of the public and private sectors. This has led to a proliferation of para-state organisations: public corporations, nationalised industries, negotiating bodies with varying degrees of public and private participation, public participation in private enterprises, voluntary bodies financed from public funds. Between the operations of the public and the private sectors there is often no clear boundary. Central and local government stand in a similarly intricate relationship; central government is generally held responsible for services that it partly or mainly finances but local authorities actualiy provide. As the tasks of Government have grown and become more complex, so the need to consult and co-ordinate has grown as well.

10. The time it takes to reach a decision and carry it out has often lengthened. This is partly because of technological advance and the resulting complexity eg of defence equipment. Another reason is that the public and Parliament demand greater foresight and order in, for example, the development of land, the transport system and other resources, than they did in the past.

11. Governments also work more and more in an international setting. The improvement in communications and the greater interdependence of nations enlarges the difficulties as well as the opportunities of Government.

12. To meet these new tasks of Government the modern Civil Service must be able to handle the social, economic, scientific and technical problems of our time, in an international setting. Because the solutions to complex problems need long preparation, the Service must be far-sighted; from its accumulated knowledge and experience, it must show initiative in working out what are the needs of the future and how they might be met. A special responsibility now rests upon the Civil Service because one Parliament or even one Government often cannot see the process through.

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Examination of witnesses

Mr WILLIAM MCCALL, General Secretary, Mr D W DOWNTON, Chairman (Principal Scientific Officer, Ministry of Defence), and Mr C COOPER, Deputy General Secretary, The Institution of Professional Civil Servants, called in and examined.

Chairman

845. Good afternoon, gentlemen. Before we start questioning you upon your memorandum, is there anything you would like to add to it? ——(Mr *McCall.*) Only perhaps to say first that we are sorry if the form of our evidence has proved somewhat inconvenient to the Committee. This is partly the result of a misunderstanding. We had been planning to submit comprehensive evidence in the autumn and we then learnt that it would be to your convenience to have some earlier evidence. What we have submitted so far is an opening and introductory statement and we have indicated the respects in which we will give further evidence, but I would be happy today to indicate in as much detail as the Committee would like the lines of our further evidence, and indeed we would be prepared to cover anything else that you wanted to ask us arising out of the Fulton Report. Perhaps at the outset I should simply stress that the Institution is unhappy and disappointed that more progress has not been made in introducing the Fulton reforms, in particular in three key areas: first, the application of the principles of accountable management, the new career management and development and better career prospects for the so-called specialist grades, and the lack of progress on reforming the structure.

846. Thank you, Mr McCall. I think we would certainly appreciate your further written evidence as soon as you can possibly prepare it because in this written evidence, whilst you state your views, there are a tremendous number of facts and figures, for example, the very obvious fact upon the question you are mentioning, that is how many people who come into the Civil Service, say scientists, ever get to the administrative classes or the first division open structure?——The Civil Service Department have said that some 40 per cent of the open structure, that is posts at Under Secretary level and above, are occupied by people with a specialist background. We say that that is a deceptive figure for them to give. The fact of the matter is that there has been very little change since Fulton reported. On the basis of a seniority list which we analysed, 41 per cent of the posts are occupied by people with a specialist background but when the structure team was examining the Civil Service in 1970—and it was a different number of posts overall—the proportion of administrative posts was 61·7 as against 59 per cent now. Then there were 10·3 per cent of posts occupied by people with a science background, whereas now it is 9·9 per cent, and whereas before 12·3 per cent had an economics, legal or statistical background, it is now 14·4 per cent, so the position has not really changed very much and we will happily give all the details in our further evidence.

847. What actually is it that you would like? I do not necessarily mean with the Fulton Report. I want you to say what you would like now. It might be that you might differ from the Fulton Report in certain respects, for example? ——We do have differences from the Fulton Report in some respects. Perhaps I can split it into the three groups. So far as the application of the principles of accountable management are concerned, it is true that some hiving-off is taking place and that some changes have been made at the top levels of organisations, but that has not carried through generally to the main working professional levels of the Service. There are still parallel hierarchies instead of integrated hierarchies. This is not to say that no progress has been made, but very little has been made. Then if we take career management and development, I would split that into two parts. I think some of the other unions that have given evidence have pointed to the agreements that the National Staff Side has reached with the Civil Service Department about the new annual report forms, about the introduction of job appraisal reviews and about the introduction of career development interviews. It is true that the new annual report form has been extensively introduced, but the job appraisal reviews and

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the career development interviews some seven years after Fulton reported are still only very patchily applied in departments. We think that is thoroughly bad. Then when it comes to the other side of the career development, Fulton said that if the best possible mix were going to be obtained, especially in the higher Civil Service, it was necessary to ensure that specialists had much more attractive careers, that the best of them, in order to have a fair chance against the best of the administrators, would need to be promoted earlier. Very few of them are promoted early and the career prospects as between the specialist groups and the general administration group are still thoroughly unsatisfactory. Our members still believe that they are second-class citizens. When it comes to structure, we would have liked to see a considerable extension of unified grading. We think the wrong decision was taken to limit it to Under Secretary level. It ought certainly to have carried through the whole of the higher Civil Service above probably Principal level, and we think there is no reason at all why it should not encompass the Principal level, too. Sometimes the explanation is given that there would be pay problems, but throughout the higher Civil Service there are tied pay relativities and it is interesting that in the last pay review of the Civil Service the major grades at Principal level—administration Principal and the Principal professional and technology officer—came out with the same salary maximum. We do not believe, therefore, that pay is an insuperable obstacle and, indeed, I can expand on that at greater length if you would like me to do so.

848. How do you get over the argument that a given profession, let us say the hypothetical accountant—it might at any given time be some other profession —to recruit them in their first job it might be necessary to pay more than you would pay to, say, an administration trainee, so that if you wanted to promote them into an administration job, which would be their first job in which they have to engage in administration, they might have to be slotted into that at a higher level than normal? How do you get over that?——Quite easily, I think, because we already do just that in the professional and technology category and, indeed, in the science category, because these categories both cover an extremely wide range of professions and disciplines and it is at the recruitment level that we recognise that some differing arrangements have to be made, but all one needs for that is some flexibility in recruitment rates and we have that in the professional and technology and in the science areas. What I find interesting also is that, despite the developing range of specialisms in the general category, there is no problem there either in that category in having rates of pay which apply to each group.

849. I think you are slightly missing the point. Let us suppose, for example, as I think is probably the case, that in the output of universities there is a large and increasing number of, broadly speaking, arts graduates, and a number which is probably not increasing of engineering and science graduates, and suppose you wanted to recruit the latter, it is possible you might have to pay more than you normally would?—— Yes.

850. You are not suggesting, surely, that we should pay the arts graduates more in order to recruit engineers and scientists?——No, we have the arrangements for fair comparison through the pay research unit but the same point applies as between architects and mechanical engineers and quantity surveyors, for example, all of whom are in the professional and technology category. We overcome your problem by agreeing a pay scale for a grade and then there can be flexible arrangements for the point of entry to the scale and the Civil Service Commission applies these flexible arrangements. But I am not arguing that all of a sudden unified grading should be carried down right throughout the Civil Service. That would involve an enormous amount of work. What we are arguing is that it can be taken very much further than it has been taken at the moment and especially in those areas where there are common levels of responsibility and a wide range of common functions running right across the Civil Service.

851. In other words, you are saying you want it to apply at the moment to the grade actually above the level of

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Under Secretary?——No, I would take it well beyond there. That is what the position is at the present time. What I have said in addition to this is throughout the higher Civil Service as it is commonly understood, that is to say above the level of Principal, there are fixed pay relativities and it would not, in pay terms, be at all difficult to extend unified grading throughout the whole of that area. I also go on to say that there would be no real problem in applying it at the Principal level as well. Below that level there is a problem because there are significant pay differences and probably significant differences in levels of responsibility. So it is below the level of Principal that one enters the area where it becomes more difficult. That is not to say that no rationalisation can take place but it is very difficult very quickly to extend unified grading in that area.

852. So you would like the open structure extended two or three grades downwards, is that right?——Probably more, yes. Certainly two or three. I would say four.

Mr *Garrett*

853. You maintain that the absence of unified grading, the failure to implement the Fulton recommendation for unified grading, prevents specialists from competing for general management jobs in the Civil Service. That is so, is it not? ——I would not have put it quite like that. I think one of the misfortunes about Fulton is the extent to which career management and development issues have been confused with the pay and grading issues, and in paragraph 18 of our evidence we tried to give a summary of the recommendations Fulton had made, both in career management and development terms and in terms of pay and grading structure. What we have said is that the lack of unified grading at these levels does impose some obstacles, and certainly imposes obstacles to the creation of these mixed professional teams which we believe to be increasingly essential.

854. The Civil Service Department seemed to imply to us that it was no longer necessary to carry on with unifying the grades because of the opportunities for lateral transfer and the so-called " open posts ". What has the experience of your members been with lateral transfer opportunities open posts?——It is, in fact, extremely limited. I have been looking at the figures. If we take first the number of lateral moves, throughout 1975 there were 129 lateral moves in all, 62 of which were from specialist to administration, 30 were from one specialist grade or group to another, 18 were from administration to specialist and 19 were within what has always been the broad administrative area.

855. Is the low number of lateral transfers due to the fact that your members do not want wider opportunities, they do not apply for them, or is it that the system does not give them the full opportunity?——I think there is a mixture. It would be wrong to pretend that every scientist or civil engineer wants to move, especially on a permanent basis. On the other hand I do not believe that the agreement which exists and provides for lateral movement has been at all enthusiastically embraced by the senior management of all kinds in Departments. I do not believe that there has been enough of an effort to explain to members of the Civil Service, whatever their group, the advantages there can be in lateral movement. This I think is one of the misfortunes of the failure to introduce the career development interview system to which Fulton attached so much importance. Did you want the figures on open posts?

856. Yes?——October last year was the latest information we have. We will try and bring this up to date. There were 1,242 open posts and 2,079 limited opportunity posts. I will explain the jargon, if I may. Open posts are posts which are open for competition to members of any group. No less than 698 of the 1,242 open posts were in the Home Office, not usually one of the most progressive Departments. These are in the National police computer area—though the actual proportions of people probably do not reflect the fact that they are open posts. Then 203 were new posts and there is no question of transferring. That leaves a very modest number, about 500, of open posts. May I say that it is not just the administrative group: all senior management are on open posts. Whenever there

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is a proposal, wherever it comes from, for a post to be designated open that has hitherto been the preserve of any group, there is always a reaction and our members sin as much as any other members; I say that in fairness. Then on the limited opportunity posts, of which there are just over 2,000, these are posts which require qualifications that can be found in more than one group but not in all groups, for example in the Procurement Executive there are a thousand which have always been, even before Fulton, available to both members in the science and professional and technology categories and therefore the number of these posts that have been created since Fulton is rather greater than 1,000 but not all that great.

857. These elaborate arrangements for lateral posting and open posts and so on would not be necessary at all if there was a unified structure down to principal level?——That would be so, only if we did have other occupational groupings above the principal level. There is no occupational grouping at Under Secretary level and above but I think it is very important to distinguish the pay and grading arrangements from the occupational grouping arrangements and it is only if you do not apply the occupational grouping arrangements which of course Fulton said were necessary that one would not need arrangements for movement.

Mr *Radice*

858. You say in paragraph 6: "We think it right to inform the Sub-Committee that there was a deep antipathy to the Fulton Report in many key areas of the Service and that, in consequence, implementation of the Fulton recommendations was not facilitated." Why do you think there was this antipathy? ——Because I know how many of the administrative Civil Service were deeply upset at what they thought to be the unreasonable and nasty things the Fulton Committee said about them. They were called amateurs and they thought they were rather good.

859. The actual conclusions of Fulton, some of which we have seen already, why were they so particularly upset about these? Which quarters are you talking about?——Essentially about the old administrative class, for which, incidentally, we have a high regard, but I think the Fulton Committee decided to try and ensure that the whole Civil Service was stimulated by the firmness of their language. I do not believe the tactic succeeded. I think it upset more people than it encouraged.

860. To complete I just want to get this absolutely clear in my own mind. You have said it was the language of Fulton but surely it was the conclusions of Fulton also which were objected to? I want to know why in your view they were objected to so strongly. The fact is that many of the key Fulton reports have not been implemented and I am just interested to know why you think that is so.——That is right. There was an objection to the nature of the recommendations as well because, no matter how politely they had been expressed, there was still a very great deal of criticism involved and the Fulton recommendations involved some revolutionary changes in the whole organisation of the Civil Service, changes which the Institution basically advocated. On the other hand recommendations which are unpleasant can sometimes be expressed in a way which does not upset more than it has to do. I would not make a great point on this. We simply record as a fact that a lot of people were upset by the recommendations.

Mr *Ridley*

861. You said that there were instances where 2,000-odd posts were totally open. When posts are open like that what proportion is taken by the old administrative grades and what proportion by scientific or technically trained people?——I am not sure that there is any fixed proportion.

862. I know, but how is it working out?——Taking the posts that I had given—I talked about lateral movements and I will have to give you the full details of that later on in our evidence—there is a very broad balance. (Mr *Cooper.*) I think we would do better to give you a paper on this. I could not say off hand, what the proportions are.

863. Does a man who is trained as a scientist often want to switch into highly administrative grades or does he on the

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whole enjoy doing scientific and technical work? If I was wishing to be top Civil Servant I would have thought a classical education rather than a scientific education would be preferable, or is that a naive way of looking at it?——(Mr *McCall.*) If you are a young man, yes, because from the point of the Civil Service, in the future it is important, is it not, that scientists and other specialists should in fact be able to see their way right to the top of the organisation?

864. Can I ask why you think it is important? I do not see why it is so important. If one wants to get to the very top one should surely pursue the educational openings which seem more likely to lead there?——I think from the point of view of the quality of the organisation it is important that throughout the organisation and especially at the top there is a balance of the professional interests and knowledge. It is quite clear and nobody is arguing that there must be a very fair proportion of the traditional administrative Civil Servant which is, let me emphasise, very good. We think though that there needs also to be a proportion, a fair proportion, of people who are qualified in science and in the professions. We think that this would give the much broader based advice that the Government is now more likely than not to need in the more complicated circumstances of today with which the Civil Service is becoming involved. But if I can come back to the question that you asked at the beginning, it is of course true that some scientists and some engineers will always want to concentrate on their scientific or engineering work. That I think will be more generally true as Fulton said, in the early stages of their career. Later on some of them will want to broaden out and indeed it is vitally important that the scientific and top engineering management should itself be well qualified in general management and indeed in administration because increasingly nowadays scientific research establishments and the engineering establishments are large organisations that need a great deal of skilled management. This is where I come back to the career development interview. Some people will want to move; a fair proportion will especially when they fully appreciate the career implications. Fulton was concerned that they should have the opportunity to move at the right time and develop a wider experience and training.

Mr *Radice*

865. Really you are saying that at the moment they do not have the opportunity to move at the right time because the structure has not been moved far enough?——That is right. It is true that there are two small schemes which have been introduced for accelerated promotion to Principal Scientific Officer and Principal Professional and Technological Officer but they do not operate effectively and even the brightest of the scientists and the engineers get promotion significantly later than the bright men in the administration group and we were hoping to put in detailed evidence to make the contrast in our next evidence.

Chairman

866. In your paragraph 7 you go on to say: ". . . the organisation of the Service has, by contrast, only changed to a limited degree. Furthermore, the relationship of the Civil Service with the community it serves had not, and still has not, changed adequately to match its new functions. For example, a great deal of progress remains to be made in extending the arrangements for 'open' Government." I wonder if you would like to elaborate on that? What are your Institution's thoughts on that? ——We advocate the revision of the Official Secrets Act as did Fulton, that there should be much more openness, the Green Paper technique, more recently the Secretary of State has had his energy forum; all that is useful but we believe a good deal more can be done and should be done to open up for public debate the policy options facing the Government. We also had in mind for example the considerable extension of the arrangements made to ensure movement between the Civil Service and other employments, particularly industry and commerce. There are two schemes, one for administrators, the other for scientists and engineers, but they really have achieved very little mobility either on a short term basis or on a long term basis between the Civil Service and industry.

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867. Do you think it is possible, the transferability of jobs, as long as you have not got transferability of pension rights?——No, but the problems now of pension rights are very much less than they were. This is where the Fulton Committee recommendations have been accepted and applied.

868. In the Civil Service. I think the point I am getting at is, why should anybody come from industry to the Civil Service for say ten years and then go back into industry if that would adversely affect his total pension at the end of his working life?——But the arrangements that can be made for transfer could ensure that his pension arrangements would not be adversely affected. There are many different ways in which secondment can be arranged.

869. I think they might be affected. If the top levels in industry are higher than in the Civil Service, a man's pension is bound to be affected even in theory?——Sometimes under the secondment arrangements a person's salary and pension arrangements are protected. There is a great variety of circumstances in which secondments can take place and perhaps we could give you a note incorporating all the different techniques that exist.

870. That would be useful. On the Official Secrets Act, Section 2, presumably you do not just want it repealed? What would your suggestion be as to what areas, if you like, of Government should be covered by—and we should keep away from this word "secrecy"—statutory confidentiality, to coin a phrase?——Yes. Let me make clear that what we are concerned with is not a further extension of the plague of leaks that seem to take place these days. We are talking about properly authorised arrangements which would need to be authorised by the Government. I think indeed we would very much go along with the suggestions which the Fulton Committee itself made and there have been some modest steps in that direction. The Civil Service is not quite as anonymous as it used to be but I do not think anyone could claim that the Fulton suggestions have been applied extensively.

871. We have had the Frank's Committee report since then?——Yes, that is on the Official Secrets Act but what Fulton was suggesting was that Civil Servants should play a part in which they could be identified in explaining much more than they have done in the past the policies of the Government, the position of the Government, the problems that exist, and so on.

Mr *MacGregor*

872. In giving the sort of range of alternatives on this one you mentioned the Green Paper technique which has been applied quite often and which very many of us would wish to see applied much more. You also said you wanted to see policy options more openly debated in public—in other words, not just explaining after the decisions have been taken the Government policies and options but presumably actually before the decisions are taken?——Yes.

873. Can you say more about this? This not only affects the responsibility of Ministers and the accountability of Ministers but presumably would mean that Civil Servants would have to be openly committed to certain viewpoints or held accountable for them. How would you like to see this done, in other words?——The Green Paper can put forward proposals which the Government can affirm and sometimes provide alternatives. I do not see a situation developing in which individual Civil Servants would become associated with one line of policy rather than another. That is not the kind of openness we are thinking of at all. What we were thinking of was that there should be a much wider range of information made available to the public and various alternatives put forward. You can do that without embracing one rather than the other.

874. One way it seems to me in which it can be done much more is to use more of the technique of this Public Expenditure Committee Sub-Committee in questioning Civil Servants, but of course the moment a policy situation comes up they will still shield behind that and concentrate mainly on information and so on. Would you like to see this practice more widely extended?——Indeed. The Institution itself plays a considerable part in giving evidence to the Select Committee on Science and

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Technology. I think it is quite possible to explain the policy without necessarily agreeing with it or disagreeing with it, and Civil Servants are well able to explain what the policy options are.

875. So you would welcome a general extension of present trends along which the Public Expenditure Committee is working?——Very much so.

Chairman

876. When you say you could publish all options, would you necessarily increase fright? Let me give you an example. If we chose a mythical industry, the hot air industry, and there were just three factories making hot air and you said that this was one too many, there are presumably three options; closing A, closing B and closing C. If you simply say that you frighten all three; you frighten the whole lot by saying that, whereas if you announce a proposal to close only one of those at least the other two may be moderately happy?——Yes, I recognise the problem. Indeed, it is a problem now talking about the cuts in public expenditure as a result of one of the leaks because it became known that a possible candidate for closure was the Edinburgh College and a great many people in Edinburgh were very upset. It was the same with the other leaks, but increasingly these issues are what politics will be all about. So far as the Civil Service Unions are concerned all they can do is to hope to contribute to any public discussions, but that is a rather different issue from opening up the policy options which I believe is a good thing for the Government.

877. No, it is not necessarily. Let me explain, it is not necessarily a good thing for individuals. Let us take road proposals. The moment you publish a road proposal to some extent you blight the area of that proposal: someone may not be able to sell their house because it is proposed that the road will go through it. Theoretically, it should not be the case that this happens if you publish a trio of proposals for the same road, but it does happen. People do not want to buy a house on any of the three routes although two of them will never actually happen. In that case, either the individuals on all three routes are going to be penalised or alternatively the State is going to have to buy their houses when they want to sell them, which the State does not want to do, if it is only going to build a road along one of those routes?——I would not want to go into this too deeply but my own experience, from knowledge of local affairs, is that when there is a proposal to develop a road there is always a great deal of argument against the proposal and in favour of the other proposals. A great many groups are active. I would have thought that what was important was to enable a decision on a planning proposal to be taken much more quickly so that the whole problem of blight is limited. However, could I say that as it happens we were going to mention the planning area in some of our further evidence on open Government.

Mr *Garrett*

878. Do your members still feel that specialist advice is not taken or is not taken seriously by administrators who are not trained to understand it? Your evidence to the Fulton Committee made something of this point?——Yes, it was a question of the specialist essentially being in advisory positions rather than having responsibility. Yes, we would say that is still largely true throughout this service—not in every area and some improvements have been made but not nearly the degree of improvements that Fulton envisaged.

879. Could you tell me in which Departments this is most common?——Yes. This is very much a reflection of the structure of parallel hierarchy. For example, in the Department of the Environment parallel hierarchy still extensively exists.

880. Parallel hierarchy means specialists in one organisational structure and administrators in another, does it not? And the specialists do not feel they are adequately consulted?——Particularly in the Department of the Environment what we have is the continuation of the old situation in which the contact with the customer takes place through the secretarial branches rather than by the professionals themselves being directly involved. There have been some changes especially in dealing with work for the Post Office

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but we would like to see them carried further.

881. As I recall the argument about parallel hierarchy the specialists in such a system of hierarchy had no power over the spending and this was reserved to the administrative line?——That is right and it is still true.

882. Could you enlarge a little now on what you see as the criticism in the lack of progress that has been made on accountable management. Are you interested in accountable management from the point of view of seeing Departments broken up into units of accountability, which is one line of suggestions by the Fulton Committee, or are you interested in accountability in the sense of merging parallel hierarchies so that accountability is laid to one manager on both technical and administrative questions rather than dividing under a parallel regime?——We are interested in both but particularly in the latter example that you give. There have been a number of accountable management, large accountable management, units introduced—the Property Services Agency, and the Stationery Offices are examples. It is a developing procedure.

883. Yes, but the rest of the PSA still works on the old?——Yes, I accept that but the notion of an agency itself—and I am not talking about the actual vote arrangements—the notion of the agency itself was supposed to be the introduction of a large unit where there would be a large Board with accountable management. The Supplies Division is where a trading fund has been instigated is a better example, I accept. There have been a number of cases like that, the dockyards have been reorganised. The Royal Ordnance Factories is another example where a trading fund arrangement has been introduced. We think a fair deal of progress has been made in the creation of these large organisations. We think far less progress has been made in the application of accountable management throughout the structure in these and other areas.

Chairman

884. Could I ask you to broaden that a little? I think your institution is interested in improving the efficiency of the Civil Service. Apart from the matters we have already discussed, what other aspects of our subject do you think could improve efficiency?——There are no magic wands. Efficiency takes a lot of hard work and improving efficiency takes a lot of hard work. We have really diagnosed the way in which we think efficiency can be improved as we think Fulton did and that is one of the reasons why we are unhappy that more progress has not been made in all respects that I have indicated.

Mr *Garrett*

885. What is your impression of the Civil Service Department?——Very mixed.

886. Can you give us the good news and the bad news?——I think one of the good aspects is the arrangement for a senior Cabinet Minister to have a special responsibility for Civil Service affairs. We did not when we gave evidence to the Fulton Committee advocate the separation of the Civil Service Department from the Treasury. We wanted far greater efforts put into personnel management. Curiously enough, I think the Civil Service Department as such is yet unproven. I do not know whether it is going to be a powerful department of the kind the Fulton Committee thought was necessary, and we certainly think is necessary, or whether it will go into a period of decline. It has been lucky, I think, in its Ministers, and lucky in its Permanent Secretaries in the sense that they have come—both Sir William Armstrong and Sir Douglas Allen—from the Treasury and both from positions of authority and influence within the Civil Service already. Whether the Civil Service Department will however be able to sustain its position I have very grave doubts about. I think that it is in a difficult situation, partly because of the changes in the machinery of Government and the creation of other very large departments, like Industry and Environment, Health and Social Security and Defence. These will inevitably have changed the balance of power of Whitehall in any event and partly because of the extraordinary self denying ordinance the CSD has adopted in the context of cuts. I cannot say very much about that because we have only confidential

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information, but if personnel management problems are going to become more acute as they could in the situation of redundancy and cut back then it would seem to me a very unsatisfactory thing to cut back the main central instrument of personnel management.

887. What do you think of the Civil Service College? Has it done much to overcome discrimination against specialists?——I would not have posed the question in that sense at all. No, I do not think it has done much to overcome discrimination against the specialists. It has done much good work and I think the review carried out to which other evidence has referred was certainly necessary and I hope it will perhaps be less academic and more concerned with the training.

Mr *Radice*

888. You have just mentioned the Civil Service College. What is your view of the training in the Civil Service as a whole? Do you think there is a coherent training policy in the Civil Service or is it very patchy, depending on which Department you are talking about?——I think most of the large Departments are very good. In our own area for vocational training we follow the policy, it is an agreed policy, that our members go out to the Colleges of Further Education, Polytechnics, Universities and so on. In other words, only to the extent that it is necessary is there in-service training in engineering and science. I suppose our members, far more than any others, take advantage of the facilities that exist for external training and there are some very good examples. So far as in-Service training is concerned there are no standard arrangements. The larger Departments do it well and of course one of the advantages of the arrangements introduced following the creation of the Civil Service College is that under the Civil Service Department's guidance they would help, particularly, the smaller Departments that could not sustain their own training arrangements.

Chairman

889. Is there anything else you would like to add?——I think not.

Mr *Garrett*

890. What is your impression of the Civil Service Commission? The Civil Service Commission have been criticised for still recruiting administration trainees, the same kinds of people that they recruited as Assistant Principals, and, therefore, have not made the kinds of changes that Fulton wanted to see and were still heavily biased towards arts graduates and so on. What is your impression of them?——I would not blame the Commission. I might very well blame the system, and it may very well be a reflection of the educational system, too. I think the Commission has throughout undertaken its work with careful objectivity, without bias, and it is absolutely essential that the recruiting agency for the Service should do that. It is really a question of what kind of person one is looking for. This is where, for example, the rejection of the recommendation of preference for relevance was perhaps of special significance. I do not think you can blame the Commission for that. I think it does well the job which it is given to do.

Mr *Radice*

891. I was very struck by your remarks earlier on, I think in answer to the Chairman, when you said that your members still believe they are second-class citizens. If you had to sum up your evidence so far and what has happened this afternoon, is that the main message from your point of view that you want to get across?——Yes.

Chairman

892. There is nothing else you wish to add?——Not at this stage, but we will develop a number of the questions you asked us in our further evidence.

Chairman.] Thank you very much for your attendance.

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MONDAY 26 JULY 1976

Members present:

Mr Michael English, in the Chair

Mr John Garrett
Mr Nigel Lawson
Mr John Loveridge
Mr John MacGregor
Mr Nicholas Ridley
Mr Brian Sedgemore

AN OUTLINE OF FUNCTIONS

Memorandum submitted by the Department of Health and Social Security

PART I

General

1. The Department of Health and Social Security has developed from amalgamations over the years between the Ministry of National Insurance (1945), the Ministry of Pensions (1953), the National Assistance Board (1966), the Ministry of Health (1968), and the Children's Department of the Home Office (1971). There are two natural groupings within the Department—the Social Security group and Health and Personal Social Services. There are, of course, links of various kinds between these groups particularly at the Department's Headquarters: and there are common support services.

2. The principal functions of the Department are, under the direction of Ministers, to decide policy in its various spheres of responsibility, to administer social security schemes (including, on behalf of the Supplementary Benefits Commission, the day-to-day administration of the Supplementary Benefits scheme for which the Secretary of State has policy responsibility), to promote the establishment of a comprehensive health service in England and to ensure that local authorities in England make appropriate arrangements to provide personal social services. The Department has general responsibilities for many public and preventive health measures and for the administration of the Medicines Act. It is also directly responsible for the administration of the Special Hospitals at Broadmoor, Rampton and Moss Side.

3. The total staff at 1 May 1976 was just over 93,250, costing approximately £280 million per annum divided broadly between

	Staff Nos.	*Cost* £
London Headquarters and linked units	8,250	36·2 million
The Social Security Regional organisations	66,200	191·0 million
Central Office, Newcastle	12,250	32·5 million
Central Office, North Fylde...	4,600	12·5 million
Special Hospitals	1,950	7·8 million

About 90 per cent. of the staff are engaged on Social Security business—most of them in local offices—and 10 per cent. on Health and Personal Social Services questions. The work of these two groups differs. The Social Security side is responsible not only for normal policy work at Headquarters but also for the direct administration of Social Security benefits. The operational responsibilities are heavy. For instance, there are in payment each week some 7 million retirement pensions, 4¼ million family allowances and 1 million sickness benefits besides smaller numbers of the whole range of social security benefits. The Health and Personal Social Services side, on the other hand, is engaged mainly on policy work, advice and guidance to the various services for which it has responsibility, liaison with them, allocation of resources and general planning and standard setting. It is directly responsible for the administration of the Special Hospitals.

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4. Parts II-V of this note outline briefly the work and organisation of the four main areas of the Department. At Annex I there are Organisation charts for the Department.

PART II

The Work and Organisation of Headquarters

5. DHSS Headquarters has two main functions:—

(1) Under the Ministry of Health Act 1919, to develop national policy on health matters in general, including preventive health, and, under the National Health Service Act 1946, to promote the establishment of a comprehensive health service in England; and to ensure that local authorities in England make appropriate arrangements to provide personal social services.

(2) To develop policy on the social security system in England, Scotland and Wales and supervise its implementation through the Social Security regional organisation and the two Central Offices at Newcastle and North Fylde.

Annexes II and III explain briefly how control is exercised in both the Health Service and Social Security fields.

6. The Permanent Secretary is responsible for Health and Personal Social Services matters and for general administration and is Accounting Officer for these. The Second Permanent Secretary is responsible for Social Security matters, for which he is Accounting Officer. The Chief Medical Officer is head of the medical staff and is the senior permanent medical adviser to the Secretary of State. He ranks as a Permanent Secretary. He is also Chief Medical Officer to the Department of Education and Science and to the Home Office and he and his staff are responsible for advising the Department of the Environment and the Ministry of Agriculture, Fisheries and Food on medical matters. There is a Management Board for the Department consisting of the three Permanent Secretaries, the Principal Establishment Officer and Principal Finance Officer as permanent members, with other senior members of staff attending as required.

(1) The Department's administrative structure reflects its health and personal social services and social security functions. There are 3 Deputy Secretaries concerned with the health services and 2 Deputy Secretaries concerned with the social security work. A sixth Deputy Secretary, the Principal Establishment Officer, is responsible for the management of the Social Security regions and central offices and is in charge of a number of Divisions which serve the whole Department. The Solicitor (who ranks as Deputy Secretary) and his staff also serve the whole Department. A seventh Deputy Secretary is the Principal Finance Officer for the Department.

(2) The professional staff of the Department on the health and personal social services side is organised to work closely with the administrative staff on a multi-disciplinary basis.

(3) The Chief Medical Officer is head of the largest professional group. The medical staff participate in the formulation of policy and are jointly responsible with their administrative colleagues for policies recommended to Ministers. Medical Groupings correspond broadly to the Administrative Deputy Secretary commands. On the Health side there are four medical groups headed by 4 Deputy Chief Medical Officers; two are concerned with Services Development; one with Personnel and Medicines; and one with Regional matters. Deputy Chief Medical Officers are responsible for the work of 16 Medical Divisions headed by Senior Principal Medical Officers (Under Secretaries) corresponding broadly to the main administrative divisions. One Division includes responsibility for the regional medical and referee service. On the Social Security side the Chief Medical Adviser is a fifth Deputy Chief Medical Officer, responsible to the Chief Medical Officer.

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Three Deputy Chief Medical Officer appointments are in the grade of Deputy Secretary and two are between Under Secretary and Deputy Secretary on the Unified Intermediate Salary Scale.

7. The Deputy Secretary commands and corresponding professional groups have responsibilities as follows:—

(1) *Service Development Group—Deputy Secretary, Deputy Chief Medical Officers (2), Deputy Chief Nursing Officer*

This group develops policies on the scale and functions of the NHS and the personal social services, and the services and conbinations of services to be provided for the population as a whole and in particular for vulnerable groups of people. It defines national objectives, priorities and standards for the NHS and the personal social services. It has responsibilities for food safety and environmental health and such subjects as smoking, abortion and drug addiction. There are 6 Divisions, some based on "client groups" eg children, some based on services which exist for the whole population and cut across client group boundaries. One Division is responsible for the Departmental planning system for the Health and Personal Social Services. The mental Health Division is responsible for the administration of the special hospitals.

(2) *Regional Group—Deputy Secretary, Deputy Chief Medical Officer, Deputy Chief Nursing Officer*

This group contains 5 Divisions:—

Regional Liaison Division acts as the main liaison point with Health Authorities and Local Authorities; it monitors the performance of Regional Health Authorities.

Regional Planning Division's functions include allocation of resources to NHS authorities, development of the NHS planning system and policy on the organisation and management of the NHS.

Health Building Division's functions include the supervision of building procedures and the control of cost of new building, the examination and approval of major health service projects and of local authority schemes, guidance on design standards and estate management and management of the building research and development programme. The Chief Architect, Chief Engineer and Chief Surveyor work closely with this division on a multi-disciplinary basis.

Supply Division is responsible for the efficient and economical supply, purchase and distribution of drugs, medical equipment and other supplies to the NHS, and runs the artificial limb, appliance and vehicle services. It also operates the Voluntary Price Regulation scheme for the pharmaceutical industry.

Industries and Exports Division acts as Production Authority for the medical supplies industry and is responsible for export promotion of pharmaceuticals and medical supplies and for works consultancy and health building projects overseas.

(3) *NHS Personnel Group—Deputy Secretary, Deputy Chief Medical Officer, Deputy Chief Nursing Officer*

The main functions of this command are to negotiate (mainly through the Whitley Council system) pay and conditions of service for all NHS staff, to help the NHS to recruit and train the staff it needs and to plan the manpower supply for key professions. The command consists of 5 Divisions, one of which covers the subjects of the safety, efficiency and quality of medicines.

(4) *Social Insurance Policy Group—Deputy Secretary, Chief Medical Adviser*

Through 4 Divisions this group develops policies on all the insurance benefits eg sickness benefit, invalidity benefit, retirement pension, industrial injuries benefit, attendance allowance, mobility allowance; and other benefits eg war pensions. It

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is concerned too with policy on the collection and enforcement of payment of contributions to finance these benefits, with the pursuit of fraud and with policies affecting occupational pension schemes (in regard, for instance, to the preservation of occupational pension rights for early leavers).

(5) *Supplementary Benefits and Family Support Group—Deputy Secretary*

Two divisions in this group are concerned with all aspects of supplementary benefit policy, including re-establishment and reception centres and legal aid assessment. Certain basic features of the supplementary benefit scheme, including in particular the main rates of benefit, are statutorily prescribed and are the responsibility of Ministers: the Supplementary Benefit Commission has independent responsibility for determining policy in other areas of the scheme, where they are free to exercise discretion. The staff of these two Divisions are responsible for advising both Ministers and the Commission. A third Division in this group with policies for family support, including family allowances, family income supplement and child benefit.

(6) *Finance Group—Deputy Secretary*

This group contains 3 Divisions, two concerned with health and personal social services and one with social security. Their functions include negotiation of resources for the Department's services, assessment of the financial implications of proposed policies and accounting for the Department's votes.

(7) *Administration Group—Deputy Secretary*

This command provides the organisational, personnel and other support services which the whole of the Department needs. It consists of two establishment and personnel divisions (which also include Management Services and Operational Research); one division concerned with the use of computers in the Department and in the NHS, and with NHS and personal social services research policy and procedure (see 8 below); one concerned with the collection and dissemination of NHS and personal social services statistical information, social security statistics and research; international relations division; and the Economic Advisor's Office which gives economic advice on departmental policies. Information Division is also in this command but the Director of Information and senior members of his staff deal directly with Ministers and Permanent Secretaries. The command also has line management responsibility for the operations carried out by the social security regional organisation (the Regional Directorate), the Central Office, Newcastle, and the Fylde Central Office, whose functions are described in Parts III-V. The Deputy Secretary heads a Management team consisting of the two Directors of Establishment, the Regional Director, the Controllers of the two Central Offices and the head of the Division responsible for computers. The team considers questions of management policy within the field of Social Security operations.

Chief Scientist Organisation

8. Following the White Paper "Framework for Research and Development" a Chief Scientist organisation was set up within the Department and a Chief Scientist has been in post since October 1972. The Chief Scientist advises the Department on R & D matters, assisted by a broadly-based Research Committee, which includes experts from the universities and from the health and personal social services, who are also available to give individual advice on detailed problems to the Department. The commissioning of research from the Medical Research Council by the Health Departments is the responsibility of an advisory group on medical research, which advises the Scottish Home and Health Department as well as DHSS.

PART III

The Social Security Regional Organisation

9. The Social Security schemes, which include the Supplementary Benefits scheme, are administered from some 550 local offices controlled through Regional Offices in England and Central Offices in Scotland and Wales. The general administration of

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the Supplementary Benefits scheme is the responsibility of the Supplementary Benefits Commission but the actual day-to-day work is carried out by staff of the Department in the regional organisation.

10. When the Ministry of Pensions and National Insurance (MPNI) and National Assistance Board (NAB) merged in 1966 to form the Ministry of Social Security, there were about 800 National Insurance Offices (NIOs) and 400 Area Offices (AOs) but considerable progress has since been made to merge NIOs and AOs to form Integrated Local Offices (ILOs) which cater for the full range of social security benefits other than unemployment benefit. This programme of office integration is scheduled for completion in the late 1970s and the final total of local offices is then expected to be about 450.

11. The *Local Office* is the point of contact between the Department and members of the public. Claims for Attendance Allowance, Mobility Allowance and Invalid Care Allowance are decided centrally at Blackpool Central Office, claims for Family Allowances at Newcastle, and those for Unemployment Benefit by the Department of Employment, but all other claims covering the whole range of National Insurance benefits and Supplementary Benefit are normally decided at the local office. The major task falling on local offices is the assessment and payment of benefits. The collection of NI contributions is increasingly a matter for the Inland Revenue following the introduction of fully earnings-related contributions for employers and employees in April 1975, although the regional organisation remains responsible for determination of questions of insurability and compliance with the statutory requirements.

12. The ten Regional Offices and the Central Offices for Scotland and Wales, each headed by an Assistant Secretary, provide the management link between the local offices and Headquarters and also provide the specialist support services required by the local offices.

13. The *Regional Directors,* in charge of the regional organisation, is an Under Secretary at Headquarters. The Controllers are accountable to him, as he in turn is accountable through a Deputy Secretary to the Second Permanent Secretary. In addition to his operational role, he also provides the link between policy and management in, for instance, assessing the probable consequences of policy decisions on operations in local offices, particularly in terms of manpower requirements, issuing instructions to local offices and handling industrial relations matters for the staff of local offices.

PART IV

The Work and Organisation of the Central Office, Newcastle Upon Tyne

14. Newcastle Central Office is organised in three Divisions responsible to the Controller Newcastle, who is in turn responsible to the Deputy Secretary (Administration). There are also sections of Finance Group responsible to the Accountant General (Social Security) at Headquarters.

DIVISION A

Establishments and Organisation Branch

14.1 This Branch provides common services for the whole of Central Office. These include recruitment, complementing and personnel work, accommodation and rebuilding, Staff Training, O & M, Work Measurement and Staff Inspection, and general support such as typing and messengerial services.

ADP Branch (Systems)

14.2 This Branch is responsible for Systems design, computer programming and for planning for the future. It is currently involved in systems and programmes for the computers that will replace the System 4 installation in stages starting in 1976; in developing a new computer system for pension records and payments for the prospective New Pensions Scheme, and in arranging for the implementation of the Child Benefit Scheme.

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ADP Branch (Operations)

14.3 A computer centre based on four ICL System 4 computers under the Control of ADP Branch (Operations) provides data processing services for the payment of Pensions and Family Allowances: in addition it is responsible for weekly and monthly Payroll for over 80,000 of the Department's staff; for the processing of Social Security Statistics, and for a variety of Establishments work.

DIVISION B

Central Pensions Branch

14.4 The main functions of the Branch are to maintain the records up to date of more than 7 million retirement and widow pensioners, to determine especially complex cases and to arrange for Automatic Data Processing (ADP) Branch to pay pensions mainly by issue of order books.

Family Allowances Branch

14.5 This Branch is responsible for the award and payment of Family Allowances to more than 4¼ million families, and Guardians' Allowances. ADP Branch, by computer processing, deals with straightforward claims and changes of circumstances, keeps records, and issues order books. The work of this Branch will eventually be absorbed by the Child Benefit Branch (see paragraph 14.6) when the new Child Benefit replaces Family Allowances from 1 April 1977.

Child Benefit Branch

14.6 This Branch has been set up to formulate plans in conjunction with ADP Branch and Family Allowances Branch for the implementation of the Child Benefit scheme. The Child Benefit Centre will be located in new offices at Washington New Town.

Contributions Branch

14.7 This Branch is responsible mainly for National Insurance matters arising in connection with persons who are or have been abroad. Some 183,000 widows' and retirement pensions, and 4,400 industrial injury benefits are now being paid to persons abroad; and about 35,000 insured persons abroad pay voluntary contributions direct to the Branch.

DIVISION C

Records Branch

14.8 This Branch maintains the contribution accounts of the whole insured population—some 35 million—and supplies information from those accounts when claims for benefit are made—some 12 million a year.

Finance

14.9 Newcastle based sections of Finance Group carry out selective audit of the whole of the work of the Central Office and undertake all cashier and accounting functions.

PART V

North Fylde Central Office

15. The North Fylde Central Office embraces six branches:—

(1) A Branch, with medical support, responsible for the payment of certain social security benefits such as Family Income Supplement, Attendance Allowance, Mobility Allowance and Invalid Care Allowance.

(2) War Pensions Branch.

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(3) A Branch responsible for the administration of the National Health Service superannuation scheme and the superannuation of the Department's own staff.

(4) A computer branch serving the social security benefit branches, the NHS Superannuation Branch and providing general NHS Statistics.

(5) Part of a Disablement Services Branch (the other part being in London) responsible for the supply of invalid vehicles, artificial limbs and other prostheses.

(6) A Common Services Branch.

16. The Controller, North Fylde Central Office is responsible to the Deputy Secretary (Administration) for the branches dealing with common services, social security benefits, war pensions, superannuation and computer branch. He has a responsibility for common services for the Disablement Services Branch which is otherwise responsible direct to Supply Division in London.

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DEPARTMENT OF HEALTH AND SOCIAL SECURITY

ANNEX 1

FOOTNOTES: 1. THE PARALLEL MEDICAL HIERARCHY IS SHOWN IN FULL ON PAGE 10

2. SENIOR PROFESSIONAL OFFICERS NOT SHOWN ON CHART:

CHIEF SCIENTIST
SOLICITOR
DIRECTOR OF THE SOCIAL WORK SERVICE
CHIEF ARCHITECT
CHIEF DENTAL OFFICER
CHIEF ENGINEER
CHIEF NURSING OFFICER
CHIEF PHARMACIST
CHIEF SURVEYOR

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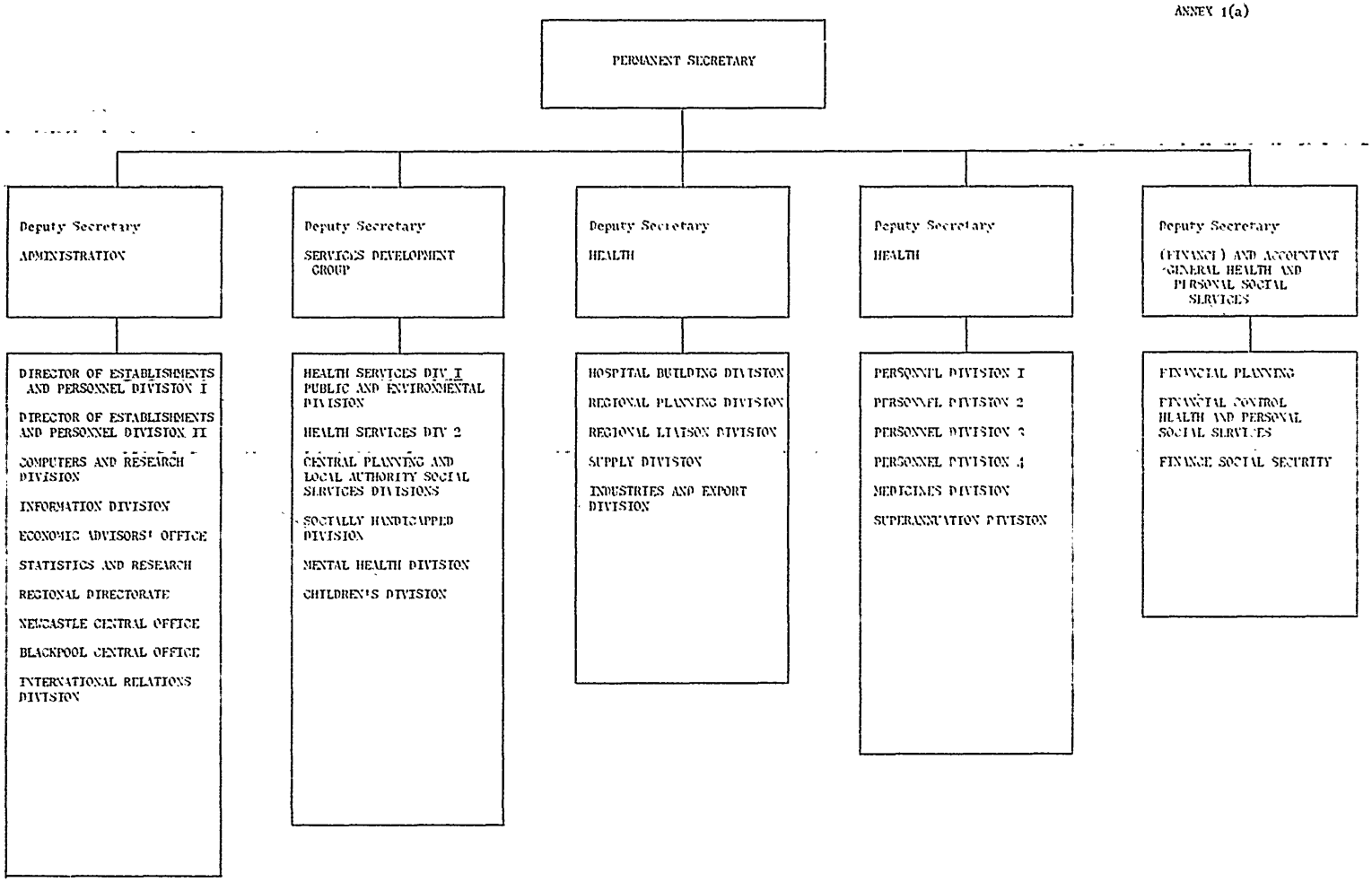
ANNEX 1(a)



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ANNEX 1(b)

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ANNEX II

THE RELATIONSHIPS BETWEEN THE DEPARTMENT AND THE NHS: FINANCE AND RESOURCES

1. This note relates primarily to the relationship between the Department and the NHS in the field of financial management and the planning of resources. But this relationship covers the whole range of continuous contacts needed to balance the responsibility of the Secretary of State under the 1946 Act " to promote the establishment of a comprehensive health service " with the maximum possible devolution to the NHS authorities. It is reflected in regular meetings between Ministers and Regional Chairmen; occasional meetings between Ministers and Area Chairmen; and constant contact at officer level between the Department and the field authorities.

2. As to finance and resource planning, there are two separate aspects. First, funds are negotiated through the public expenditure survey system, converted into Parliamentary estimates, distributed to health authorities and accounted for, Second, priorities for the use of funds for service development are formulated through the departmental planning system and communicated to health authorities, whose own plans are monitored against these priorities. The first part of the system, described in part A below, is concerned with financial control; the second, described in part B, is not.

A. FINANCIAL MANAGEMENT AND CONTROL

Introduction

3. The Health and Personal Social Services programme is the third largest, coming after Social Security and Education and ahead of Defence and Housing. Adjusted to give figures for England only, the White Paper on Public Expenditure to 1979–80 (Cmnd 6393) makes provision for current expenditure of £4105·4 million and capital expenditure of £338·4 million on health and personal social services in 1976—77 at 1975 Survey prices. Of this £3379·5 million current and £283·9 million capital expenditure will go to the NHS.

Public Expenditure Survey

4. The total sum spent on the HPSS is determined by the Government following the annual survey of public expenditure which examines estimates for the following four years of the cost of all programmes in the light of the resources likely to be available. Such factors as the implications of public expenditure for the balance of payments, industrial investment and personal consumption are taken into consideration in determining how much of the nation's resources should be devoted to public expenditure. Once a decision has been taken on this, Ministers reach a view on what modifications if any are necessary to particular programmes, and what their allocation shall be in the light of needs and priorities as they see them. The result is published in the annual Public Expenditure White Paper.

5. Within the total available for HPSS, funds are allocated to the following sectors:

(i) Hospital and community health services (capital and current);
(ii) Family practitioner services (nearly all current);
(iii) Local authority personal social services (capital and current);
(iv) Centrally financed services (capital and current), consisting of:—
  (*a*) Other health services;
  (*b*) Central government personal social services;
  (*c*) Central and miscellaneous services.

These allocations take account of Ministers' priorities for the development of services, as set out in the consultative document on priorities for health and personal social services published in March 1976 (see part B). The hospital and community health services funds are then distributed to the health authorities.

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Estimates

6. Formal estimates for the Vote for the coming financial year are submitted to the Treasury (normally by 1 December) and, after being agreed with the Treasury, are included in the Estimates presented to Parliament (usually in February). The revenue Estimates are compiled on the basis of the pay and price levels known at the time they are submitted. Subsequent events, such as provision for new services or pay and price increases, may give rise to Supplementary Estimates (within the totals set by cash limits where applicable, see para 6). Estimates for capital building are framed on the basis of anticipated outturn prices (taking account of the pay and price levels of expected payments during the year). Expenditure on Family Practitioner Services is " demand determined " and Supplementary Estimates are presented when demand, or pay and price increases, exceed the forecasts used in compiling the Main Estimate. The overall responsibility for ensuring that national expenditure is contained within the sums voted by Parliament lies with the Department but each health authority also has a clearly defined role in controlling its own budget. Health authorities are required to submit monthly statements showing how much they have spent so that any deviation from the forecast expenditure profile for the year can be detected and corrective action taken. An indication of the effectiveness of the control mechanisms can be found in the size of over or under-spending measured by comparing Appropriation Accounts with Estimates. Over the six years up to 1974–75 the gap (as far as current expenditure is concerned) was never higher than 0.9 per cent and on two occasions was as low as 0.1 per cent.

Allocation of resources to health authorities

7. The Secretary of State is responsible for the allocation of capital and revenue resources to Regional Health Authorities. RHAs then distribute them to their constituent Area Health Authorities which in turn pass on allocations to the Districts. It is intended that the allocation of resources to RHAs and Districts should be guided by the recommendations made by a Resource Allocation Working Party, formed from representatives of the Department and the authorities, for the purpose of ensuring that the pattern of distribution is, to quote the terms of reference, " responsive objectively, equitably and efficiently to relative need ".

Cash limits

8. In accordance with the policy set out in the White Paper " The Attack on Inflation " (Cmnd 6151) the revenue resources allocated to each health authority are expressed in cash limit terms at pay and price levels forecast to be ruling in 1976–77, and revenue resources allocated at sub-regional levels are on the same cash limit basis. Each authority is expected to keep its payments within its cash limit. The health authority capital programme is also subject to a cash limit, but for 1976–77 the programme will continue to be managed by the Department and capital cash limits will not be applied directly to individual health authorities.

Accounting and control systems and audit arrangements

9. Each health authority is required to submit annually to the Secretary of State accounts kept in a form prescribed by him. These are the basis of the summarised accounts prepared for Parliament. The accounts are now designed to enable expenditure to be analysed on a functional basis, facilitating costing and providing management information as well as providing for financial control and accountability.

10. Financial control within authorities is established through Standing Financial Institutions which authorities are required to make in accordance with a statutory direction of the Secretary of State. The statutory audit of health authorities is carried out by auditors appointed by the Secretary of State who are Departmental officers. Summarised accounts (prepared under Section 55 of the NHS Act 1946) are submitted to the Comptroller and Auditor General. The Comptroller and Auditor General has access to the records and accounts of health authorities and the reports of Departmental auditors. The Permanent Secretary, as Accounting Officer, is examined by the Committee of Public Accounts on any report which the C & AG submits to them either on the Summarised Accounts or the Appropriation Accounts.

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11. The Permanent Secretary has a direct responsibility for ensuring that effective systems and procedures exist for the proper management and control of public funds and that satisfactory monitoring arrangements are in operation. The day-to-day management of resources is, however, a task of the health authorities at regional, area and district level. The Department, in consultation with the Treasury and the other health departments, is carrying out a detailed study of the role of the Accounting Officer in the light of the evolution of its relationships with the health authorities.

B. PLANNING AND PRIORITIES

12. In addition to its responsibilities for financial control, the Department is also responsible for formulating policies and priorities for the use or resources, communicating these to the health authorities, and monitoring their plans. A new planning system has been introduced this year which will govern relationships between the Department and health authorities in this area. This relationship has to strike the right balance between the accountability of the health authorities to the Secretary of State, on the one hand, and, on the other, the need to delegate decision making as close as possible to the point of delivery of health care.

13. The NHS planning system requires health authorities to produce plans in two time dimensions. Firstly, strategic plans will set out policies, objectives and strategies for achieving them, looking 10 years and more ahead. Secondly, operational plans will define the action to be taken during the next 3 years, precisely for the first year and in outline for the next two. Operational plans will be rolled forward each year and strategic plans reviewed and modified as necessary in the light of progress actually achieved. All plans are developed in full consultation with local interests including local authorities, Community Health Councils etc.

14. The planning cycle begins each year with the issue of planning guidelines by the Department which set out national policies, objectives and strategies and the resource assumptions, based upon Government expenditure forecasts, for the years ahead. In the consultative document on priorities for health and personal social services in England, published this March, the Department for the first time set out comprehensive guidance of this kind. This guidance will be modified in the light of consultations with the health authorities, the local authorities, the professions and others with an interest in the development of the services, leading to the issue of revised guidance next year. The cycle ends with a review by the Department of health authorities' plans to ensure that they are in line with central policies and objectives, and that agreed objectives expressed in earlier plans have been met.

15. The planning system will not only be a valuable aid to health authorities, by applying a discipline to the decision making process, but will also provide the Department with an essential tool—and information—with which it can discharge its role of monitoring the performance of the authorities.

16. Although this note only deals with relationships with health authorities, the Department is concerned with priorities for health and personal social services as a whole, and the consultative document covers both. Relationships with the local authorities are however different because of their separate political identity; but arrangements have been introduced to foster joint planning of health and personal social services at a local level.

ANNEX III

SOCIAL SECURITY ADMINISTRATION

1. The operations Management Team (paragraph 7 (7) of note) has responsibility for overall management policy and operational strategy in the Social Security field. The Team meets at frequent intervals and has commissioned a number of projects and studies on various matters with a view to guiding and improving efficiency, eg a current study of the balance of advantage between awarding pensions centrally or locally.

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2. The team forms a unified operational command under the direction of the Deputy Secretary (Administration) with the object of facilitating and improving planning and the control of operations. The Social Insurance Policy Group and the Supplementary Benefits and Family Support Group, each under a Deputy Secretary, develop policy in consultation with the Administration group which provides an assessment of the practical consequences of policy. Factors such as the relative administrative cost, the scope for computerisation, the volume of claims and the presentational consequences will weigh in determining whether a new benefit should be handled locally or at a central point.

3. On occasions the Administration Group may seek a change in current policy where that policy is proving particularly difficult administratively—for example, a very complex procedure whereby the rents of supplementary benefit claimants were met by a combination of the benefit and rent rebates or allowances from the local authority was changd to a simpler one in which the whole of the rent was met from supplementary benefit.

4. The Administration Group programmes work so that as far as possible it falls evenly over the year. Programmes are discussed with the Department Staff Side.

5. In general, large volumes of on-going work (eg retirement pensions, family allowances) are handled as far as possible centrally and with computer assistance; small user benefits (eg Mobility Allowance) are also handled centrally to enable expertise to develop. The majority of the Department's benefits are, however, administered by local offices within the Regional Directorate and the procedures followed by local offices are laid down as a result of consultation between the Directorate, the appropriate policy divisions and the Staff Side.

Staffing, Organisation and Management

6. Staffing levels in local offices are determined basically by the use of activity sampling techniques. A Staff Inspection force examines individual local offices and may recommend an adjustment to the staff complement to take account of the office's particular circumstances (eg difficult premises).

7. Organisation and procedures within the Regional Directorate may be examined by the Department's Central Management Services Unit, where a group of officers is specifically allocated to regional work. Each Regional Office also has a group of 'Survey' officers who examine, as necessary, and report on the organisation and quality of work in individual local offices.

8. The Department's Central Offices and Blackpool and Newcastle have their own smaller Staff Inspection, Management Services and 'Survey' units.

9. Supplementary Benefits work in local offices is also examined for quality by the Supplementary Benefit Commission's Inspectorate to establish how well the Commission's policy is being carried out, and what difficulties are being experienced. The Inspectors' recommendations have proved an important guide to the Commission in improving particular areas of work eg an examination of exceptional needs payments (single payments intended to help Supplementary Benefit claimants with the purchase of household items and clothes) led to the issue of instructions which enabled local offices largely to standardise their approach to such cases.

10. A Management by Objective system has been developed within the Regional Directorate over the past five years, with help from outside consultants in the earlier stages. Local office managers are accountable to group managers, they to their Regional Controllers and Controllers to the Director of the Regional Organisation. Performance, especially in terms of the quality of work and through-put, is monitored and reviewed at all levels, primarily on the basis of information provided by 4 weekly work returns.

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Financial Control

11. The cost of a benefit is determined by the rate of that benefit and the number of people who satisfy the conditions subject to which it is paid. All proposals for new benefits are therefore examined by the Government Actuary who provides an assessment of the financial implications with forward forecasts of expenditure for as long as 40 years: once a benefit is enshrined in legislation, the Department has no direct control over the amounts of benefit paid until rates of benefit are reviewed, although checks on entitlement are built into the procedure according to the requirements of policy.

12. Audit teams, reporting to the Regional Finance Officer who in turn reports to the Accountant General, examine the work of local offices in order to ensure that financial requirements are being complied with. Finance Division is also involved in the development of policy and procedures in Headquarters. Similar audit teams operate in the Central Offices.

13. Administrative cost is controlled basically by the various activities referred to in paragraphs 5 to 8. Cash limits have now been allocated to the main administrative units and the Heads of those units have been given responsibility in the first instance for containing spending within the limits set so far as expenses they can influence are concerned eg telephone costs.

The Future

14. The staff participation inherent in MbyO is now being taken a stage further in the ' New Model Office ' project. In 3 local offices staff are developing procedures to deal with the problems as they see them starting from the base of customer needs. The Department hopes the project will help to identify the requirements for local office administration over the next 2 decades.

15. There are also continuing studies of the scope for ADP applications, especially in the local office field, and of the use of electronic aids in areas such as communications. Continuing efforts are also being made to simplify the undoubtedly complex work of social security administration.

ANNEX IV

THE RELATIONSHIPS BETWEEN THE DEPARTMENT AND PERSONAL SOCIAL SERVICES

1. The authorities providing personal social services are the metropolitan district and non-metropolitan county councils, the London Boroughs, and the Common Council of the City of London. They provide a wide range of services to meet the social needs of young children, deprived or delinquent children, the aged, the physically handicapped and other vulnerable groups. The services include residential and day care accommodation, domiciliary services (eg home helps) and social work support.

2. The Secretary of State has no general powers of direction, though authorities must carry out their functions under his general guidance. For the bulk of their services local authorities must make arrangements for their provision which are approved by the Secretary of State. This control has been exercised by the issue by DHSS of circulars setting out in very broad terms the general scope of arrangements he approves. This in effect has meant that authorities have great flexibility in developing their services without need to seek specific approvals from the Secretary of State. There are statutory default powers but the possibility of their exercise has rarely if ever been considered in recent times. There are also some specific controls, notably the power to approve appointments to the statutory Director of Social Service post in each authority and to make regulations relating to the conduct of residential homes.

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3. The Secretary of State sets national policy guidelines on priorities, related to those for the NHS, and gives guidance on the provision and development of services. Local authorities develop services to meet locally assessed needs, having regard to national guidance and to local circumstances.

4. Implementation of policies by individual authorities is monitored by DHSS, through statistical returns, and through its regional Social Work Service (see paragraph 8 below). Information about forward plans is requested from time to time but the plans of individual authorities are not subject to approval by the Secretary of State.

5. About three quarters of the social services capital programme is met by key sector borrowing for which authorities require the consent of the Secretary of State to raise loans. Local authorities are advised of priorities for capital building as seen by the Secretary of State and asked to submit their building proposals in priority order. In the lists finally approved by DHSS the order proposed by each authority is in general followed.

6. Revenue for personal social services comes from the rates, from charges for services (to a very small extent) and from general Rate Support Grant. The Government indicates in the annual Public Expenditure White Paper what it regards as the appropriate national level of expenditure on these services, as it does for other local authority expenditure programmes, but there are no detailed controls of individual authorities' current expenditure.

7. The Department encourages the development of joint planning between local and health authorities to ensure a proper balance in the provision of services for particular groups of clients and patients. Local and health authorities are required to establish Joint Consultative Committees and guidance has been given about the setting-up of joint care planning teams. Arrangements have now been made for health authorities to assist in the joint financing of local authority projects of mutual benefit.

8. In addition to the power conferred by section 7 of the LASS Act 1970 to give authorities general guidance the Secretary of State has specific powers of inspection in relation to particular aspects of the services provided by authorities. These include powers to inspect residential accommodation for the elderly, disabled, mentally disordered and children (including children in care whom the local authority has boarded out with families). These powers are discharged through the Department's Social Work Service. The role of the Social Work Service is however generally seen not so much as regulatory and inspectoral as promotional, educational and consultative. The SWS offers an advisory service on the local implementation of national policies and professional matters generally; visiting of premises forms only part of its work and attention is given to meeting special needs within particular areas rather than to systematic visiting of all local authority accommodation.

9. A new professional Head of Social Work Services has recently been appointed at Deputy Secretary level.

Examination of witnesses

SIR PATRICK NAIRNE, Permanent Secretary, SIR LANCE ERRINGTON, Second Permanent Secretary, and Sir HENRY YELLOWLEES, Chief Medical Officer, of the Department of Health and Social Security, called in and examined.

Chairman

893. Good afternoon, Sir Patrick. May I first apologise to you. We have all I think been overtaken by events. For reasons that I am sure you will understand this Committee has for the next few days to devote itself to another subject of inquiry, namely, its normal relations with the Treasury—in this case over public expenditure cuts. We shall want

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to break off this evidence within a reasonably short time and possibly have you back after the Recess to continue evidence on this subject. Clearly, if there is going to be a debate in the House of Commons, we must devote some consideration to public expenditure cuts, apart from just to the Civil Service. I would say, however, that I think that it might be useful if during that time your Department—and I mean no personal criticism; I think that you only became the Permanent Secretary of the Department in October last year—devoted some time to elaborating upon the written memoranda that you have sent to us, because while they are a very interesting description of the organisation of the Department, they do not actually devote themselves to most of its problems. It would save the time of this Committee in asking you oral questions if you provided written evidence on some of the basic problems?——(Sir *Patrick Nairne*). We should be very glad to do that. We felt that we had provided what we had been asked to provide, but we are very ready to be asked to provide more and shall be delighted to do so.

894. May I, for the sake of example, refer you to paragraph 7 of Annex II of the document? You point out there the allocation of resources to health authorities, but you do not mention that there was no basic change in differentials between health authorities for some twenty years after 1948. You mention the terms of reference of the resource of allocation working party, but I understood that some conclusions had been arrived at designed to redress the imbalance between the amount of money allocated to different regions. This is not actually mentioned in this paper as far as I can see?——Our concern is to be as helpful as possible. It really was a problem of how much to put in. We should be delighted to set out very fully the organisation of the NHS as it is now since the recent reorganisation, and we can certain provide a paper on the resource allocation working party policy and the circular that has gone out on that, and so on.

895. I am only using that as an illustration. I think that it would be more relevant if the paper addressed itself to current problems than, for example, to a working party that has already reported. May I start with the 64,000 dollar question? What feedback do you get? Is it of any use at all the "DH" half of your Department being linked to the "SS" half of your Department? Is Social Security a good thing to be linked with health or not?——I think that the first point to make is that from the point of view of the Government machine as a whole there are advantages in the Cabinet having a Secretary of State who embraces as wide an area of social policies, and the expenditure for social policies, as possible. Today, in Government, major issues come up both on the health side and on the social security side, and it is perhaps right to add the point, again in relation to the Government machine, that if you are going to confine the numbers of the Cabinet, there is much to be said for linking them in one Secretary of State. If one considers other possible mixes of responsibilities in the social field, there are sound arguments in favour.

There are also qualifications to be made that I should like to make about linking together the social security side and the health side, and of course both sides gain from having a strong voice in the Cabinet. Within the Department we do gain, as will be found in other major departments, from being able to sort out those policy issues where there is an overlap. To take an example, there is the field of the disabled. The Government made an announcement last Friday about invalid tricycles, and that is a very good example of where cash and care, cash and services, come together and where you can sort out within the DHSS such policy conflicts as tend to arise in any major area of policy.

896. It was not very well sorted out over the last few years, though, was it? ——It raises many difficulties. I think that it is also right to feel, and I do myself as a newcomer, (and it takes some time to settle down in a big Department) that the existence of the DHSS does actually offer the opportunity to study the way in which you want to develop policy priorities in respect of the impact of Government generally on the family, particularly the family in need. Then I think that there is a more practical management side of this which it is right to bring out straight away. The health side, the personal social services, which of course came together when

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the Children's Department joined us from the Home Office, and the social security side, both need, if the job is to be done properly, the services of economists and statisticians and computer experts. We have within the DHSS been able to bring together an organisation, I think, that maximises the use of these specialists in a form that offers better management of them, and probably a higher quality input overall from being able to bring together a good team on those fronts.

Mr *Lawson*

897. What are the qualifications that you said you would like to make?——The qualifications are these. The nature of the administrative task is fundamentally very different. The character of the financial side—the social security side, as you will recognise—derived from legislation, and provided on the contributory benefit side very little room for manoeuvre, with the supplementary benefit side raising a wide range of discretionary points. The whole of that, handled by an organisation in the regions which is directly under our control, is in very marked contrast to the health side, where we are concerned with the impact on goods and services, and allocations that we make to health authorities have a large degree of discretion. The nature of the task is very different indeed.

Chairman

898. Sir Patrick, may I try to concentrate this a little?——I really asked you originally which in your opinion is best for the community as a whole, and whether these two halves of your Department should be together or separate? May I ask you, for example, to consider whether it would be better if social security were combined with the Inland Revenue?—Your general question is very difficult to answer because it is still, I think, very early to reach an overall and comprehensive judgment on whether it is better to be together or separate. But on the whole I think that the balance of advantages and disadvantages comes out strongly that it is better for them to be together.

Mr *Garrett*

899. On this very point, what relationship is there between benefits policy and taxation policy? For example, was your Department consulted in advance on the child tax allowances, which must have been one of the reasons why the child benefit scheme was dropped?——(Sir *Lance Errington.*) Yes, we were consulted. We have developed a pretty close on-going dialogue with the Inland Revenue over the past few years, both on rationalising administration and attempting to rationalise policy decisions.

900. Do you feel that policy choices as between tax allowances or benefits, are considered simultaneously—by the Treasury, I assume?——Yes.

Chairman

901. The Treasury is considering, I think, one of the recommendations of this Committee that taxation and expenditure should be related more closely where they are in essence related. That was an example that Mr Garrett used. Would it not be easier to do if all inputs and payments for individuals, as it were, were in one place?——(Sir *Patrick Nairne.*) In these organisational questions you are balancing one thing with another but we agree with the general proposition entirely, from our department experience, that you have just put to us. Our contacts with the Inland Revenue are very close. But having said that, my own personal judgment is that in terms of organising a Government department in support of a Secretary of State in the Cabinet, the wide area of social policies is probably the right approach.

902. You are not, surely, suggesting that the entire National Health Service would not deserve a Secretary of State? You do not think that your head would be down-graded because he did not control both functions? I should have thought that it was quite impossible?——With respect, I would not put it in that way at all.

903. It seemed to be the way that you were putting it?——I think that in organisational terms you could have a separate department, but when I began by trying to put it from the point of view of the Government machine as a whole and the internal machine as a whole, and the internal machine's relationship with the field, I was trying to make the point that you are balancing up one thing with another.

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904. But your Department has not, as yet, even absorbed the NHS. The NHS is neither fish, flesh nor fowl. Is that not true? It is the only organisation in the country that is neither a board nor part of the Civil Service, nor a part of local government, but it is in fact a vast part of public expenditure. It is the only one that is not part of the Civil Service or anything else?——It is quite true that it is not part of the Civil Service.

905. It is the only one of any size? ——It is what the Government and Parliament made it in 1946 when the NHS was introduced, and what the Government and Parliament confirmed that it should be at the time of the NHS reorganisation in 1973–74.

Chairman.] I do not think that we object to that description, but of course, sitting here, we are considering precisely that point.

Mr *Loveridge*

906. You do not feel that the Health Service is so subject to change, to technical change in particular, that it really ought to have a political head of its own who can express that change and who can apply his whole mind and energies to the changes taking place, rather than trying to represent two things which inevitably he cannot do as well as he can by representing one, thus leaving the Health Service a bit out of it at Cabinet level, apart from bringing any ideas that he may have as a Minister to the scene?——I certainly accept—very much so—that if there were simply a single Ministry of Health, as there was in the past, it would enable a Secretary of State to cope with the very exacting problems of the Health Service more easily. If you had asked me about the general impact of a large department, of course I would have said that I am very conscious myself, as a Permanent Secretary, of the very great strains that a big department imposes upon a Secretary of State. To take two examples, if our present problems arising from the junior doctors' annual study leave arose exactly simultaneously with, say, the child benefit policy, those strains are very great, and they do perhaps arise more markedly in a big Government department like the DHSS that does not have the coherent approach to policy that you would find, for instance, in Defence.

Mr *MacGregor*

907. May I follow up with Sir Lance Errington the point that Mr Garrett was raising about the need for close liaison between social security and Inland Revenue work? I must admit that I was a little surprised at Sir Lance's reply that the relationship was close, particularly on policy matters, I think he said, as well as in the administrative field. You will be aware of the great concern that many people in this House have, as well as in the country, about the relationship between tax and social security benefits—concern because many people now find that they are better off out of work than in work, and so on. This has been aggravated in the past two years by slightly different courses on benefits and tax policy—the failure, for example, to keep tax thresholds in line with inflation while social security benefits have been going above. This, I should have thought, would have been a major subject for liaison, but it does not seem, at least from what comes out publicly, that there has been all that much co-operation in trying to sort this problem out over the past two years?——(Sir *Lance Errington.*) These problems are very well understood and are frequently discussed. It may be that at the end of the day solutions have not come out, but this is not because of lack of discussion of the problems with the Revenue.

Chairman

908. It is making it more difficult for solutions to come out if one body is headed by the Chancellor of the Exchequer and is a separate board set up at some time in the 1860's, when there were no social security benefits, and the other body is half your Department headed by a Secretary of State. Is not one making it more difficult that way—a relatively modern body?——Conceptually it might be rather difficult to put the Chancellor, or the Treasury, in the position of being a major spending department.

909. The Treasury is not the same as the Inland Revenue?——No.

Chairman.] The Inland Revenue always makes it plain that it is not responsible to the Treasury but only to the Chancellor.

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Mr *MacGregor*

910. May I follow up my question? ——I can see that having discussion is one thing and getting to a solution which looks acceptable to the public is another, but is this partly caused by the fact that by tradition, the Inland Revenue works in such secrecy that Budget proposals, for example, will be taken quite separately from anything that may have been going on in the discussions, and therefore having the two bodies quite apart and reaching separate conclusions produces this result? I think that the discussion and liaison is now close enough to avoid that situation.

911. Yet on the child benefit problems which Mr Garrett was talking about, it would have seemed apparent that these kinds of problem would have arisen during the discussions and certainly before the Budget statement. It certainly seemed to us that there was a clear lack of close thought between the two over a long period, leading up to the eventual announcement on child benefits?——The child benefits, of course, were in effect part of the old tax credit scheme, and these particular relationships have been the subject of discussion for quite a number of years, between us and the Revenue.

Mr *Lawson*

912. May I follow up on the social security line? How close a watch do you keep on the social security systems in other leading Western European countries which might be considered to be comparable?——We have over the years conducted a certain amount of research into European schemes. We commissioned Professor Wilson of Glasgow University to do a study of pension provision in European countries, and in connection with the improvements in the provision for disablement which we have made over the past few years, we sent a team to tour the European countries to study their schemes and advise us on what lessons could be learned from them. The impression is that the form which schemes in various countries take, is very much a product of history. Each country has its own mythology, so to speak, of social security, and exact comparisons are very difficult, but there are lessons to be learned.

913. Do you get the impression—I do, but I do not profess to be an expert on this subject that our system tends to be particularly complicated, because we tend more than other countries to try to tailor our social security system to the particular condition of almost every single individual?——I do not think so. The Germans introduced a new pension scheme a number of years ago, an earnings related scheme, of very extreme complication.

914. I was thinking not simply of pensions but of the whole spread of social security payments?——I think that in the European countries they have not developed anything comparable to our supplementary benefits scheme. Their schemes of support outside their contributory schemes are very much aligned to what ours were in the old public assistance days. In other words, they are local authority types of scheme; they are not centralised schemes. I think, possibly, that this has subsisted because on the whole their contributory benefit schemes provide a rather higher level of provision than ours do.

915. How is this difference reflected in the cost of administering the social security system in this country compared with the cost in, say, Germany or France?——It is very difficult, if not impossible, to get comparable figures because, for example, in European countries the cost of the health service or other provision may be part and parcel of the social security scheme. It is very difficult to analyse the figures to produce comparable costs. The other factor is that more often than not, I think, in European countries, social security schemes are not centrally administered. The Government passes legislation, and so on, but the administration and operation of the schemes are devolved to regional agencies or to agencies run by employers and unions. One factor, I think, which may make for cheaper operation is that European schemes are generally geared to monthly or quarterly payments of pensions and benefits, whereas our legislation of course, normally provides for weekly payments.

916. Finally, as a generalisation, looking at the Continental system, and at ours, and at the difference in organisation

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that you pointed out—the difference between weekly and monthly payments, and also, and more important perhaps, the difference between a highly centralised system and a more localised system—what do you think that the balance of advantage is of our form of organisation over the Continental system, in terms of cost and efficiency?——I think that a centralised system is likely to be more efficient and on the whole cheaper to run than if the administration were devolved over a number of organisations, over which the central government has much less control.

Chairman

917. So that is why the Department of Health and Social Security has not imposed central control over cash limits for its regional authorities, is it?——(Sir *Patrick Nairne.*) On the health side it is entirely in accordance with our normal financial practice. We have certainly devolved cash limits to the health authorities for revenue expenditure. We have for this year maintained control ourselves over cash limits for capital.

Mr *Garrett*

918. Sir Patrick, you have very wide experience of the top management of departments. In fact, one might say that you had had a model of an administrative career. Now, after a lengthy period in Defence you have suddenly been put as the top permanent official in Health and Social Security. You will be aware of the broad tenor of the criticisms of the Fulton Report about superficiality and lack of technical and managerial competence among the old administrative class of the Civil Service. What was your reaction to that Report and what changes do you think have taken place since?——My reaction to the Report was that it was right that there should be a much greater thrust in the managerial direction in the Civil Service from the top to the bottom. My reaction in terms of what is taking place, in particular in coming to the DHSS, is two-fold. The most important and striking impression that I have had is the degree to which the social security side has made a major effort to develop better management techniques, a better system of performance criteria and arrangements for monitoring performance, and participative management. It has undertaken, a new experiment labelled "the new model office project" which is designed to ensure a greater involvement of staff at all levels. In a variety of ways, on which Sir Lance is much more of an expert, I should say, than I am, I think that the Department has tried in relation to the very large numbers deployed in the benefits field, to use better management techniques than in the past. The other point that I would make is this. We have, of course, applied the open structure in the Department, but I have been struck in coming to it, by the limitations in offering to specialists as much as I had felt when the Fulton Report arrived might perhaps have been offered to them, in terms of the top administrative/generalist posts. I think that this is due really, anyway in the DHSS, to the fact that specialists and generalists co-operate very closely together in policy making, and in the top management of the NHS, but we need the specialists—in fact we employ a very large number; I believe that it is thirty professions altogether, or thereabouts—to do the specialist work. I think that it really is genuinely difficult. Perhaps Sir Henry Yellowlees could come in here.

Chairman

919. Before he does, how easy is it for, say, the director of a regional health authority, to move higher up the scale in the health side of the DHSS? How often has it happened?——If I may put the point in this way, if you are asking how often it has happened that a man who is, shall we say, a regional administrator, a member of the administrators' profession in the NHS, and not a civil servant at all, has come into the Department, the answer is that at the lower and medium levels they do come in—I think that we have had something between forty and fifty in recent years—but they do not in a regular way come in, and fill top posts in the Department, at all. The short answer to that is that they, too, have to concentrate on becoming highly professional in their own careers. They are not civil servants and they make it clear, I think, that their profession is different, and that they do not want to be.

919A. But they are administrators. Surely somebody is in charge, for example, of a regional health authority?

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I am not talking of the health authority itself, which consists of part-time people, but of the administrators in charge of it. Who better (I should have thought) than those administrators to be in the health side of your Department? Or is it the case that there is duplication, and that there are in your Department many good, trained civil servants who are able administrators who are in effect, looking over the shoulders of equally well trained administrators who are running the regional health authorities?——In general, I do not think that there is large scale duplication, but I would be a very foolish Permanent Secretary if I did not say that we always ought to be looking at the possibilities of duplication, as indeed we are looking now, under the pressures of cutting back administrative costs on the Civil Service side and on the NHS side.

920. But would you not say, considering the number of staff and the amount of money involved, that somebody who has been engaged in administration in a regional health authority is a perfectly possible person to transfer to your Department?——I think that there are certainly posts in the DHSS.

921. As an administrator?——As an administrator. There are certainly posts into which an able administrator could come. But as a general statement, I think that an administrator from the NHS who did so, would have to pick up the skills of the Whitehall administrator in relation to the handling of Government business, Parliamentary business, legislative business, and so on.

922. That is why one wonders why, since he does not have to pick up the skills of a local government administrator, since it is not responsible to local government, the NHS should not be part of the Civil Service, at least at its administrative levels?——Perhaps I could make a wider point and then bring in Sir Henry, who has worked in the NHS, which I have not done. The general point, I think—and it goes back into history—is that the medical profession value their clinical freedom in every sense and do not wish generally to be part of the Government machine. I do not think that I am wrong in saying that they have never wished, many of them, to be part of the local authority machine. I think that that is the basic reason. I think that that is an attitude that persists. May I ask Sir Henry to say a word from his own experience in the NHS about the job in particular of the administrator?

Mr. *Garrett*

923. Before you do, for the record, you said that you had applied the open structure to your Department. You did not apply Fulton's open structure; you applied the open structure as far as the Civil Service Department cared to implement it, down to Under Secretaries?——In terms of Under Secretaries upwards, yes.

Chairman

924. And not in relation to the NHS?——No, not in relation to the NHS because they are not, as you know, recognised as part of the Civil Service.

925. Your answer about doctors was perfectly adequate except that the people whom I was talking about are not necessarily doctors?——I am rather hoping that Sir Henry, from his direct experience, can say more than I am able to say about the pressures on an NHS administrator or treasurer to be thoroughly competent in their own business, in their own careers. (Sir *Henry Yellowlees*) I think that it is a different job. I think that the Health Service administrator has a job which is different in kind very definitely from the central job, as far as I know.

926. You are now presenting an argument that is the utter opposite of the entire argument about administrators in the whole Civil Service that they should be generalists and not specialists. You are now saying that there is a form of specialist administrator. This argument has never been presented to us before, nor to the Fulton Committee?——With respect, I am not saying that. I say that it is a very different job, and I have not progressed beyond that. If I do progress beyond that, I think that there is no reason at all why the able administrator from the Health Service should not take up the central Government component of it, and he will in time, but it does take a side track. I am trying to stick to the time. I do not want to lead you off on to administrative side. I am, of course, a doctor, and look at it slightly differently.

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Mr. *Garrett*

927. An administrator could never work his way up from an area health authority to a regional health authority and ultimately expect to be Permanent Secretary of the Department?——(Sir *Patrick Nairne.*) In theory you could operate a system, I suppose, by which the NHS administrator remained part of his own profession, and not a civil servant. A number would be picked out—

Chairman

928. What do you mean by his profession?——It is this word "profession" that is boggling us. It is argued, for example, by the professional civil servants, that it is not easy for a member of a profession to become an administrator. That argument has been put to us. It has been argued by Fulton. But you are now saying that somebody who is an administrator in the NHS—not necessarily a professional doctor, but an administrator, which is not a profession but a skill and an art for which one may be trained in any profession—cannot become an administrator in the Civil Service as a whole?——I do not think that he can be an effective one unless he has experience of working in the Whitehall machine. I do regard myself in many senses, if I can use the word "professional" widely, as a professional. Certainly I regard myself as a specialist in administration in Whitehall. If one has been nearly thirty years in Whitehall, one has learned something that amounts to that.

929. In that case would you agree that the obvious way out of the difficulty would be to put the administration of the Health Service—not necessarily its professional doctors who do not want to be administrators, but its administrators, whether they be doctors or not—into the Whitehall machine, and to absorb that part at least of the Health Service into the system?——It would be a very major change in structure, to begin with. They are employed by the health authorities who advertise posts, and they answer the advertisements for those posts. They move around and choose, and in that way they have a freedom that does not belong to civil servants. It is a very big change for them. In terms of our side of it, as I said, we should certainly gain by having some administrators from the field working in the Department. You could, in theory, plan a system by which a man divided his career between the field and Whitehall, but of course for the man who is going right to the top you would have to have a rather carefully planned one, I think, if you were to get good value from it.

930. You would not say that this unusual, almost unique, division, is part of the rise which may have taken place in administrators as, for example, against doctors and ancillary medical services?——I do not think so. I am not sure that I fully understand the question.

931. I am not fully understanding the question myself in view of the figures in your paper on control of manpower in the National Health Service, which is one of the things that I should like to ask your Department to revise between now and October. For example, in Table A, you give a set of figures for 1974 related to England alone, and in Table B you give a set of figures related to England and Wales, and I understand that they are not comparable figures even when you omit Wales. Table B gives figures for 1949, 1959, 1969 and 1974. What we should actually like to know is the rate at which administrators, for example, have risen in the National Health Service as against, say, the cost of actual direct medical and ancillary staff. I am afraid that although it is possible to reconcile these figures, they are not reconciled in the table. I think that it would be useful if between now and October you could produce a set of figures that produced the reconciliation?——We will certainly do that.

932. May I make a suggestion? Since there are difficulties with, for example, agency nurses, and so forth, we do not, I think, require you to make the numbers of full time staff comparable with the actual costs of labour. Obviously that is difficult in the case of things like agency nurses. But it would be nice if they were comparable with each other over the period of years?——I think that that is why Table B is in the form that it is. It is in order to enable you to go back and evaluate.

Chairman.] The trouble is that without a long statistical analysis, it does not tell us what we want to know.

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Mr *MacGregor*

933. May I ask one question on Table B? Between 1969 and 1974 there was an increase in the total staff, including the administrative and clerical staff, of some 14 per cent, but the increase in the administrative and clerical staff alone is about 38 per cent, so that it is way above the others. You gave some explanations for this—the complications of the service, the reorganisation, and so on—but do you not think that that is an enormous increase in the administrative area compared with the medical staff, the nurses, and so on?——I think that it is a large increase. I may be corrected on the figures, but I would emphasise the general reasons for it. With the reorganisation, the Health Service took on the local authority functions without taking the staff with them.

Chairman

934. But the Department of the Environment and the Local Government Manpower Commission did a considerable study over about eighteen months to decide precisely by how much the changes in local government manpower were related to changes in local government, and how much of them were simple replacements of people who had already existed. The position contra to these figures must have been in that. Again, this is not mentioned in your Memorandum on control of manpower?—— we can fill out on that. One point is that whether we had taken on the local authority staff or whether we had to recruit new ones, there would have been more administrative staff as a result of taking on wider functions. There were also wider functions of one kind or another. I suppose that community health councils is one example. A point, which we can bring out more fully in the memorandum that we will let you have, is that for years, as I understand it, the administration and management, particularly the management side, have been under criticism, and a lot of it, frankly, is improving the management—on the personnel side, for example. I think that some of the strains of industrial unrest have certainly added to their task. I am also advised that some of the reductions in the ancillary staffs is due to better management work by administrators. We can fill all this out. I think that the increase is big, but I think that there are reasons for it. Perhaps I could emphasise what is also there, that the Government is concerned about this, and that is the background to the administrative and management cost standstill that we have imposed. The exercise is now going on in the NHS just as it is in the central Government in Whitehall.

Mr *MacGregor*

935. How do you try to measure efficiency as a result of the changes and the exercises that you are now doing, and the increases in administrative staffs? Perhaps you could give us a paper on that prior to coming back again. The other point is that you will be aware of the great criticism that there is, that as a result of the reorganisation, there may be one tier too many, and there are certainly rather too many ladders up. Perhaps it is a little late in the day to go into that area to-day, but I think that that is another point that we should very much like the Department's view on?——We shall be very glad to do that.

Mr. *Lawson.*] What I should be grateful for is some observation now, and perhaps additional information later, on the extraordinary disparity of efficiency that there is between the different regions in the Health Service. For example, this is seen in the turnover of hospital patients, but there are many other indicators. Indeed, there is a great literature on this. What is the reason for this extraordinary disparity? What are you doing to get the less efficient regions up to the efficiency of the more efficient, and does the present system of organisation which the Chairman was referring to make it difficult, and perhaps impossible, for you to put this right?

Chairman

936. This relates to the outcome of the working party, whose terms of reference were mentioned in your memorandum? ——I am sure that Sir Henry should come in on this, but if I may make one quick comment, of course the Department is very much concerned to promote in every way it can the best practice and the best standards throughout the NHS, on the basis of the data that we have and that you are clearly quoting from. What we

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do, to make a rather obvious point, has to be qualified by the clinical freedom which the medical profession has, and, of course, by the fact that we have to balance our overall thrust in these directions with delegating as much day-to-day management to the health authorities as possible.

937. There is not much clinical freedom involved, though, if, for example, what is now the Trent Regional Health Authority has less money spent on it per head than, say, the Merseyside area, merely because in 1948 that relationship prevailed, and for twenty years the Department did nothing about it?——That is an example where we are, because we control the allocation of revenue and cash. I was only picking up Mr. Lawson's important point about how long patients are kept in bed in hospital, for particular purposes. (Sir *Henry Yellowlees.*) I think that there are so many variables in this, and one of the most important is, what is the provision on the local authority side of the division which exists between the health and personal social services on the one side and the social work services on the other? Because of this division, which we now have in the present situation, the services provided outside have an effect, so to speak, on the other side of the line, and this will vary greatly from place to place and from region to region. On the health side alone, there are a great many different factors which can come in. The provision of accommodation in the community on one side and in the hospital on the other, both being within the health side of it, is a factor which may alter the indices which we have for hospital use, for instance.

Mr *Lawson*

938. I do not deny for a moment the immense complexity of the whole subject, in all the various factors that have to be taken into account. Nevertheless, at a time of great economic stringency and particularly of the need to get maximum value for money in public expenditure, in the public sector generally, it is of some importance that there do appear to be very considerable differences —perhaps you would deny this—in efficiency in the different regions, even if adjustments are made for this. There is the problem of the desirability, as Sir Patrick put it, of having the best practice adopted everywhere, instead of the region where the best practice obviously is adopted. What I should like to know, perhaps not now but in a paper, is what is being done to achieve this. What success has been achieved, and what sort of scope, quantified, do you see for making economies in public expenditure or, if you like, how much saving could be made if the best practice were adopted throughout the country?——We want to help as much as possible. It would greatly help us to try to help if you could say what you feel is the indication of efficiency. It is so difficult to measure this, but clearly you have in mind some indications which you feel do indicate relative efficiency which are widely different.

Chairman

939. We will arrange to have you supplied with that through our Clerk?——Thank you very much.

Mr *Garrett*

940. Since we are giving you a list of topics to come and talk to us about next time, or to produce papers on, I should like to have a review of your personnel policy, your headquarters organisation, particularly in the matter of lateral posts, and open posts, and the efforts you make to get the widest possible range of ability in individual jobs regardless of the career class of individuals. I should like to know what criteria you use to judge the quality of management of health authorities and of DHSS local offices, and what you can do about managements which you think are not performing well enough. Somebody else has asked for justification of the number of tiers of health authorities that we have?——(Sir *Patrick Nairne.*) May I ask one question? Is this on management efficiency both on the social security regions directly under control, and the health authorities?

Mr. *Garrett.*] Yes.

Chairman

941. Social Security is subject to the same rules as the Inland Revenue. It would be possible simply to put into terms of money the percentage of its cost against the percentage of its expenditure—its transfer payments?——Certainly. It is the administrative costs.

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Mr. *Garrett.*] The Department itself has a whole battery of indicators by which it measures the effectiveness of a local office, and I want to know what they are currently, what the range is between good and bad offices, and what you do about ones that you find unsatisfactory.

Chairman.] The Inland Revenue, for example, just to assist you, sent us a copy of its inspectors' questionnaire to its local offices and so forth.

Mr *Garrett*

942. Perhaps you could also tell us the results of your management by objective schemes, and whether you propose to continue with them?——Certainly.

943. With a description of the new model office and just how it involves the workers. Finally, perhaps you could tell us something about the organisational malfunctions in the Health Service that are caused by clinical freedom. As I understand it, there is no chief executive at a regional or area level in a health authority because the medical staffs objected to having chief executives at these levels, and therefore one moved to producing a scheme based on the team, and what is called consensus management in the booklet that was produced?——We could certainly explain the multidisciplinary organisation that operates.

Mr *Loveridge*

944. Sir Henry asked a moment ago about the kind of index that might be helpful. What comes to mind at once is bed usages in different countries. I have read that in America the time spent in a bed is half as much as it is in this country. I do not know whether that statement is true or not, but, it would be a useful figure to have; it would be an index. There is the fact that operating theatres are built and left empty for a long time. I know of one that was. Another thought is how many of the population do you have for an X-ray machine for an area? What are the criteria? Have these criteria altered by new photographic inventions and developments? On administration. I spoke to an administrator in the area health service the other day and asked him, "Why do you have so many staff for paying your staff? ", and he said, "Well, of course, it has changed since I was young. When I first came in I would have paid the lot in an afternoon or in a day's work, and it would not have given me any trouble, but I have got twelve there now," I said, "Why does it take twelve now? ", as he said, "It is not that they do not work just as hard as they did—they do work hard—but the whole system of payment has now become so complex and so filled with cross-referencing that it takes more to do it". These are the kinds of comparison that I am thinking of. How many did it take to pay a hundred men forty years ago? How many does it take to pay them today? That kind of index would be useful. But on the whole issue of this four-headed monster that we heard about a moment ago, the multi-discipline, one cannot help but feel, as a Member of Parliament, as people come to one, that from the point of view of the patient nobody knows any longer who to turn to for what. They are lost in the system. They do not know who is responsible for what. From the point of view of the consultants and the doctors one speaks to, one cannot help but feel that they are depressed and demoralised and lost, too. One wonders whether the whole idea of this system was wise and whether it would not be better to go back to the old system of having a matron and to having a chief executive, certainly at area level. Does one need both area and regional level? These are the kinds of problem that we should like more information upon, and we should love to know what sort of things have been fed up from the people for whom the service is provided—not so much about how the Civil Service runs, but how the people who use it feel about it?——We shall certainly do our best with all those. Some of the questions the Public Accounts Committee have raised with me.

Chairman.] Yes, and I think that we can track those down. For the reasons that I have explained, Sir Patrick, I think that it would be wise if we adjourned this session. Thank you for your attendance; we shall no doubt meet again after the holidays.

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CONTROL OF MANPOWER IN THE NATIONAL HEALTH SERVICE

1. A statistical picture of the NHS workforce in England at September 1974 is given in Table A. This is the latest date for which figures are available: the statistics for September 1975 are currently being collected and processed.

2. Numbers/salary costs since 1949 for the main groups are shown in Table B. There follows a brief description of how the numbers in each staff group are controlled.

In general, and subject to what is said below in relation to each staff group, the constraints on NHS manpower are essentially twofold, namely financial resources and the output of training schools for professional staff. Within these constraints, and subject to central guidance, the level and pattern of NHS manpower is the sum of staff complements determined by each Health Authority within its allocated financial resources, central approval of complements being in the main limited to certain medical and dental posts. The different contractual position between family practitioners and directly employed staff is brought out in the appropriate sections below. The introduction of cash limits and the current standstill and review of NHS management costs—see paragraph 11(8) below—are recent additional determinants and examples of the operation of central guidance.

Doctors

3. (1) The number of UK medical school places in Universities is controlled centrally, the current target being an annual intake of about 4,000 by 1980. Subsequently, in general it is left to Health Authorities to determine the level of medical manpower they employ in the light of the available resources. Central control where it exists is primarily concerned with questions of regional distribution, and the proportion of staff in different grades in the Hospital Service and in different specialties rather than with the overall number of doctors.

(2) *General Practitioners.* At present, any fully-registered medical practitioner has the right to establish himself in general practice in contract with the NHS and there is no central mechanism to control the overall number of general practitioners. There are however, geographical restrictions on where a doctor may practice, designed to ensure a uniform distribution of general practitioners: these are enforced by the Medical Practices Committee, an independent statutory body appointed by the Secretary of State.

(3) *Hospital Medical Staff.* Health Authorities must obtain Departmental approval in order to establish *new* posts for consultants, medical assistants, senior registrars or registrars. Ministers are advised on this, and on hospital medical staffing generally, by a Central Manpower Committee comprising representatives of the medical profession and of Health Departments. The criteria used for approving new posts are based on an agreement reached in 1971 between the Health Departments and the profession, concerning hospital clinical staffing structure.

(4) Basically, the aim is to relate the numbers in the training grades in the various specialties to the likely future number of career opportunities (ie consultant or general practitioner), taking into account the movements into and out of the grade, eg by academics or by overseas born doctors. The other main aim is to achieve a more uniform geographical distribution of hospital medical manpower. It is left to individual Health Authorities to decide whether there is a need for a post and whether there are the resources to fund it.

(5) The most junior hospital training posts (Senior House Officers and House Officers) may be created by Health Authorities without central approval. House Officer posts in effect follow from medical school output, since all UK trained doctors must undergo a pre-registration house officer year after graduation. The Senior House Officer grade has not been controlled because:—

(*a*) doctors at this early stage have a large number of specialty options open, making detailed planning difficult;

(*b*) central control involves lengthy procedures and should be kept to a minimum;

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(*c*) the flexibility involved in an 'uncontrolled' grade has been thought to be desirable.

(6) Part-time hospital posts as clinical assistant or hospital practitioner are not controlled centrally since they largely are filled by geographically fixed staff and are not training posts.

(7) *Community Medicine and Community Health Services.* Health Authorities require central approval for community medicine posts and a Manpower Advisory Committee (Community Medicine), similar to the Central Manpower Committee, advises the Department on training and career posts in this specialty.

(8) There are a number of doctors transferred from the former local authorities and now employed as clinical medical officers in the community health services. These posts have not in the past been centrally controlled and no such move has yet been made, pending the report of the Court Committee on Child Health Services.

Dentists

4. (1) Dental manpower in the hospital service is controlled by the Department with the advice of the Central Manpower Committee described in paragraph 3 (3).

(2) Manpower in the Area Health Authorities' community dental services for children and other priority classes is not controlled centrally; but the Department has provided the Authorities with firm guidelines which limit the number of senior appointments. AHAs may appoint basic grade clinical staff according to the needs of the service and to general financial constraints, but almost all Areas are understaffed.

(3) There is no central or regional control of the number of general dental practitioners working in the general dental services of the NHS. Every dentist whose name appears in the General Dental Council's Register is entitled to have his name placed on the list of any Family Practitioner Committee and to offer services as an independant contractor. Apart from a few exceptional cases, these dentists are not salaried but receive fees for the items of service which they provide for their NHS patients.

(4) It is generally acknowledged that there is a shortage of manpower in the general dental services and that the public sometimes experience difficulty in finding a dentist who is willing to treat them.

Opticians

5. (1) The general ophthalmic services are provided by two professions, who work not as NHS employees but as independent contractors. They are:—

(*a*) ophthalmic medical practitioners (OMPs);

(*b*) opticians—ophthalmic and dispensing.

(2) OMPs are covered by controls which the Department has over doctors in general—see paragraph 3 (3). The Department has no controls over the entry of OMPs on to Family Practitioner Committee lists of contractors providing general ophthalmic services. Provided OMPs have the necessary qualifications, they are entitled to be included in the ophthalmic list. They can of course be removed on disciplinary grounds if they do not fulfil their NHS terms and conditions of service.

(3) The position is similar with opticians. Provided that they have the necessary professional qualifications and are included on the Register kept by the independent General Optical Council they are entitled to be included in the ophthalmic list. One possible source of control which could be exercised on the number of opticians would be on the number of training places for opticians. These are however essentially under the control of the Department of Education and Science, the University Grants Committee and the local education authorities. This Department's role is limited to giving advice, normally when asked, on whether expansion (or, in principal, contraction) is desirable.

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(4) Justification for this lack of control relies on the historical relationship to the NHS of the professions working as independent contractors. In this part of the NHS there are in any case powerful economic controls operating to prevent optical practices being established where there is already a glut of practitioners. The professions, too, could be expected to press for restrictions on numbers if they felt that an uneconomic number of practitioners were being produced.

Pharmacists

6. (1) Direct control of pharmaceutical manpower by the Department is limited. The Noel Hall Report on the hospital pharmaceutical service recommended changes in organisation and a new grading structure. This was accepted by the Department and guidance was given in 1971 to authorities on the production of pharmaceutical plans outlining the organisation of services and the number and gradings of staff. Generally, approval of the plans by the Department was not required although it received copies of them. Department approval was, and still is, required to the creation of Specialist principal pharmacist posts. Further guidance was given by the Department on the creation of top posts at the time of NHS reorganisation.

(2) A tighter control of pharmaceutical manpower by the Department would be inconsistent with the policy of maximum delegation to health authorities.

Nurses and Midwives

7. (1) The Nursing workforce is made up of three groups of staff:— those who are qualified, those in training for qualification and unqualified staff. Employing Authorities normally set their own numerical establishments for these three groups and in the case of the latter two the numbers in each grade. The nursing budget has normally not extended to the full establishment; the ability to recruit to the different groups varies in time and place so that at any one time an authority may for instance have recruited more unqualified staff than it would have wished because of difficulties in obtaining qualified staff.

(2) It is left to each Health Authority to determine the numbers of unqualified, learners and qualified nursing staff it requires to ensure the level and range of services to patients that it wishes to provide and can finance. Each authority should be endeavouring to use the nursing staff it employs to the maximum advantage in the local situation.

(3) The General Nursing Council and the Central Midwives Board (who have the statutory responsibility for the education and training of nurses and midwives) influence the maximum number of learners in any one authority to the extent that they approve courses and advise tutor/pupil or student ratios. This is so as to ensure proper training facilities are available for students and pupils.

(4) Nurse management posts are however to a certain extent controlled by the Whitley Council agreements and in the case of the most senior grades in the absence of a Whitley agreement by the Department. The Whitley definitions for first line and middle management posts, ie Nursing Sister, Nursing Officer and Senior Nursing Officer grades, require certain management responsibilities for each grade, although there is a degree of flexibility to allow for local needs to be met. On reorganisation the Department laid down criteria for Divisional Nursing Officer/Director of Nurse Education posts and above. Where an Authority wishes to make appointments that would not conform with the Whitley agreement or the Departmental criteria, it has to seek specific Departmental approval.

Professional and Technical Staff

8. (1) With the exception of the establishment of some senior posts, there are no direct central controls over levels of staffing among professional and technical staff. The provisions of the grading definitions in the Whitley agreements may inci-

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dentally have the effect of limiting the numbers of posts especially at higher levels, but their primary purpose is to ensure as far as possible equivalent pay for equivalent responsibilities.

(2) The justification for this is the Department's general policy of allowing employing Authorities as much independence as possible in deciding on their level of staffing within the framework of the national agreements and having regard to the amount of money available.

Ancilllary Staff

9. Manning levels are not controlled centrally but left to Regional, Area and District management to determine in relation to their budgets and the need in local units. To attempt detailed control of numbers of ancillaries from the centre in an operation as diverse as the hospital service where nearly all ancillaries are employed would be impracticable. It must be left very largely to local managers to identify needs and changing requirements for ancillary staff in the units they manage. Management and control is perhaps the major part of the management function in the hospital service which is so labour-intensive. The only practicable control over ancillary staff numbers which can be exercised must be budgeting and this should be greatly emphasised by introduction of cash limits.

Ambulancemen

10. As with ancillary staff in hospitals, to attempt a detailed control over services operating in such different circumstances as the Central London Service on the one hand and that in rural North Yorkshire or Cumbria would be impracticable. Local management must be left to determine priorities and needs in relation to local demand, environment and its budget. Again the latter control is likely to be reinforced by application of cash limits.

ADMINISTRATIVE AND CLERICAL (A & C) STAFF

Functions

11. (1) The great bulk of A and C staff are involved in the essential financial, clerical and secretarial support of the direct providers of health care (for instance paying all doctors, dentists and other professional staff, providing secretarial services for doctors and dentists, acting as ward clerks relieving nurses from non-nursing duties, etc); and they have increased in number as the NHS has grown. Others are involved in activities (eg O and M and Work Study) designed to increase efficiency, and their value is reflected in the reduction of ancillary staff numbers between 1969 and 1974. The personnel function would, regardless of NHS reorganisation, have had to have grown in the light of the industrial unrest experienced in the NHS in recent years, and also the substantial body of new employment legislation, affecting the public sector as elsewhere, as part of basic policy objectives.

(2) The new Health Authorities reflected the aim of the whole reorganisation-unification of the three parts of the service, participation of the main health professions in consensus management, and, over time, improved management of the enlarged NHS functions, notably in respect of forward and financial planning and control and personnel management. These increased management responsibilities coming on top of the general pressure of increased workload described in the preceding paragraph fell primarily on A & C staff. This is reflected in the last column of Table B; it will be further reflected in the 1975 figures, since the full effects of reorganisation including the appointments of staff to posts matching the new responsibilities (including the assumption of the work formerly administered by the Local Authorities) had not worked through by September 1974.

(3) The new Health Authorities had to grapple therefore not only with the maintenance, without detriment to patient services, of the expanding NHS but also with the assumption of these new functions. The following paragraphs indicate the way in which the Authorities themselves assessed, in management schemes, the weight falling on their A & C staffs and the control which was exercised.

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Control

(4) The Department has always exercised some controls over A & C staff, partly because central capability in the grading and complementing of administrative staff has been much more developed than that of individual health authorities, partly because of concern to secure economies in administration and partly in order to reduce inconsistencies in grading and complementing between authorities. Forms of control have varied from time to time with a general movement towards transferring control functions from the Department to authorities. Prior to reorganisation in April 1974, the Department exercised control only over senior posts (above Senior Administrative Assistant (SAA)—salary £4,344 at 1 July 1975). Departmental Staffing Advisers vetted applications for such posts and, in the absence of any central mechanism for controlling administrative and clerical staff complements, were also responsible for ensuring that employing authorities maintained their own satisfactory establishment control.

(5) In view of the increased responsibilities and new structural patterns of the new Health Authorities, it was thought sufficient for the Department to control only posts above Principal Administrative Assistant (PAA)—(salary £4,983 at 1 July 1975).

(6) However, when the first management proposals from the Authorities were examined in May 1974, they showed little consistency in grading levels or numbers of management posts. Some amendment to the proposed control system was urgently needed which would enable Authorities to establish key posts and place transferred ("latched on") officers in substantive posts as quickly as possible; considerable local discretion was therefore needed. It was decided to allocate a "quota" of posts at PAA level and above to each RHA based on its weighted population; RHAs in turn could allocate to AHAs.

(7) To take account of the new functions and responsibilities the "quota" involved approximately a 25 per cent increase over 1973 figures for PAA and above—in terms of numbers, 1018 extra posts were initially within the quota and a further 253 allowed in June 1975. Final bids from Authorities would have involved another 556 posts, had they been approved.

(8) In September, 1975 the Secretary of State wrote to all Chairmen of Regional and Area Health Authorities asking them to review the costs of administration as part of a total examination of all expenditure. As a result the Chairmen collectively agreed to impose a standstill in the full year cost of managerial staff in all disciplines (but largely Administrative and Clerical) on the pay roll as at 31March 1976. This standstill is now in force and is being carefully monitored. It is being accompanied by a review by each Health Authority of its management organisation and staffing during the summer, leading to a report from RHA Chairmen to the Secretary of State by October describing the scope for change and restraint during the years 1977 to 1979.

(9) In addition, a joint study involving representatives of the Department and of each RHA was begun in March 1976 which will produce guidelines on the most economical use of A & C staff based on analysis of comparative staffing and grading structures within and between Health Authorities.

Works and Maintenance Staff

12. (1) With the exception of the establishment of certain senior posts there are no direct controls over levels of staffing among regional and area works staff, though the top posts (of Regional Works Officer, Architect, Engineer and Quantity Surveyor) are of course limited to one of each per region and the Department has given general guidance about the total numbers of "third-in-line" (Assistant Area Building Officer, Assistant Area Engineer and sector officers in districts of multi-district Areas) a region should establish.

(2) The justification for not controlling the establishment of other posts is the same as that given in paragraph 8.2 above.

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TABLE A

ENGLAND—30 SEPTEMBER 1974—SUMMARY

Table reference	Category of staff	Unit	Numbers/ wte's of staff (rounded)	Percentage of the total
	TOTAL	no/wte	726,200	100·0
5	Doctors*			
	Hospital, community and school health medical staff and locums	wte	29,300	4·0
	General medical practitioners‡	no	21,500	3·0
6	Dentists†			
	Hospital and community health dental staff and locums...	wte	2,200	0·3
	General dental practitioners‡	no	11,000	1·5
7	Other Practitioners			
	Hospital pharmacists and opticians ...	wte	2,100	0·3
	Ophthalmic and Dispensing Opticians in the GOS, Ophthalmic Medical Practitioners,‡‖ Pharmacists in the GPS ...	no	19,500	2·7
8	Nurses and Midwives			
	Hospital, community, school health and agency staff	wte	314,000	43·2
9	Professional and Technical Staff			
	Scientific, Technical, Dental Ancillary and Remedial Staff	wte	41,500	5·7
10	Ancillaries and Others			
	Catering, Laundry, Domestic Portering Staff, etc	wte	163,400	22·5
11	Ambulance Service Staff			
	Ambulance Officers, Vehicle Crew, Workshop Staff, etc	wte	17,100	2·4
12	Administrative and Clerical Staff			
	Administrators, Clerical Staff, Support Services Managers, etc	wte	82,200	11·3
13	Works and Maintenance Staff			
	Regional, Area and District Works Staff, Hospital Maintenance Staff	wte	22,300	3·1

Notes:

General. wte=whole-time equivalents.

* Doctors holding hospital paragraph 94 appointments are excluded.

† Dentists holding hospital paragraph 107 appointments are excluded.

‡ Figures contain an element of duplication since some practitioners have been counted under more than one of the categories shown.

‖ Figures relate to 31 December 1974.

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TABLE B

ENGLAND AND WALES

Category of staff	Unit	1949		1959		1969		1974	
		No	Salary cost £m	No	Salary cost £m	No	Salary cost £m	No	Salary cost £m
1. Hospital Medical Staff(*a*)...	wte	11,735	22·0	16,033	38·8	22,001	88·6	26,527	159·8
2. Hospital Dental Staff(*a*) ...	wte	206		444		723		824	
3. General Medical Practitioners(*b*)	no	18,000	41·6	22,091	66·4	21,505	128·6	22,885	199·5
4. General Dental Practitioners(*b*)	no	9,495	42·7	10,418	41·5	10,659	65·9	11,528	98·9
5. Hospital nurses and midwives(*c*)	wte	135,000	45·2	181,000	101·9	245,889	231·5	289,953	442·6
6. Hospital Professional and Technical Staff	wte	12,840		20,171	14·9	30,669	43·9	39,763	88·2
7. Hospital Ancillary staff(*d*)	wte	120,000	52·1	150,000	75·1	170,880	159·7	169,792	286·9
8. Hospital Administrative and Clerical Staff	wte	23,797		30,270	21·7	43,328	52·5	59,668	105·1

Notes:
(1) All figures are subject to re-scrutiny.
General:
(2) All staff numbers are as at 30 September unless specified in the notes below.
(3) Salary costs relate to financial years 1949–50, 1959–60, 1969–70 and 1973–74. A split of salary costs has not been possible for certain groups.
(*a*) Figures for grades registrar and above relate to 31 December in 1949 and 1 July in 1959.
Locum staff occupying vacant posts are included in the figures for 1949, and for registrar and grades below for 1959. No loan staff are included in the figures for other grades for 1959 or for any grades in 1969 and 1974. The treatment of consultants holding maximum part-time appointments in 1974 has been made comparable with that in earlier years.
(*b*) The "salary costs" represent the cost of the services; the figures quoted include an element to cover practice expenses.
(*c*) Figures exclude agency staff.
(*d*) Figures are for Ancillary Staff Council grades. 1949 and 1959 figures are estimates and rounded.

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MONDAY 18 OCTOBER 1976

Members present:

Mr Michael English, in the Chair

Mr John Garrett
Mr Nigel Lawson
Mr John Loveridge
Mr Giles Radice
Mr Nicholas Ridley

SUPPLEMENTARY MEMORANDA FROM THE DEPARTMENT OF HEALTH AND SOCIAL SECURITY

COVERING NOTE TO MEMORANDUM 1—ORGANISATION AND MANAGEMENT OF THE DEPARTMENT

INTRODUCTION

1. Submitted with this Note is Memorandum 1 which, with its four associated Annexes, deals with Departmental arrangements for such matters as planning, financial control, efficiency and staff management. This supplements the Memorandum provided to the Sub-Committee on 19 July on the basic functions and organisation of the Department. It covers those matters in which the Sub-Committee expressed interest at the oral hearing of evidence on 26 July and other matters on which information has been requested. A separate Memorandum (Memorandum 2—The Department and the NHS), also with four Annexes, has been prepared on the NHS matters on which the Sub-Committee requested information.

MEMORANDUM 1—ORGANISATION AND MANAGEMENT OF THE DEPARTMENT

2. This Memorandum covers the range of policy development and planning tasks within the Department; the need to adapt the Department's organisation as new tasks arise on different aspects of the work requiring higher priority; the emphasis which must be given to planning the large-scale operations for which the Department is directly responsible; and the Departmental arrangements for the management and oversight of these matters. It has four supporting Annexes (1A–1D), described below:—

2.1. Annex 1A—Departmental Financial Management and Control: the financial arrangements for the Health and Social Security programmes, with particular reference to financial control, the monitoring of expenditure, audit and the effect of cash limits. It also refers briefly to the different financial arrangements for the Personal Social Services.

2.2. Annex 1B—Organisational efficiency: the arrangements for estimating and controlling the Department's manpower budget and the use of staff inspection, management services, operational research and computers in seeking the efficient use of the Department's resources.

2.3. Annex 1C—Staff Relations and the Management of Staff: developments in industrial relations, the organisation of establishments and personnel work, career development and training. Special reference is made to ATs and HEO(A)s, the Open Structure, wastage and turnover of staff, and the interchange of staff between the Department and the NHS.

2.4. Annex 1D—Organisation and Control of Social Security Operations: the scale and nature of social security operations, how the organisation has been adapted to meet the requirements of accountability; the introduction of participative management, the complexity of the operations and the attempts to simplify them and the arrangements for and problems connected with measuring efficiency.

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PRINCIPAL ISSUES FACING THE DEPARTMENT

3. As the Sub-Committee requested, the principal issues facing the Department (excluding those relating to the NHS which are dealt with in Memorandum 2) have been crystallised and are summarised below:—

3.1. Organisational Change. There is a constant need to adapt the organisation to meet changing situations and new tasks. The Government's decisions on reducing Civil Service costs (see para 1.6) require the Department to make significant reductions in its forecast manpower and associated expenditure. The Chairmen of Regional Health Authorities have made a report to the Department on the working of the DHSS in relation to Regional Health Authorities (see para 2A.35). A Management Review of the Department is shortly to begin in association with the CSD (see para 1.8).

3.2. Industrial Relations. The Department's representative unions and associations wish to be increasingly closely associated with decisions on the way work is done and on the staff resources needed (see paras 1C.1-3, 1D.15, 1D.18-20, 1D.31). The need to provide adequately for the reasonable aspirations of Civil Service Unions is posing an exacting challenge to management skills.

3.3. Complexity and the need for simplification. In the large scale social security operations the introduction of new benefits (see paras 1D.21-23), meeting the needs of particular groups and conditions and change in general, have led to a growth in complexity and the need for simplification—problems which are being kept under constant review: for example, the work of the Joint Simplification Working Party (see para 1D.31) and the recently announced review of the Supplementary Benefits Scheme.

3.4. Prevention of abuse. There is a continuing need to draw a balance between preventing fraud and abuse of the social security system while at the same time providing prompt and humane services to the great majority of genuine claimants. Ministers have recently announced further measures to counter fraud and abuse (see paras 1D.46–48).

3.5. Managing the Operation. There is constant pressure, aggravated by wastage rates (see paras 1C.36-41) to make the best use of manpower through better personnel management: the improvement of career development arrangements (see paras 1C.14–16), through better training (see paras 1C.21–28) and a more open style of management (see paras 1.C2, 1D.10-20); and by developing the best possible tools of management and measures of efficiency (see paras 1D.36-45).

4. A complete Index to Memorandum 1 and the four Annexes is attached. A paragraph numbering system has been adopted so that each number within the evidence is unique. The first number indicates the Memorandum number and a letter following indicates that the paragraph is in that Annex.

DHSS

October 1976

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MEMORANDUM 1

ORGANISATION AND MANAGEMENT OF THE DEPARTMENT

INTRODUCTION

1.1. The Memorandum submitted to the Sub-Committee on 19 July gave the basic information about the Department's organisation. For convenience, in this Memorandum and its four supporting Annexes, some information is repeated so as to avoid the need to refer back to the previous Memorandum.

1.2. Across the Health, Social Security and Personal Social Services the Department has a major policy development role. The Department is also directlly responsible for administering the various Social Security schemes, for promoting the establishment of a comprehensive Health Service, for public and preventive health measures and for ensuring the provision of personal social services by local authorities. The total expenditure for which the Department is responsible is of the order of £17,000 million a year. Its staff numbers about 93,000, divided as follows:—

London HQ and linked units	8,250
The Social Security Regional Organisation	66,200
Newcastle Central Office	12,250
North Fylde Central Office	4,600
Special Hospitals	1,950
	93,250

1.3. The nature of policy formation and of the administrative tasks for Social Security differ in many important ways from those for Health and Personal Social Services. Through its own network of Central, regional and local offices, the Department deals direct with claimants for social security benefits in accordance with rules affecting benefits and contributions laid down under statute. In its health and personal social services roles, however, the Department does not directly treat patients—except at the Special Hospitals and Artificial Limb and Appliance Centres—or advise individual members of the public. It is responsible for seeing that there is adequate organisation, with a full range of services to ensure that patients are treated and individuals helped. It is a centre for developing general advice and guidance to the authorities concerned. It has important co-ordinating and research roles to help it discharge these responsibilities. It decides the allocation of finance among authorities and monitors expenditure. Its oversight of and assistance to authorities is generally more by administrative guidance than by legislation.

1.4. For each of the services there are different statutory, financial, planning, control and operational considerations and responsibilities. The differing nature of these responsibilities means that the Department cannot have one single management style. The line management relationship leading through to social security local offices is completely different in its nature from the Central Government relationship with Local Authorities. The emphasis within the Department must vary according to the nature of the task and the relationship with the organisation and authorities involved. The unifying objective at senior levels is to ensure that there is the best harmonisation of policies, resources, organisation and practices, that within the resources available the best services are provided efficiently, humanely and economically, and that these services fit in with one another, and with related areas of social policy dealt with by other Departments, as coherently as possible.

THE DEPARTMENT'S MANAGEMENT BOARD

1.5. The Department's Management Board, under the chairmanship of the First Permanent Secretary, consists of the Second Permanent Secretary, the Chief Medical Officer, the Head of the Finance Group and the Head of the Administration Group. Other senior officials attend the Board, according to the issues being considered.

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The Board's primary function is to consider major organisational and management issues ; to act as a steering body when major examinations or reviews of the Department's function, organisation or operations are undertaken ; and to oversee the co-ordination of activity on major issues of Health and Personal Social Services or Social Security policy of an across the board character (eg policy matters requiring a balance between cash and care, such as those relating to the disabled and the homeless). The Board normally meets monthly and more often if required.

REDUCING ADMINISTRATIVE COSTS

1.6. One recent example of a major issue for consideration by the Management Board is the need to secure reductions in the Department's forecast estimates for administration costs in 1978–79. This flowed from the Government's announcement in the White Paper "Public Expenditure to 1979–80" (Cmnd. 6393). Under the Government's subsequent decisions the Department is required to reduce its forecast administration costs by £14·4 million (at 1975 prices) in 1978–79. Some reductions may be made in such items as postage, telephone charges and the like ; but the main reductions will have to come by cutting out and simplifying work and consequently reducing manpower costs. The required saving, expressed solely in manpower terms, represents a reduction of about 5,200 posts on the number forecast for 1978–79.

1.7. To make reductions of this order—while seeking to maintain as far as possible standards of service to the public and also the co-operation of the Staff Side—will be an exacting task. The required reductions are a source of grave concern to the Department's Staff Side and already the Society of Civil and Public Servants and the Civil and Public Servants' Association have introduced forms of industrial action, such as banning overtime.

THE MANAGEMENT REVIEW

1.8. Arrangements are being made to conduct, with CSD assistance, a Management Review of the Department, which it is planned to start in the late Autumn. The Review, like those already conducted by other Departments, is to help the top management of the Department to plan, monitor, control and improve the use of its resources and the effectiveness and efficiency of its operations. Its essential purpose is to concentrate on the working of the higher levels of the Department, particularly on policy planning and resource and manpower control. A special study team, led by an Under Secretary and including Departmental and CSD members, is being formed to conduct the Review under the guidance of a Steering Committee chaired by the First Permanent Secretary.

THE SOCIAL SECURITY OPERATIONS MANAGEMENT TEAM

1.9. Because planning and monitoring the social security operations for which the Department is directly responsible looms so large in the Department's effort (see paragraphs 1.11–15), an Operations Management Team has been established under the chairmanship of the Deputy Secretary (Administration). It includes the Head of the Newcastle Central Office, the Head of the North Fylde Central Office, the Head of the Regional Directorate, the two Under Secretaries, Establishment and Personnel, and the Under Secretary, Computers and Research Division. The Team Personnel, and the Under Secretary, Computers and Research Division. The Team is concerned mainly with strategic planning and efficiency of the Department's social security operations ; the allocation of resources—mostly manpower and machines—among the major operational units ; research and studies aimed at maintaining and improving operation efficiency ; the location of work ; operating methods and relations with the staff. The Team meets regularly every two months and more often if required.

DEPARTMENTAL PLANNING AND THE DEVELOPMENT OF POLICIES

General

1.10. The demand for health and social care as well as for cash benefits consistently exceeds the availability of resources. The planning and delivery of health

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and social care are complex operations involving a wide range of services, professions and organisations and it is the task of DHSS in supporting the Secretary of State for Social Services to guide and co-ordinate the total effort in line with Government priorities. There are planning arrangements for both the Health and Personal Social Services and Social Security policies. Although the concept of planning in each case is the same, namely, formulating, presenting and determining policy options, settling priorities between them, implementing chosen objectives and then revising initial objectives based on performance monitoring, the mechanics are different, reflecting the different statutory and other relationships with the offices and authorities concerned.

Social Security Planning

1.11. For social security and income maintenance generally, the development of policy has been closely geared to producing specific and detailed statutes and regulations which, once enacted, set a framework within which policy must be implemented, and which can only be altered by further legislation. The development of the social security system has built up rights and responsibilities over many years which cannot easily or too often be modified, and this sets limits to the possibilities for planning radical changes in policy.

1.12. At the same time, the major operational task of delivering benefits through a complex organisation requires constant attention and planning. Social security planning is therefore concentrated to a considerable degree on the implementation and monitoring of existing policies. The planning of new policies has to be considered in relation to the legislative requirements of Government programmes, and it therefore tends to vary in emphasis with changes of Government, and so to require the application of more effort on particular fronts at some times than at others.

1.13. The areas in which there is need for review or development of policy are kept under review by the Second Permanent Secretary and his senior staff, under the aegis of the Departmental Management Board, and in the light of the Department's monitoring of the effects of its policies. (The Annual Reports of the Supplementary Benefits Commission, which contain the Commission's view of priorities, will also be a factor to be taken into account in future years.) Early in the life of an administration there will be discussions with Ministers to settle planning objectives and a legislative programme.

1.14. In the periods between major legislation the planning function—keeping in touch with the changing requirements of society, its pressures and expectations, and monitoring on-going activity—can be effectively contained within the Divisions having responsibility for specific benefits, and within the Regional Directorate. These Divisions report via the appropriate Deputy Secretary to the Second Permanent Secretary, who is responsible for co-ordinating the Department's activities in the social security field. When major policy changes leading up to legislation have to be planned—whether dictated by political initiatives or generated by the Department's own monitoring of performance—the planning function becomes more prominent. In recent years it has been the practice then to expand the planning facility, normally by the creation of a separate Division—an Under Secretary command—to develop the required legislation. For major projects a Steering Group, led at Deputy Secretary or Permanent Secretary level, is established to direct overall progress. Major social security projects normally require very complex planning operations including the development and implementation of new procedures for mass handling of cases and computer systems. Use is therefore made of computer-controlled network analyses to monitor progress and provide updated information on progress to the Steering Group. Such arrangements were, for instance, made when the new pensions legislation was developed, and continue to be used for supervising its implementation. Similar arrangements have just been made for a review of the Supplementary Benefit scheme: a group of senior officials has been assigned full-time to the task and they will be directed by a Steering Group led by a Deputy Secretary. Such planning commonly involves

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close collaboration with other Departments—for example, the Treasury, the Inland Revenue and the Department of Employment.

1.15. Operational planning is necessarily a major feature in planning and implementing new legislation. It is also a continuing managerial task to plan measures to maintain and improve the Department's performance in implementing existing policies. Planning control has been established by the creation of the Social Security Operations Management Team, see paragraph 1.9. Information required for establishing priorities in operational matters comes from policy Divisions, from other Government Departments and from the Department's regional organisation. The Department's social security priorities are implemented through the Regional and local offices by means of plans constructed and agreed at the various management levels. Feedback on subsequent performance comes through a management information system, a statistical information system and a regular annual series of face to face performance reviews at the various management levels (see paragraphs 1D.10-14 and 1D.37). On the basis of this feedback and information from external sources, fresh plans are prepared for the years ahead; priorities are re-affirmed or adjusted and, where necessary, corrective action initiated.

Health and personal social services planning

1.16. Planning for the Health and Personal Social Services (HPSS), as with Social Security, has three main aspects: planning policy development and determination of priorities in relation to the Health and Personal Social Services; planning the provision and distribution of resources (mainly manpower) within the Department and the distribution of financial resources to the health and local authorities; and monitoring the effect of policies. These functions are essential in enabling the Department to carry out its responsibility to the Secretary of State and to the services for which he is responsible.

1.17. In addition to the planning functions exercised by divisions for particular aspects or services of the Health and Personal Social Services, the Department maintains a central planning unit whose functions are to bring plans together, to exercise responsibility for the Department's planning system and to provide the secretariat for the Planning Committee (see next paragraph). The processing of information from other Departments and from the field authorities for health and personal social services matters involves administrative, financial, professional and technical considerations and requires a multi-disciplinary approach.

Departmental Planning Machinery

1.18. Oversight of the planning process and the preparation and presentation of major planning issues are formally the responsibilities of a Planning Committee containing senior administrative and professional staff and led by the First Permanent Secretary. These arrangements have recently been reinforced to enable the Department to perform its role in the developing NHS Planning System (see Annex 2C). Specialised contributions to departmental planning are also provided by the research and development programme, co-ordinated by the Department's Chief Scientist, and by the staff of the Chief Economic Adviser and other specialist staff.

1.19. Pressures on resources in recent years and the opportunity created by the reorganisation of the NHS led the Department, with the help of those in the health and social services, to make an assessment of the strengths and weaknesses of past planning methods and to introduce the new planning system described in outline in the published consultative document, "Priorities for Health and Personal Social Services in England". The new system is a first step in a continuing and cyclical process. When the existing position has been reviewed and when, following consultation with health and local authorities, national objectives and priorities have been chosen, the planning system is intended to help traslate the chosen objectives into national guidelines, regional plans, and strategic and operational plans for Areas and area-managed services. The system is designed, by monitoring planning proposals at the various levels, to provide feedback of information which will allow modification or redirection of guidelines and plans in successive planning cycles.

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The Joint Approach to Social Policy

1.20. Planning policy developments for Health Social Services and Social Security has to be set in the context of wider social policy questions handled on an inter-Departmental basis. The planning processes described require close consultation on such matters as housing, education, employment and environmental policies. The Report "A Joint Framework for Social Policies" by the Central Policy Review Staff, published in June 1975, considered how better to develop social policies as a coherent whole, to improve the co-ordination of services, to provide better analysis of complex social problems, and to develop collective views on priorities. This has led to a greater involvement of the Department's policy development divisions in the formulation of a joint approach to social policy issues.

ANNEX 1A

DEPARTMENTAL FINANCIAL MANAGEMENT AND CONTROL

DEPARTMENTAL RESPONSIBILITIES

1A.1. The main public expenditure programmes for which the Department is responsible are social security (Great Britain) and health and personal social services (England). In 1976–77 the cost of these programmes is expected to be about £11,500 million and £5,500 million respectively (at 1976 PESC survey prices). The social security programme is financed by National Insurance contributions and moneys voted by Parliament; for the health and personal social services programme the principle sources of finance are moneys voted by Parliament, National Health Service contributions, charges and local rates. A breakdown of expenditure by programme is at Appendix 1AI.

1A.2. The Department is directly responsible for expenditure on cash benefits provided under the social security programme. In the case of health and personal social services, most expenditure falls in the first instance to health authorities and local authorities, and direct expenditure by the Department on this programme amounts to only about £200 million a year. Details of the various Votes controlled by the Department are at Appendix 1AII.

FINANCE ORGANISATION

1A.3. The Permanent Secretary and Second Permanent Secretary are Accounting Officers for Votes covering the HPSS and SS programmes respectively. There is a single Principal Finance Officer (Deputy Secretary) at the head of the Finance Group which comprises three Divisions headed by Under Secretaries (one for Social Security, two for Health and Personal Social Services).

1A.4. One of the HPSS Divisions is concerned with broad financial planning and is responsible for assembling the Department's bids for resources in accordance with procedures established by the Treasury for the annual Public Expenditure Survey (PESC). The main responsibilities of the other HPSS finance Division are for financial control, including the operation of the newly-introduced cash limits, the preparation of Vote Accounts and the statutory NHS accounts, financial procedures and accounting systems and the audit of NHS accounts. It also contains a Branch staffed by professional accountants who provide accountancy services to the Department, including in particular advice on centrally negotiated contracts for NHS supplies and on negotiations with the pharmaceutical industry about drug costs etc. Responsibility for considering the financial implications of policy initiatives or developments over the whole range of services provided by health authorities and local authority social service departments is shared between the two divisions.

1A.5. The third Division covers all aspects of financial planning and control for the social security programme. The emphasis is rather different, however, since social security expenditure is generally determined by the statutory conditions governing the award of benefits, allied to the uprating policy adopted towards them and to long term demographic factors. For this reason social security benefits are not subject to cash limits. As the programme is administered directly by the Department, a considerable part of the work of this Division is concerned with the

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financial aspects of Departmental procedures for the payment of benefits and collection of social security contributions, and with the audit of these activities. This Division also has responsibility for the cash limit on the Department's spending on administration.

Financial Planning

1A.6. Policies and priorities for the HPSS are reviewed annually through the Departmental Planning System and the starting point for this is the decision on overall resources taken in the Public Expenditure Survey. The finance Divisions have the primary responsibility for presenting the Department's plans and forecasts and for advising Ministers on the broad economic and financial issues that arise in the course of this Survey. The Divisions also contribute to the Departmental planning work, notably by developing and rolling forward annually the programme budget, which is a method of costing policies so that priorities can be considered realistically within the financial constraints.

1A.7. The pattern of financial planning for the social security programme is broadly the same as for the health and social services programme and hinges on the determination annually through the PESC system of the total resources available. For existing benefits the governing conditions, rates and the method of review of the rates will have been laid down by statute, but the actual expenditure commitment will depend to a large extent on future demographic and economic factors affecting those benefits. Real improvements in social security benefits and their coverage of the introduction of new ones will depend on the margin of new resources made available. Finance Division is concerned with determining the cost and examining the financial implications of new proposals, studying the effects on other social security benefits, and ensuring that the total social security financial commitment is within the available resources.

FINANCIAL CONTROL

General

1A.8. There are several distinct ways in which financial control may be exercised. In one sense it begins with the careful and timely consideration of the financial implications of policy changes in any aspect of the Department's work eg uprating of cash benefits, the introduction of new benefits or the development of services for particular groups such as the mentally ill, the elderly, alcoholics, etc. Control in a more direct sense is achieved through the compilation of Appropriation Accounts and the statutory NHS accounts, not only in checking the authenticity and accuracy of payments but in identifying and querying possible instances of wasteful expenditure. Each health authority is required to submit accounts annually to the Secretary of State and following the re-organisation of the NHS a revised system has been adopted which enables expenditure to be analysed under functional headings and facilitates the preparation of costing data on a comparative basis. As the new accounting system is developed, the HPSS finance Divisions will be able to extend their monitoring and do more to check that value for money is being achieved.

Health Authorities

1A.9. Responsibility for the statutory audit of health authority accounts rests with one of the HPSS finance Divisions. Health authorities are required to adopt Standing Financial Instructions for the conduct of their financial affairs in accordance with a statutory direction issued by the Secretary of State. The task of reviewing financial control arrangements and systems and the financial aspects of management's use of resources falls on the Departmental auditors. In the course of their visits to hospitals auditors not only check accounts, invoices, stock records, etc but also pay considerable attention to working methods, patterns of administration and work-flows. They are thus able to identify areas of potential misuse and waste of resources.

1A.10. The measure of financial control over expenditure in the HPSS programme has been strengthened this financial year by the imposition of "cash limits" under

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the terms of the White Paper "The Attack on Inflation" (Cmnd 6151). The revenue allocation notified to each health authority at the beginning of the year will be expressed in cash limit terms, that is, at the pay and price levels forecast for that year. The authority will be required to keep its payments within that limit. The NHS capital programme is also subject to a cash limit but during the current financial year this is being controlled directly by the Department. In future years it is proposed to notify capital allocations to each health authority in cash limit terms and to make the authority responsible for keeping within that limit. Expenditure on the family practitioner services, being "demand-determined" (see para 1A.13.), will not, however, be affected.

1A.11. Because of the size and complexity of the NHS budget, it would not be practicable for DHSS to control expenditure in great detail. In any case to attempt to do so would seriously undermine one of the major concepts on which the present structure of the NHS is based, namely, the maximum delegation to Regional and Area Health Authorities of responsibility for providing services in accordance with national policies, objectives and priorities. Broad financial control is exercised by giving RHAs fixed allocations, which they must not exceed but within which they have considerable freedom to manage as they judge best. The essential counterpart to this degree of delegation is a clear line of accountability and an efficient system of monitoring. This is largely assured by the inter-active nature of the NHS planning system, but this must be backed by good financial information and analysis. The introduction of the new accounting system developed by the Department in collaboration with health authorities will be an important element in this.

DHSS health expenditure

1A.12. For those health services provided by DHSS itself, the normal systems of financial control apply. Expenditure on each item is subject to limits imposed by the Vote and detailed accounts are either submitted by the recipient or prepared by finance Division itself. Such activities include management of special hospitals, the centrally arranged purchase of supplies for the NHS, the provision of services for the disabled (including invalid vehicles), welfare foods, centrally controlled research, etc. Where appropriate, cash limits now apply.

Family Practitioner Services

1A.13. Expenditure on the family practitioner services, that is, those provided by general practitioners, dentists, opticians and chemists on a contractural basis, is "demand-determined". Such factors as the discovery and marketing of new drugs, the occurrence of large-scale epidemics and changes in the number of people using the services all make it impossible to set an arbitrary limit to the amount that is to be spent in any one year. The Department does, of course, check that claims from and payments to the contractors are in accordance with their terms and conditions of service. There are also arrangements for monitoring the provision of services to identify possible cases of over-prescribing and the unnecessary use of expensive drugs.

PSS expenditure

1A.14. The Department is in a different position in relation to expenditure on the personal social services provided by local authorities. The Rate Support Grant (for which the Department has no Vote responsibility) is a block grant for all local authority services. Each authority determines for itself the amount to be raised by local rates and the priority to be given to particular services within its total budget. The responsibility of the Secretary of State is to set national policy guidelines within which local needs can be assessed, and to promote effective co-operation between health and local authorities in exercising their respective functions. The position therefore is that the Department takes the initiative in planning for the Personal Social Services in national terms (and secures the necessary PESC allocation) but does not exercise direct control over the related expenditure.

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Social Security expenditure

1A.15. Financial control forms an integral part of the administration of social security benefits. Finance Division is involved in the formulation of policy, the framing of legislation and the preparation of operational plans, including such matters as the financial procedures to be followed in the Department and the appraisal of computer systems. Within the social security organisation Finance Division has responsibility for the internal audit of the financial activities of local social security offices, regional offices and the Central Offices at Newcastle and Blackpool. At the Newcastle and Blackpool Central Offices the audits are associated with the computer-based systems in operation there.

APPENDIX 1A.1

ESTIMATED PUBLIC EXPENDITURE IN 1976–77 ON PROGRAMMES FOR WHICH DHSS IS RESPONSIBLE

(Para 1A.1)

SOCIAL SECURITY (GREAT BRITAIN)

	£m
Pension Benefits—National Insurance	
Retirement pensions	5,730
Invalidity benefit	520
Industrial disablement benefit	170
Widows' pension and industrial death benefit, etc.	450
Pension Benefits—Other	
Old persons' pensions	30
War pensions	290
Attendance allowance and invalid care allowance	130
Non-contributory invalidity pension	50
Mobility allowance	10
Supplementary Benefit	
Supplementary pensions	430
Supplementary allowances	1,020
Family Benefits	
Child benefit	560
Family income supplements	20
Other National Insurance Benefits	
Sickness and injury benefits and maternity allowance	590
Unemployment benefit	820
Widows' allowance and maternity/death grants	90
Administration and miscellaneous services	520

HEALTH AND PERSONAL SOCIAL SERVICES (ENGLAND)

	£m
Hospitals and community health services	
Capital	300
Current	3,190
Family practitioner services	920
Other health services	70
Personal social services	
Capital	60
Current	770
Central and miscellaneous services	130

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APPENDIX 1A.II

VOTE ESTIMATES CONTROLLED BY DHSS 1976–77

(Para 1A.2)

Class and Vote		*Title*	£m
XI	1	HEALTH AND PERSONAL SOCIAL SERVICES, ENGLAND	4,361
XII	1	NATIONAL INSURANCE	1,303
	2	PENSION BENEFITS (NON-CONTRIBUTORY)	501
	3	SUPPLEMENTARY BENEFITS	1,508
	4	FAMILY BENEFITS	558
	5	ADMINISTRATION AND MISCELLANEOUS SERVICES (DEPARTMENT OF HEALTH AND SOCIAL SECURITY)	230

The Accounting Officer for CLASS XI, Vote 1 and Class XII Vote 5 is Sir Patrick Nairne and for CLASS XII, Votes 1 to 4, Sir Lance Errington.

ANNEX 1B

ORGANISATIONAL EFFICIENCY

MANPOWER

General

1B.1. Control of departmental manpower rests with the Director of Establishments and Personnel (Departmental) ("DEO (Dept)"). In practice certain responsibilities are delegated to the Department's 4 main "consumer" units—Headquarters, Newcastle Central Office, North Fylde Central Office and the Regional Directorate. Each unit estimates its manpower requirements and these, following scrutiny by the unit's own manpower branch, are submitted annually to the DEO (Dept). His Division examines, questions and, if necessary, adjusts estimates before they are submitted to the CSD for approval.

Manpower Planning

1B.2. The Department's computerised PAY/PRISM record provides data for manpower planning. Computer techniques have been mainly used for planning for the Administration group including special studies of the needs of HQ and the ADP area. Available information on staff enables the Department to evaluate the effect of alternative recruitment, promotion and retirement policies, for instance recruitment needs from the EO Open Competition.

Manpower Estimates

1B.3. The estimates made are usually arrived at by adjusting existing staff numbers to provide for expected changes. The methods used to determine the appropriate number vary according to the type of work involved. At HQ, and in parts of the other units where work is diversified or mainly considerative, gauging the extent of change is essentially a matter of judgment, based on experience and supported by staff inspection which also reassesses the complementing base line. At Newcastle Central Office "continuous time study" techniques are used and at North Fylde Central Office "continuous work measurement" is applied in those areas handling large volumes of repetitive, quick-turnover work. For local offices on the other hand activity sampling techniques are used and the results set against national workload statistics and forecasts. The estimated change from one year to the next is thus a national figure which is distributed proportionately to the Regions and by them to local offices. When Regions distribute to local offices they take account not only of the volume of workloads but also of special local factors, such as the more difficult content of the Supplementary Benefit caseload in deprived areas, which purely arithmetical calculations will not recognise. The total complement of local

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offices is reviewed quarterly and adjustments are made if the work pattern has varied significantly from the forecast.

Manpower control

1B.4. The consumption of manpower is monitored and controlled by the DEO (Dept) on the basis of monthly returns: he is also responsible for staff inspection which is an important tool for manpower control, for testing work to be done by comparison with estimates and for controlling developments in particular areas of activity.

CASH LIMITS FOR ADMINISTRATIVE EXPENDITURE

1B.5. Responsibility for containing the Department's spending on administration within the cash limit rests with the DEO (Dept). The Department's limit of £481·8 million for 1976–77 has been apportioned to each of the 4 "consumer" units and responsibility for containing spending within the allocated limit has been delegated to the Heads of the units for those expenses which they can influence (eg manpower, telephone costs). Since the beginning of this financial year, they have been provided with a monthly account of spendings under the relevant subheads of the Administration vote. This enables them to review out-turn by comparison with the cash limit and, where appropriate, to take remedial action.

STAFF INSPECTION

General

1B.6. The DEO (Dept) has policy responsibility for the arrangements for the regular staff inspection of all parts of the Department. For the purpose of exercising this responsibility 4 staff inspection units operate.

HQ and central offices

1B.7. The HQ staff inspection unit (2 Principals and 10 SEOs) carries through a planned programme spanning 3–5 years, supplemented by ad hoc assignments arranged usually at the request of the HQ Establishments and Personnel Division. For each assignment, recommendations are considered with line management and a report is submitted to the HQ Establishments and Personnel Division which is responsible for implementation and for consultations with the HQ Staff Side.

1B.8. The HQ unit is also responsible for certain staff inspections at the 2 Central Offices, but staff shortages and other pressures have prevented all but a few special assignments in recent years. It is the Department's intention to strengthen the HQ unit to provide for this need, but both the Central Offices already have a staff inspection capacity to enable them to discharge their complementing responsibilities. Staff Inspection activities at the Central Offices are combined with work survey and work measurement of the large scale and more routine processes. The unit at Newcastle comprises 35 staff and that at Blackpool 17.

1B.9. The result of staff inspection activity during 1975 in the 3 units referred to is shown in the following table. It should be noted that not all recommendations are necessarily agreed with the line managers involved and that the results are not necessarily representative of the staffing situation in the unit as a whole since staff inspection in HQ, for instance, has tended to be used where work fluctuations are known to be taking place.

	Posts examined	*Net effect of recommendations on complement*	*Recommendations as percentage of posts examined*
HQ	1,571½	−101	6·4
Newcastle	561	−35	6·2
Blackpool	1,661	−49	2·9

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Regional Directorate

1B.10. In addition, there are 50 staff inspectors, currently responsible to the Regional Director, operating over the Social Security regional and local offices. Examination of workloads and staffing of individual local offices provides a means of correcting the base line from which the local office complement is calculated, particularly to take account of any special local circumstances (eg, premises difficulties). Until recently the aim was to inspect all local offices in a cycle over a number of years, correcting the individual complements in the process. However, the large number of local offices and the basic similarity of the work within them makes possible the inspection during a year of a statistical sample of offices, the results of which can be taken as representative of all offices. The inspection of a sample of about 100 began this summer.

1B.11. The regional staff inspectors have been operating since 1974. Between July 1974 and the end of March 1976 239 local offices with 26,000 staff were inspected and a net increase of 380 staff (1·5 per cent) was recommended. Staff inspection in local offices has therefore led to recommendations for increases in staff, while elsewhere it has led to reductions. The reasons for this are:

1B.11.1. a decision to inspect first those offices evidently experiencing operational difficulties;

1B.11.2. adjustments of past estimates (eg under-estimates for new work and change); and

1B.11.3. a system of assessing work loads for complementing purposes which gave insufficient weight to factors such as increased complexity, staff inexperience and staff turnover.

Over the last 3 months of the period quoted, however, the staff inspectors' recommendations have involved a smaller increase of just under 1 per cent and the Department expects this trend to continue.

Future development of staff inspection

1B.12. The basis of the Department's organisation for staff inspection is currently under review and the number of Staff Inspectors under the direct control of the DEO (Dept) is expected to be increased in 1977. This is part of the process of keeping in balance the need for the manpower units to have their own capacity to monitor and control their staff requirements and the need for the department to control the allocation and use of manpower resources centrally. The two DEOs (Dept and HQ) have also been considering closer collaboration between the HQ Staff Inspection Unit and Central Management Services Branch. It is intended to commence a joint exercise in a HQ Branch later this year to test the advantages of this type of collaboration. Arrangements already exist, of course, for each Branch to keep the other informed of its programme, activities and relevant findings.

MANAGEMENT SERVICES

General

1B.13. The DEO (Dept) has policy responsibility for management services and his Division includes the HQs Central Management Services (CMS) Branch, headed by an Assistant Secretary. The Central Offices at Blackpool and Newcastle also have small units reporting to their Controllers. CMS Branch is divided into 3 operational groups.

HQ

1B.14. Group 1 (1 Senior Principal, 2 Principals, 6 SEOs and 2 HEOs). Assignments are carried out within HQ at the invitation of client Branches, including the Establishments Divisions. Recent work includes a review of HQ reprographic services which is expected to save £34,000 pa on existing workloads or 14 per cent

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of current annual cost, and an examination, involving local offices, Newcastle Central Office and Finance Divisions, of the systems used for handling cashed girocheques which saved about £70,000 pa. However, in general this group has tended over recent years to concentrate on organisational studies which do not necessarily produce readily quantifiable savings.

NHS

1B.15. Group 2 (1 Senior Principal, 3 Principals, 10 SEOs, 9 EOs and 8 clerical staff). The Branch co-ordinates management services (MS) in the NHS mainly by providing guidance on the organisation and development of MS, through a Management Services Committee, chaired by the Assistant Secretary, CMS (Committee members are NHS Regional MS Officers) and through a Research and Information Service. The Branch also arranges basic and advanced technical training courses for NHS MS staff. A Management Survey technique has been developed which is described in Annex 2D. The Branch also undertakes studies sponsored by the HQ Health Divisions within the NHS both to assist in policy formation and to assist the NHS in its operational role.

Regional Directorate

1B.16. Group 3 (1 Principal, 6 SEOs and 6 HEOs). At the invitation of the Regional Director, the Branch undertakes studies, usually of a problem-solving nature, on social security organisation and procedures. It also provides support for Working Parties of HQ and regional staff and manages and monitors pilot schemes. Some assignments are concerned with increasing efficiency (eg, a review of the procedure for dealing with Supplementary Benefit claimants receiving Family Income Supplement is estimated to produce savings of about £40,000 pa), whilst others are concerned with improvement of staff conditions (eg flexible working hours) or a better service to the public (eg an experiment with procedures for combining payments of Supplementary Benefits and National Insurance Benefits to claimants incapable of work).

Reports are followed up and the final result of an assignment is usually evaluated within 6 months of the issue of report.

OPERATIONAL RESEARCH

1B.17. The Department created an OR unit in 1970 on an experimental basis to determine the extent to which OR techniques might be applied to its activities. The OR Branch is now one of the largest in-house groups in the Service and consists of 32 scientists, under the control of a Chief Scientific Officer who reports to the DEO (HQ). The Branch also makes use of outside consultants, University groups and other units. The main thrust of its work has been on major NHS problems, particularly resource problems. One example has been the exploration of policy options derived from a mathematical model of the balance of care between institutional and community health facilities. The Branch also contributes to the work of multi-disciplinary groups on such matters as resource allocation to NHS authorities, manpower planning and the NHS planning systems. The Branch also helps to foster the use of OR by NHS authorities. OR techniques on social security issues have been developed, and are moving towards the application stage, one example being concerned with the procedures used for reviewing entitlement to benefit.

USE OF OUTSIDE CONSULTANTS

1B.18. The Department has engaged outside consultants for some 75 assignments in the fields of management services, ADP and OR since 1970. Some assignments have been on a large scale, such as the review of the organisation of HQ for HPSS. Others are on a smaller scale, for example, the updating of a system of costing the equipment used in biochemical laboratories. Outside consultants are usually engaged to provide special expertise for particular studies. In conformity with Service practice, CSD approval is necessary in such cases and 3 firms are invited to tender for the contract.

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USE OF COMPUTERS

General

1B.19. The Department makes substantial use of computers and indeed, after the Ministry of Defence, is probably the largest user in Government. There are computer installations at Newcastle-on-Tyne, Fleetwood and Reading and new centres are being set up at Livingston in Scotland and at Washington, Co Durham. The capital costs of existing equipment amounts to more than £15 million and further major expenditure is planned.

1B.20. The normal criterion for the introduction of computer schemes is their cost-effectiveness by comparison with other methods. However, there have been some developments which would have been impracticable without the use of computers. For example computers are used to produce 13-week order books for retirement pensions which replaced yearly books. This reduces the workload at upratings and the time needed to give effect to other changes in pension rates. Use of computers is considered by the Social Security Operations Management Team for potentially suitable new tasks such as the introduction of new benefits and comparative costings are then produced for both computer and non-computer systems.

1B.21. During the 1960s the Department tended to develop large computer installations with equipment dedicated to one particular purpose. However, installations are now being developed as "bureau facilities" with multiple applications in order to maximise the use of the expensive equipment and also to provide effective fall-back arrangements wherever possible against the possibility of equipment failure. Current applications include the maintenance of records for some 40 million Social Security Contribution accounts; payment of Retirement, Widow's and War Pensions; payment of Unemployment Benefit, Mobility, Attendance and Family Allowances; Health Service Superannuation Scheme Records; Statistics for both Health and Social Security; and the Departmental Payroll.

Current developments

1B.22. Substantial modifications to existing systems are currently in hand as a result of recent legislation eg New Pensions and Child Benefits. In addition, considerable effort is being devoted to studying the feasibility of providing computer assistance to local offices for Sickness and Supplementary Benefits work.

1B.23. The developmental phases of new computer centres are managed by the HQ Computers and Research Division. When a new centre becomes fully operational it becomes the responsibility of the Head of the unit concerned, eg the Controller, Newcastle Central Office.

NHS

1B.24. Computers and Research Division also includes Branches concerned with the use of computers in the National Health Service. The functions of these Branches include responsibility for general policy on NHS computing activities in England where the operational responsibility rests with the NHS; liaison with NHS authorities on computing matters; and managing and monitoring a centrally funded computer R & D programme of experimental computer projects concerned mainly with applications in the patient administration, hospital organisation and scientific and clinical fields. One Branch is responsible for providing scientific and technical advice both to the NHS and to the Department.

ANNEX 1C

STAFF RELATIONS AND MANAGEMENT OF STAFF

STAFF RELATIONS

1C.1. In general the Whitley system has worked well within the Department, but the Department has inevitably been affected by the increased militancy of Civil Service unions which has made management more complex and time-consuming.

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The Staff Side's response to growing pressures of work, occasioned by relatively frequent changes in work, eg benefit calculation and a steady increase in overall complexity, particularly on Social Security matters, has caused particular difficulties. Currently the response of Civil Service Unions to the Government's decisions on reducing the growth of Civil Service administration costs is a further source of difficulty.

1C.2. Considerable efforts have been made to maintain and improve staff relations and consultation has been developed at all levels—for the Department as a whole through the Departmental Staff Side, and through separate Staff Sides for HQ, the two Central Offices, Regional and local offices. Nationally, informal consultation between senior management and Staff Side leaders, often of a confidential nature has extended to discussion of policy developments. Policy priorities and objectives, together with their practical implications, are discussed and work programmes are agreed for 12 months ahead or longer where this is feasible. The aim is to secure the fullest possible understanding between staff representatives and management of the implications of policy for the staff and agreement to the operational consequences. Disagreements cannot always be avoided but the Department seeks to take Staff Side views fully into account.

1C.3. The pattern of industrial relationships within the Department, as in society generally, is a quickly changing one. One of the most important current issues is the concept of industrial democracy, together with its application to the conditions of Civil Service employment and its reconciliation with the elective principle. A CSD Working Party drawn from a number of Departments is currently considering the subject and there is a Steering Committee of officials from the CSD and other Departments and the National Staff Side. Within DHSS examples of attempts to develop forms of industrial democracy are the New Model Office experiment and the review of Participative Management (described in more detail in Annex 1D).

Management of Staff

General

1C.4. Of the Department's staff of over 93,000, about one-tenth are engaged on work related to the Department's responsibilities in the health and personal social services fields. The remaining nine-tenths are involved in work connected with social security activities. The staff includes some 1,500 professional and technical officers of more than 30 different disciplines. The great majority of specialist professional staff are engaged on HPSS activities and most work either at HQ or at North Fylde Central Office. Outside these units specialist officers work mostly in the special hospitals, and in the Regional Social Work Services network.

Organisation of Establishment and Personnel Work

1C.5. In accordance with the general policy for management within the Department establishments and personnel work has been decentralised as far as is practicable. At the top, the Deputy Secretary (Administration) is also the Principal Establishment Officer. The DEO (Dept) has responsibility for Departmental policy and common procedures including manpower, personnel, training and central management services but the day-to-day implementation of the agreed policy is the responsibility of Establishment Officers in the 2 Central Offices and the Regions.

1C.6. At HQ, because of the need to service a large number of different professional groups and to adapt the organisation to frequently changing tasks, a second Under Secretary—the DEO (HQ)—is responsible for establishment and personnel matters. A system of personnel officers has been developed: the personnel officer is normally one grade higher than the staff he is responsible for.

The Open Structure

1C.7. There are about 75 administrative and professional posts within the Department at under secretary level and above which form the open structure. Generally speaking, it is the pattern in the Department for each discipline, that is, administra-

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tion or a particular profession, to be organised separately, so that specialist Under-Secretaries head professional Divisions and generalist Under Secretaries administrative Divisions. The organisation of each discipline is such that as far as possible their various Divisions cover the same policy areas. This ensures that staff in the various disciplines work together closely, facilitating the full partnership of professional and administrators in policy making.

1C.8. This method of organisation was deliberately chosen when the H & PSS functions of the Department were reviewed, with the assistance of management consultants, some five years ago. This arrangement was preferred to integrating all disciplines in single subject or programme-oriented Divisions for a number of reasons. These included:—

1C.8.1. The Department needs adequate numbers of professional administrators who are knowledgeable about the services for which it is responsible: and an adequate number of specialist professional staff who must maintain their specialist knowledge. Each must be widely experienced in his own field and, in general, the specialists cannot acquire and maintain sufficient specialist skill and also the experience and skill of the administrator.

1C.8.2. The Department's own health and social work professions need to be seen by their colleagues outside the Department as having discrete Heads who could represent the professions' viewpoint in Government. This is most important for HPSS responsibilities because these services are provided by professional people to individual clients and patients. The professions themselves are independent of Government although the Government is virtually a monopoly employer of some of them. They are therefore particularly sensitive to the need for their professional views to be heard by the Government and for the means by which this can be done to be apparent.

1C.8.3. The Department's experience is that most professional people prefer to stay with the professional work for which they have trained, provided that this gives an adequate career structure. Most good professionals are by no means anxious to take on administrative responsibilities which they recognise require their own specialism.

USE OF INTEGRATED DIVISIONS

1C.9. Nevertheless, it is recognised that in some circumstances integrated Divisions are the best answer, and these are used where it is thought right and when there are suitable people to man them. The number of integrated Divisions has increased since 1972. This year a Senior Principal Medical Officer has been appointed to head the Medicines Division which is made up of administrators, doctors, scientists and pharmacists. Previously an SPMO was appointed to head a mixed medical and scientific team dealing with scientific medicine.

1C.10. Conversely some professional staff are working in Divisions headed by administrative Under Secretaries, doing a variety of work from the purely professional to administration requiring specialist knowledge. Examples are the scientists in Computers and Research Division; the professional accountants who form a branch under an administrative head of finance; various professional and technical staff in Supply Division and the operational research scientists who work to the DEO(HQ).

1C.11. The Building divisions are also organised in separate professions, and a study is nearing completion of whether there would be advantages in changing to a different type of structure.

OPPORTUNITY POSTS AND LATERAL MOVEMENT

1C.12. Below the open structure the Senior Professional Administrative Training Scheme (SPATS) introduced in 1972, provides one means of training specialists in management and administration and of giving them an opportunity to gain

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experience in this type of work. Up to the end of 1975 the Department had nominated 10 officers for the course of whom 4 had been accepted: 2 more have been accepted this year and in addition 4 medical officers are to take part in an experimental arrangement whereby they attend the instructional part of the scheme but do not participate in the practical training (which for others means a 2 year period in an Administration group post).

1C.13. There have been discussions with the Departmental Staff Side concerning the identification of "opportunity posts"—posts for which members of more than one group could be considered. These discussions have also considered procedures for lateral movement between the groups on both a temporary and a permanent basis. The Department is currently awaiting the Staff Side's response to proposals that opportunity posts might be created in a number of work areas, such as Management Services and Staff Training. Under these proposals other posts, particularly in HQ, would be examined on an ad hoc basis as vacancies arose, to consider whether they, too, might be regarded as opportunity posts. These discussions have taken a considerable time, reflecting no doubt the difficult issues they raise for different staff associations. There has, however, been a little movement of staff between the groups. One successful SPATS candidate—a nursing officer—subsequently moved into an Administration group post at Principal level on completion of the course. A technical officer who had completed a 3 year Computing Science bursary is now in the process of transferring to the Administration Group at SEO level for work with computers.

CAREER DEVELOPMENT

1C.14. In October 1975 the Department introduced a structured scheme for the career development of its staff. While seeking to make the career development scheme available to all staff it directs its main efforts to those in their formative years. The scheme includes, inter alia, selective assignments based on interviews on first appointment, training both formal and on the job, transfers to different types of work to widen experience and the use of various forms of staff appraisal. To this end the new form of annual report, slanted more directly to performance on the job, had previously been introduced into the Department.

1C.15. Career interviews are now available on formal basis, at the request of the individual or on the initiative of management. Job Appraisal Reviews (JARs) have replaced the old style interviews and are conducted annually—at present for a limited number of years on appointment or promotion to each grade up to Principal but extension to all grades up to Assistant Secretary, each and every year, is to be considered. All those conducting the reviews (generally speaking the line managers two grades above the person being interviewed) have been trained in the techniques involved.

1C.16. It is, of course, the joint responsibility of line managers and personnel officers to monitor the progress of staff. Additions to line management complement have been made to cover the extra work involved in the new style annual reporting and in conducting JARs. Establishments sections in Regions, Central Offices and HQ have also been strengthened to enable them to take on the extra work involved in the career development scheme. The scheme in general seems to be working smoothly although it is too early yet to attempt any detailed evaluation. Regional Establishment Officers are to discuss the general working of the arrangement at their conference later this year.

ADMINISTRATION TRAINEES/HEO(A)S

General

1C.17. DHSS makes use of the AT scheme in the same way as other large Departments. The Department currently has 60 ATs and 25 HEO(A)s. Since the AT scheme was introduced in 1971 about two thirds of those ATs who have reached the streaming point have been fast-streamed. DHSS is not a typical department

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in that a large proportion, about a third, of its ATs come from internal candidates, that is, EOs already in the Department. This is because the Department has a very large number of EOs and the Civil Service Commission usually allocate successful internal candidates to their existing Departments. The evidence so far is that "internal" ATs do as well as "external" ATs (ie those recruited direct from universities).

AT Training

1C.18. The importance of training is well recognised if ATs are to be properly prepared for their careers, and particularly for the possibility of accelerated promotion which should follow from fast-streaming. The bulk of this training is on the job, and it is vital to ensure that the Principals for whom ATs work at the desk are people who can provide the AT with the best possible practical training. A great deal of care is taken over this.

1C.19. DHSS support the provision of formal training courses by the Civil Service College, and as one of their major clients, the Department has been consulted by the College about how these courses could be improved. It is always difficult to evaluate the effects of training, especially when it is essentially developmental rather than technical, and the opinions of ATs themselves about the courses are not necessarily valid. In the past the Department considered that the College AT courses were basically sound but that there was room for improvement, particularly in the way the material was presented. It is considered that the College has made considerable advances recently. Teaching is now generally of a higher standard and better directed to the practical present and future needs of ATs; and the ATs themselves certainly consider that substantial improvements have been made.

AT/HEO(A)

Experience outside Headquarters

1C.20. In the Department's view it is important that by the time an AT has reached the grade of Principal he should have had some working experience outside HQ. As already noted, about a third of ATs have previously been EOs in DHSS, almost always in social security local offices. In addition to this, arrangements are sought for HEO(A)s to spend a period of six months doing a job of work either in a local office, or in the NHS or a local authority social services department. Such secondments are not always possible (eg because of domestic circumstances) or necessary (eg one HEO(A) had already worked in the Health Service for some years). So far 14 secondments have been arranged—3 to local authorities, 8 to Health Authorities and 3 to local social security offices. It is becoming rare for any HEO(A) to be promoted to Principal without some working experience outside Headquarters.

TRAINING

General

1C.21. Copies of the Department's Report on Staff Training covering the nineteen months from January 1974 to July 1975 have been provided for the Sub-Committee.

1C.22. During the academic year 1975-76, some 647 staff, including clerical support staff, were engaged on staff training in the Department. The total cost of staff training for that year was approximately £11·75 million—the salary costs of staff attending courses accounting for half that figure. The training cost per student day was of the order of £39.

1C.23. Well over 90 per cent of the Department's total training effort is concentrated on what is basically job training. The remainder divides into various forms of "desirable" training such as minute writing, background, and "developmental" training, including chairmanship, public speaking. The training effort for regional staff accounts for 80 per cent of all training.

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Management Training

1C.24. During the 1975–76 academic year some 37,300 days were devoted to management training with a total of some 10,200 course attendances. For new EOs and new HEOs management training is automatic. For EOs training covers 2 weeks, separated by a period of practical experience of up to one year. Four weeks training is provided for new HEOs in the regions, again in two parts separated by a period of practical experience. HEOs in other areas receive 2 weeks management training. Seminars on management of 2–3 days' duration are also provided for SEOs and above.

1C.25. Management training is provided for professional staff nominated by their professional senior management and so far this year 60 professionals have attended departmental management courses. An examination of the training needs of professionals is currently being carried out. Induction training is arranged in the Department but most technical training is provided externally.

1C.26. Nominated officers also attend management courses at the Civil Service College and at certain business schools. Over the last 12 months 81 officers (the bulk HEOs, 3 professionals and the remainder SEOs) have attended College courses and 6 officers (including 2 professionals) have attended courses at business schools.

The Department's Management Training Centre

1C.27. The Department also has its own management training centre at Dormy House, Sunningdale, with a staff of 3 Principals, 13 SEOs and 3 HEOs and with 70 residential places. On the basis of figures for the first 6 months of 1976 these places are, on average, 83·29 per cent occupied (94·16 per cent if 3 holiday weeks, during which no courses were held, are discounted). In 1975 the cost of Dormy House per HEO student day (including student salary costs and the running of the Centre) was £51·74. This figure compared favourably with the £67·27, which was the calculated cost of a similar course run at a hotel. The Department previously used hotels for HQ residential management training before Dormy House was extended in January of this year.

Training needs

1C.28. There is a backlog of almost 650 regional and local office staff awaiting management training and in HQ as many again awaiting training. The need to reduce the backlog of management training is an important priority. In addition, the Department recognises the need for more management training for SEOs and above in particular on industrial relations, communications and training for succession. Clearly, also, there is a need to provide more management training for professional staff. The staff at Dormy House are, however, fully committed meeting existing demands and the current restrictions on manpower prevent increases in staffing.

ADP Training

1C.29. As indicated in paras 1B.19–21 the Department is a large user of computers and more than 850 staff of EO grades and above are engaged on the various aspects of ADP work. Their training raises special needs and the Department itself undertakes introductory and some basic programming training for its staff at the ADP Centres. The Specialised Training Wing of the Civil Service College provides a further source of training and computer manufacturers and commercial training organisations also provide courses which the Department uses on a fee-paying basis. In 1975–76 staff attended about 800 ADP courses of various types. Of these, some 120 were provided by the College and nearly 200 by commercial training organisations.

1C.30. The pattern of ADP training in the Department was agreed with the Departmental Staff Side in 1975 and is based on CSD guidance. An interdepartmental working party has since recommended, however, that the Department should consider extending its internal arrangements for basic programming

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training and the Department has suggested to the Staff Side a joint study to examine this.

**The Civil Service College*

1C.31. The Department sees the College as providing developmental training of a more general kind to complement its own training effort which is essentially job-related. The College can also provide certain technical courses for which there would be insufficient demand within Departments taken separately, for example in the ADP field. In 1974–75 892 officers attended College courses: in 1975–76 this number increased to about 950, mostly SEOs and above.

1C.32. Generally improved liaison arrangements with the College have helped overcome the inevitable teething troubles, such as imprecise course descriptions, insufficient time for nominations and the like. Course content is now usually highly regarded by students and complaints have become relatively infrequent, although certain courses are criticised as being too academic. Management related courses (eg Organisations and Staff Management, Personnel Management) and various forms of technical training (eg O & M, ADP) are regarded as very successful.

INTERCHANGE OF STAFF WITH NHS AND PSS ADMINISTRATIVE STAFF

1C.33. The Department sees the interchange of its own staff on HPSS work and administrative staff in the NHS and PSS fields as one way of providing a better mutual understanding of needs and problems and, in some cases, as providing the specialist background needed for particular roles.

1C.34. Since 1962, 11 Departmental officers have occupied NHS posts and 45 NHS officers have worked in the Department. In addition, as already noted, some HEOAs are seconded to work in the Service. The Department would like to increase the flow of seconded staff in both directions and intends to do so, but this presents some difficulties. These include:—

1C.34.1. the reluctance of many staff to work in a service other than that in which they have chosen to pursue their careers;

1C.34.2. the differences in methods of recruitment and promotion as between the NHS and the Civil Service; and

1C.34.3. the opposition of Staff Sides to the recruitment of "outsiders" to posts which their members would normally occupy.

These difficulties should not however be insuperable and the Department is currently discussing with representatives of health authorities ways of increasing the amount of interchange between the two Services.

RECRUITMENT TO THE ADMINISTRATION GROUP

1C.35. Most clerical staff are recruited locally by the Department on behalf of the Civil Service Commission although some are still taken from competitions run directly by the Commission. At EO and AT level recruits are allocated to the Departments by the Commission. The Department aims to fill about a third of its EO vacancies with Open Competition candidates, the rest coming from promotions. Although recruitment, and indeed general staffing, still present problems in a few areas, notably the inner zones of some of the major cities, recruitment has generally much improved recently as a result of the present economic conditions. The number of well-qualified applicants for advertised posts generally exceed requirements bringing a consequential improvement in the quality of recruits.

WASTAGE AND TURNOVER IN THE ADMINISTRATION GROUP

1C.36. Wastage and turnover rates in the EO and clerical grades have been running at a high level for 10 years or more although there are signs now of an

* College training as applied to ATs is dealt with in para. 1C.19.

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improvement. The following tables show wastage (ie retirements, resignations and other terminations) and turnover (ie wastage plus transfers and promotions) as a percentage of the number of staff in the grade at the beginning of the year and, in addition, show the approximate number of staff represented by the percentage. The percentages in brackets show (for 1974 only) the service-wide turnover and wastage rate excluding DHSS.

	Wastage				Turnover			
	1974		1975		1974		1975	
	%	No.	%	No.	%	No.	%	No.
EO	8 (5)	1,250	7	1,275	13 (10)	2,150	10	1,775
CO	16 (10)	5,675	15	5,450	21 (13)	7,200	18	6,700
CA	18 (11)	1,700	17	2,700	32 (17)	4,700	30	4,850

1C.37. These national figures contain considerable variations in wastage rates between different regions. In general, the more northerly the Region the lower its wastage rates. The figures for 1975 show a slight improvement over 1974 and there are signs that this improvement is continuing. School leavers who have joined the Department in the last year or so are unlikely to resign in large numbers whilst prospects of alternative employment are poor. But improved training, improved personnel and career development arrangements and the introduction of more participative management would also have contributed to the improvement. DHSS wastage rates are, however, higher than in the rest of the Service. One of the reasons for this is the very large number of women employed within DHSS.

The number of women staff in relation to wastage rates

1C.38. Through its local recruitment arrangements DHSS attracts a higher proportion of the successful women candidates, partly because they see the work as having social significance but mainly because the local office network offers a wide choice of accessible locations. This in turn affects the make-up of the Department's staff at EO level because about 60 per cent of the EO intake comes from limited competitions and internal promotions. Thus 60 per cent of the Department's staff are women compared with 40 per cent in the rest of the Service. By grade 38 per cent of the EOs and 69 per cent of the COs in the Department are women compared with 29 per cent and 57 per cent respectively elsewhere.

1C.39. This larger proportion of women staff is reflected in the wastage rate. The voluntary wastage rate (ie, resignations) for CAs, COs and EOs reached its peak, at an annual rate of about 21 per cent, in the third quarter of 1973. Since then it has declined steadily and in the first half of 1976 it has been running at about 8 per cent. However, male resignations have declined much more steeply than those for women:—

Resignations

Males: fell from 3003 in 1973 to 1614 in 1975, a reduction of 46 per cent in number.

Females: fell from 7431 in 1973 to 6304 in 1975, a reduction of 15 per cent in number.

Changed economic circumstances have undoubtedly contributed to the decline in wastage but for women staff the traditional reasons for leaving such as marriage and pregnancy continue to have a more significant effect.

1C.40. Departmental enquiries have been held in the past into the reasons for resignation and the results have generally been in line with those from the wider enquiry made by CSD's Behavioural Sciences Research Division in 1972–73.

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This found that losses were higher for women than men, higher during the first and second years of service and higher in London and some other major conurbations. The reasons given were also similar: dissatisfaction with pay and promotion prospects, lack of job satisfaction and too little use made of ability.

Wastage effects

1C.41. Turnover is now the major factor in determining the recruitment needs for both EO and clerical grades by contrast with 1972 and 1973 when growth in complement was such that in the EO grade (at over 9 per cent) it contributed more heavily to recruitment needs than did wastage: growth is now, however, a a smaller factor (6 per cent in 1975). Both wastage and growth play a part in reducing efficiency—the former by loss of experience, the latter by diluting it. The importance of the effect of wastage upon efficiency is reflected in MIS performance indicators—see Appendix 1.DI. In general the higher the level of wastage (and the lower the experience) the higher the percentage of claims not dealt with in the 4 week period and the higher the rate of error.

RECRUITMENT OF PROFESSIONAL AND TECHNICAL STAFF

1C.42. Most recruitment to the Department's senior professional grades is undertaken through the Civil Service Commission. This is often a lengthy process. The normal interval between the original request to recruit by Open Competition and the boarding of candidates is some 3 months and most officers at this level need to give their current employers 3 months' notice. It can therefore be six months or more from the identification of the need to the arrival of the appointee. The Department itself recruits Youth Treatment Centre staff and junior grades in the professional and technical category. The numbers and quality of staff applying for posts have shown an improvement in the last 12 months: there is an exception in the case of toxicologists, however, who are in very short supply.

WASTAGE AND TURNOVER OF PROFESSIONAL AND TECHNICAL STAFF

1C.43. Wastage generally is running at a manageable level. At Youth Treatment Centres turnover is high by comparison with other groups of professional and technical staff in the Department but the rate is not considered excessive in relation to residential child care work generally.

INEFFICIENCY PROCEDURES

1C.44. The procedures applied by the Department when an officer's performance is not up to the required standard follow general Service practice. An officer will normally be told of his short-comings and helped to remove or abate them; or he may be moved to different duties. If after the procedures have been followed he has still failed to achieve a satisfactory standard, downgrading or dismissal will be necessary. Twelve officers were dismissed during 1975 and five others allowed to resign. In addition the Department dispensed with the services of a further 130 officers who failed to achieve a satisfactory standard during their probationary period. Special procedures provide for premature retirement in cases of impaired efficiency primarily for senior staff.

1C.45. An officer who proves unable to reach a satisfactory standard as a manager will normally be tried on other duties; perhaps on more considerative type work at HQ or a Regional Office. Of course his poor performance as a manager will inevitably affect his prospects for advancement: conversely the effective manager may in due course be awarded by promotion, apart from the satisfaction he derives from doing his job well.

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ANNEX 1D

ORGANISATION AND CONTROL OF SOCIAL SECURITY OPERATIONS

ORGANISATION OF WORK

General

1D.1. There are currently 568 local offices and some 360 "caller" offices which provide points of contact for the public to the Department. The local offices, with their 10 Regional Offices and the Central Offices for Scotland and Wales, employ some 66,000 staff. Social Security operations at the Newcastle and North Fylde Central Offices, and social security work at HQ account for a further 17,500 staff.

1D.2. Most major benefits are administered directly and wholly by local offices. Claims are received, entitlement and the rate payable is determined, and payment is made either by girocheque or by order book. Some benefits are administered by a combination of local office and Central Office activity—for instance retirement pension claims are handled by local offices but continuing payment is computerised at Newcastle. For some benefits local offices act in effect as post offices with claims being received locally but entitlement and payment being handled by one or other of the Central Offices (eg Family Allowances, Attendance Allowance and Family Income Supplement).

1D.3. Local offices are also responsible for questions arising on liability for the payment of social security contributions and compliance with the relevant statutory requirements. This work changed its character fundamentally when stamped cards for the employed population were withdrawn in 1975 and their contributions were collected wholly by the Inland Revenue through the PAYE system. Some contribution work remains for local offices, however, in particular for the self-employed.

Local Office links with Newcastle Central Office

1D.4. All claims to benefits which are subject to a contributions test necessarily involve both local offices and Newcastle Central Office even though the former may have to ensure only that claim forms have been correctly completed and that any necessary evidence has been produced. In most cases, however, the local office needs to know the contribution record of the claimant and obtains this from the central record of the employed population, which is maintained at Newcastle Central Office. This record also provides a safeguard against duplicate claims on the same account by recording where the last claim was made. When a claimant changes address and claims at a different local office, the Central Office can also arrange for the relevant papers to be transferred to the new office.

Volume of claims

1D.5. The scale of activity in local offices is exemplified by the following figures of claims for the major benefits made in 1975:—

Sickness and invalidity benefit	9,600,000
Supplementary Benefit	5,130,000
Retirement Pension	711,000

At the end of 1975 there were about one million people receiving sickness or invalidity benefit for themselves and their dependants, almost 4½ million people dependent on Supplementary Benefit (3 million claimants and their dependants), and over 8 million retirement pensioners.

ACCOUNTABLE AND PARTICIPATIVE MANAGEMENT

General

1D.6. One of the main recommendations of the Fulton Report was that in the interests of efficiency the principles of accountable management should be applied. DHSS has applied this to social security administration, particularly in the regional organisation.

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1D.7. A review, begun in 1970 with the aid of outside management consultants, of the structure and style of management in the regional organisation, resulted in the introduction of a form of participative and accountable management throughout regional and local Social Security offices.

1D.8. The management structure was re-organised so as to provide a clear line of responsibility from local office through to HQ. Managers at all levels are given clear statements (management guides) identifying to whom and for what results they are accountable. Thus local office Managers are accountable to Group Managers, they in turn to Regional Controllers, and Controllers to the Director of the Regional Organisation, who is an Under Secretary in the Administration Group at HQ. This organisation, from the Director through to the local offices, forms the Regional Directorate.

1D.9. Introduction was necessarily phased but is now virtually complete. In Scotland, where the opposition of Staff Side delayed a start until 1975, installation is still in progress and lessons derived from the earlier development of participative management are being applied. The Staff Side has been more involved in the oversight of the installation programme and a more deliberate pace has been adopted, to provide a better understanding through installation in one local office group at a time.

The Participative Management Framework

1D.10. A participative management (PM) cycle has since been developed along with a yearly planning and operational cycle, to influence task management and results. The PM cycle provides for:—

1D.10.1 setting agreed performance standards for particular tasks,

1D.10.2 agreement about those areas which should be accorded priority in improvement plans,

1D.10.3. formal and informal action plans to achieve objectives or influence results, and

1D.10.4 reviews of results (performance reviews); within local offices and regions formal performance reviews take place twice yearly, leading to an annual review for each region between the Controller and the Regional Director.

1D.11. There are two other important elements in the PM framework:—

1D.11.1. A management information system (MIS) forms the basis for regular monitoring of resource utilisation and performance and provides control information on a daily or weekly basis for local offices as well as at longer intervals for regions and HQ.

1D.11.2. Finally, a budget is prepared in manpower terms (see paragraphs 1B.1-4) for the ensuing financial year, which is then the basis for agreeing with each Controller the distribution of complement to regions.

PM in the Central Offices

1D.12. It is perhaps worth noting at this stage that in the Department's Central Offices at North Fylde and Newcastle the results of attempts to introduce management by objectives (MBO), the precursor of PM, have been mixed. At North Fylde, where MBO was introduced in 1970, there has since been some modification of a formal system in favour of other methods of achieving participation and consultation, often using working parties of all grades to consider changes. At Newcastle, efforts to develop MBO ceased when the local Staff Side withdrew its co-operation. Progress with a formal system has not since been possible but there have been moves there towards developing a more collective form of managerial responsibility.

The current position

1D.13. The effects so far of participative management have been to define lines of command and responsibilities more clearly, to improve communications, and

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to develop at all levels much greater consciousness of personal accountability for performance, as well as realism in assessing what performance levels are attainable. It is not possible to measure the direct effect of participative management upon efficiency, but in the Department's view it has undoubtedly assisted the Department to get through some very difficult years when its management resources have been severely tested.

1D.14. In middle and higher management grades within the Regional Directorate the practice of participative management is generally understood and appreciated. It has been much more difficult to get its import similarly understood at more junior levels, partly because of the views of the Union representing them. Recent emphasis has been on consolidating the new style and making it work more effectively. Performance reviews have improved, partly because the MIS has been operating long enough for trends to be identified, and the Director's annual reviews in particular include a thorough-going survey of a region's activity and achievement over the year as well as discussion with most levels of management in the region.

Future Developments

1D.15. The Department has begun a comprehensive review of participative management in the regional organisation, with which the Society of Civil and Public Servants, but not the CPSA, is co-operating.

1D.16. For the future, when authoritative methods seem likely to become more and more unacceptable, the Department looks to the continuing development of accountability and participation to sustain and improve management effectiveness. Perhaps the main challenge now is to convince staff in the junior grades in local offices that participation touches them vitally, and thereby to find ways of tapping the fund of ideas which they possess. To meet it more flexibility may need to be developed in the system so that ideas may flow naturally, and a constructive way will have to be found to overcome union doubts about participation. The review is intended to give a lead on both of these aspects.

THE NEW MODEL OFFICE EXPERIMENT

General

1D.17. An interesting insight into what is possible when staff participation is more fully achieved is given in an experiment running in two local offices, called the New Model Office project. This emerged from a long-range study of Social Security administration mounted in 1973 to identify the requirements of a sound and sensitive administration for the next two decades. Instead of the conventional administrative approach of analysing the problem centrally and deciding on solutions to be issued to local staff, a small project team spent some time in one or two local offices not only learning about problems of staff and public at first hand but also involving the staff themselves in both the diagnosis of the problems and the search for appropriate remedies.

Achievements so far

1D.18. Experience of the project so far has indicated that there is a reservoir of human resources and energy in local offices which could be more fully used. When staff have more freedom of decision in such matters as local organisation, work procedures, service to the public and deployment of staff and are encouraged to formulate and carry through projects for improvements, there is not only a fuller use of human resources but also a release of energy to carry out these tasks. The work in project offices has emphasized the need for policy decisions to be set out as clearly as possible to working groups so that staff can be set the challenge of devising their own means of achieving the results required, instead of being presented with a centrally prescribed set of procedures. To the extent that the Department can develop an organisation which does not demand unnecessary procedural uniformity this project suggests that innovation at local level will be encouraged, the staff will feel more involved in their task and the service will become more sensitive to local and individual needs.

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1D.19. Examples of the ways in which staff in project offices have used initiative to solve their own problems include:—

1D.19.1. Creation of an "information unit" to deal with all general enquiries at the office.

1D.19.2. Reorganisation of work so that officers are not confined to dealing with a single process, but deal with all the work affecting a particular group of beneficiaries.

1D.19.3. Creation of a "round pegs" committee to examine allocation of jobs and subsequent appointment of a personnel officer.

The current position

1D.20. One union is at present opposed to the project and in consequence the means by which the Department can profit from the lessons learnt so far will require careful consideration. With understanding and goodwill on both sides it is hoped that a way forward will be found to safeguard the interests of all concerned. In this connection talks are taking place between CSD and the National Staff Side to examine the possibility of joint control of work of this kind.

COMPLEXITY AND PRESSURE OF WORK

Change

1D.21. The structure of social security benefits is constantly changing. Since 1970 the following new benefits and allowances have been introduced—

1970 Non-contributory Retirement Pension, for people over 80.

1971 Contributory Invalidity Pension for the long-term sick.
Family income supplement
Attendance Allowance
Age-related Widows Pension

1975 Non-contributory Invalidity Pension

1976 Mobility Allowance

In addition there have been many legislative and other changes that have affected social security administration in one way or another.

1D.22. There have been additional tasks such as the issue of butter and beef tokens and the payment of Christmas bonuses. There has also been a considerable increase in the number of discretionary payments in the Supplementary Benefits scheme and the complexity of the criteria governing them, and overlap problems have also introduced complications, eg the Housing Finance Act 1972 introduced rent rebates and allowances and rent is taken into account in Supplementary Benefit assessments. The activities of pressure groups have also caused stresses.

1D.23. Most of these changes have involved both widening the range of knowledge required of staff and altering procedures and this has resulted in a steadily increasing burden of complexity. In 1975, for example, about 10,000 pages of new or revised instructions were issued to local offices.

The effect on staff numbers

1D.24. Such developments, so far as they relate to Supplementary Benefit, have resulted in an increase in the staff of local offices proportionately greater than the increase in the number of claims. Over the period since 1966 the average number of claims for Supplementary Benefit being handled at any one time has risen by 12 per cent whereas the numbers of staff engaged on this work has risen by more than 100 per cent. The reasons for this disproportionate increase are:—

1D.24.1. a considerable increase in discretionary payments, which are disproportionately demanding of staff time. For example, single payments for exceptional needs have increased by 154 per cent (from 372,000 to 945,000) in the same period and the number of claimants receiving a regular weekly

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additional allowance (eg to help with heating or diet costs) has risen by 70 per cent;

1D.24.2. the complexity of the caseload has increased, as the proportion of more complex cases (the unemployed, single-parent families etc), has increased in relation to the straight-forward ones;

1D.24.3. increased pressure from the public and groups with an interest in maximising benefits awarded; and

1D.24.4. more frequent bulk reassessments of the rates of benefit payable, arising both from decisions to increase benefit rates and from the need to reflect rent and rate increases decided by local authorities.

1D.25. On contributory benefits work on the other hand, the rise in the number of staff (some 30 per cent) can more clearly be attributed to the introduction of new benefits: the number of staff engaged on the older established benefits has remained fairly stable, as has the number of claims.

Recognition of difficulties

1D.26. Growing staff unrest because of this general increase in complexity and the pace of change led, in 1974–75, to a joint Official/Staff Side examination of the extent to which existing pay, grading and structure matched the demands of the work. This examination concluded that while, in the main, grading and structures were correct, so much of the work of COs and EOs was in the upper ranges of the duties of the grades that new and slightly higher paid grades should be introduced. Clerical and executive officers who have served 3 years in local offices now receive an additional £100 per annum in recognition of their experience and responsibilities. This represented a significant recognition of the difficulty of the work, and was a distinct move away from the concept of assimilating work in all Departments to standard gradings across the Service.

SIMPLIFICATION EFFORTS

General

1D.27. Against this backcloth the need to achieve maximum simplicity in administration is well recognised. All new work proposals are examined to assess their operational consequences. In the light of advice and representations some proposals are dropped, others are modified, and care is taken to phase in those changes that are introduced in a way that avoids overloading the staff with new procedures.

1D.28. Arrangements for handling existing work are constantly under review; at any one time there are a variety of experiments with organisation and procedures going on within local offices and the bulk of these are concerned with simplification. Substantial improvements have been made over the years, including:—

1D.28.1. a single contribution system through the Inland Revenue for all employed persons;

1D.28.2. an appointments system and girocheque payments by post have been introduced for supplementary benefit claimants calling at local offices. This has allowed a more even spread of work, waiting rooms are less congested and the general atmosphere in offices has improved;

1D.28.3. the periodic checks of pensioners' entitlement to supplementary benefit are now largely carried out by post. This reduces home visiting and is cheaper operationally (though opportunities for promoting claimants' welfare and, in some cases, detecting fraud, are diminished); and

1D.28.4. where there is entitlement to both Retirement Pension and Supplementary Pension, payment is combined in a single book.

Currently there is an experiment in combining Sickness Benefit and Supplementary Allowance in a single payment order for the claimant who qualifies for both.

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1D.29. The need for further simplification has been a main factor in the decision, recently announced by the Secretary of State, to set in hand a comprehensive review of the Supplementary Benefit Scheme.

Staff Suggestions Scheme

1D.30. The search for simplification has been pursued over some years now. The Department's staff suggestions scheme attracts some 2,500 ideas each year, many of which are concerned with simplification. All are examined and worthwhile ideas are pursued. In 1975–76 over 250 suggestions were adopted, attracting cash awards totalling over £8,000. The biggest award was for £600 for a suggestion which eliminated the sending of 50,000 letters a year and saved the Department some £9,000 a year.

Joint Working Party examination

1D.31. To supplement this scheme, in 1973 the Departmental Whitley Council set up a joint working party, chaired by a Deputy Secretary, to examine the scope for simplifying work and procedures. The Working party invited suggestions from both staff and line management. Since it was established the Working Party has dealt with over 2,000 suggestions of great variety. Among the results achieved was the abandonment of a procedure whereby the rents of Supplementary Benefit claimants were met by a combination of the benefit and rent rebate/allowance in favour of one whereby rent is now met entirely through the benefit. This produced a much simpler procedure and a saving of some 130 staff.

The Dilemma

1D.32. There is, however, a basic dilemma in the quest for simplification in the social security field. Major simplification can normally be achieved only by reducing the complexity of qualifying conditions for benefits. But this usually means "generalising" the benefit so that either selectivity is reduced and benefit costs increased or people are cut out of benefit or have their benefits reduced. Political pressures are almost always towards extending entitlements and rights. (This is a dilemma which faces the review of the Supplementary Benefit Scheme referred to above.) But there remains a need to concentrate effort upon seeking a method of operation which is the most efficient and simplest available whilst continuing to ensure that policy development takes full account of operational implications.

MEASURING EFFICIENCY

External Comparisons

1D.33. On the face of it a comparison of the Department's costs with those of a similar external organisation, either at home or abroad, might produce a useful indicator of the Department's relative efficiency. As explained to the Sub-Committee on 26 July experience is, however, that comparisons of this kind are extremely difficult to make because social security systems vary so widely in coverage, organisation and objectives.

Relating administrative to benefit expenditure

1D.34. An alternative approach is to compare the ratios of administrative to benefit expenditure over time. In practice however such comparisons are not reliable indicators of efficiency in the unstable situation the Department has faced over recent years. It can be shown, for example, that over the past five years the Department's own administrative costs as a percentage of total benefit expenditure have moved from 4·2 per cent to 4 per cent with a dip in between; that over the past ten years the salary content of the administrative cost per £ of retirement pension has come down from ·46p to ·40p.

1D.35. But none of these figures however provides any real guide to the Department's efficiency. The ratio between benefit rates and salary rates has not remained constant (retirement pension has increased over the 10 years by about 180 per cent

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as compared with 100 per cent increase in salary costs). The increase in the volume of legislation and in consequence the complexity of the work has already been referred to. There have also been very large fluctuations in the load of work and the increases in discretionary payments to Supplementary Benefit claimants. Moreover such figures give no indication of the adequacy of control over benefit expenditure nor whether payments are made accurately and promptly.

The DHSS Approach

1D.36. In the circumstances, efficiency of performance is best measured by adequate feedback of information about the handling of work, relying on:—

1D.36.1. a complementing system designed to match, as closely as possible, staff resources with workload (achieving such a system has proved to be very difficult and a major source of friction with the Staff Side);

1D.36.2. a management information system (MIS) which provides regular (4 weekly) data on manpower utilisation and on performance in clearance of work and accuracy of benefit payments (performance indicators). This has been in operation nationally since November 1974, and thus only one complete annual cycle (75/76) has been recorded so far; nevertheless a substantial amount of performance data is held;

1D.36.3. backing these systems by surveys and more detailed inspection, undertaken by staff from regional offices of specific areas of work, especially in the supplementary benefits field. In addition the Supplementary Benefits Commission's Inspectorate, a small cadre of experts, undertakes in depth examination of specific aspects of supplementary benefit work, both to ascertain the efficacy of policy in practice and the standard of its execution. Local office work is also examined by audit teams which are independent of line management; management keeps a close watch upon how MIS figures on accuracy compare with audit results.

The Management Information System

1D.37. The information on staffing resources which is provided in the MIS relates complement allocated to actual manpower used, accounting for deductions by way of absence for various reasons and for manpower substitutes such as overtime worked and casual staff deployed. The Department also monitors related aspects such as staff wastage and experience through its computer payroll.

1D.38. The performance indicators provide not just an account of how much work has been done, but also how this relates to agreed performance targets. Performance indicators on throughput cover most of the major work tasks, and there are indicators also for accuracy of payments. (The system allows for agreed additions to meet local and regional needs, which may be only temporary.)

Comparative Performance

1D.39. While the MIS shows the position of an individual office or Region fairly reliably, there are causes for regional variations which make it less secure for comparing regional performance. Two such factors—staff wastage and experience —are referred to in paragraph 1C.41. To these can be added quality of staff and other, more subtle, factors. For example, the complexity of claims varies in different offices (some offices have heavier caseloads of one-parent families or unemployed claimants than others); the degree of understanding by claimants of their entitlements varies from place to place, partly as a result of the activities of pressure groups, which are more noticeable in urban than in rural areas; and accommodation difficulties may add to the problems of particular local offices. (These examples also illustrate the difficulty of judging managerial efficiency purely by the MIS figures.) Nevertheless the system does provide some spur to management on the basis of general comparisons.

1D.40. The Appendix 1DI provides examples of "best" and "worst" regional performance in 1975–76. The quotation marks are deliberate since participative

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managements encourages managers to set performance objectives individually and if performance improves on this basis this in itself is a good result.

1D.41. There have been no giant strides in efficiency in terms of reducing error rates; rather, and for supplementary benefit in particular, the Regional Directorate is just about holding its own. Given the pressures caused by the demands of legislation, growing complexity of work, heavy turnover of staff, and increased awareness and activism amongst the clientele the Department considers this a satisfactory achievement.

Management response

1D.42. If perfomance begins to slip, or pressures build up, it is first for managers and their subordinate managers at the appropriate level to consider the problems and develop their own solutions. It would be exceptional for the Regional Director, for example, to have to consider the performance of an individual office; he would expect the local management team of the office to deal with that, calling on assistance from the Group Manager if necessary.

1D.43. The Regional Director's chief concern is with regional performance, and his monitoring—assisted by 4-weekly analyses of manpower utilisation, work done, and performance—enables him to consider regions individually as well as the national picture and regional variations. While he can intervene whenever necessary, the appropriate time for him to discuss performance with a Controller is at his annual review.

The Development of MIS

1D.44. Continuing work on developing the provision and use of MIS data includes:—

1D.44.1. Relating resource utilisation, productivity, and performance, to each other and so providing a measure for overall effectiveness. This is primarily intended for the Regional Director to assist his monitoring through the year, as well as his performance reviews;

1D.44.2. Developing a system of quality assessment of those aspects of work quality not covered by the accuracy performance indicators, eg the quality of service given to the public at reception points and in dealing with correspondence and telephone enquiries, the standard of investigation of claims to benefit. At present these are covered by the surveys and the other forms of inspection referred to above. But this system of quality assessment will be designed as an integral part of local managerial control, compatible eventually with both the principles of participative management and the management information system.

Summary

1D.45. It would be wrong to give the impression that the Department relies entirely upon formal information systems to motivate managers and to promote and assist efficiency, although the information systems on their own give managers a far better picture than they used to have of the performance of their own commands and clearly indicate where improvement is necessary. There are also two in-depth performance reviews every year between each manager and his senior at which the causes of any poor performance are identified and remedies are suggested. During these reviews the performance of the manager is inevitably assessed and plans made for any training or development which appears to be needed. Regional Controllers and Group Managers also undertake frequent visits to local offices which give them the opportunity to check on and improve the awareness which people have of the contribution they can make to performance of the work.

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PREVENTION AND DETECTION OF ABUSE OF THE SOCIAL SECURITY SYSTEM

1D.46. This is a subject of particular concern. The central dilemma in the Department's procedures to prevent and detect fraud and abuse of the system is to strike an acceptable and effective balance between the interests of genuine claimants, who rightly expect prompt and decent treatment, and the need to frustrate the efforts of those who try to abuse the system.

1D.47. The normal procedures applied in the local and Central Offices incorporate checks and control measures against fraud and, of course, all staff handling claims have a part to play in being vigilant for signs of fraud which may need investigating. The Department has 370 special investigators (compared with 290 in 1973) for this purpose and, in addition, there are about 500 staff in local offices who specialise in fraud work. The number of prosecutions for fraud has doubled over 5 years from 7,700 in 1970 to 15,350 in 1975. One of the consequences of greater success in bringing cases to Court, and especially as the Department is now doing more to uncover organised criminal activity, is that there is then more Press publicity about abuses of the system.

1D.48. Following the report of the Fisher Committee on Abuse of Social Security Benefits, published in March 1973, the HQ Branch concerned with fraud was reorganised so as to enable it better to serve as the focal point for the Department's efforts. In July, Ministers announced an action plan to intensify the Department's efforts against fraud by, for example, deploying fraud specialists more selectively, improving their training, developing and disseminating new anti-fraud measures, making all levels of line-management more aware of the risks of fraud and the need to support their fraud specialists, and, above all, using the knowledge acquired by the discovery of fraud to find better ways of preventing it. Ministers have, however, stressed that the humanitarian constraints mentioned above, arising from the fact that the great majority of claimants are honest people making genuine claims, will continue to apply.

APPENDIX 1D.I

EXAMPLES OF "BEST" AND "WORST" REGIONAL PERFORMANCE IN 1975–76

(para. 1D.40)

	Best†	*Worst*†	*Average Performance*
*Percentage of work processed of work available in 4-week period**			
Claims to			
Sickness benefit	86·4	76·7	81·6
Retirement pension	53·0	44·9	49·0
Supplementary benefit—received by post (80 per cent corresponds roughly to 5 days' clearance time on average 70 percent, 8½ days; 60 per cent, 13½ days; 50 per cent, 20 days)	86·9	72·7	80·4
Other work			
NI contribution files	57·7	44·2	49·9
Supp Ben visits by COs	81·3	56·3	69·0
Supp Ben assessment review	94·2	82·0	88·3
Accuracy of payment *Percentage errors found by check*			
Sickness benefit awards	2·0	3·3	2·8
Supplementary benefit awards‡	7·9	15·3	9·6

* The figures are designed to indicate the average time taken and not whether a backlog of work was building up.

† Not, in each instance, the same Region.

‡ In a sample taken by the Supplementary Benefits Commission's Inspectorate, nearly half of the errors were of relatively insignificant amounts—less than 10p.

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MEMORANDUM 2

THE DEPARTMENT AND THE NHS

INTRODUCTION

2.1. This Memorandum and its four Annexes cover the questions raised by the Sub-Committee at the oral hearing of evidence on 26 July in those general areas of NHS policy and management with which the Department is concerned. Most of the material is given in the Annexes, which are as follows:—

Annex 2A: Organisation and management of the NHS

Annex 2B: Manpower in the NHS

Annex 2C: Planning and resource allocation in the NHS

Annex 2D: Efficiency of health services.

Memorandum 1 (Organisation and Management of the Department) deals with some matters which are also relevant to the issues discussed in this paper, eg Departmental planning and financial control.

PRINCIPAL ISSUES FACING THE DEPARTMENT

2.2. The principal issues facing the Department in relation to the organisation and management of the NHS are, as the Sub-Committee requested, summarised below:—

2.2.1. *Relationships within the NHS structure.* Annex 2A describes the various elements in this structure which was designed to rationalise and integrate the arrangements for providing health care. The structure is still settling into place, but the Department is looking at ways in which the various tiers of the organisation relate to each other, so that roles are clearer and communication and decision-making can be simplified (see paragraph 2A 35).

2.2.2. *The requirements of management in the NHS.* The NHS is the biggest organisation in the country, in terms of money spent and staff employed. The needs of management have become greater (see paragraph 2B 9) while pressures have grown to limit management costs. Containment of management costs is a continuing process (see paragraphs 2B 12–16); but the Department and the NHS are now together monitoring these costs (see paragraph 2A 35).

2.2.3. *Government priorities: how to bring about change.* After full consultation, the Government settles national priorities (see paragraphs 1.10 and 1.16) to be applied to the health and personal social services; this is particularly important when resources are restricted. A planning and monitoring system, coupled with the allocation of resources on objective criteria, has been introduced in order to ensure, so far as possible, that national priorities are effectively applied at local level, taking account of local circumstances (see paragraphs 2C 5-9).

2.2.4. *Delegation and accountability.* The Secretary of State delegates to the Health Authorities the day-to-day management of the NHS (as does the Accounting Officer); yet he and the Accounting Officer remain fully accountable to Parliament. There is a continuing problem of balancing the requirements of accountability with the need to avoid too much detailed intervention (see paragraph 1A 11) and of developing more effective techniques for assessing and encouraging efficiency in day-to-day management (see Annex 2D).

2.2.5. *Criteria for efficency in the provision of health care.* Annex 2D describes techniques for assessing and encouraging the efficiency of day-to-day management. It deals with the problem always facing those who provide health care of how to judge efficiency (see paragraphs 2D 1-3) and this is a high priority in the Department's work. It is at the centre of the task of the Royal Commission on the NHS.

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ARRANGEMENT OF MATERIAL

2.3. A complete Index to Memorandum 2 and the four Annexes is attached. A paragraph numbering system has been adopted so that each number within the evidence is unique. The first number indicates the Memorandum number and a letter following indicates that the paragraph is in an Annex.

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ANNEX 2A

ORGANISATION AND MANAGEMENT OF THE NHS

THE NHS BEFORE REORGANISATION

2A.1. Until April 1974 the health service in England was organised in three separate parts:

2A.1.1. *Hospital and specialist services* managed by hospital authorities responsible to the Minister. England was divided into 14 hospital Regions each with its own Regional Hospital Board. The Hospital Boards were required to set up Hospital Management Committees (about 200 in all) to manage local groups of hospitals. The undergraduate and post-graduate teaching hospitals, however, were managed by their own Boards of Governors which were also directly responsible to the Minister;

2A.1.2. *The family doctor service and the general dental, pharmaceutical and ophthalmic services* provided by independent practitioners in contract to some 130 Executive Councils which were responsible to the Minister for making arrangements for these services within the Council's area; and

2A.1.3. *Local authorities,* 180 in all (reduced in 1965 by London Government reorganisation), which in addition to general responsibilities for public health such as sewage, refuse disposal, port health and food hygiene, had a wide range of specific health responsibilities, including health centres, ambulance services, family planning, vaccination and immunisation, health visiting, home nursing and midwifery. Those local authorities which were education authorities were also responsible for school medical and dental services.

2A.2. The functions of these distinct organisations were often interdependent, if not actually overlapping. For example, for maternity services, the hospital authorities, the local health authority and the family doctor service all had responsibilities for the care of mothers and their babies. And yet the three services were each concerned with different local populations; they were separately financed, separately planned and developed according to different assessments of priorities. There was no single authority responsible for providing the population of a given area with the right combination of comprehensive health services.

BACKGROUND TO REORGANISATION

2A.3. A reorganisation of the health service which would bring all these separate services under one management had been discussed over many years. Green Papers on the reorganisation of the health service in England and Wales were published by the Labour Government in 1968. These were followed by further Green Papers in 1970. Consultative documents for England and Wales appeared in 1971 and finally the Conservative Government published White Papers for England and Wales in August 1972 containing proposals for the organisation of the health service in England which subsequently formed the basis of the National Health Service Reorganisation Act 1973. This reorganisation came into effect on 1 April 1974.

THE CONSTITUTIONAL FRAMEWORK IN ENGLAND SINCE 1974

2A.4. The main feature of the new organisation is the unified control of the health services at three levels—central Department, Regional Health Authority (RHA) and Area Health Authority (AHA). The Secretary of State for Social Services remains accountable to Parliament not only for the broad development of health services in England but also for their detailed functioning. However, differences in the need for health services over the country and in the existing level of provision call for local variety and flexibility in their management, and a degree of local knowledge which a central Government Department could not possess. Responsibility for managing the health services is delegated, therefore, as much as possible to local bodies but in such a way that the Secretary of State remains fully accountable to Parliament for their operation. RHAs and AHAs are accordingly accountable to the Secretary of State for the performance of

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the functions delegated to them and he has powers to direct them on the functions which they may exercise on his behalf and on the manner in which they carry out these functions.

MANAGEMENT ARRANGEMENTS

2A.5. Whilst the formal structure is hierarchial the management arrangements rely on consensus rather than direction even where formally there is a line management structure. This is reflected both in the management team approach, described later, and in the way that the central Department settles national health policies. Such policies are invariably the subject of consultation both with the health authorities and other bodies including those representing the health care professions, and are normally issued as guidance to be interpreted in the light of local needs and circumstances.

Departmental organisation

2A.6. The DHSS has five groups of administrative Divisions whose functions relate to the NHS:—

2A.6.1. The Services Development Group responsible for the development of national policies and priorities;

2A.6.2. The Regional Group responsible for the operation of the health services by health authorities, the arrangements for allocating resources to health authorities, building and supply;

2A.6.3. The NHS Personnel Group responsible for staffing policies and pay and conditions including the operation of family practitioner services and education and training of nurses, midwives and health visitors;

2A.6.4. The Finance Group responsible for the overall administration of financial resources including accounting and control systems;

2A.6.5. The Administration and Support Group including HQ establishment and personnel, statistics, management services, computers and research and liaison with the media.

The staff of the Department includes members of the main professional groups serving in the NHS.

2A.7. The functions of these five groups of Divisions include those related to the NHS, services provided direct to the public and a number of other functions not mainly related to the NHS. (The Memorandum provided to the Sub-Committee on 19 July described the functions and organisation of the Department as a whole.)

REGIONAL HEALTH AUTHORITIES (RHAs) AND AREA HEALTH AUTHORITIES (AHAs)

General

2A.8. The need to develop the closest possible co-ordination between health services and the personal social services provided by local authorities was the basis for the decision that AHAs should be the lowest tier of statutory body administering the unified health service. 90 AHAs were set up corresponding wherever possible to the local authorities—non-metropolitan counties, metropolitan districts and London boroughs or groups of London boroughs—which were responsible for providing personal social services.

2A.9. A regional organisation was, however, required in England because:—

2A.9.1. a central Department could not exercise the level of supervision of 90 AHAs necessary in a service for which the Secretary of State is accountable to Parliament;

2A.9.2. few AHAs are entirely self-sufficient in the health services which they ought ultimately to provide and RHAs are therefore involved in co-ordinating the arrangements for sharing these services with other AHAs in the Region:

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2A.9.3. a good deal of planning (eg of very specialised clinical services) and some executive functions (eg design of major building schemes, running the Blood Transfusion Service and metropolitan ambulance services) are best carried out on a wider basis than an Area.

Fourteen RHAs were established broadly corresponding in area (with some adjustment to new local government boundaries) to the old Regional Hospital Boards.

The composition and functions of RHAs

2A.10. The Chairman and members of an RHA are appointed by the Secretary of State after consultations with a number of organisations including local authorities in the Region, the main health professions and workers' organisations and any university in the Region with a medical or dental school. Members are part-time and are unpaid but receive allowances and expenses; the Chairman receives, in addition, an honorarium. RHAs are, therefore, predominantly lay bodies of between 15 and 19 members with knowledge of the Region concerned who include among their numbers a hospital consultant, a general medical practitioner, a nurse or midwife, at least one person nominated by each appropriate university, a Trades Unionist and members drawn from local authorities.

2A.11. The functions of an RHA include the formulation within national guidelines of Regional strategic plans for the guidance of AHAs, allocation of resources to its AHAs and monitoring the performance of AHAs in achieving agreed plans.

The composition and functions of AHAs

2A.12. AHAs are responsible for planning (within regional and national guidelines) and developing and managing the full range of health services for the communities within their area. In composition they are similar to RHAs although AHAs have more members. The chairman and members also give their services part-time and the Chairman receives an honorarium for his services. The Chairman is appointed by the Secretary of State; a number of members are appointed by the matching local authorities and the remaining members are appointed by the RHA. Before they make these appointments RHAs hold similar consultations to those conducted by the Secretary of State before appointments to RHAs.

Status of Health Authorities and of their staff

2A.13. The Regional and Area Authorities while constitutionally agents of the Secretary of State, are bodies, run by able and experienced men and women who give their time very freely, which have been intended by successive Governments to have a certain independence of view and freedom of action. Acceptance of the concept that the NHS should be managed locally by bodies of this kind in which the main health professions should, as they themselves strongly urged, be represented, carried with it the corollary that they, and not the Secretary of State, should be the employers of the Service Staff, who could not therefore become members of the Civil Service (a status to which their own organisations had no wish to aspire). The staff of Water Authorities and of a considerable number of parastatal bodies have a somewhat comparable status, outside both central and local government services and with terms of service specific to themselves.

Area Health Authorities (Teaching) and Boards of Governors

2A.14. Nineteen AHAs have, additionally, a responsibility to provide the clinical facilities necessary for undergraduate medical and dental education. These Authorities are called Area Health Authorities (Teaching) and have additional members nominated by the university responsible for the medical or dental school. The Boards of Governors (BGs) of twelve London teaching hospitals providing facilities for postgraduate clinical teaching which were established under the National Health Service Act 1946 have been preserved for a limited period. These BGs are directly accountable to the Secretary of State. It is the intention in due course to bring the hospitals still managed by Boards of Governors into the main stream of health service management.

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London Co-ordinating Committee

2A.15. There are special problems about planning services in London, which is divided between four different RHAs and sixteen different AHAs, with one University providing medical and dental education and postgraduate hospitals independently managed by Boards of Governors. The Department has therefore established a London Co-ordinating Committee whose members include officers drawn from all the Authorities concerned with planning the health services and representatives of the medical education interests in London. The Committee is responsible for co-ordinating the provision of health services in Greater London, for ensuring that medical education and service needs are matched and for securing a rational distribution of health service facilities.

Joint Consultative Committees

2A.16. A duty is placed by the NHS Reorganisation Act on all health authorities and all local authorities to co-operate with one another. In order to facilitate their joint working AHAs and their corresponding local authorities are required to set up joint committees, called Joint Consultative Committees, which advise their parent authorities on fulfilling their duty to collaborate and on the planning and operation of services of common concern.

Family Practitioner Committees

2A.17. Each AHA is required to set up a Family Practitioner Committee (FPC) to enter into contracts for services with individual general medical and dental practitioners, ophthalmic medical practitioners, opticians and pharmacists in the area and to administer the arrangements for family practitioner services. In carrying out these functions FPCs are directly accountable to the central Department and, in this respect, are similar to the Executive Councils which existed before April 1974. However, the planning functions, which used to be the separate responsibility of Executive Councils, now rest with the AHAs, although FPCs are closely involved in the planning of primary care services. FPCs have 30 members—half appointed by the professions themselves, 11 appointed by the AHAs (but they need not all be members of the AHA) and the remaining four appointed by the local authorities entitled to appoint members to the AHA.

COMMUNITY REPRESENTATION

2A.18. A feature emphasised in the 1972 White Papers on health service reorganisation was the separation of the management of the health service from representation of its users. The latter function was to be entrusted to Community Health Councils (CHCs). Under the 1973 Act over 200 CHCs have been established at district level. Their role is to represent local community interests in the health service.

2A.19. The present Government do not accept, however, that it is possible or desirable to make a clear cut distinction between the management of public services and representation of the community. Shortly after coming to office they published a consultative document "Democracy in the National Health Service" suggesting ways of strengthening the involvement of the user and also of those who work in the NHS in the management of the service. In furtherance of these proposals the proportion of members of RHAs and AHAs drawn from local government has now been increased to one-third and two places are also being set aside on each authority to be filled by members drawn from those working in the health service in addition to doctors and nurses, who are already represented on all health authorities. This will mean a small increase in the size of authorities.

MANAGEMENT ARRANGEMENTS FOR RHAS AND AHAS

General

2A.20. Before the health service was reorganised in 1974 a study was made of the detailed arrangements for the management of the health service within the framework which has been described in previous paragraphs. Most of the findings

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of this study which were published in "Management Arrangements for the Reorganised National Health Service" have been put into effect.

Districts

2A.21. The size of AHAs was determined by the boundaries of the matching local authorities. But in many cases, particularly outside the big urban complexes, this made the extent and population of AHAs too large for effective local planning and organisation of health care. It was decided to base the management of the health service in England on health "districts" which fall within a population range of 200,000–500,000 and the larger AHAs have therefore been divided into districts. Fifty-six out of the 90 AHAs are so divided. Most have two or three districts but some have as many as six.

Team management

2A.22. Because of the complex inter-relationship of disciplines in the health service, it was not considered appropriate to organise management in Regions, Areas or Districts in a single hierarchy with a chief executive at the top. Instead the management study started from the concept of a senior management team of equals within health authorities. Although this approach may make for slower decision taking than would be possible under a single head, and can impose considerable strains on members of the team in working as a unit, it is generally held within the NHS that any other approach would reduce the acceptability of the decisions taken to those affected.

The Regional Team of Officers

2A.23. RHAs appoint a senior management team, known as the Regional Team of Officers (RTO). This team comprises the Regional Administrator, Regional Medical Officer, Regional Nursing Officer, Regional Treasurer and Regional Works Officer. The team is jointly accountable to the RHA for advising the authority and carrying out on its behalf those of its responsibilities which require the co-ordination of a number of health service professions. This joint accountability means that members of the team must arrive at decisions by consensus. But each member of the team is individually accountable to the authority for the management of staff and for the performance of specific functions in his or her own professional field. A number of other officers who are individually accountable to the authority also attend meetings where appropriate and receive papers.

The Area Team of Officers and the District Management Team

2A.24. Similarly AHAs appoint an Area Team of Officers (ATO) and, where the Area is divided into districts, they appoint a District Management Team (DMT) for each district. Where there is only one district in an Area the officers of the ATO together with two representative clinicians carry out the functions of a DMT, being then called an Area Management Team.

2A.25. The ATO comprises the Area Administrator, Area Medical Officer, Area Nursing Officer and Area Treasurer. The DMT is made up of the District Administrator, District Community Physician, District Nursing Officer and District Finance Officer. These district officers are joined by a hospital consultant and a general medical practitioner selected by the District Medical Committee, which represents the medical profession in the locality, to complete the team. Both the ATO and DMTs are directly accountable to the AHA for their joint responsibilities in a way similar to the accountability of the RTO to the RHA; and each officer member of the team is individually accountable direct to the authority for the performance of certain specific functions in his or her own professional field.

Relationship of members and officers of Health Authorities

2A.26. RHAs and AHAs delegate executive responsibility for carrying out their decisions to their officer teams. The members themselves are expected to devote

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their limited time to the key policy, planning and resource allocation decisions, with advice from their officers. Having delegated executive functions, authorities are expected to control the performance of their officers.

2A.27. The RHAs control and are accountable for the performance of AHAs in their Regions. In this they are advised by the RTO who monitor and co-ordinate but do not manage the ATOs in the Region. Similarly the AHA in controlling the performance of DMTs have advice from the ATO but the Area Officers are not the managers of their counterparts in the DMT.

COMMUNITY PHYSICIANS

2A.28. The medical speciality of community medicine had developed within the field of medical administration under the former hospital and local health authorities. Community physicians are concerned with the medical aspects of delivering health care to whole populations or to defined groups and hence with identifying health needs and the organisation of services to meet them. They need to combine a broad knowledge of medicine, social services and the organisation of health services with specialist training in epidemiology. Suitable training programmes have been set up for new entrants to the speciality.

CLINICIANS IN MANAGEMENT AND PROFESSIONAL ADVISORY MACHINERY

2A.29. In the reorganisation of the service great importance was attached to involving clinicians in management. The hospital consultant and a general medical practitioner on each DMT are selected by the District Medical Committee (DMC) as described in paragraph 2A.25. In some districts the hospital doctors on the DMC are appointed by local hospital medical committees organised on the lines recommended by joint working parties with Departmental and professional membership (in the "Cogwheel" Reports). These committees have a significant influence on the management of their hospitals. In addition each Region and Area has statutory advisory committees representing the medical, dental, nursing, pharmaceutical and ophthalmic professions.

DELEGATION OF RESPONSIBILITY AND PLANNING ARRANGEMENTS

2A.30. The aim of the management organisation is to delegate, where districts exist, to DMTs and within districts themselves as much responsibility as possible for the planning and management of all services except for the minority more efficiently managed in larger units than districts.

2A.31. An important part of the process of delegation is the planning system introduced this year. Annex 2C describes the planning system in more detail.

EFFECTIVENESS OF THE REORGANISED STRUCTURE

2A.32. Criticism has been expressed of—

2A.32.1. the scope for consumers' views to be heard (see paragraph 2A.19);

2A.32.2. arrangements for collaboration with Local Authorities in planning and provision of services (see Annex 2C); and

2A.32.3. the roles and relationships of the various tiers.

2A.33. There has been a substantial amount of criticism on the third of these issues, both among those who work in the Service and among those who have had experience of its operation, and a number of suggestions for structural and functional change have been made. The District concept has been generally well received, but questions have been raised about the need for a Regional tier, and less frequently, the Area tier; and about the relationship between Regions and the Department, and between the Regions and the Areas; the definition of Area and Regional boundaries, and the relationship between ATOs and DMTs in multi-District Areas.

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2A.34. The then Minister of State (Dr Owen) addressing the Institute of Health Service Administrators in June 1976, reiterated the Government's view, expressed to Parliament in October 1975 by the then Secretary of State, that it would be irresponsible to change the structure given to the NHS in 1974. He said

> "All change is painful and expensive; the Health Service is still in the process of settling down after the 1974 reorganisation. There must not be another major reorganisation with all the disruption and difficulties [that go with it]".

2A.35. In the longer term the Royal Commission on the NHS may be able to suggest how improvements to the system of management might evolve. For the short term, Ministers have concentrated on developments within the existing framework. Mention should be made of two initiatives:—

2A.35.1. *The Review of Management Costs.* The then Secretary of State wrote to Health Authority Chairmen in September 1975 inviting them to review the costs of administering the service. This review is in two stages. The first is a standstill for each Health Authority in its management costs during the current financial year. In the second stage each Health Authority will review its management organisation and staffing, and draw up plans for achieving restraint during the period of 1977–79, including examination of the options for a 5 per cent or 10 per cent reduction. The guidelines for the review were sufficiently broad to allow individual Health Authorities scope to determine for themselves how to achieve economies in the cost of managing services.

2A.35.2. *Review of Functions.* The Review of Management Costs complements separate reviews of the Department and of RHAs. The review of the Department stems from an invitation to RHA Chairmen to consider and comment on the relationship of the RHAs with the Department. RHA Chairmen have also invited the AHAs in their Regions to consider and comment on relationships between RHAs and AHAs. The Report on the Department by RHA Chairmen has been published and joint studies have been initiated by the Department and by Chairmen and Officers from RHAs to advise the Secretary of State on the merits and practicability of the proposals which have been made, and on the specific action required to implement those proposals which are accepted.

ANNEX 2B

MANPOWER IN THE NHS

STATISTICS

2B.1. Appendix 2BI gives the figures of NHS manpower for each of the five years to September 1975 and indicates how the relative proportions of the main staff groups have changed. Appendix 2BII and the associated Appendix 2BIII indicate the growth rates for each main staff group in *hospitals* (which in September 1975 together comprised about 75 per cent of the total NHS workforce) since 1949. It is not possible to disaggregate the figures for England and Wales prior to 1971 and that year is accordingly taken as the base year for the growth indices in Appendix 2BIV. The resultant indices highlight the relative changes over the past five years. A breakdown of Administrative and Clerical (A & C) staff over the three years 1973–75 is in Appendix 2BV.

2B.2. During the period immediately following reorganisation, it proved extremely difficult to obtain comprehensive and up-to-date information about numbers and types of staff in post in the NHS. The figures for 1974 presented exceptional difficulties for the new health authorities, coming at a time before the staff were settled into their new responsibilities, and the accuracy of these figures is open to question. The 1975 figures, however, although not yet finalised are believed to be reasonably accurate.

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2B.3. The Memorandum submitted to the Sub-Committee on 22 July dealt with the control of NHS manpower in general and covered most of the main groups eg doctors, dentists, pharmacists, nurses, ancillary staff, etc. This Annex concentrates on A & C staff in view of the information the Sub-Committee requested and the interest expressed at the oral evidence on 26 July.

THE FUNCTIONS OF A & C STAFF

2B.4. The term " administrative and clerical " may give a false impression of the work done by this group of staff. Their tasks include not only such work as high-level management, the payment of salaries and wages and clerical and secretarial support to professionals of all kinds. They also include work which demands specialised techniques such as O & M, work study, computing, the organisation of supplies and the commissioning of hospitals. Furthermore some A & C staff have work of an operational character, for example, the management of catering, domestic, laundry and supply services, and hostel wardenship.

GROWTH OF A & C STAFF PRIOR TO REORGANISATION

2B.5. Between 1948 and NHS reorganisation in 1974 there was some tendency for work to be transferred to A & C staff from other grades. For instance, the outcome of the recommendations of the Hall Report (1958) was the delegation of functions from medical to administrative staff; the provision of more supervisory staff; and the development of training schemes for A & C staff. In 1968, an advisory committee report led to the recruitment of clerical and ancillary staff to relieve nurses of non-nursing duties. Despite this the increase in A & C staff was broadly in line with the increase in other groups.

EFFECTS OF REORGANISATION

2B.6. As part of the reorgansation in 1974 certain work was moved from the local health authorities to the new NHS authorities. Staff were transferred with the work, but not all staff engaged in local authorities on NHS work were transferred. There were many people engaged in local authority departments which covered a range of services, including some for the NHS, who were not transferred. They included pay-roll staff and computer staff. When the work was transferred without them new NHS staff had to be recruited to do it. It is consequently difficult to make meaningful comparisons between the pre and post reorganisation position. The increases in all A & C staff were, however, approximately 7 per cent in 1974 and 10 per cent in 1975.

2B.7. Part of this increase is directly attributable to reorganisation:

2B.7.1. A considerable number of A & C staff—the Department estimates more than 1,000—had to be progressively recruited to the new Health Authorities to undertake work of the kind referred to in the previous paragraph ie work transferred without staff from local authorities.

2B.7.2. The new Community Health Councils needed to be serviced by A & C staff. This is estimated at 300-400 staff.

2B.7.3. The increased management responsibilities of the new Health Authorities, associated with unification of the three parts of the Service, participation of the main health professions in consensus management and better management of the enlarged NHS, caused a disproportionate burden for A & C staff. Improved management was a prime aim of reorganisation.

OTHER REASONS FOR GROWTH

2B.8. Besides the growth which was a direct consequence of reorganisation there were increased requirements for A & C staff arising from:

2B.8.1. *Growth in demand.* The growth in demand is not only for more and better services, but also for better conditions in which services are provided. This growth as exceptionally affected A & C staff in several ways, for example, in the improvement in catering and domestic services, in better reception,

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appointment and recalling facilities, in pricing prescriptions and in processing dental estimates. In the last ten years there has been a 24 per cent increase in the pricing and prescriptions and a 53 per cent increase in the processing of dental estimates (the corresponding increase in the Prescription Pricing Authority and the Dental Estimates Board over this period was 18 per cent and 17 per cent respectively).

2B.8.2. *Improvements in technology.* The growth of technological elements in diagnosis and treatment affects A & C staff primarily in the field of computing. The effect so far has not been large but is growing. Other improvements in technology and medical knowledge may not affect the A & C staff directly, but the consequential growing fragmentation of the medical and associated professions has done so. A consultant's actions are a major factor in influencing the deployment of money and manpower (nurses, ancillary and administrative staff). A & C staff are in a greater-than-one-to-one ratio to consultants: the ratio is currently approximately 5.75:1. The growth in the numbers of medical staff has been exceeded by the numbers of other staff and this excess has been disproportionately greater on the introduction of specialities into existing services. The trend has been accentuated by the growing demand by doctors for extra personal support services (in particular, medical secretaries, but also appointment clerk/receptionists) that give the NHS better value from highly-paid professional staff time. Increased clerical support has also been needed for nurses and for the "Cogwheel" system of medical administration.

2B.8.3. *Industrial relations.* The development of industrial relations, and the growth of legislation in that field, directly affects the numbers of A & C staff, on whom fall the responsibility for administering new legislation including the Trade Union and Labour Relations, Employment Protection and Health and Safety at Work Acts, and the race and sex equality measures.

DEVELOPMENT OF MANAGEMENT

2B.9. The main increased pressure on A & C staff has, however, been the consequence of attempts to improve by better management the efficiency of the service, particularly in the following areas:

2B.9.1. *Financial Control.* The need to improve financial control has led to constantly growing demands for cost and financial information. There have been changes in financial work, extra emphasis placed on budgetary control, new costing systems and the setting up of arrangements for internal audit. The increase in finance staff as a result of reorganisation has probably been greater proportionately than for the rest of the A & C group—certainly finance was given a greater increase in senior posts.

2B.9.2. *Use of Computers.* Computers have been introduced in the last 15 years and are used on a variety of statistical matters, for salaries and wages, stores, accounting and other routine matters, as well as on research projects. There has also been the development of a nationally-standardised computerised payroll and accounts system from which in due course more national and local manpower information will be derived. All this has fallen to A & C staff. For example, the number of computer staff rose by 230 between 1972 and 1974 alone. This was a period when the pace of computing developments quickened, as regional authorities moved into a new generation of computers and put special effort into standardisation.

2B.9.3. *Management Services.* Operational research (OR) techniques have been introduced in a number of regions as well as the basic O & M capability first introduced in 1954. Internal management consultancy services have been developed. Thus by the end of 1973 there were 250 staff engaged on OR and O & M alone. Incentive bonus schemes for ancillary staff have been introduced over the last 10 years. This entailed the build-up of a force of some 500 work-study officers and the employment of extra A & C staff on the clerical work involved in maintaining the schemes. The costs of the work-study and of the

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clerks to run the schemes have been met in general from savings The consequential reduction in growth rate of ancillary staff compared with growth of other groups has been appreciable and the number of ancillaries saved has greatly exceeded the additional A & C staff required. All these management services are manned by staff in the A & C group

2B.9.4. *Planning.* NHS authorities have for many years sought to improve their planning of the allocation and deployment of resources ; to control capital developments more skilfully and to streamline the complex process of commissioning new hospitals. Much of this has been the responsibility of A & C staff. On hospital building there was little planning work until the 1960s, when the first major plans for rebuilding and updating the hospital stock were produced and the building of new hospitals began. Regional Hospital boards expanded their departments considerably to handle this new work and a considerable contribution was made by A & C staff. The expansion of the Department's own activity, especially in planning the development of health services, in the deployment of resources and in monitoring both, has also increased the load on the administrative staff of the NHS. This is typified by the planning cycle and by the ever-growing need for statistical and financial information. At the local level, at the inception of the NHS, hospitals were working in a relatively unco-ordinated way and the planning function has since grown continuously.

2B.9.5. *The personnel function.* Before reorganisation the personnel function was already being developed by the introduction of senior posts in the Regional Hospital Boards, in the major teaching groups and in large Hospital Management Committees. Increasing complexity of legislation in the personnel field and deterioration in industrial relations made this necessary. Greater emphasis was also being placed on manpower planning and training in the NHS. Before reorganisation some 200 posts had been established at the Principal Administrative level and above. Since reorganisation there has been a further increase in the personnel function and the numbers engaged on it are now estimated at some 500. The work has expanded particularly in the fields of establishments, training and—especially—staff consultation. This reflects both the narrower needs of efficient use of manpower and the trend towards staff participation.

2B.9.6. *Complexity of work.* There has also been an increase in the complexity of the work undertaken by A & C staff. For example, salary agreements have become more frequent than in the early days of the NHS and are themselves more complicated ; prescription charges (with exemptions) have been introduced: and payment of family practitioners became more complicated with the introduction of the " Doctors Charter ".

CONTROL OF STAFF GROWTH PRIOR TO REORGANISATION

2B.10. In its earlier memorandum the Department gave the Committee information about the control exercised over the numbers of certain groups of staff, particularly medical appointments. The following paragraphs deal in more detail with A & C staff.

2B.11. Prior to reorganisation authority to establish senior posts was centrally controlled, with control of other costs delegated to employing Authorities on the following basis:—

	Salary Maximum (1 *July 75 rates*)	
(*a*) up to Higher (HCO)	Clerical £2,691	Hospital Management Committees (HMCs)
	Salary Maximum (1 *July 75 rates*)	
(*b*) up to Senior £4,344 (SAA)	Administrative	Regional Hospital Boards (RHBs) and Boards of Governors (BGs)
(*c*) above Senior £12,720 (SAA)	Administrative	Department or " designation " by the Whitley Council (salaries were negotiated for particular posts, eg Area Supplies Officer)

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Applications for posts under (*c*) were individually scrutinised by Departmental Staffing Advisers who took account of the situation prevailing elsewhere in the country. Executive Council (EC) manpower was similarly controlled and ECs had the same delegated authority as HMCs. There was no central mechanism for controlling A & C complements, but employing authorities had been instructed to set up satisfactory systems of establishment control.

CONTROL ON REORGANISATION

2B.12. On reorganisation, some 600 former hospital, EC and local health authorities were replaced by 104 Regional and Area Health Authorities with new patterns of organisation and wider functions. Because of the great changes at reorganisation it was difficult to lay down general rules. It was also one of the aims of reorganisation to give added responsibilities to the new authorities. It was at first envisaged that:—

2B.12.1. Only the most senior posts should be " designated " ie should have their grading fixed by the Whitley Council.

2B.12.2. The remaining 20 or so senior and middle rank administrative grades should be reduced to 7 broad-banded grades, two of which would be limited to RHAs, and that in respect of these grades AHAs should be empowered to authorise posts up to SAA grade: RHAs should be empowered to authorise posts up to Principal Administrative (PAA) level and the Department should control the higher posts.

2B.13. These principles were reflected in Whitley agreements, and in the Reorganisation Circulars on the Administrative and Financial Management structures. However, when the first management proposals from the new authorities were submitted in May 1974, many of them involved very substantial increases in manpower and different authorities had adopted different approaches to the complementing and grading of management posts. Various proposals to deal with this situation were considered. Whatever solution was adopted had to enable authorities to establish key posts and place transferred (" latched on ") officers in substantive posts as quickly as possible, and this could not be achieved unless there was a considerable measure of discretion locally. The blend of central control and local discretion was achieved by modifying the arrangements to the extent that a " quota " of posts at PAA level (salary maximum £4,983) and above was allocated to each RHA on the basis of weighted population, and RHAs were empowered to allocate this quota to Areas provided a certain ratio between the senior grades was retained. Thus in return for working within a quota and giving up the ability to estabish PAA posts, authorities gained a substantial measure of freedom to deploy certain higher posts which would otherwise have been subject to Departmental control.

2B.14. The initial estimate by authorities of the " establishment " of senior A & C. posts at the Appointed Day was 4,059. Following more detailed examination of schemes of management these estimates were increased, eventually to 5,886. After detailed scrutiny in the Department a figure of 5,077 was approved, followed by a further 253 approved in June 1975.

CONTROL—SUBSEQUENT AND CURRENT DEVELOPMENTS

2B.15. After the initial post-reorganisation arrangements had been made, the Secretary of State wrote, in September 1975, to all RHA and AHA Chairmen asking them to review the costs of administration as part of a total examination of all expenditure. As a result, the Chairmen collectively agreed to impose a standstill in the full year cost of managerial staff in all disciplines (but largely A & C) on the pay roll as at 31 March 1976. This standstill is now in force and is being monitored quarterly. It is being accompanied by a review by each Health Authority of its management organisation and staffing during the summer, leading to a report from RHA Chairmen to the Secretary of State by October describing the scope for change and restraint during the years 1977 to 1979.

2B.16. In addition, a joint study involving representatives of the Department and of each RHA was begun in March 1976 which will produce guidelines on the most economical use of A & C staff based on analysis of comparative staffing and grading structures within and between health authorities.

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APPENDIX 2BI

NATIONAL HEALTH SERVICE MANPOWER SUMMARY ENGLAND: 30 SEPTEMBER

(Para 2B.1)

Category of manpower	1971		1972		1973		1974		1975*	
	wte	Per cent	wte	Per cent	wte	Per cent	wte	Per cent	wte	Per cent
TOTAL NHS MANPOWER	678,698	100·0	704,792	100·0	714,006	100·0	726,246	100·0	772,720	100·0
DOCTORS										
Total staff and practitioners	46,694	6·9	48,254	6·8	49,898	7·0	50,825	7·0	52,471	6·8
Hospital medical staff	22,548		23,675		24,829		25,618		26,922	
Community, school health, locum and other medical staff	3,549		3,550		3,711		3,676		3,772	
General medical practitioners†	20,597		21,029		21,358		21,531		21,777	
DENTISTS										
Total staff and practitioners	12,668	1·9	12,946	1·8	13,122	1·8	13,238	1·8	13,544	1·8
Hospital dental staff	712		739		742		789		838	
Community, school health, and locum staff	1,429		1,457		1,494		1,351		1,485	
General dental practitioners†	10,527		10,750		10,886		11,023		11,206	
OTHER PRACTITIONERS†										
Opticians and ophthalmic medical practitioners in the General Ophthalmic Services, pharmacists in the General Pharmaceutical Services	19,631	2·9	19,592	2·8	19,588	2·7	19,458	2·7	19,400	2·5
NURSES AND MIDWIVES										
Total staff	285,182	42·0	302,908	43·0	308,204	43·2	314,059	43·2	339,601	43·9
Hospital, nurses and midwives	247,008		263,308		266,991		272,235		296,716	
Community, school health, agency and other staff	38,174		39,600		41,213		41,824		42,885	
PROFESSIONAL AND TECHNICAL STAFF‡										
Total staff	37,970	5·6	40,091	5·7	41,986	5·9	43,648	6·0	46,788	6·1
Hospital professional and technical staff	32,533		34,283		35,906		37,390		..	
Community, school health, and other professional and technical staff	5,437		5,808		6,080		6,258		..	
ANCILLARIES AND OTHERS‡										
Total staff	169,963	25·0	169,994	24·1	165,862	23·2	163,429	22·5	167,696	21·7
Hospital ancillary staff	164,558		163,881		161,289		158,971		..	
Community and other ancillary staff	5,405		6,113		4,573		4,458		..	
AMBULANCE SERVICE STAFF	16,356	2·4	16,737	2·4	17,012	2·4	17,053	2·4	17,981	2·3
ADMINISTRATIVE AND CLERICAL STAFF‡										
Total staff	68,420	10·1	72,199	10·2	76,562	10·7	82,223	11·3	91,110	11·8
Hospital administrative and clerical staff	45,091		47,960		51,632		56,447		..	
Community and other administrative and clerical staff	23,329		24,239		24,930		25,776		..	
WORKS AND MAINTENANCE STAFF	21,814	3·2	22,071	3·1	21,772	3·1	22,315	3·1	24,119	3·1

* Figures, except for doctors and dentists, are provisional.
† Numbers of practitioners are shown.
‡ It is not possible to show figures for the hospital service only for 1975 (but see Appendix 2BIV).

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APPENDIX 2BII

GROWTH TRENDS FOR NHS HOSPITAL MANPOWER 1949–1975*, †
(Para 2B.1)

wholetime equivalent

Category of Manpower	England and Wales										England				
	1949	1959	1964	1965	1966	1967	1968	1969	1970	1971	1971	1972	1973	1974	1975
Total of categories below	303,578	397,918	455,480	469,144	486,945	501,708	504,687	513,490	525,151	545,355	512,450	533,846	541,389	551,450	..‡
Hospital Medical Staff	11,735	16,033	18,346	18,905	19,541	20,395	21,232	22,001	22,585	23,426	22,548	23,675	24,829	25,618	26,922
Hospital Dental Staff	206	444	582	578	601	662	695	723	714	747	712	739	742	789	838
Hospital Nurses and Midwives (excluding Agency Staff) ...	135,000‖	181,000‖	212,365	222,397	231,542	239,323	241,294	245,889	252,837	263,452	247 008	263,308	266,991	272,235	296,716§
Hospital Professional and Technical Staff	12,840	20,171	24,383	25,712	27,020	28,390	29,287	30,669	32,468	34,618	32,533	34,283	35,906	37,390	..‡
Hospital Ancillary Staff	120,000‖	150,000‖	164,000‖	164,000‖	168,945	172,448	170,800	170,880	171,230	175,422	164,558	163,881	161,289	158,971	..‡
Hospital Administrative and Clerical Staff	23,797	30,270	35,804	37,552	39,296	40,490	41,379	43,328	45,317	47,690	45,091	47,960	51,632	56,447	..‡

Notes:

* Only those categories of hospital staff for which information is available for the whole period are included.
† Information is not available for England only prior to 1971.
‡ It is not possible to show figures for the hospital service only for 1975 (but see Appendix 2BIV).
§ Provisional.
‖ Estimates.

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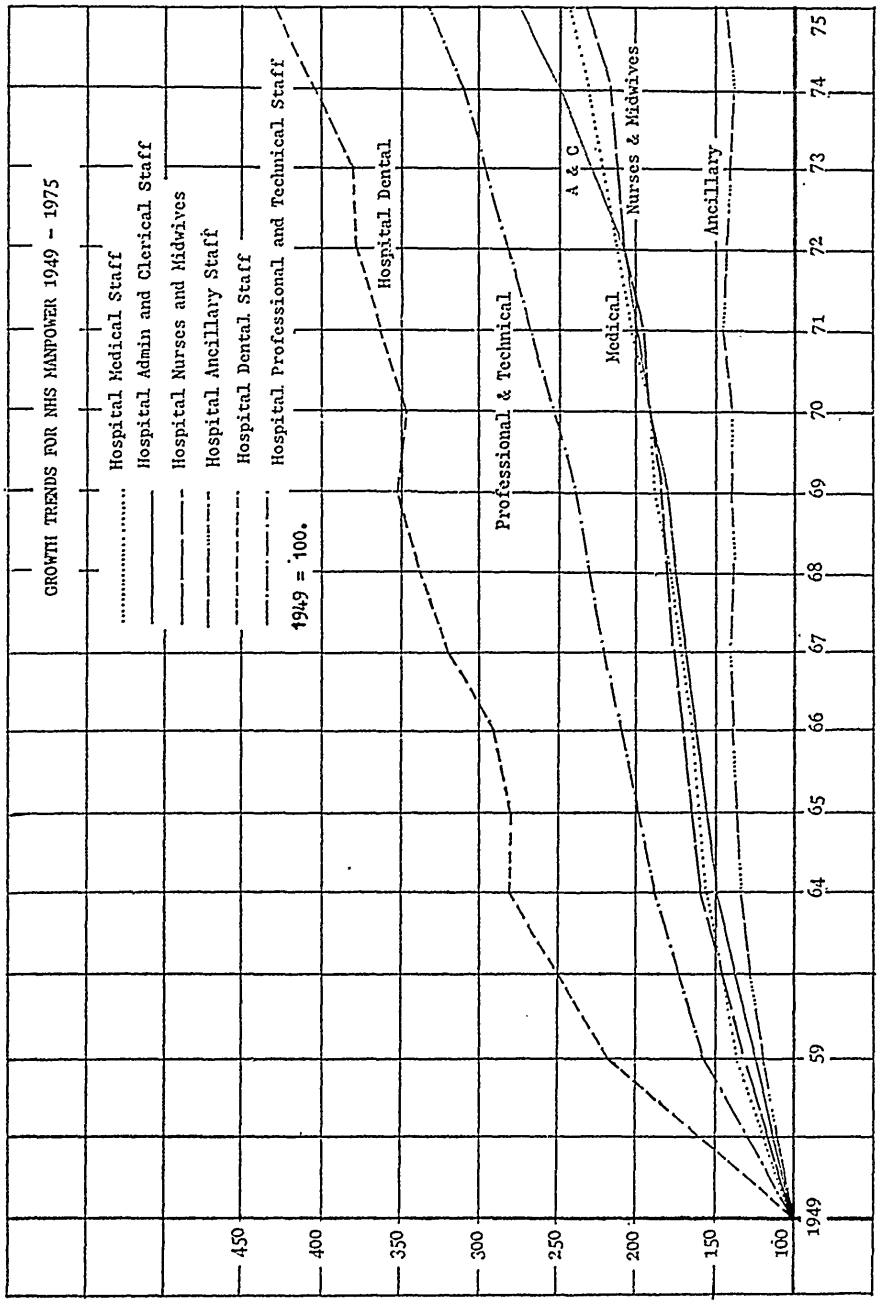

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APPENDIX 2BIV

GROWTH TRENDS FOR NHS HOSPITAL MANPOWER 1949–1975*, †
(Para 2B.1)

Index: 1971=100

Category of Manpower	England and Wales										England				
	1949	1959	1964	1965	1966	1967	1968	1969	1970	1971	1971	1972	1973	1974	1975
Overall growth for categories below ...	55·7	73·0	83·5	86·0	89·3	92·0	92·5	94·2	96·3	100·0	100·0	104·2	105·6	107·6	115·2‡
Hospital Medical Staff	50·1	68·4	78·3	80·7	83·4	87·1	90·6	93·9	96·4	100·0	100·0	105·0	110·1	113·6	119·4
Hospital Dental Staff	27·6	59·4	77·9	77·4	80·5	88·6	93·0	96·8	95·6	100·0	100·0	103·8	104·2	110·8	117·7
Hospital Nurses and Midwives (excluding Agency staff)	51·2‖	68·7‖	80·6	84·4	87·9	90·8	91·6	93·3	96·0	100·0	100·0	106·6	108·1	110·2	120·1§
Hospital Professional and Technical Staff	37·1	58·3	70·4	74·3	78·1	82·0	84·6	88·6	93·8	100·0	100·0	105·4	110·4	114·9	123·2‡
Hospital Ancillary Staff	68·4‖	85·5‖	93·5‖	93·5‖	96·3	98·3	97·4	97·4	97·6	100·0	100·0	99·6	98·0	96·6	99·1‡
Hospital Administrative and Clerical Staff	49·9	63·5	75·1	78·7	82·4	84·9	86·8	90·9	95·0	100·0	100·0	106·4	114·5	125·2	138·7‡

Notes

* See Notes 1 and 2 to Appendix 2BII.
† The series of index numbers have been linked at 1971 = 100 based on the figures in Appendix 2BII.
‡ These index numbers are shown for the purpose of comparing 1975 with earlier years: they are calculated by linking the 1974 and 1975 total figures in Appendix 2BI with the figures for 1974 in Appendix 2BII.
§ Provisional.
‖ Estimated.

[Continued

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APPENDIX 2BV

ADMINISTRATIVE AND CLERICAL STAFF: ANALYSIS BY FUNCTION
30 SEPTEMBER
ENGLAND
(Para 2B.1)

Whole time equivalent

Function after reorganisation*	1973	Per cent change 1974–73	1974	Per cent Change 1975–74	1975‡
Total	79,490	+7·3	85,333	+10·3	94,118
Ambulance Officers	2,928	+6·2	3,110	−3·3	3,008
Total excluding Ambulance Officers	76,562	+7·4	82,223	+10·8	91,110
Regional Health Authorities (Regional Hospital Boards) including Blood Transfusion Service and Mass Radiography Units	5,462	+6·3	5,805	+4·6	6,071
Area Health Authorities (Hospital Management Committees)†	51,632	+9·3	56,447	+12·6	72,376
Community Health Care (Local Health Authorities)	7,377	+4·6	7,723		
Support Services Managers	4,566	+1·4	4,629	−4·8	4,408
Family Practitioner Services (Executive Councils)	4,747	−5·5	4,485	+10·6	4,959
Dental Estimates Board	1,222	+4·9	1,282	+5·8	1,356
Prescription Pricing Authority (Joint Pricing Committee)	1,557	+19·0	1,854	+4·6	1,939

Notes

* The broadly comparable function before reorganisation is shown in brackets.
† Figures exclude support service managers.
‡ Figures are provisional.

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ANNEX 2C

PLANNING AND RESOURCE ALLOCATION IN THE NHS

GENERAL

2C.1. The Secretary of State is accountable to Parliament for the broad development of health services in England. But the Regional and Area Authorities, while constitutionally agents of the Secretary of State, have been intended by successive Governments to have a certain independence of view and freedom of action. The Authorities themselves are anxious to take responsibility; the Secretary of States's accountability to Parliament requires accountability of the Authorities to him.

2C.2. This note describes:—

2C.2.1. The Planning System; how the responsibility of Authorities is reconciled with their accountability to the Secretary of State.

2C.2.2 Joint planning—NHS and Personal Social Services—for inter-dependent services.

2C.2.3. Monitoring progress.

2C.2.4. Method of allocating resources to Authorities—geographical distribution; and

2C.2.5. Use of resources; capital versus revenue; a choice between services.

THE ROLE OF PLANNING

2C.3. The NHS planning system provides a means of reconciling decentralisation of decision making with the need to take account of national priorities. Demand for health care consistently outstrips the availability of crucial resources, especially those of highly-skilled manpower and sophisticated buildings and equipment. The extent to which demand can be met is governed by the levels of public expenditure that can be allocated to the Service. Whatever the total level of resources made available, its distribution among Regions, Areas and Districts, and among various health services, therefore, needs to be carefully planned and monitored. The best judgment of the overall use of scarce resources can be formed only when the many competing claims on them are brought together in an organised way and considered in relation to one another.

THE DEVELOPMENT OF PLANNING

2C.4. As an integral part of the system, steps are being taken to secure an improved information base in relation to NHS manpower. This will be used to examine the distribution of numbers and skills, on both a service and a geographical basis, and to develop more effective means of forecasting likely demand for, and supply of, the different types of NHS staff.

2C.5. Planning is not a new activity in the NHS. What is new is:—

2C.5.1. the opportunity afforded by reorganisation for health care planning to be comprehensive;

2C.5.2. The recognition that planning is not a process by which increments to resources are allocated but one which demands critical reappraisal of the way resources are being used throughout the Service, rationalisation of existing activities, and closure of units which are no longer economic; and

2C.5.3. the recognition that planning is not the exclusive function of specialist planners but a means to improve decision making, which must be corporate, involving those responsible for providing and delivering the service, and those who use it.

2C.6. Some aspects of the planning system should be noted:—

2C.6.1. It involves clinicians in management at all levels from the Department down to and within AHAs. By this means clinical requirements can influence

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management decisions, from the earliest stages in the development of strategy to the implementation of agreed action, and, conversely, management can bring the appropriate influence to bear on clinical decisions—within the limits of clinical freedom—particularly in the assessment of priorities and the use of scarce resources;

2C.6.2. It provides for national and regional policies and priorities to influence planning at Area and District levels, and for planning proposals from these levels to influence the RHA's policies and regional proposals, to influence in turn Ministerial thinking. The interaction resulting from this participation at all points in the planning cycle is intended to result in the commitment of all those concerned to the action finally agreed; and it is of course this process of inter-action and re-appraisal, not any one paper plan, that really matters.

2C.6.3. It will operate simultaneously within both strategic and operational horizons. Strategic plans, identifying general priorities for the development of the full range of services in the medium and longer term, will be produced by each Region and Area. They will be submitted for agreement by the next higher authority, and will be reviewed regularly in the light of shorter-term operational planning proposals and fully revised once every 4 years. Operational plans, taking a sharper focus and containing specific proposals for each of 3 years ahead, will be produced annually by each Health District. They will be approved by the AHA who will, in turn, prepare an Area operational plan, incorporating the District plans, for approval by the Regional Health Authority. Operational plans will be firm for Year 1, provisional for Year 2 and in outline for Year 3. The preparation each year of a rolling set of 3-year plans will provide opportunity for developing ideas to be considered fully before they become firm proposals.

2C.6.4. Regional Health Authorities will submit an annual planning report to the Department indicating what progress is being made, through operational planning, towards achievement of agreed strategy, and what changes to the strategy may be required.

2C.6.5. These annual planning reports will contribute to the Department's own planning system described in more detail in Memorandum 1.

JOINT PLANNING BETWEEN HEALTH AND LOCAL AUTHORITIES

2C.7. The inter-dependent services provided by health authorities and local authorities for eg the elderly, the mentally ill or the mentally handicapped, must be planned jointly. Such joint planning must play an important part if the Government's strategy, of developing community-based services and reducing the role of long-stay care is to be achieved. AHAs and local authorities have been urged to set up, through their Joint Consultative Committee (JCC) machinery, Joint Care Planning Teams (JCPTs). The task of the JCPT is to draw up proposals for the development of policies, priorities and strategies for those key services and client groups which the JCC have identified as requiring a joint planning approach. Their recommendations will provide the basis for health and local authorities to develop specific operational plans for particular services.

2C.8. There is a danger that the different methods of funding health and local authorities may hinder joint planning. To try to help overcome this difficulty, certain personal social services projects may be jointly financed; ie health service money will be used to provide support, for an interim period, to projects for which the local authority bears the prime responsibility.

MONITORING

2C.9. Systematic planning provides a means by which priorities can be balanced and put into effect within available resources. By monitoring plans as they are developed and implemented Ministers, the Department and health authorities can check the progress of the agreed strategy and alter course as desirable and practicable.

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RESOURCE ALLOCATION—DISTRIBUTION TO AUTHORITIES

2C.10. In 1948 the NHS inherited a stock of hospitals which had been unevenly distributed throughout the country and which had attracted unequal shares of trained staff and funds. During the early years of the NHS, limited progress was made towards remedying these geographic disparities. Although some equalisation of the revenue resources available to each Regional Hospital Board was achieved, neither the DHSS nor the RHBs were satisfied that these arrangements were sufficiently objective and responsible to need. To meet these criticisms, as far as then possible, the "Crossman" formula was devised during 1969 and 1970 and first used for making revenue allocations to RHBs for 1971–72.

2C.11. With NHS reorganisation it became both possible and necessary to review the methods which had been used for making allocations to the former RHBs. Ministers were concerned that the methods then in use were insufficiently sensitive to local variations in need; and that progress towards eliminating disparities was too slow. In May 1975 a Resource Allocation Working Party was set up, with members from the NHS and the DHSS,

> "to review the arrangements for distributing NHS capital and revenue to RHAs, AHAs and Districts respectively with a view to establishing a method of securing, as soon as practicable, a pattern of distribution responsive objectimely, equitably and efficiently to relative need and to make recommendations."

The Working Party submitted a first report in August 1975 making recommendations for interim improvements in methods of allocating resources to RHAs for 1976–77 only, pending a fuller report which has now been published on a consultative basis covering the whole of their remit.

Current Allocations

2C.12. Allocations for 1976–77 were made broadly on the basis recommended by the Working Party, and represented a major step towards reducing the historic imbalances in the geographic availability of resources. Revenue was distributed subject to phasing arrangements designed to keep the pace of change within practical bounds, in accordance with an assessment of each region's needs based, to a greater extent than previously, on population weighted for age and sex taking account in a rather more refined way of the demands made by different demographic groups on different aspects of health services, and on regional caseload costed at national rates. Protection was afforded for the last time and for major schemes only to the running costs of new capital; and an element in each RHA's revenue allocation was protected from the redistribution process to enable it to meet the additional NHS service costs necessarily arising from medical and dental teaching commitments. Capital allocations were made on a basis of contractual commitments as a first charge on resources, with the balance distributed in accordance with forecast weighted population.

2C.13. In their second report the Working Party have suggested using criteria of need which measure morbidity in a more sensitive way, measures of capital stock deficiency and the detailed application of redistribution principles below regional level.

2C.14. The allocation arrangements described in these paragraphs determine the financial resources available to health authorities in relation to the needs of their areas for health services. Their effect on services to patients depends upon local policies and planning by health authorities within the financial resources available to them and in response to national policies and priorities.

THE USE OF FINANCIAL RESOURCES—A CHOICE BETWEEN SERVICES

2C.15. From 1976–77 the expenditure of health authorities is controlled nationally by cash limits (see the White Paper "Cash Limits on Public Expenditure", Cmnd 6440). Health authorities have been given cash limits to their revenue allocations for 1976–77, but for this year, the cash limit for the health authority capital

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programme continues to be managed centrally: it is expected that health authorities will be given capital cash limits from 1977–78.

2C.16. As Cmnd 6440 recognised, some flexibility between years and between capital and current expenditure is necessary for the efficient use of financial resources where, as in the hospital building programme, the timing of expenditure cannot be precisely controlled. To enable the most effective use to be made of financial resources and to avoid distortion of priorities if spending plans are frustrated, health authorities are therefore permitted to make limited transfers between capital and revenue allocations and, within strict limits, to carry forward underspending to the next year.

2C.17. In general, the Department allocates the amounts available for the capital and revenue spending of health authorities each year to each of the RHAs as block capital and revenue allocations. In turn, the RHA makes block allocations to each of its AHAs for revenue, and for minor capital spending. This reflects the devolution of responsibility to health authorities who are expected to deploy the allocations made to them in accordance with local plans and priorities, having regard to national policies and priorities. These allocations are based on the needs of regions and areas for health services and do not in themselves attempt to indicate how much authorities should spend on particular services, activities or projects.

Special Allocations by the Central Department

2C.18. The Department may make available special allocations of funds, or earmark funds within the general allocations for specific projects which Ministers regard as essential to the development of the Service. Examples of special allocations of funds are:—

2C.18.1. medical advances moving from the research to the service development stage, where the Department wishes to encourage further work, and control and evaluate their usefulness before recommending them generally to the health service;

2C.18.2. services such as infant cardiac surgery which need to be provided only in a few places, and which it would be unreasonable to expect the region concerned to develop out of its general allocations; and

2C.18.3. capital sums to assist in the provision of regional secure units for psychiatric patients.

2C.19. Examples of earmarking of funds within the general allocations, or the notification of "minimum spending" are:—

2C.19.1. the notification to each RHA of a specific amount included within its general capital allocation to be spent on projects designed to reduce waiting lists; and

2C.19.2. the indication to each RHA of the minimum amount it should spend from its general capital allocation on the provision of health centres.

2C.20. Any amounts made available to health authorities as special allocations or earmarked within the general allocations have to be contained within the total amounts available for the NHS each year. They therefore reduce the amounts available to authorities for the generality of their services, and give an over-riding priority to the particular project concerned. For this reason the Department keeps special allocations or earmarking to a minimum, and seeks to satisfy Ministers that local priorities are consistent with national priorities by agreeing plans and monitoring progress.

ANNEX 2D

EFFICIENCY OF HEALTH SERVICES

DEPLOYMENT OF RESOURCES IN THE NHS

2D.1. Measurement of efficiency requires definition and quantification of resources used ("input") and of results achieved ("output") and establishment of the

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relationship between the two. Qualification of output and establishment of the precise relationship between particular inputs, or changes in input, and outputs or changes in output, has presented difficulties to the NHS from its inception—difficulties which have not been resolved either in this country or by students of health services elsewhere.

2D.2. Even when particular ways of increasing efficiency in the use of resources are identified, there is in the health service a potential conflict between their implementation and the individual clinician's responsibility to seek the best available treatment for each of his patients. As Dr Owen, when Minister of State in the Department, expressed it in writing to a correspondent working as a doctor in the NHS:—

> "It is a political decision what percentage of the gross national product can be devoted to the health service. . . . It has to be taken in the context of total resources to be devoted to health, education, social services, transport, defence, etc, and not least . . . personal consumption. Once that decision is made, and I do not deny that politicians must openly acknowledge the limitations that any particular allocation of money implies for a particular service, you necessarily come down, particularly in the health service, to a highly decentralised decision making process. In effect the major determinants of NHS expenditure are the thousands of decisions taken day-by-day by individual doctors confronting the problems of the individual patients.
>
> Doctors are in a very real sense economic decision makers. The decision to take a patient to hospital and how long they stay there, the decision as to which investigations to undertake and what course of treatment to pursue, all carry expenditure implications. Yet each of these decisions is very closely linked with what I suppose we all loosely describe as clinical freedom. I am sure the great majority of doctors, and I include myself in this, believe that clinical freedom is something very precious and though it can be used to buttress restrictive practices and to restrict the necessity for genuine public scrutiny, it nonetheless is an essential freedom which the medical profession is right to uphold. Yet, as with most freedoms, it is not a licence to ignore responsibilities; freedom incurs responsibility. Clinical freedom necessitates an acceptance of economic responsibility."

MEASUREMENT OF EFFICIENCY

2D.3. A considerable range of statistical information is available about the activities of the NHS (see, for example "Health and Personal Social Services Statistics 1975" HMSO). However, this provides no direct measure of the contribution health services make to the well-being of the community as a whole. There is no accepted way either of measuring "health" or of defining or recording the indirect social benefits of health care, or of expressing in quantified and commensurate terms the outcome of treatment for different complaints or of preventive measures. Tests of the efficiency of the NHS and methods of encouraging efficiency within it must therefore either be related to particular activities where measurement is possible or be based on subjective assessments relying on recognised experience and expertise.

Tools for monitoring and improving performance

2D.4. The Department makes use of a range of tools to monitor the performance of the NHS and advise the Service on its improvement:

2D.4.1. accounting and auditing procedures, through which attention may be directed to anomalies in use of financial resources and to variations in cost over time or between areas and regions;

2D.4.2. research, through which light may be thrown upon the relative effectiveness of different treatments of preventive measures and on the measurement of output;

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2D.4.3. management services techniques, through which good practices in management and administration may be identified ;

2D.4.4. the professional judgment of specialists in the health disciplines on the effectiveness of particular procedures and methods ;

2D.4.5. analysis by statisticians and economists of the available statistical and cost information to draw out significant trends and comparisons after necessary adjustment for underlying variations ;

2D.4.6. centralisation of services where economies of scale are proved to be available, and promulgation of standardised procedures where particular methods are proved to be cost-effective.

Fields of application

2D.5. The Department has made intensive use of these tools in many fields: —

2D.5.1. *Accounts and audit.* Prescribed accounts and cost statements are required annually from all health authorities; the Departmental audit staff are responsible for testing not only the accurancy and propriety of authorities' accounts but also the financial implications of management practices and for drawing to attention any indications of wasteful use of resources.

2D.5.2. *Financial Information Systems.* The imposition in this financial year of cash limits to the revenue payments of health authorities has been accompanied by the introduction of a financial information system based on forecast payment profiles for the year with which monthly returns can be compared and early enquiry made into anomalies in the use of resources.

2D.5.3. *Research.* The programme of research sponsored by the Department includes studies of out-put measurement in the public services, of hospital activity costing and of the effectiveness and cost of different forms of treatment and evaluations of alternative patterns of care for, eg the elderly and of new developments in the organisation of services.

2D.5.4. *Organisation and Methods studies.* More than 6,000 studies have been carried out in the NHS since 1958. Results of these and of OR studies are regularly published and the Department supplies a Management Services information service which deals with 1,250 enquiries a month.

2D.5.5. *Operational Research.* OR studies are carried out by the Department and by units in the NHS. The subjects of recent studies include management and location of stores, management of hospital waiting lists and organisation of ambulance services.

2D.5.6 *Management survey.* Management survey teams trained by the Department provide on-the-spot advice on the organisation and operation of particular hospitals or departments on the invitation of the responsible authority.

2D.5.7. *The Health Advisory Service.* The Hospital Advisory Service was renamed early this year and given a wider remit. Hitherto it has concentrated on visits to hospitals for the elderly, the mentally handicapped or the mentally ill, encouraging improvement of the quality of life for long-stay patients both by increasing (in implementation of deliberate Government policy) the resources devoted to them and by spreading knowledge of good practice and efficient use of resources.

2D.5.8. *The National Development Group for Mentally Handicapped.* The Group was established in 1975 to advise the Secretary of State in the development of policy for the mental handicap services and the strategy for its implementation. It is supported by a visiting team.

2D.5.9. *The Regional Liaison Division.* The Department's Regional Liaison Branches act as the one channel of regular personal communication between the Department and the health authorities, covering the whole span of their activities. Development of the NHS planning system, comparing RHAs' proposals with Departmental guidelines and monitoring performance against plans are central to their responsibilities. A multi-disciplinary team formed by an

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administrator, a doctor, a nurse and a social work service officer works with each RHA and its officers.

2D.5.10. *Analysis of cost and statistical information.* Examples of comparisons of performance and cost information regularly undertaken in the Department and of the unit costs so derived are

(*a*) *in hospitals:*—medical staff costs per case;
—costs of laundering per unit weight;

(*b*) *in community services:*—cost of health visiting per case;
—costs of immunisation per 1000 population;

(*c*) *in regional services:*—costs of blood transfusion service and of ambulance services, per 1000 population;

(*d*) *in primary care:*—cost of general medical services per 1000 population.

2D.5.11. *Measures of technical efficiency.* Such measures can be and are applied to the operation of laundries and boiler houses and significant improvements have been achieved. A system of measuring engineering maintenance standards against costs has been introduced and work is in progress on a similar system for building maintenance.

2D.5.12. *Centralised services and standardised procedures.* Central contracts cover nearly 25 per cent of revenue expenditure on goods and services and more than 30 per cent is estimated to be covered by bulk contracts negotiated at regional or area level. Standardised procedures are laid down for supplies and building cost control.

STATISTICAL INDICATORS

2D.6. The Sub-Committee asked what statistical indicators of efficiency were collected by the Department. The following statistics, which are published in "Health and Personal Social Services Statistics" are considered relevant:

(*a*) Cost per in-patient week by 7 types of hospitals.

(*b*) Cost per in-patient case by 5 types of, primarily, short-stay hospital.

(*c*) Cost per out-patient attendance by 4 types of hospital.

(*d*) Cost per out-patient case by 4 types of hospital.

(*e*) Estimated average length of in-patient stay by groups of specialties.

(*f*) Cases treated per available bed by groups of specialties.

(*g*) Percentage of available beds occupied by groups of specialties.

(*h*) Total attendances per new out-patient by groups of specialties.

2D.7. Unit cost information indicates increases in money terms from 1958–59 to 1973–74 of four to five-fold, the larger increases relating for the most part to costs in long-stay hospitals. To the extent that increases exceed the rate of price inflation, they cannot be taken as proof of decreased efficiency. They are most noticeable in fields where there has been a deliberate policy of improving standards of care.

2D.8. Trends in estimated average length of stay over a similar period have been downward by more than one-third overall. Throughput of cases has risen by more than one-half. Occupancy of available beds has fallen slightly by about 6 per cent—this might be attributable to a decrease in efficiency but might equally be a result of the increased turnover (ie there has to be some gap between one patient and the next). Attendances per new outpatient have increased slightly overall, but fallen for attendances in accident and emergency departments.

2D.9. All comparisons of costs or of provision per head between regions or areas have their pitfalls. Before significant relationships (in either the statistical or the common speech sense) can be established both inputs and populations need to be standardised and regional price variations to be taken into account. Equally, comparisons over periods of time must obviously allow for inflation, and are

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made more difficult to interpret by the boundary changes and changes in functions and systems of management which have taken place. Even in the short-term, comparisons are less than wholly reliable if allowance is not explicitly made for changes in the quality of health care, for example, those brought about by developments in surgical or medical treatments and techniques. Tables setting out illustrations of the statistical indicators suggested by the Sub-Committee with notes on their interpretation are attached.

2D.10. Statistical comparisons, despite the many factors which need to be taken into account in their interpretation, are valuable tools both for health authorities in improving their performance and for the Department in monitoring. It is not practicable of course to take the lowest unit cost figures, the shortest length of stay or the highest number of cases as norms to be adhered to by all authorities. There are many reasons in different local circumstances for differences in cost and performance statistics. But substantial deviation from a national average is always a signal for enquiry into the reasons for it and is accepted by the authorities, by the Department and by the Health Advisory Service as a powerful indicator of the need for investigation and review.

CONCLUSION

2D.11. The terms of reference of the Royal Commission on the NHS are centred upon " the best use and management of NHS resources ". Their conclusions will be based on careful study of the management, organisation, staffing and finance of the Service. As illustrated in this Annex, the Department itself makes extensive use of available means of measuring and promoting efficiency within the limits set by given factors such as clinical freedom, the pressures of demand, the nature of the physical facilities available to the NHS and the resource constraints. Where shortcomings in performance are identified for which no justification is found, either by statistical indicators, or by the subjective judgment of visiting teams, pointers to good practice based on experience elsewhere may be given by the Department informally or formally through all the channels of monitoring and advice described above. Where resources fall short of demands, authorities already have a very powerful incentive to economy and efficiency in their use. But the development of the planning system (see Annex 2C) will provide the Department and management at all levels with a more structured basis for monitoring, for comparison of performance and for review of options and selection of those which best serve the interests of efficiency in the NHS.

NOTES ON APPENDICES

A. The tables in Appendix 2D.I and II illustrate expenditure per head on health care. The relationship of expenditure with performance statistics is important but expenditure figures themselves reflect largely the level of allocations made to Regions by the Department.

B. Appendix 2D.III illustrates number of cases per acute bed (" throughput "). Analysis of trends needs to take account of changes in the mixture of cases and in approaches to treatment. Deliberate improvements in standards of treatment may result in decrease in throughput.

C. The tables in Appendices 2D.IV-VIII illustrate the distribution of staff. Figures for 1975 are not yet available, and will only be available in the form suggested for medical, dental and nursing staff. Since these Appendices are designed specifically to answer questions raised by the Sub-Committee, there are some differences in categories from other tables supplied. Information including community staff is not available for earlier years. Figures for the Thames Regions include staff of the London Post-graduate Teaching Hospitals (these hospitals have however, been excluded from the tables in Appendices 2D.III, IX and X. It is desirable in considering staffing levels to distinguish eg, consultants, other qualified medical staff and staff in training grades and their distribution between specialties.

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D. The tables in Appendix 2D.IX and X illustrate the ratio of hospital beds to population. The usefulness of beds depends on availability of staff and supporting facilities, and on where they are and the quality of the buildings they are in. Most long-stay hospitals are old and often in isolated situations. They may draw patients from a very wide area. Comparison of geriatric provision needs to take into account the age structure of the population served.

E. The table in Appendix 2D.XI illustrates the ratio of general practitioners to population. Variations largely reflect the difficulty of persuading general practitioners to work in certain parts of the country.

F. Population figures on which the tables are based are for the resident population within the geographical boundaries of the RHB or RHA. The regions are shown by their post-reorganisation titles; a number of the boundaries were changed on 1 April 1974. Figures before and after reorganisation are therefore not directly comparable.

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APPENDIX 2D.I

HEALTH SERVICES NET REVENUE EXPENDITURE EXPRESSED AS COST PER HEAD OF POPULATION

Health Services	1960–61	1961–62	1962–63	1963–64	1964–65	1965–66	1966–67	1967–68	1968–69	1969–70	1970–71	1971–72	1972–73	1973–74
1. REGIONAL HOSPITAL BOARD SERVICES														
Newcastle RHB	7·63	7·98	8·48	9·17	9·93	10·95	11·67	12·45	13·44	14·53	17·10	21·04	24·78	28·73
Leeds RHB	8·05	8·53	9·06	9·54	10·25	11·31	12·24	13·06	14·15	15·28	18·11	21·22	23·88	27·68
Sheffield RHB	6·54	6·92	7·41	7·67	8·15	8·93	9·51	10·12	10·95	11·97	14·26	16·85	19·33	22·70
East Anglia RHB	6·69	6·94	7·24	7·64	8·11	8·81	9·38	9·97	10·94	12·19	14·51	17·12	19·64	22·80
North West Metropolitan RHB	8·21	8·25	7·78	9·33	9·88	10·68	11·51	12·22	12·68	13·75	16·42	19·09	22·19	25·55
North East Metropolitan RHB	9·46	10·09	10·42	11·01	11·65	12·93	13·97	14·79	15·32	16·61	19·34	22·14	25·33	29·30
South East Metropolitan RHB	9·38	10·08	10·47	11·10	11·53	12·43	12·63	13·26	14·24	15·44	18·30	21·44	24·65	28·32
South West Metropolitan RHB	10·49	10·67	11·14	11·70	12·20	13·23	14·06	14·91	16·00	17·30	20·39	23·60	26·92	30·36
Oxford RHB	7·52	7·70	8·01	8·52	9·12	10·02	10·76	11·20	12·10	13·05	15·39	17·84	20·38	23·31
South Western RHB ...	9·06	9·44	9·92	10·51	10·99	11·98	12·68	13·33	14·37	15·42	18·06	20·97	23·63	27·48
Birmingham RHB ...	7·10	7·39	7·78	8·33	8·92	9·85	10·57	11·24	12·16	13·21	15·77	18·48	21·05	24·46
Manchester RHB	7·64	8·13	8·53	9·07	9·64	10·62	11·37	12·06	13·09	14·16	16·87	20·05	23·19	26·91
Liverpool RHB	8·80	9·32	9·89	10·53	11·16	12·22	12·97	13·91	15·02	16·26	19·05	22·14	24·43	26·94
Wessex RHB	8·77	8·83	9·25	9·82	10·33	11·32	11·86	12·54	13·48	14·75	17·66	20·37	23·10	26·65
AVERAGE COST	8·19	8·55	8·97	9·53	10·09	11·05	11·76	12·47	13·36	14·49	17·15	20·09	22·97	26·49
2. TEACHING HOSPITALS ...	1·29	1·33	1·41	1·53	1·67	1·84	2·03	2·18	2·47	2·73	3·31	3·76	4·30	5·00
3. WELSH HOSPITAL BOARD SERVICES	8·60	9·09	9·61	10·19	10·82	11·82	12·61	13·40	14·64	15·89	—	—	—	—
AVERAGE COST	9·50	9·90	10·42	11·09	11·80	12·93	13·84	14·69	15·91	17·30	20·46	23·85	27·27	31·48
4. LOCAL HEALTH AUTHORITY SERVICES	1·54	1·72	1·82	1·99	2·15	2·43	2·63	2·87	3·08	3·33	3·93	2·75	3·17	3·70
5. EXECUTIVE COUNCIL SERVICES	4·81	4·36	4·40	4·67	5·09	6·16	6·58	7·22	7·27	7·76	8·95	9·61	10·52	11·53
NATIONAL AVERAGE COST ALL HEALTH SERVICES	15·86	15·99	16·64	17·76	19·05	21·52	23·06	24·78	26·26	28·38	33·35	36·21	40·96	46·72

Note: Items 2, 4 and 5—Costs between 1960–61 and 1970–71 include Wales and England; 1971–72 to 1973–74 England only.

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Appendix 2D.II

NHS NET REVENUE EXPENDITURE (ENGLAND ONLY)
EXPRESSED AS COST PER HEAD OF MANAGED POPULATION

HEALTH SERVICES

	1974–75	*1975–76*
1. REGIONAL HEALTH AUTHORITY SERVICES		
Northern RHA	62·38	80·68
Yorkshire RHA	61·73	79·40
Trent RHA	54·48	72·01
East Anglian RHA	59·48	76·74
North-West Thames RHA	79·90	102·81
North-East Thames RHA	74·90	95·67
South-East Thames RHA	73·42	97·39
South-West Thames RHA	72·81	93·10
Oxford RHA	60·23	72·29
South Western RHA	66·05	84·17
West Midlands RHA	57·93	75·71
North Western RHA	63·31	81·25
Mersey RHA	67·70	86·60
Wessex RHA	59·48	75·82
National Average Cost	65·15	84·17
2. BOARDS OF GOVERNORS TEACHING HOSPITALS	0·94	1·22
NATIONAL AVERAGE COST ALL HEALTH SERVICES	66·09	85·36

NB—1975–76 Provisional Unaudited.

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APPENDIX 2DIII

DISCHARGES AND DEATHS PER AVAILABLE ACUTE BED* BY HOSPITAL REGION 1963–1975

	Regional Hospital Board											Regional Health Authority		
	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1973	1974	1975
England	21·1	21·3	22·1	22·6	23·0	23·8	24·7	24·8	25·6	26·2	26·3	26·3	26·8	26·0
Northern	21·3	21·7	21·7	22·2	22·4	23·4	23·5	23·7	24·7	25·2	24·4	25·6	25·2	25·0
Yorkshire	21·1	21·3	21·8	22·2	22·6	23·3	24·0	24·0	24·6	24·7	24·8	24·9	25·4	25·2
Trent	22·3	22·4	22·7	23·3	23·6	24·3	25·[illegible]	25·8	26·2	26·7	26·8	26·7	27·5	27·1
East Anglia	22·6	23·3	23·9	24·7	25·3	25·5	26·4	26·4	27·0	27·9	28·0	28·1	28·5	27·2
North West Thames	21·3	22·0	22·6	23·1	23·6	24·2	25·0	24·8	25·5	26·3	26·7	27·2	27·0	25·9
North East Thames	20·1	20·7	20·9	21·2	21·5	21·8	22·9	23·1	23·7	24·3	24·5	24·4	25·0	24·3
South East Thames	19·1	19·7	20·4	20·5	21·2	22·1	23·2	22·9	24·1	24·8	24·8	25·0	25·4	25·0
South West Thames	20·5	21·2	21·8	22·5	23·1	23·8	25·1	24·7	25·0	25·9	26·0	26·8	27·6	27·4
Wessex	22·9	24·2	24·7	25·0	26·1	27·2	27·9	27·3	28·6	29·3	29·7	29·5	29·8	28·2
Oxford	24·6	25·8	27·0	28·1	29·1	30·1	31·5	31·2	33·3	32·6	33·5	32·1	31·8	30·5
South Western	21·3	22·1	22·5	22·9	23·3	25·9	27·2	27·5	28·7	29·1	29·2	29·7	30·1	29·1
West Midlands	22·3	23·1	23·3	23·4	23·6	24·7	25·7	25·6	26·5	27·6	27·5	27·5	28·2	27·1
Mersey	17·9	18·3	18·7	19·6	19·8	20·0	21·0	20·9	21·3	21·8	21·4	21·8	22·8	21·6
North Western	21·4	21·8	22·3	22·7	23·2	23·6	24·4	25·0	25·5	26·6	26·4	26·2	27·1	25·6

Figures relating to Preserved Boards of Governors are included in the England rates only.
* Acute beds comprise all medical and surgical specialties, gynaecology and pre-convalescent.

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APPENDIX 2DIV

MEDICAL AND DENTAL STAFF*

Analysis by Region†

Whole time equivalents per 100,000 resident population

	1968	1969	1970	1971	1972	1973	1974‡	1975‡
England, Total	47·5	48·9	50·3	53·2	55·8	58·4	60·2	63·4
Northern	45·9	46·5	47·6	50·7	54·6	56·9	56·1	61·3
Yorkshire	40·7	42·1	43·4	46·0	50·1	52·3	53·8	56·5
Trent	33·6	34·3	35·7	38·6	40·7	43·4	44·4	46·3
East Anglian	36·8	39·7	39·8	42·5	44·0	47·3	50·9	56·6
NW Thames NE Thames SE Thames SW Thames Boards of Governors	61·5	62·9	64·7	68·2	70·0	73·1	75·6	79·3
Wessex	37·2	39·1	41·4	44·6	46·9	48·7	53·9	54·9
Oxford	44·8	46·8	49·7	53·1	55·4	58·2	58·7	60·8
S Western	42·1	43·1	44·4	46·6	49·6	52·4	53·4	55·0
W Midlands	40·3	42·5	42·9	46·6	49·7	51·4	53·9	57·6
Mersey	52·4	54·0	54·4	56·4	57·7	60·1	58·3	61·0
North Western	42·1	43·7	45·2	46·7	50·4	53·6	57·9	62·5

Notes

* Figures include doctors and dentists holding para 94 and 107 appointments, and medical staff employed at mass radiography units and blood transfusion centres.

† Regions are shown according to their titles after reorganisation.

‡ Figures are not strictly comparable with figures for 1973 and earlier.

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APPENDIX 2DV

NURSES AND MIDWIVES*

Analysis by Region†

Whole-time equivalents per 100,000 resident population

	1968	1969	1970	1971	1972	1973	1974‡	1975‡§
England: Total	493·5	500·3	513·1	535·9	568·7	575·1	586·3	638·7
Northern	481·9	486·1	493·2	526·3	557·9	578·1	584·8	638·7
Yorkshire	500·9	516·3	535·9	549·3	588·0	598·7	597·6	644·0
Trent	402·2	410·0	422·3	443·0	477·3	493·0	487·8	546·7
East Anglian	395·0	413·4	425·8	450·3	485·5	490·4	520·0	568·3
NW Thames								
NE Thames								
SE Thames	558·5	563·2	574·3	596·2	627·9	637·4	655·8	705·9
SW Thames								
Boards of Governors								
Wessex	453·7	475·2	497·2	505·0	526·1	508·8	552·3	654·3
Oxford	456·5	455·8	466·0	476·9	508·1	512·4	529·7	539·5
S Western	536·3	539·0	547·7	573·9	599·3	592·7	565·1	619·8
W Midlands	413·0	417·3	435·2	462·8	496·7	502·8	517·5	556·2
Mersey	586·3	589·8	585·3	626·2	669·0	672·7	684·2	740·9
North Western	467·8	478·1	499·8	523·7	560·6	561·1	577·0	642·4

Notes

* Figures exclude nursing officers employed at regional headquarters.
† Regions are shown according to their titles after reorganisation.
‡ Figures are not strictly comparable with figures for 1973 and earlier.
§ Figures are provisional.

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Appendix 2DVI

PROFESSIONAL AND TECHNICAL STAFF*

Analysis by Region†

Whole-time equivalents per 100,000 resident population

	1968	1969	1970	1971	1972	1973	1974‡
England: Total	66·7	69·7	73·3	76·8	80·5	84·2	82·3
Northern	55·6	56·9	60·4	63·4	67·0	72·0	74·4
Yorkshire	61·5	64·4	69·2	72·2	76·1	80·4	77·2
Trent	49·4	52·5	55·8	58·9	63·4	66·9	69·1
East Anglian	48·6	51·2	53·4	57·3	60·7	66·0	75·6
North-West Thames							
North-East Thames							
South-East Thames	85·2	89·0	93·2	96·6	99·8	103·9	98·8
South-West Thames							
Boards of Governors							
Wessex	55·6	60·7	65·0	69·6	72·4	70·9	75·1
Oxford	69·3	71·0	74·0	75·9	81·2	81·4	79·6
South Western	61·4	63·6	67·3	70·1	73·6	78·5	68·7
West Midlands	55·9	59·5	62·1	66·7	70·5	74·2	70·1
Mersey	70·2	72·7	74·7	79·8	84·3	85·7	82·9
North Western	61·6	63·1	66·9	70·5	74·7	80·9	86·3

Notes

* Works staff are excluded.

† Regions are shown according to their titles after reorganisation.

‡ Figures are not strictly comparable with earlier years.

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Appendix 2DVII

ANCILLARY AND OTHER STAFF*
Analysis by Region†
Whole-time equivalents per 100,000 resident population

	1968	1969	1970	1971	1972	1973	1974‡
England: Total	415·7	413·9	415·3	428·4	427·6	415·9	409·2
Northern	401·0	399·3	401·7	423·7	426·1	423·9	420·8
Yorkshire	453·3	453·3	440·4	450·7	452·4	431·5	415·5
Trent	348·3	349·9	358·6	370·4	376·8	371·6	359·0
East Anglian	331·8	330·4	333·7	355·1	356·7	347·0	355·8
North-West Thames	485·1	479·8	481·7	493·8	489·6	479·0	467·1
North-East Thames							
South-East Thames							
South-West Thames							
Boards of Governors							
Wessex	339·7	341·1	351·0	353·5	338·6	336·6	355·5
Oxford	337·9	339·5	347·0	347·0	350·5	330·9	331·9
South Western	415·7	416·9	417·2	418·2	409·6	400·3	390·2
West Midlands	350·0	347·0	346·3	368·0	367·6	357·4	361·0
Mersey	466·5	472·5	474·7	498·0	499·1	479·1	463·8
North Western	393·8	392·6	391·7	408·9	416·4	396·9	397·3

Notes

* Figures include works and maintenance staff.
† Regions are shown according to their titles after reorganisation.
‡ Figures are not strictly comparable with earlier years.

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Appendix 2DVIII

ADMINISTRATIVE AND CLERICAL STAFF*

Analysis by Region†

Whole-time equivalents per 100,000 resident population

	1968	1969	1970	1971	1972	1973	1974‡
England: Total	97·9	102·0	106·8	113·0	120·2	128·1	138·8
Northern	83·4	84·5	88·4	93·5	96·9	104·8	118·3
Yorkshire	89·0	92·3	96·6	98·6	104·5	111·7	113·9
Trent	76·6	80·8	84·3	89·8	96·6	104·2	114·5
East Anglian	88·2	91·2	96·6	104·6	113·6	123·6	128·4
North-West Thames							
North-East Thames							
South-East Thames	120·5	126·1	131·7	139·5	147·1	153·4	164·8
South-West Thames							
Boards of Governors							
Wessex	86·9	93·2	100·0	107·5	114·2	118·2	139·1
Oxford	104·7	106·6	112·8	115·7	121·8	132·5	142·0
South Western	99·8	103·0	106·3	112·5	120·3	130·6	137·6
West Midlands	82·4	88·2	93·5	99·3	107·5	115·6	124·4
Mersey	96·0	101·0	101·6	109·8	117·6	124·6	140·0
North Western	85·3	87·7	93·1	98·5	106·6	119·3	137·1

Notes

* Figures include other staff employed at regional headquarters.
† Regions are shown according to their titles after reorganisation.
‡ Figures are not strictly comparable with earlier years.

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APPENDIX 2DIX

AVAILABLE ACUTE BEDS *PER 1,000 POPULATION† 1963–75

	Regional Hospital Board											Regional Health Authority		
	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1973	1974	1975
England	3·3	3·2	3·2	3·2	3·2	3·1	3·1	3·2	3·2	3·1	3·0	3·0	3·0	2·9
Northern	3·4	3·4	3·4	3·4	3·4	3·3	3·4	3·4	3·4	3·4	3·3	3·3	3·3	3·2
Yorkshire	3·3	3·4	3·4	3·3	3·4	3·4	3·3	3·4	3·4	3·3	3·2	3·2	3·3	3·2
Trent	2·6	2·6	2·6	2·5	2·5	2·5	2·5	2·5	2·5	2·5	2·5	2·4	2·4	2·4
East Anglia	2·5	2·5	2·5	2·4	2·4	2·4	2·4	2·5	2·5	2·4	2·4	2·6	2·5	2·5
North West Thames	3·9	3·8	3·7	3·7	3·7	3·8	3·7	3·8	3·9	3·8	3·6	3·2	3·3	3·3
North East Thames	3·9	3·8	3·9	3·8	3·7	3·7	3·7	3·6	3·6	3·6	3·5	3·7	3·6	3·6
South East Thames	3·7	3·6	3·6	3·5	3·5	3·4	3·3	3·5	3·5	3·5	3·4	3·4	3·4	3·3
South West Thames	3·5	3·4	3·4	3·3	3·3	3·2	3·2	3·3	3·3	3·3	3·5	2·9	2·8	2·8
Wessex	2·7	2·6	2·5	2·5	2·5	2·4	2·4	2·5	2·5	2·4	2·4	2·5	2·5	2·5
Oxford	2·7	2·6	2·6	2·5	2·5	2·5	2·4	2·5	2·4	2·4	2·3	2·5	2·5	2·4
South Western	2·7	2·7	2·7	2·7	2·7	2·6	2·6	2·6	2·6	2·6	2·5	2·3	2·3	2·3
West Midlands	2·8	2·8	2·8	2·8	2·8	2·7	2·7	2·7	2·7	2·7	2·7	2·7	2·6	2·6
Mersey	4·8	4·8	4·7	4·6	4·5	4·5	4·3	4·3	4·2	4·2	4·0	3·7	3·7	3·6
North Western	3·2	3·2	3·2	3·2	3·2	3·2	3·2	3·2	3·2	3·1	3·1	3·3	3·3	3·2

* Acute beds comprises all medical and surgical specialties, gynaecology and pre-convalescent.
† The population figures used were the final revised estimates supplied by OPCS for the statutory health authorities. Where management and statutory populations differ the effective bed provision may be up to 5 per cent. different from the figures quoted; South West Thames and South Western are the regions most affected.
Figures relating to Preserved Boards of Governors are included in the England rates only.

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APPENDIX 2DX

AVAILABLE GERIATRIC AND CHRONIC SICK/UNITS FOR YOUNGER DISABLED BEDS PER 1,000 POPULATION AGED 65 AND OVER 1963–75

	Regional Hospital Board											Regional Health Authority		
	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1973	1974	1975
England	10·3	10·2	10·0	9·9	9·8	9·7	9·6	9·6	9·5	9·2	9·0	9·0	8·7	8·7
Northern	9·2	9·3	9·3	9·8	10·1	10·1	10·0	9·9	9·8	9·7	9·7	10·0	10·0	9·9
Yorkshire	14·1	14·1	13·5	12·7	12·7	12·6	12·1	12·4	11·9	11·4	11·1	11·2	11·1	10·9
Trent	10·5	10·5	10·1	10·1	10·0	9·8	9·7	9·6	9·4	9·4	9·2	8·9	8·6	8·6
East Anglia	13·9	13·4	11·4	11·1	10·7	10·2	10·1	9·7	9·5	9·1	8·8	8·8	8·6	8·3
North West Thames	5·9	5·9	6·0	7·0	7·0	7·0	7·1	7·2	7·4	7·1	6·8	7·2	7·3	7·2
North East Thames	9·6	9·5	9·8	10·7	10·6	10·6	10·5	10·3	10·1	9·4	9·1	8·6	8·6	8·7
South East Thames	10·2	9·8	10·0	8·7	8·8	8·6	8·4	8·2	8·2	8·1	8·0	7·7	7·5	7·6
South West Thames	7·2	7·3	7·5	7·1	7·0	6·9	7·2	7·3	7·6	7·5	7·4	7·5	7·2	7·3
Wessex	10·5	10·5	9·9	8·7	8·4	8·5	8·5	8·4	8·3	8·1	7·8	9·8	9·2	9·0
Oxford	10·7	11·0	10·6	11·8	11·5	11·1	10·7	10·1	10·6	10·2	10·1	9·3	9·1	8·6
South Western	11·4	11·2	11·0	10·5	10·4	10·6	10·6	10·5	10·0	9·6	9·2	8·0	7·5	7·5
West Midlands	13·0	13·1	12·8	12·3	11·9	11·7	11·4	11·3	11·1	10·7	10·5	10·5	9·8	9·7
Mersey	10·7	9·1	8·5	8·6	8·8	8·6	9·2	10·2	10·0	9·5	9·1	9·7	9·5	9·4
North Western	11·0	10·9	10·6	10·3	10·2	10·0	10·0	10·0	9·9	9·5	9·4	8·8	8·7	8·6

The bed figures used represent Geriatrics and Chronic Sick for 1963 to 1971. For 1972 to 1975 the specialties used were Geriatrics and Units for the Younger Disabled.

The population figures used were based on the final revised estimates supplied by OPCS for the statutory health authorities. Where management and statutory populations differ the effective bed provision may be up to 5 per cent different from the figures quoted; SW Thames and South Western are the regions most affected.

[Continued

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APPENDIX 2DXI

GENERAL MEDICAL PRACTITIONERS: UNRESTRICTED PRINCIPALS
Analysed Part 1 1963–1974 by Standard Regions*
Part 2 1974+1975 by Regional Health Authorities

	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974
England: Total												
Number of principals	19,065	18,978	18,784	18,612	18,617	18,732	18,901	19,099	19,374	19,775	1,997	20,219
Average list size	2,343	2,379	2,423	2,470	2,490	2,494	2,495	2,478	2,460	2,421	2,398	2,384
North												
Number of principals	1,344	1,336	1,322	1,297	1,288	1,307	1,311	1,315	1,333	1,348	1,357	1,301
Average list size	2,412	2,432	2,468	2,515	2,540	2,522	2,529	2,528	2,504	2,474	2,465	2,471
Yorkshire and Humberside												
Number of principals	1,964	1,938	1,918	1,890	1,886	1,881	1,914	1,919	1,938	1,959	1,958	2,023
Average list size	2,388	2,430	2,481	2,529	2,563	2,587	2,560	2,549	2,536	2,510	2,513	2,484
East Midlands												
Number of principals	1,319	1,304	1,296	1,293	1,294	1,304	1,319	1,351	1,367	1,386	1,433	1,524
Average list size	2,485	2,552	2,587	2,610	2,627	2,636	2,639	2,596	2,591	2,580	2,510	2,490
East Anglia												
Number of principals	650	655	664	677	681	690	697	702	720	731	747	766
Average list size	2,220	2,245	2,272	2,278	2,299	2,312	2,326	2,336	2,313	2,321	2,309	2,282
South East												
Number of principals	7,409	7,385	7,318	7,256	7,245	7,309	7,362	7,441	7,556	7,713	7,793	7,757
Average list size	2,280	2,326	2,374	2,417	2,442	2,442	2,445	2,427	2,408	2,367	2,339	2,331
South West												
Number of principals	1,703	1.705	1,706	1.689	1,684	1,699	1,712	1,723	1,743	1,783	1,815	1,941
Average list size	2,085	2,111	2,142	2,188	2,216	2,217	2,237	2,241	2,244	2,224	2,211	2,189
West Midlands												
Number of principals	1,955	1,967	1,922	1,897	1,927	1,938	1,970	2,004	2,047	2,117	2,144	2,171
Average list size	2,501	2,522	2,610	2,669	2,655	2,660	2,643	2,608	2,571	2,493	2,473	2,447
North West												
Number of principals	2,721	2,688	2,638	2,613	2,612	2,604	2,616	2,644	2,670	2,738	2,750	2,736
Average list size	2,427	2.474	2,528	2,570	2,583	2,595	2,603	2,578	2,559	2,502	2,481	2,466

* Figures before 1974 cannot be presented on a Regional Hospital Board basis. This is because general practitioners services were then administered by Executive Councils whose areas could not be aggregated into RHB areas. Regional figures for general practitioners for years before 1974 can only be given on a Standard Region basis, figures have been collected for Regional Health Authorities.

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	1974		1975	
	Number of principals	List size	Number of principals	List size
England: Total	20,219	2,384	20,377	2,365
Northern	1,301	2,471	1,321	2,434
Yorkshire	1,515	2,422	1,530	2,393
Trent	1,833	2,527	1,844	2,518
East Anglia	766	2,282	773	2,302
North-West Thames	1,691	2,305	1,686	2,303
North-East Thames	1,731	2,354	1,736	2,324
South-East Thames	1,620	2,365	1,635	2,330
South-West Thames	1,323	2,288	1,335	2,287
Wessex	1,136	2,308	1,158	2,273
Oxford	927	2,411	953	2,369
South Western	1,469	2,170	1,480	2,162
West Midlands	2,171	2,447	2,187	2,424
Mersey	1,045	2,466	1,049	2,446
North Western	1,691	2,465	1,690	2,459

Examination of witnesses

Sir PATRICK NAIRNE, KCB, MC, Permanent Secretary, Sir LANCE ERRINGTON, KCB, Second Permanent Secretary and Sir HENRY YELLOWLEES, KCB, Chief Medical Officer, of the Department of Health and Social Security, called in and further examined; Mr R GEDLING, Deputy Secretary, NHS Personnel Group and Mr R S MATTHEWS, Deputy Secretary, Principal Establishments Officer, of the Department of Health and Social Security, called in and examined.

Chairman

945. May I start by saying that I think that the set of written evidence that you have sent us is much more comprehensive and much nearer what we were seeking than the previous set? May I now go back to the what seems to be the central question of the Department? I think that it would be convenient if we discussed social security and health separately, but there are one or two general questions first before dealing with either of them. Your Department now has two Cabinet Ministers. This leads one, even more than the last time that you were here, to question whether in fact it should be a single Department, but perhaps on the last occasion I may not have phrased my question in the way in which I really meant it. The question that I am asking is not simply whether there should be a Department of Social Security and a Department of Health. It might be that social security could well be linked with something else. For example, both parties have talked about negative income tax or tax credit schemes and one could imagine an argument, although this is in no way a conclusion of the Committee—we have not reached one yet—for linking, say, social security and the Inland Revenue. The real question is, can one imagine a better argument for linking social security with health than for linking social security with anything else? As I say, you now have two Cabinet Ministers and it does not necessarily seem that the Department could not in some way be split in twain, although it might be that half of it could go somewhere else?——(Sir *Patrick Nairne.*) I think that one of the most important arguments, which I hope answers your question about the better argument, is that the DHSS does enable policies in terms of cash and care to be looked at from the angle of their impact on the family, and it does provide for a Government department that assists the Cabinet, through the mouth of the Secretary of State, to get a more coherent view of a very large slice of social policies as a whole. If I might just make one comment about the appointment of Mr Orme as a Cabinet Minister, as seen by a senior official, this does not in itself mean any change in the

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organisation of the Department. It does, of course, mean a change in the way in which the organisation works. The Secretary of State continues very much to exercise his overall responsibility, as Secretary of State for the Social Services but he will be in the position of being able to delegate greater responsibility to Mr Orme in the handling of social security business both in Parliament and in Ministerial committees, and this shift in emphasis in the way in which the Department works, which I think will mean some shift in the way in which officials work with Ministers, may have the effect of actually assisting the Secretary of State to perform this rather wider role of bringing together both sides of the Department that I was mentioning.

946. I think that the real question is, why should you have to bring together two sides which may be disparate?——It is difficult to answer that very simply. There is merit in looking at the effect of Government social policies as widely as one can within the confines of one department, from the angle that I tried to explain in July—that this certainly does mean that policy questions (I quoted the disabled as an example but the aged and elderly are another) can be sorted out within the Department as widely as possible. I suppose that ideally there would be merit if housing could be brought in, or certain aspects of education, but you then come up against the argument of how you want to organise the business of Government. That is something which is not static in any way. Of course I accept that, but at the moment I think that there are the kind of advantages that I have been trying to explain, in the way in which the DHSS operates.

947. That is what, I think that it is true to say, none of us is very clear about, in the sense that, to use your own example, it seems no more logical to link social security and health than, say, to link social security and education. I would regard it as possible that it was not logical to link social security and education?——My point, with respect, was about the disabled and the elderly, but may I throw in the mentally handicapped as an example? You will have there clients, if one could use that broad term, requiring services that are partly cash, partly institutional care, and partly social services care, with which we are concerned through having taken on some years ago the Children's Department of the Home Office, in our relationship with the personal social services side. The last thing that I want to do is to give the impression that anything is necessarily permanent or that anything is perfect, but I think that there is a good case, on the balance of advantage, for bringing together the functions that we do bring together.

948. Some of the mentally handicapped will be in need of education?——Certainly. That does seem to run up against the argument that you have to organise your chunks of Government business in some way. I think that it would be fair to say that if I were arguing the education case, I would argue very strongly that as large a proportion as possible of education policies in relation to education clients needed to be brought together in one department.

949. You would not say that the job of social security is primarily to assist the poor and the job of the NHS is primarily to assist the ill, which are not necessarily the same categories?——On the social security side, there is the whole contributory benefit side which is dealing with many people who do not fall within the category of the poor.

Mr *Garrett*

950. May I ask you a question about the effect of the Permanent Secretary being accounting officer for a department? The question arises from the "Regional Chairmen's Enquiry into the working of the DHSS". That inquiry raised a number of issues on the health side to which I will refer in a minute, but there is a general point which comes under the heading of accountability. What this report says is that because the Permanent Secretary is personally accountable for expenditure in a department many separate methods have been devised to check expenditure, or potential expenditure, and that their effect is the opposite of what is intended, and it goes on to say that this arrangement lead to interference in minutiae

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and general duplication of staff and effort and that there are arguments over design detail, for example, in the construction field, and above all, lengthy delays. That is to say, they are making a point about the running of departments, from an observation about your personal liability as the Accounting Officer for the Department. Do you think that this is generally true of the Department and that because you are the Accounting Officer and are therefore personally liable for expenditure, an enormous bureaucracy has grown up, simply to defend you, ultimately, from the Public Accounts Committee?——I do not think that a large bureaucracy has grown up, but I do think that it means that I am concerned as Accounting Officer, and therefore the staff who look after my interests as Accounting Officer within the finance group are often concerned with minutiae. Perhaps I should say that this is a matter on which I have been questioned this year by the Public Accounts Committee from the angle that the statutory auditors who are working for the Department are certainly often concerned with really detailed matters, which when applied on a very large scale can certainly produce misuse and bad handling of resources. This often means—I am nodding my head, Sir, to what you say—that as Accounting Officer I am very much concerned with a greater range of detail than I would be, say, in the application of policies where the accounting officer's interests did not arise or were very subordinate.

951. Would you say then that the Department would be managed more efficiently if it were possible to delegate the rôle of accounting officer to levels lower than yourself?——It would very much depend on what was meant by levels lower than myself. Perhaps I should say that because of the Public Accounts Committee's interest in this matter in the last year or two—they raised this first with my predecessor—we have recently been taking a look at this more closely ourselves. There are very real difficulties in the way of the nominated accounting officer with personal responsibility—myself—delegating or devolving further his accounting responsibilities. I do not think that it could be done conveniently within the Department. As you will realise, I have this—and I think that you are making this point—only on the health side, and on the administration Vote. Sir Lance Errington has it on the social security side, so that the division of responsibility is there. To go lower down as they have suggested in this report, and to consider giving accounting officer responsibility to the regional tier, first of all raises the question as to whom you are going to give it to, and secondly, it raises a very big issue in terms of the coherence of national policies.

Mr *Ridley*

952. I cannot find the reference, but I seem to remember reading at some small hour in the morning that you had devolved your responsibilities as accounting officer to some lower line body. Is that right?——No, Sir. It is very much as Mr Garrett was putting it to me. A striking impression on me as a newcomer is the very wide range of details with which I have to be concerned in certain areas, either because my own auditors have drawn attention to them or, entirely constitutionally, because the Comptroller and Auditor General has raised them with the Public Accounts Committee.

Mr *Loveridge*

953. Does it really matter very much how the departments are grouped together so long as when they are grouped, Ministers and their officials are in a position to take the initiative? From what we have heard here, I cannot help but feel that there must be too many Ministers and too many senior officials all falling over each other to consult each other, to agree with each other and to avoid embarrassments with each other. Therefore you get a situation in which too many decisions are arrived at because matters come up via the department, which takes up all the time and does not allow decisions to come from the initiative of the Minister and his principal advisers, except, perhaps, where you get a financial cut which causes the five per cent staff diminution that you plan. How do you try to deal with this so that you get a clear line of command and so that you get initiative

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from the top, which any business or any department surely needs as well as decisions based on matters rising up to them?——At the Secretary of State's level he himself makes it very clear to us all and he follows this through in discussions with us, that he is concerned with his Ministerial colleagues to identify what the broad policy objectives are in the years immediately ahead. At my own level I always try to see it in two dimensions. One dimension is the same as I was attributing to the Secretary of State, a concern that we do not allow the major avenues of policy that we ought to be pursuing, to be obscured by the constant need to react to pressures that we get as a Department, perhaps more than many other Departments, from every sort of interest outside. One piece of machinery for this purpose that we mention in our first supplementary memorandum is the Department's Management Board which I chair myself and on which I have my two colleagues here, Sir Lance and Sir Henry, as members, and to which we co-opt as necessary. Its task is very much to make sure that we are not failing to put the right irons in the fire consistent with the Secretary of State's strategic policies. The second dimension is the more tactical one that one also has to be concerned with. I run a meeting myself with all my deputy secretary level colleagues and my two Permanent Secretary colleagues every Monday, and that is specifically concerned with what is the tactical situation now on a much wider range of objectives. That meeting always has as its background something which we produce once a quarter, which is a 'Forward Look' document. We have just produced one in the last few weeks for Ministers which looks ahead to the Christmas recess and then we shall do another one at Christmas. looking ahead to the Easter recess. I hope that I am answering your question but those are the kind of ways in which we try to keep these two things in balance.

954. May I ask you how much those meetings tend to get devoured by the pressure of events coming up at you, or by plans that are put before you that have been discussed at a lower level, and how much of those meetings is occupied by matters of policy initiative coming from your Government?——We should not allow the week-by-week one on Mondays to get devoured by plans coming up, because I think that we should be capable of handling them perfectly effectively along our more strategic line. There is, of course, a good deal of pressure for a meeting to be dominated by some specific crisis. It may be that something has gone badly wrong somewhere. Do we need an inquiry? What is going to happen next? And so on.

955. How often does the other meeting take place?——The Department Management Board meets once a month, but it can meet more frequently if we really want to pull things together on some major policy issue.

Chairman

956. I wonder if we might go to the first part of your memorandum I should like to start with Annex 1D, from paragraph 1D.17 onwards. You mention at the end, in paragraph 1D.20, that one union is at present opposed to the project. Is that the CPSA that is mentioned on page 5?——Yes.

957. We shall be taking evidence from them later. It is a matter that we can discuss with them. It seems of some interest to know which it was. Without going into all the figures in your report, basically you point out that your administrative expenditure on contributory benefits is a relatively small percentage of the total benefits paid out, whereas on the other aspect, of social security, the costs seem to be rather extraordinarily high, or are certainly higher than they are for contributory benefits. Would you agree that that is broadly true?——(Sir *Lance Errington.*) Yes. It is a reflection of the fact that the supplementary benefit scheme is highly selective and is directed through means testing to those most in need. It is very complex.

958. Yes, but is its complexity solely because of need?——The complexity has grown up, I think, because of pressures and the economic situation, and social changes, so as to tailor the payments very closely to meeting the needs of individuals. The growth of exceptional

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needs allowances and payments, to which the memorandum makes reference, is an illustration of this.

959. Have you ever suggested ways of simplifying it?——An attempt was made to simplify it in 1966 when the old National Assistance Board was brought together under one Ministry of Social Security. There was consolidating legislation. An attempt was made at that time to get rid of the problem of the growth of discretionary and special allowances by creating a special long term addition to the normal scale rate which subsumed to a large extent quite a number of the special discretionary payments. But over a period of time that has become consolidated into a higher rate for the long term, and a full array of discretionary and special additions has been built on top of that, so that to some extent we are back in the situation that existed in 1966. As the Committee knows, we have instituted a fundamental review of the supplementary benefit scheme to try to find ways and means of getting round this particular dfficulty.

960. But 1966 is a very convenient date for you to choose, because in paragraph 1D.24 you say that since 1966 the average number of claims for supplementary benefit being handled at any one time has risen by 12 per cent., whereas the number of staff engaged in this work has risen by more than one hundred per cent.?——If I may say so, that conceals the fact that the number of actual claims that is made during the year has more than doubled since that year, and the main work that is involved in dealing with supplementary benefits is in handling the initial claim and making the investigations. So that the figure of claims current is not a close indicator of the amount of work involved. Further to that, among the total clientèle of the Supplementary Benefits Commission, the proportion of short term claimants—the unemployed, the one parent families and so on—has increased, as compared with the pensioner load, and they are much more complicated to deal with. Many more issues arise in relation to them. So that the simple factor of the actual claims current is not a close indicator of the amount of work involved.

961. It is your Department's own figure. The second reason that you have just given for it is one of the four reasons mentioned in that section, but the first is not. Your reasons overlap with, but do not tally with the reasons given in the document of the Department?——I think that the memorandum was incomplete in the sense that it ought to have mentioned the first of the reasons that I gave, which is the number of new claims.

Mr *Lawson*

962. You started by talking about the complexity and indeed in paragraph 1D.32 under the sub-heading "The Dilemma", you say that your dilemma is that it is very expensive to run a complex system, but if it is less complex then it is less selective. But then in your answer to the Chairman of this Committee you went on to talk about the discretionary nature of the scheme. Now these are two separate points. You could have a complex system which attempted to be selective without a large discretionary element. Could you say something about that? How much is the extra cost—and this is a tremendous cost, of the supplementary benefits system in particular—due to the discretionary nature of the scheme, rather to the complexity *qua* complexity?——I think I have got some figures that I can give the Committee.

963. Perhaps while you are looking for them, you could say whether you think that savings could be made by reducing the discretionary element?——I think that they could, but I think that the the problem there is that if you remove the discretionary additions as such, you leave a lot of people worse off than they are at the moment; but if you embed them in the ordinary scale rates that are paid automatically, without reference to special needs, you incur much greater overall expenditure, which is much higher than the saving in administrative cost.

964. Are you saying that you have got the balance just right at the present time?——No, that is why we have instituted this inquiry.

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Chairman

965. The argument that you have just raised would mean, if applied generally, that there could never be any changes in taxation or benefits?——I appreciate that. We had to find a way round it.

965A. We understand that politically any change that you make has its advantages and disadvantages and that people will disagree about it, but in effect you are saying that you will not make any change without upsetting somebody, but that is not news?——With respect, I am not saying quite that. I am pointing out the dilemma that if you are aiming to simplify a scheme you can either proceed one way or the other. You have to recognise that if you are levelling up, so to speak, you inevitably incur extra expenditure. I am not saying that this prevents you levelling up; all I am pointing out is that it has that consequence.

966. I am really trying to find out how far your Department has suggested to Ministers who have the power to change these things that the present system's complexity costs a lot of money. If it could be simplified without too much injustice to too many people, how far have you suggested that? Your original answer was, "We did in 1966"?——We took one course in 1966. We are having another shot at it now, but it is too early to say what will emerge from it.

967. Broadly speaking, you try to suggest this at ten-yearly intervals?——I think that since 1966 the growth of complexity has been a gradual and a steady one. Over recent years it has reached a fairly critical point. As the Committee knows, we have had to build in a lot of extra staff to cope with it. We have given the matter a good deal of attention over the last few years; for example, in considering new policy initiatives, we pay special attention to the consequences for the administration, and we bring these to Ministers' notice. We have set up a Whitley Committee to look at ways and means of simplifying the scheme overall and our management services have played a big part in finding procedural simplifications of one sort or another, and this is still going on. The introduction of new machines and computers will take us further along that road. But in regard to the supplementary benefit scheme we felt that we had to take a look at the structure of the scheme itself. We could not see sufficient prospects of achieving simplification on the scale that we felt was needed simply through looking at organisation and methods and simplifying procedures and so on.

968. That is exactly what I meant. I am talking of much more general things than mere organisation and methods. For example, although such people do get criticised, it really is asking for trouble, is it not, if one is paying out in benefit to an unskilled worker more than he can possibly earn if he gets a job?——I think that that raises rather different issues, on levels of tax thresholds and levels of benefit, and wage rates and so on.

969. It may raise different issues, but the point that I am trying to get at is, how far your Department investigates the issues?——We do indeed, yes.

Mr *Lawson*

970. Do you see greater scope for administrative saving by attacking the discretionary side of things, by reducing the discretionary element in the social security system, or do you see it by reducing other forms of complexity? That was really my question and I do not think that you have answered it?——I think that a major source of saving would be in reducing the discretionary element, but there are other factors, too.

Mr *Ridley*

971. May I ask you some questions about how the Treasury seeks control? I am not talking about the cost of the benefits in any respect—that is a matter decided by Parliament—but the administrative costs of your empire. Do they in imposing a cash limit, for instance, negotiate with you on the total cost of the social security part of the Department, or on the number of people employed, or or any of those matters? What is the dialogue between you and the Treasury when it comes to agreeing how much it is going to cost?——So far as staff is concerned, there is an annual

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negotiation with the Civil Service Department, which in due course is reflected in the sums put in the estimates, and similarly for other costs there is an annual bid for the estimates; this is discussed with the Treasury, negotiated with them, and finally written into the annual estimates and the Finance Bill.

972. So that the CSD makes the original negotiation with you? The Treasury does not come into it until the end?——The CSD is concerned with staffing, but of course there are many other administrative costs.

973. Do they negotiate with you the number of people *in toto* in each category that you might employ?——Latterly, what we have negotiated with them is the number of man years to be written into the estimate. (Mr *Matthews.*) So far as our headquarters offices are concerned, we deal with the number of posts. As far as the local office system is concerned, where there is a considerable variation during the year in the work load, we work with the CSD in terms of man years. This enables us to be a bit more flexible in the number of staff that we employ at any one time than the system of working in terms of number of posts. Our work load fluctuates in the local offices according to the season, whether it is the summer or the winter, and with other factors. They also control the number of posts above certain levels of grading, for which we have to get specific approval for each new post.

974. Do they bear hardly upon you? Are they tough?——We naturally think that they bear hardly on us, but they are pretty reasonable.

975. Have your estimates ever been cut down?——We are not always being cut down but we prefer not to put a case forward for more staff than we are absolutely satisfied we require.

976. So that you put a high figure and they agree it?——No, we do not put a high figure. We put forward the figure that we think we need on the basis of the analysis that we have done of our forecast work load in the case of the local offices, and indeed in most other units, which is the best that we can arrive at.

977. May I put the question in another way? Some of the work done by Social Security could well be done by bodies outside the Civil Service—for instance, the payment of the standard retirement pension and the old age pension, where there is no discretion. Have you checked, by putting out to tender the doing of that work by the private sector, that you are doing it efficiently?——(Sir *Lance Errington.*) When it comes to paying benefits, this is of course done by the Post Office.

978. No, I mean the clerical and administrative tasks?——No, we have not.

979. Would it not be a good idea to do that—to make sure that it cannot be done cheaper outside the Civil Service?——I know of no organisation that could do it.

980. Surely IBM would do it. IBM would tender straight away?——Well, we have not investigated this.

981. Would you be prepared to do such an experiment?——(Mr *Matthews.*) I would be very reluctant to do an experiment in which I invited IBM to carry out all our pensions work.

982. Why?——Because behind the very substantial computer power that we use already to assist us in awarding and controlling pensions, there is a great deal of skilful clerical and executive work which involves a vast knowledge of legislation and of the rulings of the Commissioners, for example, on particular cases of law, which has to be brought to bear before the amount of the pension can be arrived at. Like Sir Lance, I know of no organization which could do that work other than our own. That is not to say that I am satisfied that we are doing all the work that we are doing at the lowest possible cost.

983. But would it not demonstrate that you are doing all the work that you can do at the lowest possible cost if you were to invite tenders for doing this work and prove that you are doing it cheaper than anyone else can? Surely it does not stand up to say that nobody else can do it. That cannot be right. You are saying that you are doing it cheaper than anybody else can do it.

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Surely you should prove that before the public?——(Sir *Lance Errington.*) I think that it would involve a rather large issue whether the Government, and indeed Parliament, would be willing to commit the payment of benefits to a great many million pensioners and so forth to an institute outside their control.

984. But we are spending £18,000 million. We are talking about very big money. Surely, Parliament would not object if you could make a reduction in those estimates?——The cost of the actual administration, of paying, is a great deal smaller.

985. I accept that, but it is still a very large sum of money?——The bulk of that is due to Post Office charges for encashment. What one is talking about here is the cost of the Newcastle machine.

986. Exactly. I am talking about the cost of the Newcastle machine?——(Sir *Patrick Nairne.*) Mr Chairman, I wonder if it would help Mr Ridley if we put in a note on the implications of the question that he has raised, because I think that we ought to try to bring out as clearly as we can what the effects would be of a scheme organized on the lines that you yourself, Sir, have suggested, and what are the facts that we would need to take in account. We shall be very glad to do that.*

Mr *Ridley.*] I should be very grateful.

Mr *Loveridge*

987. And how you are satisfied that the Post Office's price is the right one? ——We can certainly answer how we deal with the Post Office.†

Mr *Radice.*] Sir Patrick, I should like to tell you that my constituents in the northern region might be a little alarmed to hear that all their work is now going to be done by IBM.

Mr *Ridley.*] They might be richer.

Mr *Garrett*

988. May I ask some questions about the control of manpower costs? In Annex 1B you say that you have 12 staff inspectors in headquarters and 50 in the regions and you attribute a number of manpower savings to the work of your regional staff inspectors. I do not doubt that, and you describe how rigorous their systems are. But then you say that the provision of management services, which is very much a question of how the work is organised and whether it is necessary and so on, is a matter for the Management Services Divisions to operate at the invitation of client branches. So that here you have a rigorous examination of the numbers of jobs and of what grades the people are who fill them—and that is mandatory—yet you have a purely voluntary examination of the necessity for the work and its organisation, and whether it is properly managed. Do you agree that those two activities should continue to be separate?——I I should like to ask Mr Matthews to speak, too, but in general this is exactly like the organisation and methods side has always been in Government departments. The position in practice, I think, is that if it is clear that there is a need for an O & M or a management services investigation, this is spotted by Management. It may even arise from some of the complementing work. There is not, in practice, any difficulty whatsoever in arranging for an inquiry to take place, but in order to get the possible results and co-operation from any management service inquiry or any O & M inquiry wherever possible, we are in the situation—this is the principle on which we work—that they are coming in to help the client who wants them there. May I ask Mr Matthews if I have put that in perspective?——(Mr *Matthews.*) Yes, that is fine. We have in fact more requests for management services help than often we can meet immediately.

989. But do you not think the public interest would be better served if the two were combined through a mandatory examination of sections of your organisation, both as to numbers, the staff inspection side, and as to how well they are managed and organised?——(Sir *Patrick Nairne.*) May I speak personally? I have never been wholly happy about this in the Civil Service because 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

*See Appendix 39(iii).
†See Appendix 39(i).

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O & M are 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. I have been too short a time in the DHSS to have tested it out there, but in practice my experience elsewhere has been that when it is clear that there would be gain from an O & M or management services review, there is no difficulty about bringing it into effect.

990. May I ask you another question about manning? In Annex 1C.7 you say that the preferred form of organisation for the Department is specialist Under Secretaries heading professional divisions and generalist Under Secretaries for administrative divisions. That is to say, that in general you believe in the parallel hierachy, of specialists organised in one block and generalists organised in another. You justify that in the following paragraphs by saying such things as "the specialists cannot acquire and maintain sufficient specialist skill and also the experience and skill of the administrator." So that you are saying that specialists cannot be administrators. You will be aware that the Fulton Committee criticised this arrangement very heavily and you do not reply to what is perhaps the fundamental criticism of the Fulton Committee that such arrangements are incredibly costly. That is to say you would need a bigger bureaucracy if you had all your specialists organised in one hierachy and the administrators in another, because of the difficulties and expense and the time taken by communicating between the two. The Fulton Report recommended that there should be integrated hierachies with each level filled according to the specialist or administrative skill that was required, on cost grounds as well as on grounds of giving specialists more career opportunities. You do not reply to the argument about your system of organisation being very expensive?——I confess that we do not reply to that, nor perhaps do we put our own case over properly, or fully enough. I think what is striking about the DHSS—and I am talking, of course, about the health and personal social services side—is that we do need the specialist contribution of those who have worked in the field, but we cannot always get all the specialists, whether they be doctors or others, whom we need. They come in—and I think that this is a very important practical point that I found when I came to the Department—relatively very late. I think that the average age of a doctor coming in is as high as 45, and they come in in order to provide, in this multi-disciplinary way, their specialist or specifically professional contribution. Now my impression is that they are in a different position from many other specialists or professionals in other parts of the service who come in young as straightforward administrators, and who, therefore, I think, are much more within the ambit of the policy approach that the Fulton Report adopted and that the Civil Service has in part implemented through the open structure.

991. So that you would apply this argument only to doctors and not to the other specialist skills that you need to run an organization as big as yours—for example, the accountants, the economists, the engineers and architects?——There are different points to be made about the different professions. I would apply it also to the social worker and I think that in a large part I would apply it to the nurse. We have only fairly recently, in the last two years, taken on our own accountant branch. Before it was done for us by another Government department. I would not apply it in the same way there, although I think that the man who is director of it came in at a relatively late age. But I certainly would not take the view that it would not be open to any of the accountants to come over, if it made sense, into a straightforward generalist post. On the works side, on the whole, I would apply it. This is in areas that we touch on where we are seeking to make some sort of changes in an integrated direction. I have not given you a satisfactory answer on costs, because I believe that we have to accept what you say, that you tend to get a higher cost and pay it.

Mr *Lawson*

992. I wonder if I may get back to the question of the numbers of civil servants in the social security section. In a letter of 4 October from Mr Clarke he said that you were re-considering the

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need for increased staff by 1978-79, and you talked about a reduction of about 5,000 in your forecast of manpower needs for that year, and so on. Yet what we read a few days later in the papers was that you were going to take on an extra 1,414. Could you perhaps reconcile these facts, and say something about the 1,414?——In simple terms, the 1,400 staff, divided roughly, I suppose, half and half or thereabouts between the contributory benefits side and the supplementary benefits side, is a figure derived from our flexible manning system, which is part of the complementing process brought out in one of the Annexes of Memorandum No. 1, and it derives from a quarterly complementing review that is implementing the flexible manning policy. That means that looking ahead for the next quarter to six months and foreseeing the specific tasks that are going to fall in the winter, the numbers on the contributory benefits side and the supplementary benefits side would have to rise in that way. That exercise is one that reflects the fluctuations which are inevitable on the social security side because so much of the work is, to use the jargon, demand led as a result of rising unemployment and sickness. It is quite unconnected in a formal sense with our commitment to cut £14·4 million out of the forecast of the total cost of the administration of the Department for 1978-79. A large part of that £14·4 million has obviously got to be found out of manpower cuts and a very large part has obviously got to be found out of the social security side. We have a base line for that, which is 1 April, 1976, and the aim will be to achieve the lower level of figure by 1 April 1979, but there will be these fluctuations in between (Sir *Lance Errington.*) May I supplement what Sir Patrick has said? These flexible reviews can, of course, have the result of reducing the numbers of staff as well as increasing them. A similar exercise last April resulted in the withdrawal of 650 staff, so that it is a question of adjusting the complement as closely as we can to the fluctuating level of work load, and it can go either way.

993. To revert to these 1,414 extra staff. I assume that you have just told them that you are engaging them for a few months and that then you will not need them any more, and that they will be declared redundant. Is that right?——(Mr *Matthews.*) No. What will happen is that we will take people on, but our wastage amounts in a period of a year to something like seven or eight thousand, so that we have plenty of room to adjust for falling work loads in the ordinary seasonal pattern.

994. I understand that but nevertheless, the fact remains that you are taking people on on a permanent basis to meet a temporary and short term need?——This implies that we have got a solid base load above which we have fluctuations. That is of course, in an absolute sense true, but our work load varies quite a lot taking one year with another and one season with another. The amount of wastage has always provided sufficient room for us to secure any reductions that we were able to forecast.

995. But wastage is only a regulator in that sense in the context of a fairly rapid expansion in the service as a whole. Then the wastage can be used as a regulator, but if we have reached the end of a period of expansion of that kind, you cannot use wastage as a regulator in the sense that you have been used to doing? ——If our staff requirement falls, provided that it is within the limits of our wastage, then we can meet the reduction from ordinary wastage.

Chairman

996. May I follow that up and refer to paragraphs 1C.38 to 41? Paragraph 1C.41 states " the importance of the effect of wastage upon efficiency is reflected in MIS performance indicators—see Appendix 1D.1." looking at Appendix 1D.1. I take your point that it may well be that one of the causes of the difference between best and worst regional performances is that, but it is impossible to find from Appendix 1D.1 what the effect is in each, or any, case. But in paragraph 1C.38 you mention that the high percentage of women in the Department is one of the high causes of wastage, and you also say that the more northerly the department the less the wastage rate. That is in paragraph 1C.37. Have you ever considered reducing the proportion of women? Equality of the sexes does not dictate that 60 per cent of your staff

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should be women and 40 per cent should be men? Have you ever considered paying premiums for regions where there is a high wastage rate? You point out elsewhere that yours is the only Department that does pay a premium to certain higher clerical grades—I think that it is £100 which is in itself a breach of the normal Civil Service grading principle, as you point out. Have you considered paying another sort of premium, namely, in areas where you have a high wastage rate?——(Sir *Lance Errington.*) No, Sir. The premium for clerical officers that we pay at the moment is, as you will appreciate, inrecognition of the pressures and complexities of local office work. There are, of course, extra allowances paid in London, as you know, but outside that we have not considered it. (Sir *Patrick Nairne.*) We have not looked at this, as Sir Lance has said, but I should have thought that we should be in difficulty if, as one part of the Civil Service, and a very large employer at that, we offered a premium to attract men for work in which we had employed women and had done so for a great many years, on absolutely equal terms with men.

997. I do not think that I said that equality of the sexes might dictate that 50 per cent of your staff should be women but I do not think it follows that 60 per cent have to be?——(Sir *Lance Errington.*) I am not sure that in recruitment we can discriminate. The wastage is, I think, mainly due nowadays to natural causes if you like through the employment of women.

Chairman.] I am pointing out that in recruiting you are discriminating, but against men!

Mr *Ridley*

998. May I go back to your answer to Mr Lawson? You said that circumstances—the economic situation and the increased unemployment—dictated that you would take on more staff, together with the increasing complexity of the benefits. At the same time you said that you had given a pledge to the Treasury, I suppose it would be, that you would reduce your costs by £14½ million. Are those two statements consistent?——(Sir *Patrick Nairne.*) With respect, I think that they are consistent, and I think that this, perhaps, was the point that Mr Lawson was making. Of course our room for manoeuvre is very much less than it was. When we were in an expanding period these things were more easy. Our room for manoeuvre is certainly less, but what we are now doing here is manageable, partly assisted of course, as my Principal Establishments Officer was saying, by the relatively very high wastage rate that we have.

999. But will the £14·4 million less, be less than the present cost or than some future estimated cost?——It is a reduction in the future estimated total administration costs for 1978-79.

1000. So that you put up the future costs in order to be able to knock £14½ million off?——An exercise has to have its own rules and one of the ground rules in this exercise was to look at the estimated costs for 1976–77 and to look at the estimated costs for 1978–79. In the end, as part of a very complex Civil Service-wide exercise we found ourselves, as we reported to the Committee, committed to a reduction of £14·4 million. We are going to look for some savings, of course, in things like postage and general administration costs and we are still working out precisely where the very large manpower element of it is going to fall.

1001. What, then, will be the cost of next year's administration, as opposed to this year's What will be the cost for 1977–78?——It will be something of the order of £400 million, the total cost that we are talking about here. I could let the Committee know; I am afraid that I do not know the figure off hand.

Chairman

1002. I think we shall find that in the public expenditure figures but I think that the point that Mr Ridley is making is that statements like those you have made get interpreted by civil service trade unions as being a cut, whereas actually they are not necessarily a cut at all; they may merely be a cut in an increase? ——That could theoretically be so, but it certainly is not so in our particular instance because our general trend has been to increase our staff even further in order to deal with the benefit policies to which we are committed. There is not

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a shadow of doubt—we would not be having some of the industrial troubles that we are having now—that we are going to be involved in cuts in our staff between now and April 1st 1978.

1003. Overall?——Yes, overall.

Mr *Lawson*

1004. Can I go back to these 1,414 extra that you are taking on? That is going to begin this financial year, as I understand it?——Yes.

1005. They will have to be paid for. Are you going to pay for that out of the economies that you are making elsewhere, or does this mean that the total cost of your administration is going to be higher than you thought it was at the time of the last Public Expenditure White Paper?——I do not know all the details of this, and I should like to ask Mr. Matthews to answer in detail, but in general we do have to keep within a cash limit that embraces our total administration costs and our objective will certainly be to absorb this within the estimate to which we are committed. (Mr *Matthews.*) We shall be within the estimate for this year, because we have been running up to now at rather a lower administrative cost than we estimated last year that we would run at.

1006. You made sure you had a nice big cash limit so that there was no danger of over-spending?——(Sir *Lance Errington.*) As the Committee will appreciate, the level of claims, the level of work is seasonal. It does fluctuate; it is heavier in winter than it is in summer, for example.

1007. But with respect, you knew that there was going to be a summer and a spring and an autumn and a winter in advance, but you have only just discovered that you are going to need an extra 1,414 people?——No; we provided at the beginning of the year enough resources to cover us for the full year. We pumped in rather less for the first six months and now we are putting in correspondingly more for the next six months.

1008. Finally, whose approval have you had to seek for these 1,414, and have the Treasury looked to see whether in fact you might be able to do it with, say, only 700 extra, or has the Civil Service Department gone over it with a toothcomb to see that you are not asking for too many?——Subject to what Mr Matthews may say, this is within our estimate and I think that we have authority to do it. (Mr. *Matthews.*) This is arrived at by a rather complicated system of calculating and forecasting the rate of claims and so on, and the latest reassessment is made within that system.

Chairman

1009. Can you give us a note on how the system works?——Yes, we can do that.*

Mr *Ridley*

1010. Particularly on the CSD dialogue with your Department?——(Sir *Patrick Nairne.*) May I be allowed to mention two points on Mr Lawson's questions? One is that the flexible manning system does occasionally produce reductions as well as increases, and the other is that we are able to manage this within the financial year, partly because we have imposed upon ourselves a standstill on our own staff going back to some time towards the end of 1975.

Chairman

1011. May we now turn to the second section of your memorandum on the NHS, with which I think we might conveniently discuss the report by the chairmen of the regional health authorities. I understand the historic reasons why the NHS is organised as it is, but because it is organised as it is, does that mean that the promotion prospects of individuals are blocked? For example, your regional health authorities have some excellent executives. How far are they allowed to progress into the ultimate hierarchy which is in your Department? I am not suggesting that all of them should, but I am just suggesting that presumably amongst them all there must be some people capable, perhaps, of at least running the health side of your Department?——I acknowledge that there are certainly administrators—shall we say a regional administrator—who would be capable of filling a post

*See Appendix 39 (iii).

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at, say, Under Secretary level or perhaps Deputy Secretary level in the Department, although I think that to do it at that level he would have needed to have some period of service earlier on in the Department, when he was a younger man, in order to have some understanding of how the Government machine works. The particular skill and expertise that he would have had over his many, many years in the NHS would not actually have equipped him, without some experience as a younger man, for the skill and expertise that he would require in the Department. I feel that I am inadequate in answering the question as you put it, because I do not think that any administrator in the health service would regard it as promotion so to speak, to come and work within our Department. He sees us as a different organisation, part of the Civil Service, and he sees his own job as one related to patient care and the administrative responsibilities that go with that.

1012. Surely there must be something a little odd in the system. There are fourteen regional health authorities under the central Department. You are the link between them, just as. say, the main board of ICI is the link for all its subsidiaries, some of which are very diverse. But you are saying that there is no likelihood of them wanting to get to the top of the health service tree?——Is that because they would get paid less?——Some of them certainly would.

1013. At the regional director's level surely they are very far away from dealing with individual patients?——That is right, although they are very directly concerned with the way in which the hospital services in their own particular regions operate.

1014. I should hope that your Department was concerned with it in the country?——Yes. But on your more general question, there is a gap and there always has over the years been a gap, between the Government department role that the Ministry of Health has carried out, and the separate National Health Service. I think that many people feel today, and speaking personally, I am one of them, that the gap that exists should, if possible, be closed. So far the way in which it has been closed in terms of people has been by relatively few secondments and I think that we have mentioned a few here. Considering the problem, as in my short time in the Department we certainly have, of whether we could not go further in the direction of bringing NHS administrators, or treasurers for that matter, into the senior posts, you certainly have got to take account of whether they would wish to do that. I hesitate to make a generalisation about them, but in general those to whom I have talked do regard their own career as something absolutely different from the career of a generalist civil servant in the Department. Secondly, I think that they would be the first to say, as I was trying to explain a moment ago, "We cannot come and be one of the Department's Under Secretaries or Deputy Secretaries without any experience whatsoever of the Government machine which we ought to have had years ago when we were younger". One of the things that this report says is that a greater effort should be made to see what can be done in this direction. I agree with that. I think that the Department does agree that we should look, and try to make a greater effort in this direction, but I really do not see any easy way forward.

1015. You have a very large number of administrative trainees in your Department. Does their training include a period with a regional authority?——Yes, it does. My own private secretary, for example, has recently been out for six months with an area health authority. Of our principals under 30, of whom we have got about a dozen, eleven of them have either been with a social security office, or have been out with a health authority. It is certainly my aim as Permanent Secretary to ensure that all young men and women entrants to the Department have this experience, preferably before they are principals.

1016. But none of them is given jobs under a regional health authority. They are kept within the Department and the people who are employed by the RHA's never, or hardly ever, get promoted into the Department?——I think that the figure we quote is that since 1970 we have had 45 members of the

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NHS. I think that this is a very, very small figure. I agree that this is an avenue designed to close this gap, which has been accepted ever since the beginning of the NHS but which I believe we do need to close now, in the execution of the top management role that I think we have now got to carry out much more effectively. This means, I think, that we must explore all this much more energetically to see if we can solve the problems.

1017. I quite understand that there would be strong objection, no doubt, if somebody suggested making the whole staff of the NHS civil servants. I am not disputing that, but if you take its top administrative level, would it be possible to say at a given level of the administrators of the RHA's for example, that they should be civil servants and be absorbed into the open structure?——It certainly would be possible, but it would be a very large development.

1018. Without changing their immediate responsibility to the regional health authorities, as it is at the moment?—— That does raise the important question of to whom they are responsible.

1019. Is there any reason why somebody cannot be responsible to an RHA and yet have the same pay, terms and conditions, and rights of promotion, as a member of your Department?——If one can get over the hurdle of changing the nature of the beast, if I could put it in that way, of the administrator and the treasurer, the answer is that it would in theory be possible. I imagine that you would also embrace within that the idea that our civil servants might perhaps go out and work at the regional level.

1020. Yes, I do?——This is all something that we think it right to look at.

Mr *Garrett*

1021. The Report of the Regional Chairmen's Enquiry is very critical of the health side of your Department. It refers to diffuse lines of responsibility, and says "The Department has in consequence grown steadily in size in recent years, to the detriment of its effectiveness ability to take decisions, and capacity to manage . . . This has resulted in considerable duplication of effort between the Department and Regions, with consequent duplications of staff and hence, of cost." Why should a group of regional chairmen be able to say that? Why is it not that the Permanent Secretary is aware of that kind of fault in the organization through his management services staff? Is it because the management services staff are very low in status and are not normally consulted by the Permanent Secretary? Is it also not true that your Department is never really likely to get an examination of its efficiency from outside because even the Civil Service Department's management review will be dominated by your officials, if it follows the normal course of management reviews? Do you think that malfunctions in organization can grow up like this first of all because the question of examining them is not taken sufficiently seriously inside the Department, and there is no countervailing power from outside the Department to look at these things?——I am anxious not to be misunderstood in my reply. The report by the three chairmen shows very valuable insight and contains good ideas and, as I can tell the Committee, we have been devoting a massive effort with them to following it up. But I must say that I think that many of the criticisms in the report are unfounded and result from the fact that the chairmen were, at our request, following terms of reference that were very limited in their scope. They were simply looking, as they saw it, at the relationship between the regional tier and the Department. The three chairmen have worked together very constructively in a steering group which I have been chairing for the last few months, and I think that they would acknowledge that they did not have a great deal of time for their task and some of the wider functions of the Department, I think, they found difficult to appreciate. The short answer is that I certainly do not accept that the Department in which I work is not open to criticism. It is open to criticism. We are following up a lot of the points in it, but I do not accept many of the Chairmen's criticisms expressed in this particular report.

1022. What about the wider question of who has an independent look at the efficiency of your Department?——In

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1972-73 we brought in the management consultants, McKinsey's, and exposed the Department to their criticisms and their critical approach. Indeed the organization of the Department that emerged from that, which is what we are now looking at again or at least are looking at again in part in the light of the three chairmen's report, very much derives from the views of external consultants.

1023. But the external consultants were surely engaged to advise on the design of the structure of the National Health Service, not on the headquarters organization?——No. The review of 1972/73 was specifically launched in order to see whether the Department needed to be re-designed, and fairly massive re-designing took place.

1024. Are you satisfied that you personally have the means of establishing how well the Department is managed?——One is testing that out at a number of levels. One test that I am concerned about the whole time is whether it is well enough managed to deal with the priority tasks with which Ministers are concerned, which may range from helping to put through a Bill on the one hand to following up the work that we are now doing, for example, with the National Health authorities on management costs. At the lower levels there is the whole process of our complementing exercises, and we have got our own management services which we believe often bring a very critical eye to bear.

Mr *Lawson*

1025. I should like to ask one or two questions about the statistical indicators of efficiency that you kindly gave us as far as the Health Service is concerned in Annex 2.D of your document. In paragraph 2.D.8 you say that occupancy of available beds has fallen slightly, by about 6 per cent, and that this might be attributable to a decrease in efficiency but might equally be a result of increased turnover. What steps have you taken to discover what it is due to, and what have you done about it?——(Sir *Henry Yellowlees.*) This is a very complicated matter because there are so many variables that can bear upon this kind of thing, and it is really only possible in the light of hindsight, when all the figures are in, to check up on what is being done. This has not, of course, been completed immediately, for the immediate figures past, but we always do go into an exercise of this kind and over the years we have identified on a number of occasions things which require to be looked at.

1026. So that you have used this indicator to discover inefficiency and that inefficiency, you would say, you have taken steps to correct, and have corrected?——We are talking about bed use?

1027. Yes, what you are talking about in paragraph 2.D.8?——I think that that is an over-simplified way of looking at it. I think the occupancy of available beds is determined by so many various factors. There is the nature of the disease, whether it is surgical or medical, or specialist in some other way and whether it is acute or chronic. There is the nature of staff available to deal with it in all categories, and the functions of staff of various kinds and the various other provisions which go with it. One can only use this as a very rough indicator and it is so used throughout the Health Service. People will be looking, and do look—this goes to the regional authorities—to see whether there seems to be, for a hospital with approximately the same function, some obvious difference which needs to be taken up.

Mr *Lawson.*] Are you satisfied that enough is being done in looking at these indicators and in discovering amidst the complexity of these myriads of factors how much is due to inefficiency, and then correcting that? Are you satisfied that enough is being done on that?

Chairman

1028. Could I supplement that? You are now doing something about evening up the disparities between regions. Have you any idea why it took 20 years for the Health Service even to think of evening up the disparities, and about 10 from the time it first thought of it actually to getting round to doing it?——When the Health Service started in 1948 one of the major points which required attention was the unequal distribution of hospital facilities throughout the country as a whole and if I was asked to make

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any claim for perhaps the first 20 years but certainly for the first ten or 15 years of the National Health Service, as to what it had done above all else, I would say that it had secured for the country as a whole the availability of specialist hospital services over the country as a whole. In the process of doing that inevitably some inequalities which existed to begin with were carried forward. Everybody got more, but the proportionate differences remained. That I would accept. I think that we have now reached the stage when, having got everybody up, we are having to look at these inequalities. That is how I would look at it.

Mr *Lawson*

1029. This is what I was leading to. I have looked at your tables and they are very interesting. I have made a calculation—I hope my figures are correct; they are based on your tables—that if you take two regions, both of them outside London, the Trent Region and the Mersey Region, you find that per 100,000 of population the Mersey Region has 31 per cent more medical and dental staff, 35 per cent more nurses and midwives, (and these are on the latest figures that you gave us today), 20 per cent. more professional and technical staff, 29 per cent more ancillary and other staff and 22 per cent more administrative and clerical staff. It also has 50 per cent more acute beds per 1,000 population and a turnover per acute bed which is 20 per cent less. This is a staggering difference. I know that this can be presented, of course, as a case for deploying more resources in the worst off region, in this case the Trent. I have some sympathy with that too, but might it not also be a case for looking at actually taking resources away at a time like the present from a region like the Mersey, because quite clearly this is not solely due to a difference in medical needs in the two regions? I do not know whether you would admit that there is any difference in the medical needs or in demand for care in the two regions but it must be clear by any criterion that the Mersey region is being less efficient?—— I certainly could not say anything about the difference in medical needs, because true medical need is very difficult indeed to measure; in fact, we have not got a proper measure of it. I would certainly say that in terms of demand, what the patient expects——

1030. It is infinite?——It is infinite.

Chairman

1031. If you take, for example, old people, there are about half as many geriatric beds in the Trent region as the national average. I think that that is the approximate statistic, but certainly it is low. The question of demand there is slightly pointless because what actually happens is that people might go into old people's homes and not be transferred from old people's homes to hospital geriatric wards, whereas they would be in Liverpool. By that time, if I may put it without being unkind, it may be that the patient is in no sense expressing demand, but may have to be in an old people's home merely because in Trent there are no geriatric wards whereas in Liverpool there are?——I entirely accept these arguments, but I think it is a fact that there are differences in different parts of the country. This is not just the patients, or the doctor, or the staff. There seems to be an expectation of a kind which is different from one area to another. It may have been conditioned originally because the bed provision, for instance in Liverpool, was very much higher. I accept that. We have done a number of studies on the Liverpool case. I think that the question was asked earlier whether there was not a case for not simply giving more resources to the Trent area, but actually removing something from a better off region. It depends upon what you mean by removing something but, I think that there would certainly be a case for concentrating facilities. There have been at least two studies on bed use in the Liverpool area and it has been demonstrated that closures would be possible, but of course closures are always strongly fought and recommendations which have occasionally been made in the past for closures in many parts of the country have subsequently failed to be carried through for various reasons that the Committee will know.

Mr *Lawson*

1032. I am not necessarily disputing this, but are you saying that political

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pressures are preventing the National Health Service from being as efficient as it might well be?——(Sir *Patrick Nairne.*) No, we are not. Could I answer tht question in the context of what the Committee is talking about, which is the policy strategy for re-allocating resources according to need. I am certain that this is a policy that is going to run into fairly strong political pressures in certain areas. They will no doubt come out in the context of the planning system which is set out in Annex C, and in the context of regions and areas publishing what their plans are going to be in order to fulfil what they can do within the resources that they have got. Indeed, the whole thrust of our policy—I am not underrating its difficulties—is to try to meet need in a rather more rational way than in the past, notwithstanding the potential political difficulties that may arise. Since we have touched on Liverpool, may I just add one point about it which is interesting? In this policy of re-allocating resources we have this year, in the latest report on this, just recently put out for consultation, done our best to refine the criteria for this purpose. The criteria are in a sense still experimental and we are going to run into a lot of criticism of them, particularly from London. Nevertheless they are the best that we have got. One of the criteria that has been introduced this year as a result of the refined work has been a morbidity criterion based on standard mortality rates. This has had the effect of taking the Merseyside area, which on the whole had fallen, so to speak, on the less deprived side of the line, on to the more deprived side of the line, designed as I understand it simply to reflect a factor that we had not taken enough account of earlier on, that Merseyside is a place that attracts a great deal of illness.

1033. But the fact remains that the turnover per acute bed is very much lower in Merseyside than in Trent and indeed morbidity—I think that that was the word you used—if I am right, increases their turnover rather than reduces it?——There are too many beds in Liverpool. That is what you are saying, and the result of it is exactly what you have said, and I think that they will be reducing their beds.

Chairman

1034. The point that I am getting at is that there have been since 1948. Whilst I accept entirely what your Department is doing to even things up now, I hope that we shall remember that we are not really investigating the Health Service at this moment; we are really investigating the functioning of the Civil Service. It must surely be a matter of some concern that a differential that existed before 1948 had remained unaltered for 30 years, in spite of a supposedly uniform organisation being in existence. When they were all under separate voluntary arrangements and local authorities, one can understand the disparity arising before 1948, but since 1948, for a whole generation, we have had your Department, not, of course, that I am blaming you personally for its last 30 years. But in some form your Department has been there and I myself have personal experience when the teaching hospital was set up in Nottingham and when the expertise there gave me the figures, of this same point being put to your Department 10 years ago?——(Sir *Henry Yellowlees.*) I think that the point that I would make here is that a bed is a bed. One is up against the question of quality in the hospitals in any area and particularly in Liverpool, and one is also up against the traditional work which Liverpool has done and still does, although it has gradually decreased, for north Wales. All the hospital admissions from north Wales at one time came through to Liverpool, and was one of the factors in the number of beds in relation to the population of Liverpool itself. But I think that quality is an important matter here. I think that that is seen when it is realised that over the years, which I mentioned earlier on, from the start of the Health Service it was necessary to develop in an old Poor Law Assistance hospital many of the highly specialised specialty arrangements which are required for the region as a whole, because they simply were not available in the other hospitals.

1035. Your point is highly relevant because as I understand it in 1948, money was distributed roughly in proportion to beds, because it was a simple statistic. But the point that I am getting

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at is that over 30 years while we have indeed developed some degree of refinement, do you not think that the system of Government should have been capable of doing it rather more quickly than that?——(Sir *Patrick Nairne.*) There is a political element in this as you are implying, I think, but there is also an administrative element, too. The Department's role has certainly changed. It is more activist in many directions and it could not do this sort of thing effectively if it had not in fairly recent years, over the last five or six years, developed a staff of economists, and a staff of operational research people who have played a major role in these policies.

Mr *Ridley*

1036. Surely the best indicator—I agree with the difficulties about bed occupancy and operations performed and colds cured; they are impossible indicators—is money, the cost. The Health Service has gone up very nearly four times in real cost since its inception. This is borne out by the number of staff that has been taken on. What is the reason for this enormous increase in the number of administrative and clerical staff, and, indeed, of staff in general, because, of course, one can derive a quality factor from extra nurses and doctors? One cannot see that in the administrative and clerical increase. We have got the figures before us and there is no need for me to quote them, but they are staggering?——The short answer to why there has been an increase, for example, since 1971 of 38 per cent in administration and clerical staff is partly because of structural change; that is, the reorganization itself. The taking on of the local authority role, which I think we have identified in our memorandum, has added to staff and it is partly due to the Community Health Councils' task, but more fully, I think, it has been through the growth of the demand for better management. I think that this is why—although we are very concerned about this, and indeed are in close discussion now with our regional partners about it, and nobody is complacent, neither they nor us—we have to recognise that it is not a matter of empire building, but is very largely due to the demands for better personnel management, the demands for introducing management services, the demands of the planning system that we are introducing, the demands of a much better financial information system which we hope will make resources better managed, and so on. I think that it is all set out in our memorandum. I have been very struck myself about the degree to which this is a reflection of criticisms of ineffective management.

1037. All of those things, better management, better personnel control and better industrial relations, should be designed to reduce the numbers of staff and not increase them, because at the same time as you have had the administrative and clerical upheaval you have had a very large increase in what you might call the workers—the doctors, nurses, ancillaries, and so on—in the Health Service. It seems hard that the increase in managerial staff should have resulted also in an increase of working personnel?——It has produced a reduction among hospital ancillary staff which is certainly a direct reflection of better management. I do not think, with respect, that it is right to relate the staff that we require to manage the show better, in any way to the growth that we have needed in terms of medical staff.

1038. The hospital ancillaries even now are up 146 per cent, since the inception of the Health Service. I admit that they are the best of all, but nothing has gone down?——The hospital ancillaries have gone down slightly—it is not very large —since 1971.

1039. It is about level according to the graph. I am not interested in any point other than this and I should like to probe it. Surely to the layman, something is wrong with the manpower in the Health Service overall. What is the method of control? If, for instance, there were too many people, how would you know and how would you be able to deal with it? I am interested in your method of controlling the number of people, as Accounting Officer, who are employed in this enormous organization, and in the taxpayer's interest in knowing that the right number are employed. How do you assure yourself of that?——It is a

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very difficult question to answer. Our major tool of control, as we bring out in Annex B, is finance. For the great bulk of these staffs, we have to give, and must give, under the relationship that we have with the health authorities, great freedom to the health authorities as to what staff they employ and what numbers. There are certain more senior posts, which again are set out—they are at Principal Administrative level and above—that we do actually control, because we think that it is right to keep our finger on the more senior posts. But largely it is a revenue control and at the present time, when the Health Service is shifting from an annual growth rate of between three and four per cent to a growth rate of 1·8 per cent or thereabouts, of course the pressures on reduction are very great. We do not think that it is good enough; nor do the NHS authorities. That is why we introduced the standstill from April this year and why we are now in the process of working out what should be the arrangements to govern the better control at the present time of NHS manpower from the 1st April next year, building on the standstill that we now have.

1040. I have been in touch with two private hospitals, both of which are taking long stay terminal cases. Some of them have been taking NHS patients at your expense. They tell me that their costs are approximately half of what they understand to be the NHS costs. Would you comment on that?——I shall be very interested to see the facts about a private hospital. Could I ask Mr Gedling? He is much more expert than me, and may be able to comment on that.

1041. Have you thought of encouraging the development of private hospitals and of putting certain categories of patient who do not require highly sensitive and complicated treatment, into those hospitals, which would probably save a lot of money?——The promotion of a policy in relation to the fostering of the private sector of medicine, and particularly hospitals, does, of course, come within the framework of the Health Services Bill. I think that really we are touching on political policies at that point, but of course we recognise that the private sector does take up many patients.

1042. Have any comparisons of the costs of the private sector and the public sector?——(Mr *Gedling.*) No, we have not, because the private sector is not very ready to provide figures of cost. You have mentioned a comparison of cost with people taking terminal cases. I would be quite happy to see this and to look at it. One question that I certainly would be asking is what the comparison was with on the Health Service side. Is this a long stay hospital comparison or is it being compared with acute hospitals?

Mr *Ridley.*] No, they are *pari passu,* so far as one can get at this.

Chairman.] That can be dealt with in writing.

Mr *Loveridge*

1043. Sir Patrick, this whole question, of course, concerns you and everyone in the country at the moment, but it does seem from what we have heard that there have not been many serious studies of this question of bed occupancy, because that must be a key to the costing of the whole service—one of the most vital figures. In West Germany, the time that a patient spends in bed is very long. It is said to be 17 days. In the United States about half as long. I think that it would be very welcome to see some comparative figures, even if the underlying medical reasons in relation to this in any area are complex as Sir Henry says. None the less there must be such large statistical numbers involved that it must be possible to arrive at some sensible policy to aim at for bed occupancy and for bed usage and, indeed, for bed empty spaces. One wonders as well—one cannot help but ask you—whether, when your secretary went for her six months with an area board she was able to find a seat, because the hospital administration and clerical staff went up in the four years from 1971 to 1974 by some 20 per cent, —about 11,000 up—but the population did not go up like that. What studies have been made to show how many beds were lost by that 11,000 increase? Are we really running a service for administrators? One cannot help but gain this impression to a degree?——(Sir *Patrick Nairne.*) I really do not believe that we

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are running a service for administrators. I hope that I have said enough to show that nobody is complacent about the facts of bureaucratic growth, if I might put it in that way, which has arisen because of the reasons we have set out. Coming to beds. I think that there are two criteria. What beds do you want to provide in relation to the total population in the area? That tends to vary in different parts of the country. This is at the very centre of the regional and area plans within our planning system set out in Annex C, and that will be the starting point—seeing how many hospitals (and some of them are very small and have been there for many years and there may be great difficulties about closing some of them) are really needed in relation to the general norm of beds to be provided per head of population. Then, as you say, there is the question of the bed occupancy level, which tends to vary. There may be a lot of special reasons for it between different hospitals, but by and large—Sir Henry could add to this perhaps—we have been aware of the comparative figures here, and above all, have made the authorities themselves aware of them by making them available to them for a great many years. What I hope that we are now going to do in the planning system, in a time of great financial stringency, is to provide a greater spur to the savings that have to follow.

1044. It may well be, may it not, that a lower number of days spent in hospital might be associated with better and faster treatment? But on this question of a service for administrators—I am not trying to be critical of the administrators; I think that their task is difficult—one area administrator told me that 40 years ago, when he joined the service he could have done in one day the arithmetic involved in payments to staff. It now takes several people. This kind of thing surely needs looking into. I think that arose because individual doctors' payments, when they cross the border, have to be separately counted up and so on, for treatments. The need for simplification was referred to earlier in relation to social security. This is surely very substantial. Cannot some studies be done to try to simplify it? ——This is indeed what we are doing in the exercise that we have got on hand —perhaps exercise sounds too soft a word but in the commitment that the health authorities and the Department have together to build on the standstill that we have already agreed jointly that we should impose, in introducing control arrangements that make sense to them, and that make sense to us. On a different point that was mentioned earlier on, I do not know whether you have had a chance to look at the document on "Priorities for Health and Personal Social Services" but there you will find the point that you were touching on, which is that here—and there has been a good deal of criticism about that —we are looking on a priority basis to a rather lower growth in the acute and general hospital services for the next few years than in the past. We have made it absolutely clear that this cannot be done unless there is some rationalisation of beds in that area, and the document says this very clearly. (Sir *Henry Yellowlees.*) Would the Committee like me to amplify something more in response to Mr. Loveridge's question about the length of stay and use of beds?

Chairman

1045. Perhaps you could send us a note. You have said that you are not satisfied with the organisation of the NHS in effect since re-organisation. What steps are being taken to try to improve it? For example, there is this relative increase in administrative personnel. It has been said to me that many of them are ex-professional personnel, doctors or nurses particularly, who have thus diluted the experience in their own original professions, and have not necessarily added to experience in the administrative corps. It has been suggested in various places that the Health Service has a tier too many. It is being suggested only today in one of the newspapers that this question of equality that we are talking about between regions is not applied within regions, which is the opposite of autonomy, of course. What exactly is being done to investigate these problems? I know that there is a commission on the NHS. Are you leaving

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it all to them?——(Sir *Patrick Nairne.*) The Royal Commission? No, Sir. We and the Royal Commission have had to come to an understanding so to speak that life cannot stop in these areas, and naturally we are keeping the Royal Commission in touch with developments that are taking place while they are sitting. I think that they certainly will regard the points that you have raised as falling within their broad terms of reference. I think that I ought to make one general point. The Secretary of State himself has said this on a number of occasions. Our aim is to streamline the organisation in the light of the many factors that have been mentioned by the Committee this afternoon, but within the present structure, because there has been criticism of all the tiers of the NHS from different aspects, but there is a role that each tier has, and above all there is a tremendously strong feeling in the Service that if we are going to achieve economies and continue to look after the patients properly, we must have stability of structure. It is with that as our basis that we are concentrating ourselves on looking at our relationship with the regions, to see whether we can cut down duplication between us and the regional tier, and this has led to a number of working parties under the steering group that I run on the three chairmen's report. The areas have been looking at their relationship with the regions to see whether there is streamlining, or an overlapping that can be cut out there. The administration costs—building on the standstill and going further than that—may well lead (I am speaking personally), to one or two, shall I say, structural experiments. Ministers are quite clear that we cannot muck around with the whole structure, but you might make some change at the district level in certain ways, and certainly where you can see that you could cut out a lot of administrative and clerical staff in the process. So that I think, broadly speaking, that it is a major streamlining operation that we have to conduct now.

Chairman.] Thank you very much, Sir Patrick. It is very kind of you to come a second time. We are grateful to you and all your staff who have prepared the latest memoranda for us.

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