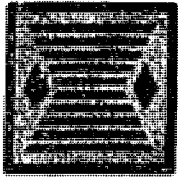


- PA-ABC-808 -
12/1/88



LATIN AMERICA AND CARIBBEAN HEALTH AND NUTRITION SUSTAINABILITY:

Technical Support for Policy, Financing and Management

1129 20th Street, NW
Suite 706
Washington, DC 20036
(202) 466-3318
FAX (202) 466-3328

This contract is implemented by:

International Science
and Technology
Institute, Inc. (ISTI)

Community Systems
Foundation (CSF)

Development Group, Inc. (DGI)

University Research
Corporation (URC)

URC is the prime contractor under
Contract No.
LAC-0657-C-00-0051-00
with the U.S. Agency for
International Development.

PN-ABU-POL

**CORPORATIZATION OF HEALTH
CORPORATION LIMITED**

JAMAICA

FINAL REPORT

Paul Chen-Young and Associates Limited

January 19, 1994

**CORPORATIZATION OF
HEALTH CORPORATION LIMITED**

FINAL REPORT

Prepared for:

*Latin America and Caribbean
Health and Nutrition Sustainability
1129 20th Street, NW
Suite 706
Washington DC 20003*

By:

*Paul Chen-Young & Associates
7 Trinidad Terrace
Kingston 5
Jamaica W.I.*

January 19, 1994

TABLE OF CONTENT

1.0	INTRODUCTION	1
2.0	INCORPORATION OF HEALTH CORPORATION LIMITED	1
3.0	BUDGET AND FINANCING HCL	2
3.1.	FINANCING	
3.2.	BUDGET	
4.0	ORGANIZATION STRUCTURE	2
5.0	STAFFING	2-3
5.1.	JOB DESCRIPTIONS	
5.2.	INTERIM STAFF	
6.0	ESTABLISHING EXECUTIVE AGENCIES - ODA FUNDED STUDY	3-4
7.0	CONCLUDING REMARK	4

LIST OF APPENDIXES

- APPENDIX A: 1994 HCL BUDGET**
- APPENDIX B: HCL ORGANIZATIONAL CHART**
- APPENDIX C: HCL KEY STAFF JOB SPECIFICATIONS**
- APPENDIX D: HCL MANAGING DIRECTOR JOB SPECIFICATIONS**
- APPENDIX E: INTERIM STAFF CONTRACTS**
- APPENDIX F: ODA REPORT: IMPROVING MANAGEMENT IN GOVERNMENT**

CORPORATISATION OF HEALTH CORPORATION LIMITED

FINAL REPORT

1.0 Introduction

While this will be the final report from Paul Chen-Young and Associates (PCYA) under its contract with Latin America and Caribbean Health & Nutrition Sustainability Project the process of 'corporatisation' of the procurements and distribution of pharmaceuticals is ongoing. The efforts to increase the efficiency and effectiveness of this service has served as an important test case. It underscores the extent to which the political will and commitment to the concept must come up against the a myriad of regulations and requirements which have created a framework hostile to the realisation of the concept.

Undoubtedly the task of overhauling the entire machinery of Government is daunting however in the long run it is necessary if there is to be a systematic improvement in the delivery of services from the public sector.

PCYA has however completed its tasks as stipulated in its contract with ITS. The required deliverables are included in this report.

2.0 Incorporation of Health Corporation Limited

On the basis of instructions from the Parliamentary Secretary in the Ministry of Health, PCYA in conjunction with Touche Ross (Ja.) finalized Articles and Memorandum of Associates. The Company was registered as a private limited liability company, without shares. Prior to registration the Articles were reviewed by the newly constituted Board of HCL and the Permanent Secretary in the Ministry of Health.

It is now proposed that Section 3.1 of the Articles of Association be amended. Health Corporation Limited will now be incorporated as a Government owned Private Company with Share Capital. The Accountant General will be vested with the Government's Share of HCL.

The primary reason for this change is that HCL as it is now registered will not be in a position to receive, grants or loans from the Government of Jamaica. In addition assets of Island Medical Stores could not be transferred to a private company.

3.0 Budget and Financing HCL

3.1 Financing

Once the Board approached the Ministry of Health and the Ministry of Finance with proposals for financing it became apparent that existing regulations, primarily the Financial Auditing and Administration Act, 1992¹ limited the options available. The Act stipulates that public funds and assets could not be transferred to a private company. Had the HCL been in a position to raise financing from other sources, that is had it been privatised, this would not have been an issue.

The Attorney General will advise the Ministry of Health on the appropriate changes as indicated in 2.0 above. Once HCL is incorporated as a state owned private company it will receive an advance to meet its operational expenses through to the end of the 1993/94 FY.

3.2 Budget

A revised January - March 1994 Budget has been prepared and approved by the Board. Salary packages for all positions of HCL has also been approved by the Board. A detailed 1994/95 Budget and the required budget notes have been finalised. See Appendix I.

4.0 Organisation Structure

Following discussions at the Board level the Organisational Structure has been finalised. See Appendix II.

5.0 Staffing

5.1 Job Descriptions:

Job Descriptions for the positions of Procurement Manager, Purchasing Controller, Purchasing Officer, Warehousing Manager and Financial Controller (draft) were tabled at the January 13 HCL Board Meeting. See Appendix III.

¹

This Act governs the expenditure and reporting of expenses from the State

A complete set of the relevant documents has been sent to the Ministry of Public Service for their 'evaluation' of the proposed salary packages.

A revised Job Description for the Managing Director has been approved by the Board of HCL. See Appendix IV.

- 5.2 Interim Staff:** Contracts for four (4) Consultants were finalised. These persons will provide support in the current tender exercise. See Appendix V.

Paul Chen-Young & Associates was subsequently advised that contracts will be with the MOH and not HCL. We have expressed some concerns about a contract which designates the Ministry of Health and not HCL as the contracting agent. The contract presupposes that the interest of the Ministry of Health and Health Corporation Ltd. will always be the same.

6.0 Establishing Executive Agencies - ODA Funded Study

Island Medical Stores (HCL) was among some ten (10) state agencies, primarily in the Ministry of Health, selected for review to determine the feasibility of applying a model similar to that used in the UK. See Appendix VI for copy of the report on the UK experience. Executive Agencies are considered 'half-way-houses', somewhere between a private company and public sector agency. Some characteristics of the Executive Agency are:

- a. The Agency can retain all earnings.
- b. The CEO has the authority to vary fees/charges.
- c. The post of the CEO is awarded competitively.
- d. The salary package for the CEO and senior management has an incentive component built in.
- e. All members of staff will be eligible for an annual bonus that is 'pegged' to the performance of the Agency.
- f. The Agency is expected to establish quantitative targets.
- g. A Framework Document is prepared which establishes guidelines for the relationships among the Agency and the Minister and the Ministry.

Paul Chen-Young & Associates hosted a meeting attended by the ODA Consultant, her local counterpart, the HCL Board Chairman and Managing Director. HCL Board Chairman and Managing Director concluded that the concept of Executive Agencies had merit, however HCL had gone beyond this point.

Given our notes in 2.0 and 3.0 which indicates that HCL is taking a step back the concept may warrant some consideration. The proposed changes in HCL Articles will not necessarily guarantee a - g above.

7.0 Concluding Remarks

The incorporation of the Health Corporation Limited as a state owned private company is perceived of as step towards privatisation. The HCL Board is scheduled to define the Company's Mission Statement. The logical step after this would be the development of a strategic plan which will take the existing company to an operating level which would make it attractive to a private investor.

In the interim the reporting and working relationships between HCL and the Ministry of Health must be clarified. The addition of a clause in the Articles of HCL which ensures that the FAAA 1992 takes precedence has significant consequences for HCL, issues such as the retention of earnings, the levels of salary, the ability to vary charges for services must now be addressed.

APPENDIX A
1994 HCL BUDGET

BUDGET (JAN - MAR 1994)	
MOH Expenses	\$
Contracts:	
• To facilitate the Tender Process (4 short term consultants)	252,500
• Interim Managing Director (V. Kerr)	162,500
• Audit of Stocktaking of current MOH stock ¹	60,000
• Provide Management Support to MOH ¹ (PCYA)	96,000
Purchase of Other Goods and Services:	
• Stationery and office supplies (See attached list)	11,000
• Rental of Office Space (15,000 x 3) includes utilities, telephone (local calls)	52,500
• Photocopies (estimated)	5,000
• Rental of fax machine	4,500
• Petty cash float	1,000
• Transportation	30,000
Sub Total	675,000
HCL Advances	
Purchase of Equipment	
• Furniture and Equipment	500,000
• Motor Vehicles	1,500,000
Land and Building	
• Renovation to Buildings	2,000,000
• Consultancy Services	500,000
Sub Total	4,500,000
GRAND TOTAL	5,175,000

¹ Done on behalf of MOH

Schedule 1

HEALTH CORPORATION LIMITED
Staffing Requirements and Costs

		Salary \$	Total \$
Directorship	Managing Director (with car)	650,000	650,000
	Market & Distribution Specialist(Future)	300,000	300,000
	Administrative Assistant	180,000	180,000
	Sub Total		1,130,000
Purchasing	Procurement Manager	450,000	450,000
	Purchasing Controller	275,000	275,000
	Purchaser/Custom Broker(In-House)	250,000	250,000
	Purchasing Officer(Tentative)	200,000	200,000
	Secretary	150,000	150,000
	Customs Clerks(2)	100,000	200,000
	Bearer	40,000	40,000
	Sub Total		1,565,000
Warehousing	Warehouse Manager	350,000	350,000
	Inventory Controller	250,000	250,000
	Warehouse Supervisor	200,000	200,000
	Security Officer	200,000	200,000
	Secretary	150,000	150,000
	Stock Auditor	90,000	90,000
	Security Staff(2)	75,000	150,000
	Data Entry Clerks (2)	70,000	140,000
	Drivers (2)	60,000	120,000
	Stock Clerk	60,000	60,000
	Stores Receivers (2)	60,000	120,000
	Selectors (4)	60,000	240,000
	Packers/Dispatchers (2)	60,000	120,000
	Sub Total		2,190,000
Finance & Management	Financial Controller (with car)	450,000	450,000
	Administrative/Operations Manager	200,000	200,000
	Senior Accountant	200,000	200,000
	Secretary	150,000	150,000
	Accounting Clerk	70,000	70,000
	Cashier	60,000	60,000
	Receptionist	60,000	60,000
	Office Attendant	40,000	40,000
	Bearer	40,000	40,000
	Janitor	35,000	35,000
	Sub Total		1,305,000
	Total Salaries		6,190,000
	Statutory & Other Expenses		1,547,500
	TOTAL STAFF COST		7,737,500

**HEALTH CORPORATION LIMITED
BUDGET (FY 1994/95)**

	RECURREN \$('000)	CAPITAL \$('000)
1. Compensation of Employees		
Wages and Salaries	6,190	
Statutory Payments	1,548	
2. Travel and Subsistence	350	
3. Public Utilities	2,000	
4. Purchase of Other Good & Sevices		
Subscriptions	50	
Stationery & Office Supplies	100	
Transportation	1,500	
Insurance	250	
Entertainment	50	
Repairs to Building, Furniture & Equipment	100	
Repairs and Service to Motor Vehicles	1,500	
Advertisement & Public Relations	100	
Training	100	
Security	1,080	
5. Purchase of Equipment		
Furniture and Equipment		1,000
Motor Vehicles		1,600
6. Land and Structures		
Renovations to Buildings		
Construction		5,000
7. Consultancy Services	500	
TOTAL	15,418	7,600

**NOTES TO THE BUDGET
HEALTH CORPORATION LIMITED FY 1994/95**

1. Compensation to Employees

See Detailed break out. It assumes a staff of forty (40) persons inclusive of the C.E.O., three (3) managers and seven (7) supervisory positions.

2. Travel and Subsistence

The nature of the activities of HCL will prompt the need for overseas travel to meet with potential suppliers.

3. Public Utilities

One critical cost will be electricity to ensure that the pharmaceuticals are kept at the required temperature.

4. Purchase of Other Goods and Services

Security

Security is required on a twenty-four hour basis given location and sensitivity of the stock and previous experience. A budget provision is made to employ at least three persons.

Transportation

Estimate of running expenses for islandwide deliveries etc.

Repairs and Service to Motor Vehicles

While the newer vehicles will not have a high maintenance cost the existing vehicles will need frequent maintenance.

5. Purchase of Equipment

Furniture & Equipment

Cost assumed for purchasing furniture and fittings for computer hardware and software for accounting, inventory control and other related functions of HCL.

Motor Vehicles

In addition to the current fleet of motor vehicles there is immediate need for two (2) motor cycles for bearers, one (1) car and one (1) small truck for deliveries.

6. Land and Structures

Construction of building to meet additional storage space requirement.

APPENDIX B
HCL ORGANIZATIONAL CHART

APPENDIX C
HCL KEY STAFF JOB SPECIFICATIONS

HEALTH CORPORATION LIMITED
JOB SPECIFICATION AND DESCRIPTION

JOB TITLE: PROCUREMENT MANAGER or alternatively PURCHASING MANAGER

JOB SUMMARY:

- Plan and organise tender activities; co-ordinate the purchase of pharmaceuticals, medical sundries and/or laboratory reagents. Ensure the prompt clearance of imports and timely submission of claims for loss and damage. Exercises overall responsibility for the activities within the Procurement Unit.

EDUCATION, SKILLS AND SPECIALISED TECHNIQUES:

- CAST Diploma in Pharmacy or equivalent qualification.
- Formal Training in Supplies Management.
- Ability to communicate effectively both orally and in written format.
- Good human relations skills.
- Analytical skills.
- Project Management techniques.
- Good negotiation skills.

EXPERIENCE:

- Six (6) years experience in the pharmaceutical field, two (2) of which should be at the middle management level along with:
 - Working knowledge of word processing and spreadsheet applications;

- Working knowledge of pharmaceutical industry;
- Working knowledge of purchasing procedures; and
- Working knowledge of project management.

WORKING CONDITIONS:

- Normal office environment
- Job will require overseas travel occasionally to visit suppliers.

REPORTS TO:

Directly: Managing Director

SUPERVISION GIVEN TO:

Directly: Purchasing Controller
Custom Broker
Executive Secretary

LIAISES WITH:

Internally: Financial Department/Unit
Administrative Manager
Inventory Controller
Marketing/Distribution Specialist

Externally: Foreign Suppliers
Ministry of Health and other clients
Local Distributors and Suppliers
Commercial Banks
Foreign Banks
Airlines
Shipping Agents
Hospitals, Health Clinics and Other Health Facilities
Customs Department

DUTIES AND RESPONSIBILITIES:

A. GENERAL

1. Along with Managing Director establish a mechanism for determining needs of the health sector.
2. Monitor demand of pharmaceutical and medical supplies and up date
3. Develop the Company's importation and tender policies and procedures.
4. Update the vendors list and the stock masterfile. Assign control numbers to new pharmaceuticals based on their pharmacological and therapeutic classification.

B. PROCUREMENT

1. Coordinate tender exercises including those for programmes funded by international agencies ensuring that scheduled activities are completed in the allocated time. This function involves:
 - Scheduling activities and assisting in the deployment of staff.
 - Preparation and monitoring of the procurement plan of action.
 - Collecting eighteen month estimated quantities from customers and preparing the schedule of bid requirements.
 - Vetting and adjusting schedule in respect of strengths, dosage forms and the generic name of drugs.
 - Drafting, collating and dispatching tender documents to suppliers.
 - Logging the arrival of bids and ensuring their security and confidentiality.
 - Ensuring accurate preparation of the Preference Report and the Schedule of recommended awards.
 - Participating in the evaluation, selection and award of tenders.
 - Advising suppliers of acceptance or rejection of their bids.

- Preparing the final schedule of awards for suppliers.
 - Preparation and submission of post-tender analyses.
 - Drafting of contract citing the Company as a procurement agent.
 - Preparation and submission of reports to relevant parties throughout the bidding process.
 - Advising successful bidders of the prerequisites for the procurement process.
 - Discharge bid securities upon completion of the bidding process.
2. Co-ordinate the procurement of pharmaceuticals and medical supplies including those to be procured under programmes funded by international agencies. This involves:
- Preparing and monitoring clients' payment schedules.
 - Ensuring accurate preparation of Purchase Orders and import permit applications.
 - Instructing suppliers on packing, marking and documentation requirements for shipments.
 - Monitoring preparation and dispatch of shipping documents for clearance/ payment purposes.
 - Arranging for replacement of discrepant shipments.
 - Discharging performance securities upon completion of contractual obligations.
3. Management of Procurement Unit.
4. Prepare estimates of foreign exchange requirements for specified periods and submit them to the Finance Unit and Operations Department.
5. Liaise with Finance Unit in the preparation of contract prices for arrivals on a per shipment basis.
6. Liaise with Finance Unit to prepare pricing reports and proposals for submission to the Board.

7. Prepare monthly goods receipts and order reports for the Data Processing Unit.
8. Maintain a data bank on pharmaceuticals. Liaise with manufacturers accordingly.
9. Provide statistical information as requested by in-house personnel and external bodies.
10. Negotiate payment terms with suppliers.
11. Prepare estimates of foreign exchange requirements for specified periods and submit to Managing Director and Finance Unit.
12. Priorities goods for clearance.
13. Perform other related functions required from time to time by the Managing director.

AUTHORITY TO:

- Issue contract prices to end users.
- Approve cheque requisitions for wharfage, storage and damage fees.
- Approve vacation leave and temporary leave for staff within the Procurement Unit.
- Approve applications for the importation of dangerous/controlled drugs.

PERFORMANCE STANDARDS:

The job is satisfactorily performed when:

- Reports to lending agencies are submitted within the stipulated time frame.
- Internal monthly reports are submitted to meet the required deadline.
- Tender activities are carried out in strict accordance with schedule.

- Project activities are completed within the scheduled time on the procurement plan of action.
- Integrity is preserved.
- Confidentiality is preserved.
- Goods are cleared in a timely manner.

HEALTH CORPORATION LIMITED
JOB SPECIFICATION AND DESCRIPTION

JOB TITLE: FINANCIAL CONTROLLER

JOB SUMMARY

- Ensuring the observation of sound financial and management practices and procedures which will ensure accuracy and reliability of the financial data in the Company's records.
- Managing, controlling and maintaining proper discipline among staff of the Accounting Department.
- Providing leadership and maintaining good company morale as well as assisting with on-the-job training of the Accounting Department Staff.
- Carrying out periodical performance appraisals of the staff in the Accounting Department in accordance with the Company's policies.

EDUCATION, SKILLS AND SPECIALIZED TECHNIQUES

- B.Sc. degree in Accounting/Economics/Management/Commerce or its equivalent
- A Chartered Accountant or its equivalent
- Ability to communicate effectively in oral and written format.
- Sound knowledge of generally accepted accounting principles, the Companies Act, Income Tax Laws, the Banking Act and Rules Governing the Stock Exchange.
- Knowledge of forecasting, project appraisals and analysis, preparation of feasibility studies.
- Expertise in financial analysis and interpretation of accounts.

- Knowledge of EDP systems.
- Knowledge of the FAAA 1992 would be an asset.

EXPERIENCE

- Three (3) years at a managerial level in a financial institution.

WORKING CONDITION

- Normal office environment

REPORTING TO

Directly: Managing Director

SUPERVISION GIVEN TO

Directly: Senior Accountant
Admin./Operation Manager

LIAISE WITH

Internally: Procurement Manager
Warehousing Manager
Marketing/Distribution Specialist

Externally: External Auditors
Ministry of Finance
Ministry of Health
Auditor General's Dept.
Commercial Banks

DUTIES AND RESPONSIBILITIES

1. Establishing an accounting system which is compatible with the needs of the company.
2. Preparation of Annual Budget for the company and monitoring of all expenditures on an on-going basis.
3. Ensuring verification and proper authorization of financial transactions and the observation of and conformity with accepted accounting principles in relation to all bills, vouchers and invoices presented for payment, as well as all journal entries.
4. Liaise with all departments within the company to ensure proper and timely recording and reporting of transactions of an accounting and financial nature.
5. Ensuring the proper management of the company's assets.
6. Overseeing the preparation and revision of monthly Financial Statements as required in compliance with government regulations, statutory and internal operating requirements.
7. Reporting on the actual performance of expenses and revenue vis-vis planned performance and the compilation of other reports based on these.

AUTHORITY TO

- Determine work methods and priorities in the Finance and Administration Unit.
- Sign Cheques.
- Incur and approve expenses in accordance with approved capital and recurrent expense limits.
- Approve vacation leave for staff within the Finance and Administration Unit.

PERFORMANCE STANDARDS

The job is satisfactorily performed when:

- The company expenses remain within budgeted limits.
- Confidentiality is preserved.
- Stipulated deadlines are consistently met.
- A high level of accuracy is maintained in the performance of duties.
- There is demonstrated ability to foster good working relations with staff at all levels.
- Integrity is preserved.

HEALTH CORPORATION LIMITED
JOB SPECIFICATION AND DESCRIPTION

JOB TITLE: WAREHOUSE/DISTRIBUTION MANAGER

JOB SUMMARY:

- Responsible for planning and coordinating the activities of the Warehouse Distribution staff in carrying out daily operations in the areas of receipt, storage and security of goods and also to the safe delivery of goods to customers.

EDUCATION, SKILLS AND SPECIALISED TECHNIQUES:

- C.A.S.T Diploma in Pharmacy or equivalent qualification.
- Formal training in Management/Business Administration.
- Ability to communicate effectively.
- Well developed human relations skill.
- Knowledge of software suitable to computerize warehouse an asset.

EXPERIENCE:

- Five (5) years experience in the pharmaceutical field, three (3) of which should be as a warehouse/distribution supervisor.
- Minimum of two years as a member of a management team.
- Involvement in the establishment or improvement of a warehouse.

WORKING CONDITION

- Warehouse complex

REPORTING TO:

Directly: Managing Director

SUPERVISION GIVEN TO:

Directly: Inventory Controller
Warehouse Supervisor
Security Supervisor
Staff of 11 - receivers, drivers etc.,

LIAISES WITH:

Internally: Procurement Manager
Purchasing Controller
Marketing/Distribution Specialist
Administrative Manager

Externally: Hospitals and Health Centres
Trucking Companies

DUTIES AND RESPONSIBILITIES:

A. RECEIVALS:

1. Responsible for the receipt of purchases.
2. Assisted by Warehouse Supervisor and Security Officer, ensures that in-coming merchandise is correct in quantity and of sound condition.
3. Ensures that goods are carefully unloaded and properly stacked in the warehouse.
4. Supervises the preparation of a weekly stock report.

B. WAREHOUSE FACILITIES

1. Review existing warehouse facilities and make recommendations which will ensure improvements in use of space and guide proposals for expansion.
2. Ensures proper housekeeping, i.e., rotation of stock, access to stocks, clean surroundings.
3. Maintains an effective system of security of goods; ensures the warehouse is properly locked at nights.

C. DELIVERIES

1. Maintains effective trucking facilities to fulfill all operational requirements.
2. Plans, and monitors the daily operations of safe delivery of supplies to customers, ensuring that the customers deadlines are met.
3. Prepares routing for delivery of supplies to rural areas.
4. Ensures maximum security of supplies while in transit.
5. Ensures that out-going goods tally with invoices.
6. Authorizes payment to truckers; monitors truckage accounts.
7. Maintains personal contact with customers to ensure good relations; takes telephone orders; deal with complaints.
8. Supervises all deliveries of goods. Keeps records of deliveries.

D. STAFF

1. Approves bills for truckers, and lifters.
2. Monitors staff attendance and punctuality.

E. REPORTS

1. Ensures that prompt inventory reports are submitted to the Procurement Unit to facilitate an efficient procurement system.
2. Submits monthly reports on staff, deliveries, warehouse facilities, receivables, and any other matters that affect the department by the 5th working day following the month under review.

F. GENERAL

1. Liaise with Marketing/Distribution Specialist to properly assess customer needs and assist with implementation of good inventory control systems and practices at the end-user level.
2. Prepares weekly/monthly and quarterly schedules of present and projected customers' requirements.
3. Monitoring stock levels and develop specific solutions for identified problems.

AUTHORITY TO:

PERFORMANCE STANDARDS:

This job is satisfactorily performed when:

- The company has a well managed and efficient warehouse.
- The dispatch of Pharmaceuticals and Sundries is done on a timely basis.
- Loss of Stock as a result of damage, expiration and theft is reduced.
- Management is advised on a timely basis of reorder requirements.

HEALTH CORPORATION LIMITED
JOB SPECIFICATION AND DESCRIPTION

JOB TITLE: PURCHASING CONTROLLER

JOB SUMMARY:

- Arrange the purchase of pharmaceuticals, medical sundries and laboratory reagents. Monitor shipments and ensure the timely clearance of shipments. Functions include assisting in the evaluation and selection of tenders.
- Responsible for ensuring adequate insurance coverage for all imported goods and the timely filing and settlement of claims arising from loss and damage.

EDUCATION, SKILLS AND SPECIALISED TECHNIQUES

- CAST Diploma in Pharmacy or equivalent qualifications.
- Formal training in Supplies Management.
- Good oral and written communication skills.
- Good human relations skills.
- Good negotiation skills.
- Good supervisory skills.

EXPERIENCE:

- Four (4) years' experience in a middle management position in the pharmaceutical field along with:-
 - Working knowledge of marine and aviation insurance.

- Working knowledge of word processing and other relevant computer applications;
- Working knowledge of the pharmaceutical industry; and
- Working knowledge of purchasing procedures.

WORKING CONDITIONS:

- Normal office environment

REPORTS TO:

Directly: Procurement Manager

SUPERVISION GIVEN TO:

Directly: Purchasing Officers

LIAISES WITH:

Internally: Finance Department
Inventory Controller

Externally: Foreign Suppliers
Local Distributors and Suppliers
Commercial Banks
Foreign Banks
Airlines
Shipping Agents
Hospitals, Health Clinics, and other Health related Facilities
Ministry of Health and other clients
Insurance Brokers
Insurance Companies
Company's Attorneys

DUTIES AND RESPONSIBILITIES

1. Supervise Purchasing Officer, ensuring the timely and efficient performance of duties.
2. Carry out the following responsibilities for the procurement of pharmaceuticals, medical sundries and laboratory reagents:
 - Vet all purchase orders, import permits and accompanying documents for accuracy.
 - Maintain a log of details of purchase orders and suppliers' acknowledgements.
 - Prepare letter of credit applications for submission to the Finance Unit. Maintain related files and handle correspondence.
3. Take the required steps to expedite the procurement of urgently needed drugs to prevent medical crises when necessary.
4. Make the required arrangements for the replacement of discrepant shipments.
5. Investigate overdue shipments and determine the appropriate action to be taken; effect measures to locate 'lost' consignments.
6. Monitor the status of outstanding orders and ensure adequate preparation is made for the storage of thermolabile preparations. Liaise with freight and shipping agents accordingly and inform clients.
7. Monitoring the shipment and arrival of orders.
8. Expedite clearance proceedings by:
 - Liaising with Customs Broker to ensure the prompt collection of shipping documents.
 - Requesting shipping documents from suppliers to facilitate prompt processing by the Customs Unit.
 - Prioritising goods for clearance.
8. Monitor outstanding sight draft payments and liaise with Finance Unit to initiate payments when goods are received and advise suppliers accordingly.
9. Receive and check suppliers' invoice against the Company's purchase orders. Rectify discrepancies.

10. Initiate payment through the Finance Unit, of suppliers' invoices on open account.
11. Prepare monthly analyses of imports.
12. Undertake the following responsibilities in the tender exercise:
 - Check draft tender documents.
 - Check and correct printed schedule of requirements.
 - Record the arrival of bids.
 - Participate in the evaluation and award of bids.
13. Perform other related functions required from time to time by the Procurement Manager.
14. Ensure that imported goods are adequately insured.
15. Prepare and submit monthly reports on the status of claims.
16. Liaise with insurance brokers/companies to follow up on outstanding claims.
17. Make the necessary arrangements for the dumping of inferior goods, as required.
18. Ensure that proper certification is obtained from the airport/wharf for loss/damaged goods.
19. Ensure that perishables are given priority for clearance by liaising with the Customs Broker in advance of the arrival of such goods.

AUTHORITY TO:

- Negotiate payment terms with suppliers.

PERFORMANCE STANDARDS.

The job satisfactorily performed when:

- Stipulated deadlines are consistently met.
- A high level of accuracy and efficiency is evident at all times.

- Payments to suppliers are prompt.
- Purchase orders are accurate and are dispatched on a timely
- Integrity is preserved.
- Confidentiality is preserved.
- Goods are cleared in an expeditious manner

HEALTH CORPORATION LIMITED
JOB SPECIFICATION AND DESCRIPTION

JOB TITLE: PURCHASING OFFICER

JOB SUMMARY:

- Perform activities related to the purchase of pharmaceuticals, medical sundries and laboratory reagents. Functions include the preparation of purchase orders and processing tenders.

EDUCATION, SKILLS AND SPECIALISED TECHNIQUES:

- CAST Diploma in Pharmacy or equivalent qualifications.
- Formal Training in Supplies Management.
- Ability to communicate effectively both orally and in writing.
- Good human relations skills.

EXPERIENCE:

- Four (4) years' experience in pharmaceutical and supplies management along with:
 - Working knowledge of Word Processing and other relevant software.
 - Knowledge of purchasing procedures;
 - Working knowledge of the pharmaceutical industry would be an asset.

WORKING CONDITION:

- Normal office environment

REPORTS TO:

Directly: Purchasing Controller

SUPERVISION GIVEN TO:

Directly: N/A

LIAISES WITH:

Internally: Warehousing Unit
Finance Unit

Externally: Ministry of Health and other clients
Local and Foreign Suppliers
Local Distributors

DUTIES AND RESPONSIBILITIES:

1. Assign stock control numbers to items on Inventory List based on their pharmacological and therapeutical classification.
2. Maintain files on all suppliers and data related to the procurement function.
3. Obtain prices for items and expiry dates. Contact suppliers accordingly.
4. Prepare purchase orders in accordance with company's needs.
5. Verify customer billings by reconciling accounts receivable invoices with suppliers' invoices.
6. Submit suppliers invoices and other necessary data to the Finance Unit to facilitate the prompt payment of suppliers and billing of clients.

7. Submit information to Finance Unit to facilitate the issue of credit and debit memos.
8. Prepare schedule of arrival of pharmaceuticals for clients.
9. Undertake the following responsibilities in the tender exercise:
 - Transfer estimated order quantities to draft tender,
 - Record suppliers' bid quotations,
 - Participate in the evaluation and award of bids.
10. Liaise with clients to priorities purchases within their financial constraints.
11. Perform other related duties assigned from time to time.

AUTHORITY TO:

- Select suppliers for items to be procured by way of limited shopping, based on an approved listing.

PERFORMANCE STANDARDS:

The job is satisfactorily performed when:

- Purchase orders are prepared within two (2) days of receipt of requisitions.
- Customers are billed within three (3) days of receipt of suppliers' invoices.
- A high level of accuracy is maintained in the performance of duties.
- Integrity is preserved.

APPENDIX D

HCL MANAGING DIRECTOR JOB SPECIFICATIONS

HEALTH CORPORATION LIMITED
JOB SPECIFICATION AND DESCRIPTION

JOB TITLE: MANAGING DIRECTOR

JOB SUMMARY:

- Plan, administer, manage and direct the Company's system for the procurement, warehousing and distribution of pharmaceuticals, medical sundries and laboratory reagents. Functions include: researching, analyzing, developing, reporting and advising on the pharmaceutical industry both locally and internationally, and directing the work of staff.
- Exercises overall responsibility for the execution of the Board's policy. Plans, coordinates, and evaluates the activities of the various departments to ensure the fulfillment of policy.

EDUCATION, SKILLS AND SPECIALIZED TECHNIQUES:

- Training in Pharmaceutical Sector
- Formal training in Management/Business Administration
- Ability to communicate effectively both orally and in written format
- Well developed human relations skills
- Good negotiation skills
- Sound knowledge of the development and implementation of management policies at an executive level in an organization.

EXPERIENCE:

- Seven (7) years experience in Management, three (3) of which should be at the senior management level.

WORKING CONDITION:

- Normal office environment
- Job will require overseas travel to visit suppliers and to represent the company at international meetings, seminars and/or conferences.
- Extended hours as required.

REPORTING TO:

Directly: Board of HCL; Member of the HCL Board

SUPERVISION GIVEN TO:

Staff of approximately forty (40) including three (3) Senior Managers/Directors to ensure achievement of objectives.

LIAISE WITH:

Externally: Foreign and Local Manufacturers/Suppliers
Clients; Ministry of Health
Food & Drug Administration - Washington
Foreign Regulatory Bodies
Jamaica Chamber of Commerce
Trade Board; Commercial Banks
Health Professional Associations
Hospitals and Hospital Boards
Local Distributors
Various Government Ministries and Departments

DUTIES AND RESPONSIBILITIES:

A. PROCUREMENT

1. Plan, administer and manage the tender system ensuring its integrity and the timely delivery of tenders. This involves:
 - Scheduling activities for the tender exercise and assigning personnel.
 - Vetting the schedule of bid requirements.
 - Ensuring the security and confidentiality of bid submissions.
 - Chairing Tender Committee meetings for the final evaluation, selection and approval of recommended awards.
 - Notifying suppliers of acceptance/rejection of bids.
2. Ensure that the highest quality medical products are obtained at the best prices both locally and internationally.
3. Plan and administer procurement under programmes funded by international agencies. Chair evaluation meetings.
4. Manage and direct all purchasing activities undertaken by the Company and ensure that adequate supplies of pharmaceuticals, medical sundries and laboratory reagents are available to the Government Sector at all times.
5. Represent the Company at meetings locally and internationally on issues related to the Pharmaceutical industry. This includes meeting with foreign suppliers and their local representatives to discuss trends and developments in the industry and generally develop and maintain good relations.
6. Responsible for the importation of dangerous/controlled drugs for the Government sector. Approve applications and direct procurement activities.
7. Take the required steps to expedite the procurement of urgently needed supplies to prevent medical crises.

B. WAREHOUSING & DISTRIBUTION

1. Oversee the development of a system for warehousing.
2. Oversee the development of a system which will ensure the control of inventory.

C. MARKETING

1. Position the Company as a viable Purchasing Agency in the Private Sector.
2. Analyze the needs of the health sector and advise the Board on the most viable strategy to ensure the Company's development.

D. GENERAL

1. Participate in the implementation of policies; interpret and disseminate information on policy directives as necessary.
2. Evaluate the performance of the Company against established goals/objectives at regular intervals, providing the Board with adequate information for setting policy direction.
3. Exercises control, through departmental heads, over the administration, financial management and operational activities of the company.
4. Develops a good public image of the company.

AUTHORITY TO:

- Approve applications for the importation of dangerous/controlled drugs.
- Approve purchase orders to be sent to overseas suppliers.
- Approve invoices, debit/credit notes, entertainment and telephone bills, petty cash vouchers, local travel expenses and allowances.
- Approve vacation leave and temporary leave for staff.
- Recruit and terminate the services of staff in accordance with company policy and practices.

PERFORMANCE STANDARDS:

The job is satisfactorily performed when:

- The company expenses remain within budgeted limits.
- The goals and objectives of the Company are consistently attained.
- Sufficient quantities of pharmaceuticals, medical sundries and laboratory reagents are available at all times.
- Pharmaceuticals, medical sundries and laboratory reagents are of a high quality and are obtained at reasonable rates.
- Harmonious relations are maintained with customers and suppliers.
- Suppliers receive payment on a timely basis.
- Integrity is preserved.
- Confidentiality is preserved.
- Stipulated deadlines are consistently met.
- There is demonstrated ability to foster good working relations with staff at all levels.

APPENDIX E
INTERIM STAFF CONTRACTS

Health Corporation Limited
Marcus Garvey Drive
Kingston . Tel. 923 6926

December 14, 1993

Mrs. Valerie Kerr
15^{1/2} Long Lane
P. O. Box 2536
Kingston 8

Dear Mrs. Kerr:

We are pleased to offer you the position of Managing Director with the Health Corporation Limited, under the following basic terms and conditions:

Commencement Date: January 3, 1994.

Salary: \$602,073 per annum [inclusive of optional rent].

Allowances:

- \$31,192 per annum for Clothing
- \$16,595 per annum for Laundry & Lunch Subsidy.
- \$5,000 per annum for Entertainment.
- \$20,800 per annum for Utilities.
- \$24,340 per annum for Overseas Travel.

Motor Vehicle: Fully maintained company vehicle.

Probation: Three months [No notice of termination is required during this period].

Termination: Three months notice is required from either side or payment in lieu of notice.

Vacation Leave: Twenty days per annum.

Working Hours: 8:00 a.m. to 5:00 p.m. or as may be necessary to effectively perform your duties.

...../2

46

December 14, 1993

-2-

Upon satisfactory completion of your probation period and subsequent confirmation of employment, you will be eligible for the following:

- a. Participation in the Company's contributory Health Insurance Scheme;
- b. Participation in the Company's non-contributory Group Life Insurance Scheme with coverage of $2^{1/2}$ times your annual salary, with a limit of \$1.5M;
- c. Participation in the Company's Pension Scheme with your contribution ranging from between 5% and 10% of your basic salary, at your option;
- d. Clothing allowance of \$31,192 per annum.

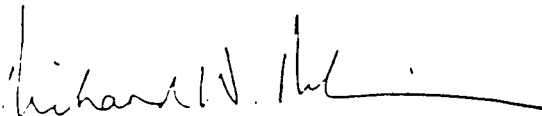
Please supply us with your National Insurance and Income Tax (P45) Certificates and your bank account number to which your salary will be lodged.

If you are in agreement with the foregoing, please sign and return the enclosed copies of this letter.

We trust that our association will be mutually rewarding.

Yours truly,

HEALTH CORPORATION LIMITED



Richard Robinson
Chairman

I accept the foregoing terms and conditions: _____

NIS # _____

Date: _____

CONTRACT AGREEMENT

This agreement, when signed by both parties, will become an agreement between Health Corporation Limited, Marcus Garvey Drive, Kingston and Eva Henry (hereinafter referred to as the Contractor), for the provision of specified services and products.

This contract shall not be construed as establishing an employer-employee relationship between the parties of this contract.

WE DO MUTUALLY AGREE AS FOLLOWS:

1. The contract will begin on January 3, 1994 for a total of sixty-three (63) work days.
2. The Contractor will report to the Managing Director and will be responsible for successfully completing the assignment to his/her satisfaction.
3. The Terms of Reference (see Annex A) for this agreement are attached.
4. The Contractor acknowledges that he/she is totally responsible for satisfying the Terms of Reference (see Annex A) for this assignment within the resources provided unless previously agreed.
5. The total compensation for services to be delivered under this contract will be J\$105,000 dollars. This compensation is based on payment of fees for the Contractor's time at the rate of J\$1,666.67 per day for a period of sixty-three (63) days. No payment will be made for days not worked or for sick days or holidays.
6. After receipt of an invoice and acceptance of product/services, Health Corporation Limited will make payment by cheque to the Contractor or as per the method of payment specified (see sample of invoice attached). A schedule of Payment and Deliverables must be presented before any payment is made.

7. Health Corporation Limited will not be responsible for payroll taxes, nor accept any liability arising from the performance of this contract by the Contractor. Nor will Health Corporation Limited be responsible for any benefits or obligations to the Contractor other than those specified herein.
8. No other costs or obligations beyond those specifically included in this contract will be accepted unless mutually agreed to in writing between the parties.

.....
Richard Robinson
Chairman
Health Corporation Limited.

.....
Eva Henry
Consultant

BACKGROUND

Health Corporation Limited¹ was recently established to function as a purchasing and distribution agent of medical supplies for its clients the Government of Jamaica hospitals. A Management Board is in place and a Managing Director has been appointed but other permanent employees have not yet been appointed. In the interim critical procurement functions must be followed through to ensure the Company will contract with persons, to provide the required services until the beginning of fiscal year 1994/95.

DEFINITION OF CONSULTANCY WORK

The Consultant will function as the Pharmaceutical/Purchasing Manager for the Health Corporation Limited (HCL) for the period of this contract.

SCOPE OF WORK

The Contractor agrees to provide such services as will:

- a) ensure the timely completion of tender exercises for pharmaceutical preparations and medical sundries on behalf of Health Corporation Limited;
- b) facilitate the transfer of responsibilities for the procurement of pharmaceuticals and medical sundries for the public sector from the JCTC to Health Corporation Limited.
- c) Co-ordinate the team of three contract persons.

The details of the Scope of Work is attached in Annex B.

¹ Health Corporation Limited activities will include the services formerly provided by Island Medical Stores

DURATION OF CONTRACT

The contract will commence on January 3, 1994 and expire on March 31, 1994.

OTHER CONSIDERABLES

a. Personnel

The Consultant selection was based on:

- i) Knowledge and experience in pharmaceutical and the tender process for the procurement of medical supplies.
- ii) Current involvement in the tender process for the procurement of pharmaceuticals.
- iii) Availability to start on January 3, 1994.

b. Reporting Procedures

The Consultant shall report to the Managing Director of Health Corporation Limited.

c. Logistics

Health Corporation Limited shall provide logistic support to the Consultant.

STATEMENT OF SERVICES

The Contractor will have responsibility for:

- Responding to enquiries and communicating to all bidders information pertinent to any enquiry
- Making preparations for Tender Committee meetings
- Evaluating bids and making recommendation of tender awards
- Attending Tender Committee Meetings
- Preparing letters of notification for successful bidders and ensuring that letters are dispatched in a timely manner
- Preparing and forwarding letters of regret to all unsuccessful bidders
- Liaising with JCTC to acquire and provide necessary information to facilitate a smooth transition

The Contractor will assist with the following:

- Recording the receipt of bid proposals in the tender register
- Ensuring that all bid proposals are kept in a secure and confidential manner
- Assisting with the collection of tender documents and samples from the Jamaica Commodity Trading Company
- Assisting with the preparation of reports on the Bid Opening and evaluation exercises
- Converting bid prices to US currency to facilitate evaluation and comparison of bids

- Recording bid prices submitted by tenders to facilitate the preparation of the Preference Report
- Checking the Schedule of Recommended Awards for accuracy before its presentation to the Tender Committee
- Assisting with the preparation and checking of the Schedule of Awards for each successful bidder
- Assisting with the return of all bids received after the deadline for the submission of bids
- Tracking the delivery of those JCTC pharmaceutical shipments outstanding as at December 31, 1993
- Assisting with the collection of shipping documents from the JCTC to facilitate the clearance by the Ministry of Health of those shipments outstanding as at December 31, 1993.

CONTRACT AGREEMENT

This agreement, when signed by both parties, will become an agreement between Health Corporation Limited, Marcus Garvey Drive, Kingston and Ula Coke (hereinafter referred to as the Contractor), for the provision of specified services and products.

This contract shall not be construed as establishing an employer-employee relationship between the parties of this contract.

WE DO MUTUALLY AGREE AS FOLLOWS:

1. The contract will begin on January 3, 1993 for a total of forty (40) work days.
2. The Contractor will report to the Pharmaceutical Manager and will be responsible for successfully completing the assignment to his/her satisfaction.
3. The Terms of Reference (see Annex A) for this agreement are attached.
4. The Contractor acknowledges that he/she is totally responsible for satisfying the Terms of Reference (see Annex A) for this assignment within the resources provided unless previously agreed.
5. The total compensation for services to be delivered under this contract will be JS60,000 dollars. This compensation is based on payment of fees for the Contractor's time at the rate of JS1,500 per day for a period of forty (40) days. No payment will be made for days not worked or for sick days or holidays.
6. After receipt of an invoice and acceptance of product/services, Health Corporation Limited will make payment by cheque to the Contractor or as per the method of payment specified (see sample of invoice attached). A schedule of Payment and Deliverables must be presented before any payment is made.

7. Health Corporation Limited will not be responsible for payroll taxes, nor accept any liability arising from the performance of this contract by the Contractor. Nor will Health Corporation Limited be responsible for any benefits or obligations to the Contractor other than those specified herein.
8. No other costs or obligations beyond those specifically included in this contract will be accepted unless mutually agreed to in writing between the parties.

.....
Richard Robinson
Chairman
Health Corporation Limited.

.....
Ula Coke
Consultant

56

BACKGROUND

Health Corporation Limited¹ was recently established to function as a purchasing and distribution agent of medical supplies for its clients the Government of Jamaica hospitals. A Management Board is in place and a Managing Director has been appointed but other permanent employees have not yet been appointed. In the interim critical procurement functions must be followed through to ensure the Company will contract with persons, to provide the required services until the beginning of fiscal year 1994/95.

DEFINITION OF CONSULTANCY WORK

The Consultant will function as the Purchasing Controller for the Health Corporation Limited for the period of this contract.

SCOPE OF WORK

The Contractor agrees to provide such services as will:

- a) ensure the timely completion of tender exercises for pharmaceutical preparations and medical sundries on behalf of Health Corporation Limited;
- b) facilitate the transfer of responsibilities for the procurement of pharmaceuticals and medical sundries for the public sector from the JCTC to Health Corporation Limited.

The details of the Scope of Work is attached in Annex B.

DURATION OF CONTRACT

¹ Health Corporation Limited activities will include the services formerly provided by Island Medical Stores

OTHER CONSIDERABLES

a. Personnel

- i) Knowledge and experience in pharmaceutical and the tender process for the procurement of medical supplies.
- ii) Current involvement in the tender process for the procurement of pharmaceuticals.
- iii) Availability to start on January 3, 1994.

b. Reporting Procedures

The Consultant shall report to the Pharmaceutical Manager.

c. Logistics

Health Corporation Limited shall provide logistic support to the Consultant.

STATEMENT OF SERVICES

The Contractor will have responsibility for:

- Ensuring that all bid proposals are kept in a secure and confidential manner
- Collecting tender documents and samples from the Jamaica Commodity Trading Company
- Preparing reports on the Bid Opening and evaluation exercises
- Recording bid prices submitted by tenders to facilitate the preparation of the Preference Report
- Checking the Schedule of Recommended Awards for accuracy before its presentation to the Tender Committee
- Attending Tender Committee Meetings
- Tracking the delivery of those JCTC pharmaceutical shipments outstanding as at December 31, 1993

The Contractor will assist in the following:

- Responding to enquiries and communicating to all bidders information pertinent to any enquiry
- Recording the receipt of bid proposals in the tender register
- Assisting with preparations for Tender Committee meetings
- Converting bid prices to US currency to facilitate evaluation and comparison of bids
- Assisting with the evaluation of bids and the recommendation of tender awards

- Assisting with the preparation and checking of the Schedule of Awards for each successful bidder
- Preparing letters of notification for successful bidders and ensuring that letters are dispatched in a timely manner
- Preparing and forwarding letters of regret to all unsuccessful bidders
- Assisting with the return of all bids received after the deadline for the submission of bids
- Liaising with JCTC to acquire and provide necessary information to facilitate a smooth transition
- Assisting with the collection of shipping documents from the JCTC to facilitate the clearance by the Ministry of Health of those shipments outstanding as at December 31, 1993.

CONTRACT AGREEMENT

This agreement, when signed by both parties, will become an agreement between Health Corporation Limited, Marcus Garvey Drive, Kingston and Marcia Chen See (hereinafter referred to as the Contractor), for the provision of specified services and products.

This contract shall not be construed as establishing an employer-employee relationship between the parties of this contract.

WE DO MUTUALLY AGREE AS FOLLOWS:

1. The contract will begin on January 3, 1994 for a total of forty (40) work days.
2. The Contractor will report to the Pharmaceutical Manager and will be responsible for successfully completing the assignment to his/her satisfaction.
3. The Terms of Reference (see Annex A) for this agreement are attached.
4. The Contractor acknowledges that he/she is totally responsible for satisfying the Terms of Reference (see Annex A) for this assignment within the resources provided unless previously agreed.
5. The total compensation for services to be delivered under this contract will be J\$50,000 dollars. This compensation is based on payment of fees for the Contractor's time at the rate of J\$1,250 per day for a period of forty (40) days. No payment will be made for days not worked or for sick days or holidays.
6. After receipt of an invoice and acceptance of product/services, Health Corporation Limited will make payment by cheque to the Contractor or as per the method of payment specified (see sample of invoice attached). A schedule of Payment and Deliverables must be presented before any payment is made.

7. Health Corporation Limited will not be responsible for payroll taxes, nor accept any liability arising from the performance of this contract by the Contractor. Nor will Health Corporation Limited be responsible for any benefits or obligations to the Contractor other than those specified herein.
8. No other costs or obligations beyond those specifically included in this contract will be accepted unless mutually agreed to in writing between the parties.

.....
Richard Robinson
Chairman
Health Corporation Limited.

.....
Marcia Chen See
Consultant

BACKGROUND

Health Corporation Limited¹ was recently established to function as a purchasing and distribution agent of medical supplies for its clients the Government of Jamaica hospitals. A Management Board is in place and a Managing Director has been appointed but other permanent employees have not yet been appointed. In the interim critical procurement functions must be followed through to ensure the Company will contract with persons, to provide the required services until the beginning of fiscal year 1994/95.

DEFINITION OF CONSULTANCY WORK

The Consultant will function as the Purchasing Officer for the Health Corporation Limited for the period of this contract.

SCOPE OF WORK

The Contractor agrees to provide such services as will:

- a) ensure the timely completion of tender exercises for pharmaceutical preparations and medical sundries on behalf of Health Corporation Limited;
- b) facilitate the transfer of responsibilities for the procurement of pharmaceuticals and medical sundries for the public sector from the JCTC to Health Corporation Limited.

The details of the Scope of Work is attached in Annex B.

DURATION OF CONTRACT

The contract will commence on January 3, 1994 and expire on February 28, 1994.

¹ Health Corporation Limited activities will include the services formerly provided by Island Medical Stores

OTHER CONSIDERABLES

a. Personnel

The Consultant selection was based on:

- i) Knowledge and experience in pharmaceutical and the tender process for the procurement of medical supplies.
- ii) Current involvement in the tender process for the procurement of pharmaceuticals.
- iii) Availability to start on January 3, 1994.

b. Reporting Procedures

The Consultant shall report to the Pharmaceutical Manager.

c. Logistics

Health Corporation Limited shall provide logistic support to the Consultant.

STATEMENT OF SERVICES

The Contractor will have responsibility for:

- Recording the receipt of bid proposals in the tender register
- Converting bid prices to US currency to facilitate evaluation and comparison of bids
- Attending Tender Committee Meetings
- Preparing and checking of the Schedule of Awards for each successful bidder
- Return all bids received after the deadline for the submission of bids
- Collecting shipping documents from the JCTC to facilitate the clearance by the Ministry of Health of those shipments outstanding as at December 31, 1993.

The Contractor will assist in following:

- Responding to enquiries and communicating to all bidders information pertinent to any enquiry
- Ensuring that all bid proposals are kept in a secure and confidential manner
- Assisting with the collection of tender documents and samples from the Jamaica Commodity Trading Company
- Assisting with preparations for Tender Committee meetings
- Assisting with the preparation of reports on the Bid Opening and evaluation exercises

- Recording bid prices submitted by tenders to facilitate the preparation of the Preference Report
- Assisting with the evaluation of bids and the recommendation of tender awards
- Checking the Schedule of Recommended Awards for accuracy before its presentation to the Tender Committee
- Preparing letters of notification for successful bidders and ensuring that letters are dispatched in a timely manner
- Preparing and forwarding letters of regret to all unsuccessful bidders
- Liaising with JCTC to acquire and provide necessary information to facilitate a smooth transition
- Tracking the delivery of those JCTC pharmaceutical shipments outstanding as at December 31, 1993

APPENDIX F
ODA REPORT:
IMPROVING MANAGEMENT IN GOVERNMENT



EFFICIENCY UNIT

**IMPROVING MANAGEMENT
IN GOVERNMENT :
THE NEXT STEPS**

Report to the Prime Minister

by
Kate Jenkins
Karen Caines
Andrew Jackson

BEST AVAILABLE COPY

65

LONDON: HMSO

Contents

Section		Page
1.	Introduction	1
2.	Findings	3
3.	Conclusions	7
4.	Recommendations	9
5.	The next steps	15
Annexes		
A.	Accountability to Ministers and Parliament on operational matters	17
B.	Findings	21
	Appendix A: Previous reports on the Civil Service	31
C.	Terms of reference and working method	33

1 Introduction

1. As a result of initiatives taken since 1979, the management of government business is much improved, especially in those parts of government where there are clear tasks to be performed and services to be delivered. But there is still a long way to go; in particular there is insufficient sense of urgency in the search for better value for money and steadily improving services. There is wide agreement in departments themselves that substantial further improvement is achievable, but that this depends heavily on changing the cultural attitudes and behaviour of government so that continuous improvement becomes a widespread and in-built feature of it. This report makes recommendations on the structure and management needed for the better delivery of services both to the public and to Ministers, the experience that staff need to be given and how sustained pressure for improvement can be developed. This should bring the changes needed in attitudes and behaviour and with them progressive improvement in performance.

2 Findings

2. As part of this scrutiny we have spent three months in discussions with people in the Civil Service throughout the country. We have also reviewed the evidence from other scrutinies in the central programme since 1979 and looked at earlier reports on the management of the Civil Service. The themes which have emerged during the scrutiny have followed a broadly consistent pattern, whether in discussions in a small local benefit office or in a Minister's room. Some are also common themes in earlier scrutinies and in reports on the Civil Service (see Appendix A to Annex B). There are seven main findings.

3. First, the management and staff concerned with the delivery of government services (some 95 per cent of the Civil Service) are generally convinced that the developments towards more clearly defined and budgeted management are positive and helpful. The manager of a small local office in the north east said that for the first time in 20 years he felt that he could have an effect on the conditions under which his staff worked and therefore on the results they produced. But this kind of enthusiasm is tempered by frustration at constraints. Although there is a general acceptance of the importance of delegating meaningful authority down to the most effective level, diffused responsibility still flourishes, especially in offices away from the sharp end of delivery of services to the public. Middle managers in particular feel that their authority is seriously circumscribed both by unnecessary controls and by the intervention of Ministers and senior officials in relatively minor issues. People who had recently resigned from the Civil Service told us that frustration at the lack of genuine responsibility for achieving results was a significant factor in encouraging them to move to jobs outside.

4. Second, most civil servants are very conscious that senior management is dominated by people whose skills are in policy formulation and who have relatively little experience of managing or working where services are actually being delivered. In any large organisation senior appointments are watched with close attention. For the Civil Service the present signals are, as one senior Grade 2 told us, that 'the golden route to the top is through policy not through management'. This is reflected in the early experience and training of fast-stream recruits. This kind of signal affects the unwritten priorities of a whole organisation, whatever the formal policy may be.

5. Managing large organisations involves skills which depend a great deal on experience; without experience senior managers lack confidence in their own ability to manage. Although, at the most senior levels, civil servants are responsible for both policy and service delivery, they give a greater priority to policy, not only because it demands immediate attention but because that is the area in which they are on familiar ground and where their skills lie, and where ministerial attention is focused. A proper balance between policy and delivery is hard to achieve within the present framework, even though

taxpayers are becoming increasingly conscious of what they should expect from public expenditure on health, education and other services and hold Ministers to blame for their deficiencies.

6. Third, senior civil servants inevitably and rightly respond to the priorities set by their Ministers which tend to be dominated by the demands of Parliament and communicating government policies. In this situation it is easy for the task of improving performance to get overlooked, especially where there is, as we observed, confusion between Ministers and Permanent Secretaries over their respective responsibilities for the management of service delivery. This confusion is made worse when short-term pressure becomes acute. Nevertheless the ability of Ministers supported by their senior officials to handle politics and political sensitivities effectively is a crucial part of any government's credibility. Changes in the management process should therefore aim to increase rather than diminish this crucial skill.
7. Fourth, the greater diversity and complexity of work in many departments, together with demands from Parliament, the media and the public for more information, has added to ministerial overload. Because of other pressures on Ministers, and because for most of them management is not their forte and they don't see it as their function, better management and the achievement of improved performance is something that the Civil Service has to work out largely for itself. It is unrealistic to expect Ministers to do more than give a broad lead. Most Ministers who are worried about overload are of the view that while changes in management that reduced the ministerial load would be welcomed, provided they entailed no major political risks, Ministers themselves do not have the time or the experience needed to develop such changes.
8. Fifth, the pressures on departments are mainly on expenditure and activities; there is still too little attention paid to the results to be achieved with the resources. The public expenditure system is the most powerful central influence on departmental management. It is still overwhelmingly dominated by the need to keep within the levels of money available rather than by the effectiveness with which that money is used.
9. Sixth, there are relatively few external pressures demanding improvement in performance. The Prime Minister has given a valuable lead and holds seminars to discuss value for money in individual departments. Her Adviser on Efficiency and Effectiveness has annual discussions with Ministers about their priorities for getting better value for money. These are useful but occasional rather than continuous pressures. Pressure from Parliament, the Public Accounts Committee and the media tends to concentrate on alleged impropriety or incompetence, and making political points, rather than on demanding evidence of steadily improving efficiency and effectiveness. This encourages a cautious and defensive response which feeds through into management. On the positive side, the Treasury and the National Audit Office (NAO) are developing work on value for money. But the process of searching for improvement is still neither rigorous nor sustained; it is not yet part of the basic institution of government.
10. Seventh, the Civil Service is too big and too diverse to manage as a single entity. With 600,000 employees it is an enormous organisation compared with any private sector company and most public sector

organisations. A single organisation of this size which attempts to provide a detailed structure within which to carry out functions as diverse as driver licensing, fisheries protection, the catching of drug smugglers and the processing of Parliamentary Questions is bound to develop in a way which fits no single operation effectively.

11. At present the freedom of an individual manager to manage effectively and responsibly in the Civil Service is severely circumscribed. There are controls not only on resources and objectives, as there should be in any effective system, but also on the way in which resources can be managed. Recruitment, dismissal, choice of staff, promotion, pay, hours of work, accommodation, grading, organisation of work, the use of IT equipment, are all outside the control of most Civil Service managers at any level. The main decisions on rules and regulations are taken by the centre of the Civil Service. This tends to mean that they are structured to fit everything in general and nothing in particular. The rules are therefore seen primarily as a constraint rather than as a support; and in no sense as a pressure on managers to manage effectively. Moreover, the task of changing the rules is often seen as too great for one unit or one manager or indeed one department and is therefore assumed to be impossible.

12. In our discussions it was clear that the advantages which a unified Civil Service are intended to bring are seen as outweighed by the practical disadvantages, particularly beyond Whitehall itself. We were told that the advantages of an all-embracing pay structure are breaking down, that the uniformity of grading frequently inhibits effective management and that the concept of a career in a unified Civil Service has little relevance for most civil servants, whose horizons are bounded by their local office or, at most, by their department.

BEST AVAILABLE COPY

3 Conclusions

13. The main themes which have emerged from our discussions in the course of the scrutiny suggest that the changes of the last seven years have been important in beginning to shift the focus of attention away from process towards results. The development of management systems, particularly those which cover programme as well as administrative areas, forces senior and junior management to define the results they wish to achieve. But this also produces frustrations because of the lack of freedom to vary the factors on which results depend. The new systems are demonstrating how far attitudes and institutions have to change if the real benefits of the management reforms, in the form of improvement in the way government delivers its services, are to come through. It was striking that in our discussions with civil servants at all levels there was a strong sense that radical change in the freedom to manage is needed urgently if substantially better results are to be achieved.

14. Five main issues have emerged from the scrutiny. *First*, a lack of clear and accountable management responsibility, and the self confidence that goes with it particularly among the higher ranks in departments. *Second*, the need for greater precision about the results expected of people and of organisations. *Third*, a need to focus attention on outputs as well as inputs. *Fourth*, the handicap of imposing a uniform system in an organisation of the size and diversity of the present Civil Service. *Fifth*, a need for a sustained pressure for improvement.

15. These are serious problems which need leadership, and commitment to change, from Ministers and the senior Civil Service if they are to be dealt with. Our conclusions are that to begin the process of change three main priorities are necessary:

First: The work of each department must be organised in a way which focuses on the job to be done; the systems and structures must enhance the effective delivery of policies and services.

Second: The management of each department must ensure that their staff have the relevant experience and skills needed to do the tasks that are essential to effective government.

Third: There must be a real and sustained pressure on and within each department for continuous improvement in the value for money obtained in the delivery of policies and services.

These three priorities apply equally to all aspects of government. In our recommendations we apply them to the delivery of services, the tasks of departments and the centre of Whitehall. Simultaneous action is needed on all three.

16. It is important to recognise that the changes implied by these conclusions, although straightforward, are quite fundamental in the overall impact they will have if carried forward as we suggest. Some fairly radical decisions and a tightly-knit timetable will be required if the necessary momentum for change is to be built up. But the process, although it must be quite rapid to maintain that momentum, will need to be evolutionary so as to gain full advantage from the favourable climate we observed, and to build on moves of the right kind already taking place in some departments. It will also need to be tightly managed so that the acute problems of transition are properly handled, and so that the drive for more positive management and more freedom for local decision is not undermined by vested interests or lack of confidence.

BEST AVAILABLE COPY

75

4 Recommendations

Focusing on the job to be done

17. Greater priority must be given to organising government so that its service delivery operations function effectively. This must be backed by supporting changes in the attitudes and day-to-day behaviour of Ministers and their officials.

18. Changes of the kind we are proposing are so fundamental that they can be brought about only with the lead and support of Ministers. Without this lead they will falter partly because of the inertia of any very large organisation and a natural tendency for fine details to be discussed at length, but partly because it is Ministers who will have to explain, promote and defend them in Parliament as and when the difficulties are encountered.

The delivery of services

19. We recommend that 'agencies' should be established to carry out the executive functions of government within a policy and resources framework set by a department. An 'agency' of this kind may be part of government and the public service, or it may be more effective outside government. We use the term 'agency' not in its technical sense but to describe any executive unit that delivers a service for government. The choice and definition of suitable agencies is primarily for Ministers and senior management in departments to decide. In some instances very large blocks of work comprising virtually a whole department will be suitable to be managed in this way. In other instances, where the scale of activity is too small for an entirely separate organisation, it may be better to have one or even several smaller agencies within departments.

20. These units, large or small, need to be given a well defined framework in which to operate, which sets out the policy, the budget, specific targets and the results to be achieved. It must also specify how politically sensitive issues are to be dealt with and the extent of the delegated authority of management. The management of the agency must be held rigorously to account by their department for the results they achieve.

21. The framework will need to be set and updated as part of a formal annual review with the responsible Minister, based on a long-term plan and an annual report. The main strategic control must lie with the Minister and Permanent Secretary. But once the policy objectives and budgets within the framework are set, the management of the agency should then have as much independence as possible in deciding how those objectives are met. A crucial element in the relationship would be a formal understanding with Ministers about the handling of sensitive issues and the lines of accountability in a crisis. The presumption must be that, provided management is operating within the strategic direction set by Ministers, it must be left as free as possible to manage within that framework. To strengthen operational effectiveness, there must be freedom to recruit, pay, grade and structure in the most effective way as the framework becomes sufficiently robust and there is confidence in the capacity of management to handle the task. 710

22. Once the framework had been set the head of the agency would be given personal responsibility to achieve the best possible results within it. He or she must be seen to be accountable for doing so. In due course formal accountability, before the Public Accounts Committee for example, might develop so that for significant agencies the Permanent Secretary would normally be accompanied by the head of the agency. The Permanent Secretary's role would be to justify and defend the framework; the manager would have to answer for his or her performance within that framework.

23. Placing responsibility for performance squarely on the shoulders of the manager of an agency also has implications for the way in which Ministers answer to Parliament on operational issues. Clearly Ministers have to be wholly responsible for policy, but it is unrealistic to suppose that they can actually have knowledge in depth about every operational question. The convention that they do is in part the cause of the overload we observed. We believe it is possible for Parliament, through Ministers, to regard managers as directly responsible for operational matters and that there are precedents for this and precisely defined ways in which it can be handled. If management in the Civil Service is truly to be improved this aspect cannot be ignored. In view of its importance it is considered in more detail in Annex A, where it is suggested that to achieve changes in the arrangements for formal accountability would generally require legislation and that in suitable instances this should be considered.

24. The detailed nature of the relationship between a department and an agency will vary with the job to be done or the service to be delivered. The agency structure could be used to cover a substantial proportion of the activities of the Civil Service. It is clear from our discussions with Permanent Secretaries that some departments are already moving towards this concept. What is needed is a substantial acceleration and broadening of this trend through a major initiative. Ultimately some agencies could be in a position where they are no longer inside the Civil Service in the sense they are today. Any decision of this kind should be taken pragmatically – the test must always be adopting the structure which best fits the job to be done.

The tasks for departments

25. The setting up of agencies has substantial implications for the staff of departments, for Ministers, and for Parliament. Departments have two main functions – ministerial support including policy development and evaluation, and managing or influencing the delivery of government services. Where departments are directly responsible for service delivery their task will no longer be the detailed prescription of operational functions: it will be the definition of a rigorous policy and resources framework within which the agency management is set free to manage operations, and is held to account for results.

26. The setting of a policy and resources framework is needed not only for agencies but also in situations where the department has to proceed by influence rather than by direct control. It applies therefore to the relationship with any organisation which is providing services for which the department carries some responsibility, whether agency, nationalised industry, local authority, or public body, although the detail and the structure will vary with the precise relationship and the job that has to be done

27. In any of these relationships the department's task is to set a framework, tailored to the job to be done, which specifies policies, objectives, the results required, and the resources available. It will also need to ensure that indicators of effective performance are developed and used for regular monitoring. For directly managed agencies, Ministers and civil servants must then stand back from operational details and demonstrate their confidence in the competence of their managers and the robustness of the framework by leaving managers free to manage.

28. Although setting a framework is not a new task for government departments, it is one which has not generally attracted the attention it deserves. To do it successfully requires a balanced expertise in policy, the political environment and service delivery which too few civil servants possess at present. Operational effectiveness and clarity need to be given a higher priority in the interpretation of policy objectives and the thinking of Ministers.

29. We have already emphasised that, for the successful operation of any agency, politically sensitive issues must be handled effectively. Ministers and departments will have to ensure that this happens if difficulties are to be sorted out without shattering the position and confidence of executive managers. Unless the inevitable political crises are handled well, while safeguarding the effectiveness of the agency, the benefits of giving more independence to management and so getting better performance will not emerge. In some instances legislation may be necessary to establish a framework within which the agency can operate with sufficient independence on behalf of the Secretary of State.

30. In order to direct the tasks of a department effectively, senior management will need the same kind of flexibility that we consider necessary for agencies. In particular they must have greater freedom about how the department is staffed and structured to ensure that they are able to give priority to the main tasks for which the department is responsible.

31. We have concentrated on the role of departments in relation to their service delivery agencies, but the management of the policy areas of departments, although on a smaller scale in terms of the staff numbers employed, is no less important than managing the big executive areas. Precision about the results required and the resources involved is crucial when large programme resources are at stake.

The centre of government

32. The identification of agencies and providing the necessary framework within which they can be managed effectively are essentially tasks for departments, but the cultural changes implicit in these simple ideas will only take place if a strong lead is given from the centre. Moreover the centre has to have confidence in the new pattern before it can responsibly start relinquishing some of the present constraints on departments. We are convinced that our recommendations can be implemented successfully only if the centre takes a leading role in managing the change.

33. It is important to distinguish the task of managing change, from the longer term role of the centre, when the new situation has been brought about. Once the change has been established we see four continuing tasks for the centre which no one else can do. *First*, to allocate resources; *second*, to ensure there is rigorous external pressure on departments continually to

improve results; *third*, to ensure that the overall shape of the Civil Service continues to respond to changes in the needs of government and the country; *fourth*, to set and police essential rules on propriety for the public service in carrying out its essential functions. The centre has to be authoritative, demonstrably efficient and low cost, and a helpful resource to departments, not a handicap. Our specific recommendations are given at paragraphs 40–42.

The right people

34. Our first recommendation – the establishment of agencies for government services – has implications for the functions and organisation of departments and may need a legislative framework in some instances. Its success depends critically on the people working in departments and the skills they bring to the task. We recommend that departments ensure that their staff are properly trained and experienced in the delivery of services whether within or outside central government; the staff will then be in a position to develop and interpret government policy and manage the agencies in a way that can maximise results.

35. Departments must ensure that they have people who have the managerial skills necessary to run agencies. This will mean that experience of managing the delivery of services must be built up at all levels in a department. It is most important that there should not be two classes of people in departments – those in agencies and those at the centre. The aim must be to have senior managers who at more junior levels have had substantial experience of the skills and practical reality of management as well as effective experience of the political and policy aspects of work in a department. They must be prepared to show real qualities of leadership, the ability to back their judgement and to take and defend unpopular decisions. Hitherto relatively few civil servants have had an opportunity to learn or exhibit these skills. A wide range of new arrangements will be needed, including training and secondments to give the required experience, and the promotion of some younger people.

36. One of the benefits that will come as senior managers in departments obtain greater experience of management is that the policy areas of departments will also become better managed. There will be an increasing need for these senior managers to have greater freedom about how the department is structured and staffed to ensure that they can give effective priority at any time to the most important tasks.

Pressure for improvement

37. The aim of our first two recommendations is to ensure that the organisational structure and the skills of the Civil Service are adapted to deliver government services as effectively as possible. The radical changes entailed for departments will not happen without some pressure external to the organisations directly involved. That pressure must be both for change and for continuous improvement in the delivery of services.

38. The responsibility for setting the management strategy for the Civil Service and ensuring that there is pressure for change and improvement inevitably rests with the Prime Minister and the Head of the Civil Service. They need the commitment of Ministers and of Permanent Secretaries to ensure that the changes are pursued with urgency and are not sacrificed to other priorities. The pressure for change from within the government must also be sustained by understanding and support from Parliament for the long-term benefits which are being sought.

39. For each of these groups – for Parliament, for Ministers and for civil servants – a precise means of ensuring their support needs to be developed. The Civil Service must own the changes as they evolve; it must not feel that ill-considered change is being thrust on it. Ministers must be confident that they can influence political aspects of the changes, and that one of the benefits will be their being able to concentrate more on their main political task. Further consideration needs to be given to what arrangements would best ensure that each group plays the right role in directing and sustaining the changes.

40. However, pressure at the highest level will only be effective if the centre of the Civil Service is organised with certain essential characteristics. It must be authoritative and able to ensure that its authority is recognised and acted upon. It must be 'slimline': the development of a new bureaucracy would be disastrous. It must be seen to be competent and helping rather than obstructing the delivery of effective service by operational departments. It must be cohesive and not as apparently diverse and fragmented as at present.

41. Our recommendations on changes in the way departments operate are fundamental and radical. They will only be introduced successfully if there is an extremely senior official who has unequivocal personal responsibility for achieving the change. The Head of the Civil Service has to be personally committed to the change; but with his other responsibilities he cannot be expected to devote the time and energy to managing the change that the task demands. We recommend that a full Permanent Secretary should be designated as 'Project Manager' as soon as possible to ensure that the change takes place. He will need to work with the authority of the Prime Minister and the Head of the Civil Service, to whom he should report.

42. The Project Manager will be responsible for planning and supervising the process of change. The Prime Minister will regularly receive reports from him, via the Head of the Civil Service, on the progress made by departments in setting frameworks for their agencies and on the timetable for relaxing the constraints on management. The Project Manager will also have to ensure that departments have enough flexibility to handle their tasks effectively. To do this, he will have to make certain that obstacles to change are removed and that the totality of the centre is helpful to the management of change. The need to have a very high level project manager cannot be overemphasised. A more junior project manager will not carry weight with departments. The slow rate of progress on so many of the changes since 1979, even with ministerial support and an abundance of small units, is ample evidence of this.

5 The next steps

43. This report is concerned with identifying the fundamental changes needed to achieve a further major step forward in the delivery of services and the management of government. We have avoided detailed prescription because so much depends on the individual tasks of different departments. Generalised solutions have been the bane of previous attempts at reform and have led to the structural rigidities that are now part of the problem. It will be the job of the Project Manager to check that each department develops these concepts in the way that best suits its particular needs, and to indicate how far and how fast the changes are progressing.

44. The aim should be to establish a quite different way of conducting the business of government. The central Civil Service should consist of a relatively small core engaged in the function of servicing Ministers and managing departments, who will be the 'sponsors' of particular government policies and services. Responding to these departments will be a range of agencies employing their own staff, who may or may not have the status of Crown servants, and concentrating on the delivery of their particular service, with clearly defined responsibilities between the Secretary of State and the Permanent Secretary on the one hand and the Chairmen or Chief Executives of the agencies on the other. Both departments and their agencies should have a more open and simplified structure.

45. The early changes should be in the management tasks at the centre. The first new feature should be a Project Manager working on the planning and early implementation of the service-wide changes. As these come about, the management function at the centre will diminish. The Cabinet Secretariat and the expenditure functions of the Treasury will remain and there will still need to be provision at the centre for determining directions, keeping up pressure on departments, and setting standards. Many of the detailed management functions now carried out at the centre will disappear, though transitional arrangements will be needed. For example, the central responsibility for pay and conditions of service, and the associated negotiations with national Trade Unions, will be progressively and substantially reduced, though pay determination will be carried out within running cost controls. The aim will be to pursue as rapidly as possible an evolutionary approach, so that the Project Manager harnesses those developments which are already taking place in some departments and which are in line with what is now proposed.

46. Within two years at the most, departments should have completed identification of areas where agencies are the most effective way of managing and should have changed their own internal structures to implement this change. In some cases legislation may be necessary to effect the change. Departments will need to move, train and promote their staff far more flexibly and, where necessary, develop their specialised management

Annex A

Accountability to Ministers and Parliament on operational matters

1. Evidence we gathered in the scrutiny suggested that when individuals had to answer personally to Parliament, as well as to Ministers, their sense of personal responsibility was strengthened. The accountability of Permanent Secretaries to the Public Accounts Committee, as Accounting Officers, is long established. It includes direct personal accountability for financial propriety. Another instance of officials having specific functions which may require them to answer directly to Parliament (though on behalf of their Minister) is the case of principal officers, and of bodies with independent or delegated authority, answering to the Select Committee on the Parliamentary Commissioner for Administration.

2. In paragraph 23 we point out that if the concept of agencies developed in the report is to succeed, some extension of this pattern of accountability is likely to be necessary. The principal reasons are, first, that the management of an agency is unlikely in practice to be given a realistically specified framework within which there is freedom to manage if a Minister remains immediately answerable for every operational detail that may be questioned; and second, that acceptance of individual responsibility for performance cannot be expected if repeated ministerial intervention is there as a ready-made excuse.

3. The precise form of accountability for each agency would need to be established as part of drawing up the framework for agencies. Any change from present practice in accountability would, of course, have to be acceptable to Ministers and to Parliament. It is axiomatic that Ministers should remain fully and clearly accountable for policy. For agencies which are government departments or parts of departments ultimate accountability for operations must also rest with Ministers. What is needed is the establishment of a convention that heads of executive agencies would have delegated authority from their Ministers for operations of the agencies within the framework of policy directives and resource allocations prescribed by Ministers. Heads of agencies would be accountable to Ministers for the operations of their agencies, but could be called – as indeed they can now – to give evidence to Select Committees as to the manner in which their delegated authority had been used and their functions discharged within that authority. In the case of agencies established outside departments, appropriate forms of accountability to Ministers and to Parliament would need to be established according to the particular circumstances.

4. There is nothing new in the suggestion that Ministers should not be held answerable for many day-to-day decisions involving the public and public services. Apart from services delivered by local authorities, there are large numbers of central government functions carried out at arm's length from Ministers. The main categories are:

- decisions on individual cases, where these need to be protected from the risk of political influence, e.g. tax cases, social security cases,
- some management and executive functions, e.g. in Customs and Excise, Regional and District Health Authorities, Manpower Services Commission (MSC);
- quasi-judicial or regulatory functions, e.g. Office of Fair Trading, Immigration Appeals;
- nationalised industries.

5. A variety of different structures exists to cover these functions, for example:

- Customs and Excise and the Inland Revenue are non-ministerial departments with boards which have defined statutory responsibilities;
- the MSC and the other main bodies in the Employment Group (Health and Safety Executive, and ACAS) are non-departmental public bodies. The Chairman of the MSC is Accounting Officer for the MSC's expenditure;
- HMSO and some other internal service bodies (e.g. Crown Suppliers) are established as trading funds and work on a commercial basis;
- the PSA, the Procurement Executive and the NHS Management Board are agencies within departments;
- a range of quasi-judicial functions is carried out by statutory tribunals (e.g. Rent Tribunals, Industrial Tribunals).

6. Agencies outside departments generally operate within a statutory framework which lays down the constitution of the particular agency and the powers of Ministers in relation to it. In answer to Parliamentary Questions about matters within the control of the agency, Ministers often preface their reply by saying 'I am advised by the Chairman of the Board that...'. Most operations currently carried out within departments operate under statute. Where it is necessary to change the arrangements for formal accountability for operations currently carried out within departments, legislation (normally primary legislation) would generally be required, and in instances where this is needed it should be considered. Provided that the objective of better management is clearly explained and understood, and that an appropriate form of accountability to Ministers and to Parliament is retained, the government should be able to present such proposals in a positive light.

7. As regards the Public Accounts Committee, as explained in paragraph 22 of the report, the modification of accountability we propose should not immediately affect accountability to the PAC. This would remain, as now, with the Accounting Officer, who may still be, but need not be, the Permanent Secretary. (Of the 76 Accounting Officers appointed by the Treasury, only 18 are First Permanent Secretaries.) However, the practice might develop of the Accounting Officer being accompanied at a PAC hearing by the manager of the agency. The Accounting Officer would answer questions about the framework within which the agency operated; the manager would answer questions about operations within the frame-

who had firsthand knowledge of the particular operation. It would also in the process put a clear pressure on the agency head to be responsible for his or her agency and to strive for good value from his or her spending

8. In the case of other Select Committees it is existing practice for officials with operational responsibility to give evidence before them. It would be normal in the future for the agency head to give evidence before a Select Committee about operational matters within his or her responsibility.

9. The powers of the Parliamentary Commissioner for Administration could continue to apply to agencies.

10. Quite apart from the issue of improving Civil Service management, there is a good case for trying to reduce the degree of ministerial overload that can arise from questions about operations, as distinct from policy. For example, Social Security Ministers receive about 15,000 letters a year from MPs, many of which are about individual cases. In the future, MPs could be asked to write about operational matters directly to the Chairman of the Board or the local office manager. Arrangements of this sort could be promulgated by a letter from the relevant Minister or the Leader of the House to all MPs. (In the past the Chancellor of the Exchequer has written to all MPs asking them to refer questions about constituents' tax to local tax offices, and the Secretary of State for Social Services has written similarly about referring social security cases to DHSS local office managers.) If an MP writes to an operational manager about matters which are essentially political, it is already normal practice for the manager to refer the letter to the Minister.

11. It would be part of the framework drawn up between the department and the agency to have specific targets for promptness in dealing with correspondence with MPs. It should be possible for MPs to get a quicker answer when dealing direct with the responsible person, because the intermediate stage of a headquarters branch calling for a report from a local manager before drafting a reply for the Minister will have been cut out.

BEST AVAILABLE COPY

BEST AVAILABLE COPY

85

Annex B

Findings

1. This annex sets out the main findings from our fieldwork.
2. Our terms of reference asked us:
 - to assess *progress* in improving management
 - to identify *successful measures* in changing attitudes and practices
 - to identify *obstacles* to better management and efficiency that remain
 - to report to the Prime Minister on what *further measures* should be taken.

I. Summary of findings

3. Our main findings are that:
 - some progress has been made: civil servants are now more cost conscious, and management systems are in place;
 - budgeting systems and manpower cuts are the two measures which have been most effective in changing attitudes and practices;
 - but substantial obstacles to further progress remain:
 - there is insufficient focus on the delivery of government services (as opposed to policy and ministerial support), even though 95 per cent of civil servants work in service delivery or executive functions;
 - there is a shortage of management skills and of experience of working in service delivery functions among senior civil servants;
 - short-term political priorities tend to squeeze out long-term planning;
 - there is too much emphasis on spending money, and not enough on getting results;
 - the Civil Service is too big and too diverse to manage as a single organisation.
 - while the introduction of systems is a start, real changes in attitudes and institutions are needed to get the full benefits of better management.

BEST AVAILABLE COPY

4. The findings from our fieldwork about obstacles to progress are consistent with the main themes which come out of earlier scrutinies. They also echo the findings of some earlier reports on the Civil Service, e.g. the Fulton Report (Appendix A).

II. Detailed findings

5. We held extensive discussions with civil servants in London and the regions. A list of those we saw and where we went is in Annex C.

A. Progress in improving management

6. Everybody we talked to said that there had been progress. Most people were enthusiastic about measures which gave them more responsibility and some control over how they did their job. They welcomed the principles of the Financial Management Initiative (FMI), if not always the way the principles were applied.

7. A striking impression we got was that most civil servants now know how much their activities cost. The local office manager has at his fingertips his staffing, accommodation and other costs; the headquarters policy Grade 5 can tell you the cost of his unit.

8. When asked what they meant by progress, most people identified FMI and the systems developed under it (top management systems and budgeting systems) as the main difference. They also commented on changes in personnel management systems, particularly linking open appraisal of performance with the achievement of objectives.

Top Management Systems

9. All departments now have Top Management Systems. These systems are intended to force management at all levels to take clear decisions about the direction of activities in a department. Strategic objectives can then be translated down the line to provide individuals with personal objectives.

10. Our evidence suggests that Top Management Systems are seen as having more relevance in executive functions and in the regions, than in headquarters or policy functions. One good example we saw was the use of MINIS in Department of the Environment regional offices. The system is precise and directed towards things which matter in the outside world (not just internal bureaucratic processes). There are good systems of delegation to go with it. The Grade 7 in a regional office handling claims for derelict land grant has a minute from his Permanent Secretary telling him precisely what his delegated authority is. One Grade 7 we talked to said 'having a personal minute from the Permanent Secretary really brought it home to me that I was responsible'.

11. There was more scepticism in some headquarters and policy divisions about the value of Top Management Systems as they were being operated. Very few people said to us that setting objectives did not apply to policy work. However, in many departments it was not clear how far the use of management systems had become an integral part of the work of policy divisions, rather than a one-off form filling exercise. A number of people commented on the weight of paper surrounding the systems and the number of forms to be filled in – or as one person said 'typical Civil Service: management has been bureaucratized'. We heard trenchant views in some departments, especially from Grades 5–7, about the absence of feedback from top management, and the failure of top management to face the decisions which the systems confronted them with.

BEST AVAILABLE COPY

Budgeting systems

12. All departments now have budgeting systems which delegate financial responsibility to specified levels of authority in the hierarchy. This gives

managers some control over how they spend the money allocated to them. Over 7,000 line managers now manage budgets which account for about three quarters of the Civil Service's running costs.

13. The range of costs covered and the flexibility allowed within budgets vary from department to department. For example, Customs and Excise Collectors have authority over 96 per cent of their running costs and authority to switch money between one item and another. In practice, however, staffing costs amount to about 70 per cent of running costs and the margin in which managers have immediate flexibility is very small. A persistent complaint of budget holders was the inflexibility caused by the annuality rule, and by restrictions on their ability to move money between different items. (These are dealt with in paragraphs 46 and 49 below.)

14. Budgeting has been applied mainly to administrative expenditure (some 13 per cent of total public expenditure). Its spread into programme spending has been slow.

Personnel management systems

15. The main changes in personnel management in the last five years have been:

- a. the introduction of an open appraisal system based on reviewing performance against personal objectives;
- b. the development of performance-related pay;
- c. the prospect of a new pay agreement with professional civil servants which offers much greater flexibility;
- d. more delegation of clerical recruitment to local office managers;
- e. the introduction of unified grading down to Grade 7 (Principal) level.

16. Appraisal systems are now based on *performance*, not on the possession of particular intellectual qualities. Everybody we spoke to welcomed this. Most people like having a clear set of objectives which tells them what they are there to do and having their performance judged against whether they achieved these objectives – not against some hidden agenda in their manager's bottom drawer. Open reporting encourages managers to talk about an individual's performance face-to-face.

17. Two schemes for relating pay to performance have been developed. First, an experimental performance bonus scheme was introduced in 1985. A formal evaluation after the first year showed that while the bonus scheme in its present form had not been successful, 70 per cent of civil servants supported the principle of rewarding good performance with better pay. Second, the Treasury and the OMCS are now developing proposals for discretionary pay for staff at all levels.

5/13 AVAILABLE COPY

B. Measures effective in changing attitudes and practices *Manpower cuts*

18. The two measures which have had most effect in altering the climate and the way the Civil Service works are manpower cuts and budgeting.

19. As a result of government policy, the Civil Service was reduced in size by nearly 15 per cent between 1979 and 1984. It had been reduced by nearly 20 per cent by 1 April 1987. The cuts were imposed as simple outline targets. Departments then had to decide how to reach the targets. There is evidence

that in some departments top management was forced to take hard decisions about whether to continue particular activities, and to think about different ways of doing things. So the cuts were useful in making some departments 'think the unthinkable'. In other departments, however, cuts were imposed across the board, without regard to the functions affected. A view we heard in a number of departments was that the manpower cuts had 'taken the fat out of the system' and that further large reductions would harm the quality of services delivered by government.

20. Controls on running costs were introduced in 1985-86 on top of manpower controls. We saw a number of examples where the control on staff in post on 1 April together with controls on cash were causing distortions. One local office manager was running down his staffing levels at the end of the year by 12 people to meet his 1 April headcount limit. In early April he planned to recruit another 10 people. He had enough money in his budget to have kept 6-7 people on over the year end.

21. In the course of our scrutiny the Treasury announced that from 1 April 1988 formal controls on manpower would be lifted, and the main control on departments would be exercised on running cost totals.

Budgeting systems

22. Where budgeting systems are working well there is evidence that they change the way people behave. Specifically they enable budget holders to save money or make better use of money; and encourage forward planning of activities and spending, and setting of priorities.

C. Obstacles to further progress

23. The main concern of most people we met was with the obstacles which stood in the way of management improvement.

a) Top management is dominated by the policy and political support tasks

24. The business of top managers in many departments is still dominated by the policy and political support tasks. However 95 per cent of civil servants (about 570,000, costing some £12 billion a year) are involved in collecting taxes, paying benefits, providing support to the armed forces and other executive functions. Some of the operations are very large. In DHSS, for example, over 80,000 staff are involved in paying benefits. It was made clear to us that these organisations need highly skilled top managers who can devote most of their time to the business of running them. One top manager of a very large executive organisation told us that at present 90 per cent of his time was spent dealing with Ministers and other pressures from the top and only 10 per cent on managing the organisation.

25. The skills of top civil servants are still policy oriented. Promotion to senior jobs is given to those whose main skills and experience are in policy and ministerial support. Very few have had direct experience of management in large executive organisations. This is reflected when senior civil servants are suddenly put in positions which do have management responsibilities. Either they neglect management, because the immediate pressures are to deal with day-to-day ministerial business; or they go about the management task in a way which lacks confidence and conviction. Many people commented to us that too few senior civil servants showed the qualities of leadership which would be expected from top managers in organisations outside the Civil Service.

26. The Top Management Programme, a six week training course, is an attempt to change the balance of skills of those entering the senior ranks of the Civil Service. But it is not a substitute for real experience of running an organisation. At middle levels the Senior Management Development Programme sets out a range of individual 'competencies' which should be developed through job experience and training. The first two core competencies are management of resources/organisations and the management of staff. There are few indications so far that the perception that middle ranking civil servants should get management experience has affected the way departments post their staff.

27. The younger staff we spoke to told us that they wanted to get experience of management. The FDA confirmed that ATs and HEODs were clamouring for management jobs. Departments agreed in principle that younger staff and fast streamers should get management experience, but said that in practice they could not spare their good staff from policy jobs. There is an automatic assumption that fast streamers go into Private Office jobs, but no equivalent assumption that they should also do management jobs. The majority of the next generation of senior civil servants will still not have been tested in or gained experience from working in large service delivery organisations.

b) Responsibilities for management at the top of departments are unclear

28. Most Ministers told us that they were answerable for both the policy and the management of their departments. But they said that in practice they were so overloaded that they looked to their Permanent Secretaries to do the management. A few said candidly that they did not have the skills to manage their departments. The government has accepted the recommendation of the Third Report of the Treasury and Civil Service Select Committee (1982) that the relationship between Ministers and Permanent Secretaries on the management of departments should be clarified, but has not yet acted on it.

c) The main pressures at the top are short term

29. The main pressures on Ministers stem from Parliament and coping with crises. Together with routine business from departments this creates an extremely heavy workload. In addition Ministers have Parliamentary and constituency duties. The resulting overload tends to squeeze out the ability to look to the long-term. Some Ministers said to us that they would like to be able to spend more of their time dealing with longer term strategy, but just did not have the time to do so.

30. The pressures on Ministers are reflected onto top civil servants, who may have to spend much of their time giving policy and presentational advice to their Ministers.

31. It was suggested that while there were some tasks which Ministers could not delegate to officials, there were others where this could be done. One example was dealing with correspondence from MPs. Correspondence about individual cases could in many cases be dealt with effectively by local office managers.

d) Outputs are neglected

32. While the introduction of management systems has helped make civil servants cost conscious, there is less consciousness about results. Depart-

ments regard the major central influence on them as the PES process. However, many people told us that the PES system gave the wrong signals. They felt that the emphasis was on inputs, not outputs or value for money.

33. This is not surprising. The Treasury has two goals with the PES round: to ensure that public spending does not exceed a specified total and to press departments to achieve maximum output from the resources they are allocated. The two are not mutually exclusive, but as the PES round progresses, attention inevitably focuses on the absolute levels of spending. Furthermore, at the later stages, the debate is about spending at the margin of the total bid. The combination of these two factors – emphasis on inputs and ‘marginality’ – leads departments to feel that although increased stress is being put on results and outputs, it is inputs which still really matter.

34. There are, however, encouraging signs of change. The 1986 Public Expenditure White Paper included 1,200 output measures; the 1987 White Paper cites some 1,800 measures of output. The April 1987 guidelines for PES asked departments to provide the Treasury with a full statement of output and performance measures to support their baseline expenditure. These will be discussed between the Treasury and departments. Any proposals for additional resources must be supported by information on what indicators and targets for outputs will be used to evaluate their use.

35. There are also some signs in particular areas of government of an increasing awareness of the importance of outputs. For example, in 1986 the Foreign and Commonwealth Office undertook a scrutiny of existing output measures to see to what extent they could be improved and applied systematically to the full range of work of the FCO at home and overseas.

36. It is apparent that the closer staff are to the sharp end, the more conscious they are of outputs. In many areas staff are strongly motivated by a wish to serve the public. A common source of frustration in many local offices is the inadequacy of the service staff feel they are giving. Our evidence suggests that very few departments set themselves formal targets for improving the quality of service to the public.

e) There is little support or pressure for value for money

37. Most pressures on government are to spend money, not to get good value from it. Parliament and the media often reinforce this by judging the government on how much money goes in, not what comes out (e.g. more hospitals, or better education). The National Audit Office (NAO) now has a specific remit to do value for money investigations. For example, it has looked at value for money in the National Health Service. However, the response of departments to the NAO and the Public Accounts Committee tends to be cautious and defensive, probably because the main role of these bodies is seen as being to find fault with what has happened in the past rather than to apply pressure for improvement for the future.

f) The organisation at the centre of government is fragmented

38. Many of those to whom we spoke, particularly Permanent Secretaries, told us that the centre of government was fragmented. They complained that the centre, either the Treasury, the OMCS, or the various central units, pursued their own initiatives without regard to departments' own priorities; and that sometimes the messages from the centre conflicted. There was no single voice of authority.

39. At the same time the centre created little effective pressure on departments to deliver better results. Some people suggested to us that the centre's reliance on detailed control of the way departments organised and managed themselves was totally at odds with the principles of good delegated management as set out in the FM1.

g) The Civil Service is too big and too diverse to be run as a single rigid organisation

40. The Civil Service is vast (600,000 people), and the diversity of activities which civil servants perform is immense. Yet it is run as one organisation with common rules for financial management and personnel management.

41. One problem inherent in trying to bind a very large and diverse organisation in one set of central rules is that the rules fit no particular part of the organisation. For example, a service-wide pay agreement to give certain computer specialists an extra allowance may be what one department needs to retain those specialists, but simply an unwelcome addition to running costs for another which has no difficulty at all in keeping them.

42. Civil Service-wide grading and promotion structures create problems for some departments. For example, there is no direct recruitment above F.O level. The structural needs of some departments are to take staff in at a higher level.

43. All recruitment above clerical level is conducted centrally by the Civil Service Commission (with the exception of some limited experiments in direct recruitment of Executive Officers by departments). The personal qualities which DHSS requires for its Executive Officers, who may be dealing with the public in a local office or investigating benefit fraud, are very different from the qualities required of an EO for a Whitehall policy job. Some departments told us that central recruitment prevented them from getting the staff they wanted, though the Civil Service Commission is now attempting to distinguish the different types of quality needed among recruits at EO level.

44. The justification for service-wide terms and conditions has traditionally been in terms of ensuring fairness between different groups of people doing the same work, and making it possible for people to move easily between departments. Evidence we gathered suggests that many groups of staff in the Civil Service are doing very different types of work; and that most staff spend their career within their own department.

h) Central rules take away the flexibility managers need to manage

45. Many managers told us that central rules were acting as a constraint on good management and taking away their scope to do things which would be sensible in terms of their own organisation.

46. One example of a rule constraining good management which was mentioned to us by nearly all budget holders we met was annuality – the lack of flexibility at the end of the financial year to carry unspent money over or to anticipate next year's spending. This has two effects. First, there is often a major effort to spend money in the final months of the year so as not to be underspent. Last minute spending often means spending on things which are useful, but not a top priority. Second, a huge management effort

goes into coming in on budget. In 1985-86 Customs and Excise underspent a budget of £400 million by only £40,000

47. Most people accept that controls on departments' running costs are effective and necessary. However, the reliance on gross running cost controls has caused problems for some fee-earning businesses: when demand has grown for their services, they have been prevented from taking on more staff to cope with demand, even though the extra cost would have been met from increased fee revenue. This is an area where it has been shown possible to change the controls. For example, from 1 April 1987 the Driver Testing and Training Organisation of the Department of Transport moved to a new financial regime which will enable the Department to recruit more examiners to cope with the increased demand. One effect in the past of being unable to take on extra staff to meet increased demand was queues for driving tests of six months or more in some areas.

48. A further problem mentioned to us was that of hidden controls. The best example is the use by the Treasury of an inadequate assumption for pay increases when setting running cost totals. In the last six years the Treasury has reached the pay settlement after the start of the financial year, and in each year the actual settlement has been at least 1.3 per cent higher than the pay assumption. Departments have had to fund the difference.

49. Sometimes the 'central' rules about which managers complained to us are rules imposed by the centre of their own departments (for example Finance Branches), not rules imposed by the Treasury or OMCS. For example, there are marked differences in the flexibility which budget holders in different departments have to move money from one item to another. The main rule imposed by the Treasury is that there should be no movement of money from non-running costs to running costs. Rules about moving money between different running costs items are generally imposed by departments themselves.

i) Delegation is not always happening

50. Most people we met welcomed delegation where it was happening. However, many pointed out to us the strong pressures which acted against effective delegation:

- the public accountabilities of departments through Ministers to Parliament tend to suck up decisions on matters of detail;
- central controls, whether from the centre of the Civil Service or the centre of departments, restrict people's ability to operate (e.g. a manager may have money in his budget to buy a photocopier, but a central branch in his department has laid down rules which prevent him from having the machine);
- civil servants are generally reluctant to risk delegating and do not understand that interference in detail destroys effective delegation. We saw examples in the budgetary field, where at the first sign of trouble in a particular area the reaction of the centre of the department had been to draw back responsibility from all budget holders instead of getting the difficulties of the individual area sorted out.

j) The culture of the Civil Service is cautious and works against personal responsibility

51. The culture of the Civil Service puts a premium on a 'safe pair of hands', not on enterprise. It does not reward the person who says 'I have saved money'. It does not penalise the person who ignores the opportunity to get better value.

52. There will always be limits on individual ownership when civil servants are fulfilling their ministerial support function. However, more could be done within the existing framework to encourage personal responsibility. The group of people who had left the Civil Service all told us that while pay was an important reason for leaving, as important was the fact that they had little personal responsibility, and saw little prospect of getting more as they rose through the hierarchy.

k) Working and career patterns have changed relatively little

53. The working patterns of departments have changed relatively little in the last seven years. Chains of command still tend to be long; little use is made of special task forces to cut across hierarchies and to take policies forward in a given timescale; the emphasis on consultation across various interests in a department is always time consuming and often leads to compromise decisions; the system is still paper dominated; there is insufficient awareness of the possibilities of information technology in Whitehall departments.

54. Departments have paid insufficient attention to managing relationships with organisations who are delivering services. In some cases the relationship is direct; in other cases indirect (as with local authorities). In both cases departments have the ability to control or influence the delivery of services. A number of departments are beginning to take this task more seriously. In the DHSS a Division, headed by a Grade 3, is responsible for managing the relationship with the National Health Service. This includes, for example, performance reviews with Regional Health Authorities.

55. The career pattern of civil servants is relatively predictable through the hierarchy. In practice seniority is usually a requirement for promotion at certain levels (for example, very few people are promoted to Grade 5 under the age of 35). It is almost unheard of for people of that age to be promoted to the top grades in the Civil Service. One Permanent Secretary argued to us that the Service should have the courage and the flexibility to promote the occasional outstanding young person very fast.

III. Conclusions

56. The changes which civil servants are most aware of are the introduction of systems. There is enthusiasm for the benefits the systems can bring in terms of greater flexibility, more personal responsibility, and more precision about what the job is they are there to do. At the same time many civil servants question whether the underlying assumptions which mould the way in which government does its business have changed sufficiently to realise the benefits. The key themes which emerge as obstacles in the way of real change are:

- a. the lack of focus of top management on the service delivery and executive functions of government;
- b. the effects of treating the Civil Service as a single organisation,
- c. the lack of effective pressure to get better results.

Appendix A

Previous reports on the Civil Service

General

1. The Northcote-Trevelyan Report (1854) identified for the first time some of the principles which underlie the development of the modern Civil Service. Its main recommendations fell into four categories:

- a. recruitment by competitive examination rather than patronage;
- b. a division between intellectual and mechanical work;
- c. promotion by merit;
- d. measures to unify the Civil Service, including a common basis of recruiting across departments.

2. It took nearly 20 years to implement open competition. The other principles of the Report were not fully developed and applied until the 1920s. Commissions after Northcote-Trevelyan up to 1931¹ and the Reconstruction Period immediately following the First World War established the basis of the Civil Service for the next 45 years. These developments included uniform systems of recruitment; the class division of officials; Whitley machinery; and the central power of the Treasury over the Civil Service.

3. From 1931 until the establishment of the Fulton Committee in 1966, there was no major Commission on the Civil Service as a whole (the Priestley Commission in 1953-55 was largely concerned with pay).

4. The Fulton Report (1968) recognised the need for the Civil Service to change in line with the changed external world. Its opening words were: 'The Home Civil Service today is still fundamentally the product of the nineteenth-century philosophy of the Northcote-Trevelyan Report. The tasks it faces today are those of the second half of the twentieth century'.

5. The Committee noted six main deficiencies which it attributed to the fact that the structures and practices of the Civil Service had not kept up with changing tasks:

- the Service was based on the philosophy of the amateur;
- the division into classes made for a cumbersome structure;
- specialists had no authority;
- too few civil servants were skilled managers;
- Whitehall had too little contact with the outside world;
- there were deficiencies in personnel management.

¹ The Playfair Commission (1874-75); The Ridley Commission (1886-90); The MacDonnell Commission (1912-15); The Tomlin Commission (1929-31).

9/10

6. The Report set down one basic principle, which was intended to ensure that the Civil Service should keep up with the changing world

'One basic guiding principle should in our view govern the future development of the Civil Service. It applies to any organisation and is simple to the point of banality, but the root of much of our criticism is that it has not been observed. The principle is: look at the job first. The Civil Service must continuously review the tasks it is called upon to perform and the possible ways in which it might perform them; it should then think out what new skills and kinds of men are needed, and how these men can be found, trained and deployed. The Service must avoid a static view of a new ideal man and structure which in its turn could become as much of an obstacle to change as the present inheritance.'

7. Fulton recommended that the principles of accountable management should be introduced into the Civil Service, and recommended further study of 'hiving off' functions as a means to ensuring accountable management. In the meanwhile the report made proposals:

- 'a. to distinguish those within departments whose primary responsibility is planning for the future, from those whose main concern is the operation of existing policies or the provision of services;
- 'b. to establish in departments forms of organisation and principles of accountable management, by which individuals and branches can be held responsible for objectively measured performance.'

8. Other significant Fulton recommendations were for the creation of a Civil Service Department and the Civil Service College; and unified grading between administrators and professional groups

9. The major reports on the management of the Civil Service after Fulton were the Eleventh Report for the Expenditure Committee (1977) and the Third Report of the Treasury and Civil Service Select Committee *Efficiency and Effectiveness in the Civil Service* (1982). Lack of accountable management was a common theme of both these reports.

Annex C

Terms of reference and working method

Terms of reference

1. The terms of reference for the scrutiny were:
 - to assess the progress achieved in improving management in the Civil Service;
 - to identify what measures have been successful in changing attitudes and practices;
 - to identify the institutional, administrative, political and attitudinal obstacles to better management and efficiency that still remain; and
 - to report to the Prime Minister on what further measures should be taken.

2. The scrutiny was carried out under the supervision of Sir Robin Ibbs by three members of the Efficiency Unit (Kate Jenkins, Karen Caines and Andrew Jackson). Other members of the Unit (Graham Cawsey, David Tune and Richard Hirst) joined in the fieldwork and specific studies.

3. The Action Manager for the scrutiny was Sir Robert Armstrong (now Sir Robin Butler).

Timetable

4. The scrutiny started on 3 November 1986 and was completed on 20 March 1987 (90 working days).

Method of working

5. The evidence on which the report is based is derived from:
 - interviews with Ministers and a wide range of officials;
 - field visits to regional and local offices, and some major installations outside London;
 - a cross section of past scrutinies undertaken with the help of the Efficiency Unit;
 - studies of three organisations outside government and discussions with a number of outside observers of Whitehall.

Interviews

6. We conducted over 150 individual interviews with Ministers and officials in Whitehall, including:

- Twenty-one Ministers;
- Twenty-six Permanent Secretaries (or equivalent), including all Permanent Secretary heads of major departments;
- Twenty-six Grade 2s (one or two in most departments).

7. In addition we held a number of group discussions:

- Five for Grade 3s (involving 35 people);

99

- Seven for Grades 5-7 (involving over 50 people).
- One for Heads of Treasury Expenditure Groups.

8. We talked to a group of people who had left the Civil Service recently

Field trips to regional and other offices

9. We talked to meetings of Regional Directors of the following Departments:

Departments of Environment and Transport
 Property Services Agency
 Department of Employment
 Manpower Services Commission
 Department of Health and Social Security
 Department of Trade and Industry
 Inland Revenue

10. Members of the Efficiency Unit made a series of visits to regional and local offices in Birmingham, Manchester and Leeds.

11. In our visits to Birmingham and Manchester we talked to staff at various levels in the regional offices of the following departments:

Departments of Environment and Transport (Manchester)
 Property Services Agency (Birmingham)
 Department of Employment (Birmingham)
 Department of Health and Social Security (Birmingham)
 Customs and Excise (Manchester)

12. In Leeds we talked to the Regional Directors of departments to get a view of the links between departments. We visited the following offices:

Departments of the Environment and Transport
 Property Services Agency
 Department of Employment
 Manpower Services Commission
 Department of Health and Social Security
 Department of Trade and Industry
 Lord Chancellor's Department
 Ministry of Agriculture, Fisheries and Food
 Export Credits Guarantee Department

13. We visited the following local offices and talked widely with staff:

DHSS ILO (Erdington)
 Inland Revenue (Birmingham, Newcastle)
 DE Unemployment Benefit Office (Birmingham, Newcastle)
 Customs and Excise (Birmingham Airport)
 Manpower Services Commission (Birmingham)

14. We visited the following large installations outside London and talked to staff at all levels:

Inland Revenue, Telford Development Centre
 DHSS North Fylde Central Office
 DHSS Newcastle Central Office
 RAF Support Command Headquarters (RAF Brampton)

100

- Scrutinies** 15. Over 300 scrutinies have been conducted since 1979. Their reports provide valuable evidence about change in the Civil Service over the last seven years and a detailed view of some of the workings of particular aspects of individual departments. A special survey of a cross section of 50 scrutinies was undertaken to draw out the lessons for this scrutiny.
- Organisations outside government** 16. Members of the Unit visited the following organisations to look at major management changes which had been brought about in the last few years. Each organisation is essentially a career organisation:
British Rail (Network SouthEast)
Halifax Building Society
ICI Fibres Division
- Central reports** 17. The Unit has kept closely in touch with developments in the Treasury and Cabinet Office (OMCS), in particular over progress on personnel management changes and the implementation of the Wilson report on Budgeting. We have also examined previous reports on the management of the Civil Service.
- Trade unions** 18. We held two formal meetings with the Council of Civil Service Unions.
- Cost of the scrutiny** 19. The estimated cost of the scrutiny was £50,000.

BEST AVAILABLE COPY