

SUBJECT



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CC: CDK
HMT
CO

Gore Mack B

Sir A. Rawlinson
Mr. Cassels
Mr. Wilding
Clive Priestley

10 DOWNING STREET

From the Private Secretary

17 March 1982

Lee Mackat etc

Dear Terry

MANAGEMENT CONSULTANTS ASSOCIATION

The Prime Minister held a meeting yesterday afternoon at 1545 with the following representatives of the Management Consultants Association: Mr. Philip Banks, Chairman of the MCA Council, and Managing Director of AT Kearney Ltd.; Mr. Ian Hancock, Managing Director of Coopers & Lybrand Associates; Mr. Bernard Brocks, Executive Director of Price Waterhouse Associates; and Mr. Vincent Watts, a partner in Arthur Andersen. The Chief Secretary, the Chancellor of the Duchy of Lancaster, Mr. Hayhoe, Sir Robert Armstrong, Sir Anthony Rawlinson, Mr. Cassels, Mr. Wilding and Mr. Priestley were also present.

The representatives of the MCA presented their case, as set out in their letter of 15 February to the Prime Minister, and summarised in the attached document, which they circulated to the meeting. They said that they felt that there was now an opportunity to improve managerial effectiveness in Government. Senior civil servants now accepted the principles which the MCA considered important: the clearer definition of managerial responsibilities and their greater delegation; the need for proper systems of management and financial information to help managers carry out these responsibilities; and greater incentives to managers to devote more time to managing staff and resources. However, the MCA were concerned that departments were making slow progress in improving their management structure and managing information systems. The studies of financial control in MAFF and the Department of Industry, and the scrutinies of the control of staff and non-staff running costs in the Department of the Environment were encouraging; most of their recommendations had been accepted; but their implementation was taking a long time. There were a number of institutional barriers to change in the Civil Service. Management responsibilities in the Service were not always clearly defined; the MCA were for instance aware of senior officials who had no job description. The tendency to set up central divisions dealing with finance and personnel management not only encouraged line managers to take no interest in these functions, it also made it very difficult to delegate these responsibilities to line managers. There was too little emphasis in job evaluation and promotion policy on managerial excellence, and therefore little incentive for civil servants to develop their managerial skills.

/ The resources

PAK

The resources in terms of staff and skills devoted to changing the existing management structure of the Service, and its management information systems, were inadequate. Finally, the MCA felt that there was too little co-ordination and leadership by the central departments on tackling this problem. They proposed that a "central directing group" of Permanent Secretaries should be set up. This should consist of a small number of Permanent Secretaries from the central departments and from one or two large spending departments. This group should establish the general principles which departments should follow; should provide the leadership necessary to get departments to take action; and should monitor progress. It would be serviced by an executive group, which should include representatives with financial, accounting, and computer skills, and should perhaps include a number of outside representatives. Each department should set up its own "task force". These would be responsible for designing solutions tailored to the department's needs, and would work within set timetables (18 to 32 months from planning to implementation). Where Service-wide issues arose, such as the relationship between management accounting and vote accounting, these would be tackled by the central directing group.

In discussion, the Chief Secretary said that there was a lot of common ground between the Government and the MCA; Ministers were all agreed on the need to set managers clear objectives, to provide them with sufficient information to help them meet those objectives, to delegate responsibility as far as possible, and to train managers in the necessary financial and other skills. The Government recognised that there was a need for a systematic campaign by the central departments. The Treasury would shortly be issuing a paper to all departments setting this in hand. It would stress the importance of proper management accounting systems. It would give detailed instructions on how to implement such systems. It would not just be exhortation. It would call on departments to draw up programmes of work, and to discuss them with the Treasury before the end of 1982. The aim would not be to impose a single system on departments. But the Treasury would ensure that the systems proposed by departments met certain minimum criteria. It would be necessary to make some changes in vote arrangements, but this was not a central issue. The whole campaign would take time. The resources and expertise that the Civil Service could devote to the task were not inexhaustible. But the Government did have a general campaign under way, and its purpose was to improve the management structure of the Civil Service and its management information systems.

Lady Young went on to say that the MPO were co-ordinating three different initiatives in this field; a series of resource control reviews in large executive units, such as the prison service, the PSA, the coastguard, the Royal Mint, etc.; a similar series of scrutinies of the control of running costs in six departments; and a series of scrutinies of personnel management in nine departments. The MPO would clearly be co-operating with the Treasury on the long-term programme described by the

/ Chief Secretary

Chief Secretary. The recruitment and training of staff with the necessary skills would clearly be important. The MPO had set in hand several schemes for training staff in financial management and computer systems. One objective was to double the number of accountants within the Service.

After some further discussion, Mr. Banks said that the MCA acknowledged that the present Government was doing more than any of its predecessors to improve managerial effectiveness in the Civil Service. Members of the Association had been involved in a number of one-off studies in some twenty departments. The Association's concern was simply that there seemed to be an urgent need for a uniform approach with more central leadership. The Association felt they could contribute something useful to such a campaign and that was why they had put their proposals to the Prime Minister.

In conclusion, there was some discussion of the need to publicise the action that the Government was taking to improve managerial effectiveness, and management accounting systems, within the Civil Service. It was agreed that the Government's response to the forthcoming report from the Treasury and Civil Service Select Committee might prove a suitable vehicle for this.

I am copying this letter to Jim Buckley (Chancellor of the Duchy of Lancaster's Office), Adrian Carter (HM Treasury), David Wright (Cabinet Office) and to the offices of Sir Anthony Rawlinson, Mr. Cassels, Mr. Wilding and to Clive Priestley.

Yours ever
Willie Rickett

Terry Mathews, Esq.,
HM Treasury.



MANAGEMENT
CONSULTANTS
ASSOCIATION

IMPROVING MANAGERIAL EFFECTIVENESS

IN GOVERNMENT

16 MARCH 1982



MANAGEMENT
CONSULTANTS
ASSOCIATION

LIMITED (BY GUARANTEE)

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WV 2/3
Gaut...

CF/RS?

The Rt.Hon. Margaret Thatcher MP
10 Downing Street
London SW1

March 29, 1982

R3073

Dear Prime Minister,

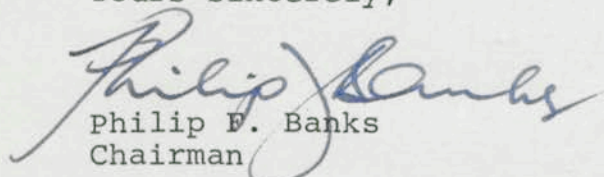
Thank you for your communication of 23rd March, and the expression of appreciation to my colleagues for our presentation.

We were most grateful to you for the time given and the interest displayed on 16th March. As you have noted, there has been some subsequent interest displayed by your officials. A meeting has now been initiated by the Treasury and I will be meeting Sir Anthony Rawlinson. As we understand the objectives of this meeting, it is to examine the concerns noted in the presentation and to review our suggested plan for action. We look forward to this meeting and to the opportunity for proceeding in a speedy and co-ordinated way.

I do assure you that MCA does desire to help, and that highly appropriate people are available to assist with the creation of momentum and the faster achievement of really durable results.

My sincere good wishes.

Yours sincerely,


Philip F. Banks
Chairman



Govt. Mach. Juf^o

c. 60

(Priestley, Cassels,
wright)

HMT (Lawinson,
Carter, Mathews)

cbh

10 DOWNING STREET

From the Private Secretary

23 March 1982

The Prime Minister was much interested in the presentation which you and your colleagues gave her, other Ministers and senior officials on 16 March, and she has asked me to thank you on her behalf; she would be grateful if you would also convey her thanks to your colleagues.

I understand that officials are already in touch with various members of your team to follow up some of the points which arose in the course of discussion.

W. F. S. RICKETT

Philip F. Banks, Esq.

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Ref. A07882

MR. PRIESTLEY

cc Sir Anthony Rawlinson
Mr. Cassels

Management Consultants Association

Thank you for your minute of 22nd March.

2. I think that it would be as well for the Prime Minister to write, without waiting for the MCA to write to her.
3. But two comments on the draft:
 - (a) I think that the last sentence of the first paragraph should be omitted, in case the MCA read too much into it.
 - (b) I understand that Sir Anthony Rawlinson is not the only person in touch with the MCA; the second paragraph ought to be generalised.
4. I therefore suggest a revised draft on the lines of the attached.

REA

ROBERT ARMSTRONG

22nd March, 1982

Mr. Rickett

Re type w/m 23/3

" File

I sent you yesterday a blind copy of my minute to Sir Robert Armstrong on this subject. Here is the draft which he would prefer, and which I suggest that you issue soon.

GP

23.iii.82

DRAFT LETTER

Philip F Banks Esq
Chairman
Management Consultants Association
23-24 Cromwell Place
London SW7

Blind copies: T F Mathews, Treasury
J Buckley, MPO
A A Carter, Treasury
Sir Robert Armstrong KCB CVO
Sir Anthony Rawlinson KCB
J S Cassels CB
C Priestley

The Prime Minister was much interested in the presentation which you and your colleagues gave her, other Ministers and senior officials on 16 March, and she has asked me to thank you on her behalf; she would be grateful if you would also convey her thanks to your colleagues.

I understand that officials are already in touch with various members of your team to follow up some of the points which arose in the course of discussion.

W. F. S. Rickett

[Blind copy: Mr Rickett]

cc Sir A Rawlinson
Mr Cassels

Sir Robert Armstrong

pn
Cent March
Wh 22/3

MANAGEMENT CONSULTANTS ASSOCIATION

We spoke last week. I now attach a possible draft "thank you" letter to round off at the Prime Minister's end.

2. However, the MCA Quartet (Brocks dissenting) are also quite keen to say "thank you" to the PM. You may think it preferable to see whether they do write, but my own feeling is that we ought to take the initiative.

3. May I know your views by close of play tomorrow, please?

CP

C PRIESTLEY
22 March 1982

Enc: Draft letter

DRAFT OF 22 MARCH 1982

Philip F Banks Esq
Chairman
Management Consultants Association
23-24 Cromwell Place
London SW7

The Prime Minister was very interested in the presentation which you and your colleagues gave her, other Ministers and senior officials on 16 March. She has asked me to thank you on her behalf and to convey her thanks to Mr Brocks, Mr Hancock and Mr Watts. The Prime Minister is also conscious of the great assistance which Ministers and their departments may obtain through the work of management consultants.

Some of the suggestions which you and your colleagues helpfully made will be taken up with you in informal discussion. I understand that Sir Anthony Rawlinson is already in touch with you for this purpose.

W F S Rickett

[Blind copies: T F Mathews Esq HMT
J Buckley Esq MPO
A A Carter Esq HMT
Sir R Armstrong
Sir A Rawlinson
J S Cassels Esq
C Priestley Esq]

2 MAR 1962



IMPROVING MANAGERIAL EFFECTIVENESS IN GOVERNMENT

INTRODUCTION

P.F. Banks

- . MCA REPRESENTATIVES
- . MCA'S EXPERIENCE
- . OPPORTUNITY
- . THEME
- . AGENDA

WHY ARE WE CONCERNED?

B.J. Brocks

- . NEED FOR CHANGE WIDELY ACCEPTED
- . AGREEMENT ON ELEMENTS OF IMPROVED RESOURCE MANAGEMENT
- . PLENTY OF ACTIVITY
- . TOO MUCH EMPHASIS ON TOOLS
- . LITTLE REAL CHANGE IN THE PAST
- . WILL CURRENT INITIATIVES BE ANY MORE FRUITFUL?

WHAT ARE THE BARRIERS TO CHANGE?

V.C. Watts

- . UNCLEAR MANAGEMENT STRUCTURE
- . "VALUE FOR MONEY" NOT DELEGATED
- . INFORMATION SYSTEMS NOT IN PLACE
- . INADEQUATE INCENTIVES TO MANAGE
- . "IT WON'T WORK HERE"
- . INADEQUATE RESOURCES DEVOTED TO CHANGE
- . LACK OF CO-ORDINATION

Accountancy skills -

WHAT ACTIONS ARE NEEDED?

I. Hancock

- . CENTRALLY - PROVIDE LEADERSHIP
 - ESTABLISH GENERAL PRINCIPLES
 - COVER SERVICE-WIDE ISSUES
 - MONITOR PROGRESS
- . WITHIN INDIVIDUAL DEPARTMENTS

Central direction group.

ACTION PROGRAMME SHOULD INVOLVE

- . CENTRAL DIRECTING GROUP - WITH EXECUTIVE SUPPORT
- . DEPARTMENTAL TASK FORCES
- . SPECIAL STUDIES

POSSIBLE TIME-SCALES:-

- . INITIAL PLANNING 2 MONTHS
- . DEPARTMENTAL AND SPECIAL STUDIES 4 - 6 MONTHS
- . IMPLEMENTATION OF SIGNIFICANT CHANGES 12 - 24 MONTHS

