

PRIME MINISTER

THE DIPLOMATIC SERVICE

Geoffrey Howe has sent you Derek Day's thoughts about the Foreign Office, after two years as Chief Clerk. He recommends that you read it, and reckons that the views expressed are widely held in the Diplomatic Service.

Derek Day's message (Flag A) is that the Diplomatic Service's work load has grown considerably while its numbers and resources have been reduced. Something will soon give. Either the Diplomatic Service will have to abandon tasks or areas of the world; or it will need more people/money. Cash planning is rebuked as a blunt instrument which does not distinguish between the desirable and the unavoidable, and which needs to be replaced by a more selective and sophisticated approach (no details given however). Finally, there is a piece on the Government's apparent disdain for the public service in general and the Diplomatic Service in particular, and the effect this has on the Diplomatic Service's morale and ability to do its job.

That is not the only way of looking at it.

Tasks have indeed increased but the FCO has not adapted itself to deal with them to best advantage. Both in London and abroad there is too much attention to hierarchy, with decision-taking pushed inexorably upwards. The result is a congestion of work in the upper ranks, duplication of effort and over-emphasis on presentation and elaborate briefing. Too much of the FCO's work is generated by the internal bureaucratic needs of the organisation rather than the real needs of the country.

One effect is to make the Diplomatic Service stolid and ponderous instead of eager and original. It is also

obsessed with its image and with criticism of it. This makes it defensive about itself, which often spills over into being unnecessarily defensive and apologetic about Britain.

There is also a Foreign Office way of looking at the world which successive Governments and Foreign Secretaries do remarkably little to change. It tends to assume the best in others, to discount the likelihood of the worst happening and to wrinkle its nose fastidiously at too vigorous a pursuit of British interests. At worst it can degenerate into a tendency to pre-emptive surrender.

None of this is to dispute or belittle what the organisation can do when put on its mettle, nor the very real courage which is often shown in difficult and dangerous situations abroad.

Something certainly needs to be done. Much rests with the Foreign Office putting its own house in order. There are few, of my generation at least, who want to see the problem tackled by the country pulling in its horns or by recruiting more people into the Diplomatic Service. Geoffrey Howe is right to be sceptical of both those. There is plenty of scope to get more out of existing staff above all by more devolution of responsibility. Eliminating minute central control by the Treasury of every expenditure decision would help. A better motivation is essential.

But at the bottom of it all is the question of resources.

You might like to see, quite off the record, the attached resignation minute (Flag B) by a young man (a scientist in fact) who is just leaving the FCO after ten years to go off into industry. It sums up some of the frustrations, of which I think the most significant is the

feeling that declining resources going into overseas expenditure mean that members of the Diplomatic Service face a hopeless task. There is an interesting parallel here between Geoffrey Howe's frustration as Foreign Secretary about resource constraints reflected in his minutes to you and the personal consequences drawn by an individual way down the hierarchy. There is also a lesson in the enormous effect on morale in the police and the armed forces of the Government's decisions to devote more resources to their activities.

I don't think Geoffrey Howe expects any comment - though both he and Anthony Acland would be very interested in any which you were to make.

Some things are best left
unsaid
me

C.D.P.

C D POWELL

1 August 1984

SLHACJ



Foreign and Commonwealth Office

London SW1A 2AH

23 July, 1984

Dear Charles,

Sir Derek Day, who has just been appointed High Commissioner in Ottawa after six years in London, the last two as the FCO's Chief Clerk has written some very frank 'Final thoughts' about the Diplomatic Service. Sir Geoffrey Howe has discussed the minute with Sir Antony Acland, who agrees with it, and Sir Geoffrey judges that the views expressed by Sir Derek Day are pretty widely shared in the Diplomatic Service. He thought that when the Prime Minister has time - and there is certainly no hurry - she might like to read it.

Sir Geoffrey has three comments on the minute. He does not instinctively agree with the suggestion (paragraph 5) that we should adopt a less activist and interventionist foreign policy or should seek to withdraw from various subjects or parts of the world. Certainly he finds it difficult to endorse either of the specific suggestions made by Sir Derek Day. But he is taking a hard look at existing activities along the lines suggested by Sir Derek Day. He also believes, however, that we must recognise that an active foreign policy does require appropriate resources.

Second, Sir Geoffrey agrees that the need is to check and, if possible, reverse the growth of multilateral meetings referred to in paragraph 2(b) of the minute. He is determined that we should do all we can to resist the tendency for still more meetings, though we shall have few friends. Even so, he intends to fight hard against the kind of institutionalised expansion which is so evident, for example, in the context of the EEC enlargement. Meantime, this is an unpalatable fact of life, which will continue to put a considerable demand on resources.

Third, Sir Geoffrey is struck by the extent to which growing parliamentary activity is adding to the burdens of government: for example, the number of man-days spent abroad by parliamentary select committees has more than doubled (from under 500 to over 1,000) in the last five years. And we had over 300 Parliamentary questions last week. But these, of course, are problems which affect a number of other departments too.

*Yours ever,
L V Appleyard*

C D Powell Esq
10 Downing Street

CONFIDENTIAL

(L V Appleyard)
Private Secretary

FROM: Derek Day

DATE: 9 July 1984

PUS

cc: Private Secretary
Chief Clerk

SOME FINAL THOUGHTS

1. Since returning to the FCO in 1978, I have spent approximately 2 years as a geographical AUS, 2 years as a regional DUS and the last 2 years plus as Chief Clerk. In each capacity I have visited a number of posts ranging from the largest (Washington) to some of the smallest and most remote (Ulan Bator and Luanda). This has given me a fairly comprehensive picture of the Service at home and abroad. What impressions have I formed?

The Office in London

2. The pressure upon Ministers and officials in London is now greater and more constant than at any time that I can recall. There are a number of reasons for this:

- a. New crises arise (eg Falklands, the Gulf War, Central America) without others (eg Arab-Israel, Namibia, EC Budget) dying away. The overall load therefore increases;
- b. the growth of political cooperation - quadrilateral, the Seven, the Ten, NATO, Commonwealth, Western Groups in international organisations - involves more meetings, more briefing, more reporting, more travel;
- ? c. the 'new' diplomacy - economic, financial, technological, scientific - is a growth industry;
- d. Parliament, the public and the media make greater demands upon us. Select Committees command increased attention; correspondence with the public, through MPs, is on the increase; the media focus constantly on the international scene, and increased effort is required to keep the record straight;
- e. the monitoring role of the Central Departments has developed consistently in recent years: more and more returns are expected and scrutinies undertaken.

3. This new or increased activity is superimposed upon the normal and more routine bilateral diplomacy - trade promotion, consular protection, information activity, political reporting and the like. All of it has to be directed and serviced from London and advice provided for Ministers.

4. The Office just manages to meet and hopefully satisfy these demands. But it is a close run thing. This is achieved by dint of hard work and long hours. A 12 hour day in the Office is not

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uncommon among the more senior staff, particularly at times of stress: a 10 hour day has become the normal pattern for many. Staff can be motivated to accept this in times of crisis. It will become more difficult to do so if pressures remain indefinitely at the current level. Extra manpower in London would help, though there is a limit to the number of people who can usefully be deployed on a complex and rapidly evolving problem. In any event, additional manpower is ruled out by Government policy on Civil Service numbers.

5. What is the answer? We could withdraw staff from overseas to reinforce departments in London. This, however, would only transfer the problem elsewhere since there is little, if any, slack, overseas. The other possibility is for us to adopt a less activist and interventionist foreign policy. There will always be areas in which we shall have to be fully engaged - NATO, the European Community, the US connection, the Commonwealth. But in certain areas, and in respect to certain issues, we could perhaps pursue less forward policies and thus reduce the pressures upon Ministers and officials. Do we really need to play such an active role in so many of the issues that come before the UN? Could we not let others take the lead, unless our vital national interests were engaged? Do we still need to engage ourselves in all aspects of Middle East/Gulf affairs where our ability to influence events is necessarily limited? My point is that our reduced resources of manpower and money, coupled with the imposition of new and unavoidable demands, must oblige us to consider whether we can or should try to cover all developments in the international scene. If HMG conclude that they should, then adequate resources must be made available. Otherwise we should aim to do properly what really matters to us rather than operate less effectively over the whole field.

The Service Overseas

6. Manpower is less of a problem overseas. This is not to say that Heads of Mission have not pressed me in the past couple of years for increases in staff. The pressures are not, however, as persistent as in London, and I judge that we have now got the size of overseas posts about right. Where change is justified, this is normally picked up by the Inspectoral system. Furthermore, Heads of Mission themselves are taking a more positive interest in management and some have offered reductions in staff outside the Inspectoral cycle.

7. It is overseas that the financial constraints bite most sharply. Travel budgets, entertainment allowances, and Estate maintenance and furniture funds have been reduced over the years and are now below what is desirable and necessary. We do not have the resources to rationalise the Overseas Estate, and therefore, in the long run, incur greater expenditure than we need. The eventual loser is the tax-payer. Some allowances remain frozen, to the point of absurdity. The £250 Climatic Clothing allowance is scarcely realistic at current prices.

8. The provision of even a modest amount of additional funds (in terms of overall Government expenditure) would ease our difficulties. Further reductions can only compound them. It is therefore of critical importance that we are successful in obtaining at least our priority additional bids in the current PES round. If we do not, something will have to give. Otherwise we will face deteriorating standards and conditions at many posts overseas. As with the FCO in London, we will have to decide whether to do a proper job in fewer places or an inferior job in all those places where we are already represented. I would argue most strongly for the former option if the choice has to be made.

Cash Planning

9. We now have several years experience of cash planning. Overall the concept makes sense. Some limit has to be set to the sums available for public expenditure. Cash planning is, however, something of a blunt instrument, and now that it has achieved its main objective of bringing Government expenditure under control, there is a need for a more selective and sophisticated approach. For cash planning as at present applied makes no distinction between what is unavoidable and what is desirable. It is not geared to meet unforeseen and unavoidable demands which may arise and for which compensating savings cannot readily be found. 'Increased productivity' or 'reallocation of resources' are fine in theory, but rarely, in practice, provide an acceptable solution. I do not advocate the abandonment of cash planning. It provides a good discipline. But the time has now come to apply a less doctrinaire and inflexible approach to financial planning by the Treasury. The current annual horse-trading between the Treasury and individual Departments cannot be the most effective way of managing the Government's finances in the national interest.

what is?

Management of the Public Service

10. This has been given high priority in recent years, and rightly so. As a major employer HMG need to concern themselves with relations between management and staff. I am concerned that this relationship has deteriorated in recent years. I detect two weaknesses.

11. Firstly, HMG, while preaching improved management, have not themselves practised it. The Cabinet is, in effect, the Board of Directors of UK Ltd. If they seek to achieve increased productivity, greater efficiency, and overall economies, they need to carry their employees with them. If they want to retain the enthusiasm and loyalty of their staff, they must provide proper motivation. If they call for greater effort without a corresponding increase in remuneration, they have to demonstrate some recognition and respect for their work-force. This essential element of confidence and respect between management and staff

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has been undermined in recent years. There is a feeling within the Public Service (including some elements of the Diplomatic Service) that the Government regard the Public Servant with some disdain. The media feed upon and exaggerate these trends. The attempts that have been made to correct these impressions have not carried conviction. As a result an atmosphere of confrontation has developed. In part this can be attributed to a militant and politically motivated minority within the Civil Service Trade Union movement. It would, however, be unwise to assume that it does not reflect a genuine disillusionment amongst many loyal and dedicated public servants, a number of whom will be filling senior posts in the Civil Service in the years ahead. The country, and future governments, will suffer if the current trend is not reversed. Some very careful thought is therefore needed if lasting damage is to be avoided.

12. The Diplomatic Service has a particular interest in this matter. If the impression gains currency that the Service is not trusted or respected by the Government and the nation, this is bound to affect adversely our ability to represent the nation's interests overseas. Other Governments will not take seriously a Service which is believed not to enjoy the confidence of its own people.

13. The second managerial weakness is the extent of central direction and control over individual Departments. Having agreed fixed manpower and financial ceilings, Departments (and Departmental Ministers) should be given discretion to operate within those ceilings as they judge best. And yet we now have a system in which some decisions taken by Ministers which have financial or manpower implications have to be monitored and cleared at Assistant Secretary level in the Treasury even if existing ceilings are not to be exceeded. We even have scrutinies of the Rayner Scrutiny system. This is management gone mad; and cannot be what the Government really intends. Overall control over financial strategy clearly has to remain at the centre, but once the guidelines have been set and figures agreed, those responsible in individual Departments should be trusted to get on with their job. If they fail, they are answerable to the PAC direct. This is a discipline - and a sanction - which should oblige every Department to be scrupulous in the management of its affairs. At present, we have reached a situation in which staff are having to be diverted from their proper task of the efficient and economic management of the Service in order to handle the constant flow of directives and questionnaires issuing from the Central Departments. This is not cost-effective.

Conclusion

14. I would not wish to conclude on a pessimistic note. The Service has much to be proud of and thankful for. We have a loyal, dedicated and conscientious staff. I believe we give value for money. Our

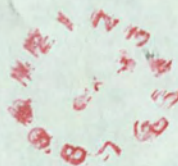
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reputation stands high overseas, in spite of the criticism we attract at home. We still manage to recruit high quality staff. We can therefore look forward to the future with confidence. My one misgiving is that we will be asked to do too much with the reduced resources available to us. This will be the crucial issue for Ministers and the FCO Administration in the years immediately ahead.

D. M. Day.

Derek Day

23 JUL 1984



RESIGNATION

1. As you may have heard I have submitted my resignation to POD and will be leaving the Office later this month. I felt however that I owed the Service which has treated me well over the last ten years at least a brief word of explanation.

2. - As a B.P planner once said to me 'we do not live in a monocausal world'. No single factor induced me to look for opportunities elsewhere. Rather it was a number of factors which coalesced and interacted.

3. First, I believe that public expenditure cuts have reduced job satisfaction at desk-level. From the excellent vantage point which Planning Staff provides it has become increasingly evident to me that so often departments can see all too clearly what needs to be done to promote British interests overseas but are unable to take the necessary action for lack of resources. The frustrations which this situation produces are likely to increase with time as the gap between our overseas interests (which are now likely to remain more or less constant) and the declining resources devoted to overseas activity widens. (Indeed, there is a strong case for arguing that as the historical advantages for exerting our influence that we have enjoyed wane, greater resources are needed merely to stand still). There is a distinct limit to the extent to which the gap can be narrowed by expecting officers in the FCO to work ever longer hours; it may already have been passed. Unless other action is taken to reduce the gap between interests and resources, the instances in which the FCO will be publicly blamed for events beyond Calais are likely to become more frequent. One consequence will be a continued decline in the morale of a Service which has not always received the governmental and public support it deserves.

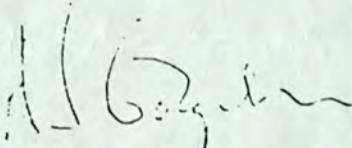
4. Secondly, the structure of the FCO is such that even the fliers (of whom I am not one) must spend at least 10 years slogging through Grade 5 before being given a real taste of responsibility. Lesser mortals take even longer. Aside from the personal frustrations this can create for the individual officer, it cannot be a cost-effective use of human resources. I know that there are no easy answers to the FCO's structural problems. But if I understand POD correctly, promotion ages from 5 to 4 and from 4 to the Senior Grades are likely to deteriorate rather than improve.

5. Thirdly, a series of pay settlements below the rate of inflation has exacerbated the extent to which civil servants in their thirties are suffering financially in comparison to private sector counterparts. The Government have decided to use restrictions on public sector pay as a means of controlling inflation in the economy as a whole and of transferring resources to the private sector. I do not question their right to do so. But equally, the Government must expect their employees to vote with their feet when market conditions become unfavourable for public sector employment. The opportunity cost involved in working for the Government is substantial and growing.

6. Fourthly, personal factors have played a part in my decision. I find that I am now reluctant to put my children into boarding school while I am thousands of miles away. I am also less willing than before to move every 3-4 years for the next quarter century at someone else's behest. The immediate and justifiable response to these two points is to say that I knew the terms when I joined. But the values of a family man in his thirties are inevitably different from those of a bachelor in his twenties. In this respect, I suggest that PPD when recruiting need to push young candidates to think much harder than at present about the implications of the career they are taking on.

7. Nobody joins the Diplomatic Service to make a fortune, or to have a rigid '9 to 5' existence. For most of us, job satisfaction is the main driving force. But as that satisfaction declines for the reasons outlined above, personal considerations and more material factors like pay and long working hours become relatively more important.

8. It would be pretentious of me to suggest that my decision will have much influence on those of others. I have expressed few, if any, points for dissatisfaction which have not been made frequently before. But it may be significant that the first three people to whom I mentioned my intention to resign all said that they had been thinking about doing the same thing.


A J Colquhoun